

Tesorito drilling commenced, own rig shipped, IP on its way

HIGHLIGHTS

- Drilling has commenced and entered diorite porphyry near surface
- First hole of expanded drilling program at the Quinchia Gold Project - Colombia
- Company's own drill rig and ancillary equipment has commenced journey to Colombia
- IP geophysics equipment has also commenced shipping to Colombia

Los Cerros Limited (ASX: LCL) (Los Cerros or the Company), is pleased to advise that the Q3 2020 drilling campaign has commenced with hole TS-DH08 breaking ground on 7 August as part of a prolonged drill program to determine continuity of gold mineralisation at the Tesorito Prospect. Results from this program will inform the merits of a focussed resource drilling campaign and the impact of additional resources to augment existing resources/reserves at the nearby Miraflores Deposit.

Based on visual comparisons of the core from near-by holes TS-DH07 and TS-DH02, drilling at TS-DH08 entered saprolite, interpreted to be weathered porphyry, from 7m and fresh diorite porphyry at 22m down hole. Drilling is currently at 110m and remains in diorite porphyry. Previously reported results from holes TS-DH07 and TS-DH02¹ include:

- 384m @ 1.01g/t from 16m incl 29.3m @ 1.9g/t Au from 136.75m in TS-DH02; and
- 253.1m @ 1.01g/t Au from 2.9m incl 64m @ 1.67g/t Au from 144m in TS-DH07

The initial hole has a planned depth of 400m and is expected to take most of August to complete with assays expected from mid-September².

The second hole of the drilling program is planned to explore a recently defined gold/molybdenum soil geochemistry anomaly to the north of the drilled region of Tesorito.

Drilling Rig and IP Equipment Acquisition Update

The Company confirms that the shipment of its own drill rig and ancillary equipment purchased under the HK Ausino partnership³ has begun its journey to Colombia, having left Chengdu, China on its way to Shanghai Port for shipping to Buenaventura on the Colombian Pacific coast. Subject to logistics and COVID-19 restrictions, the rig is expected in Colombia in October. Until its arrival and commissioning, the Company will continue to use the current Colombia drilling services provider.

Los Cerros further advises that two sets of bespoke IP equipment planned for geophysical programs across the Quinchia and Andes projects are also on their way to Colombia. The equipment is intended to be purchased under the HK Ausino arrangement.

¹ See ASX release 30 August 2018 for the initial reporting of the Tesorito assays. The most significant intercepts have been disclosed to demonstrate the potential for future discovery. Readers are cautioned that such intercepts should not be considered to be indicative of the grades throughout the system and those wishing to consider more comprehensive results should refer to the 30 August 2018 announcement. The Company confirms that it is not aware of any new information that affects the information contained in the announcement

² Subject to impact of COVID-19, logistics and the assay laboratory's capacity and schedule

³ See announcement 22 April 2020 for further details of the SPA



Photos: The Company's Atlas Copco drill rig being tested before packing (left). In addition to the rig, the shipment has over 300 different items including drill rods (right).

Corporate Update

Settlement of Outstanding Liabilities to Company Directors

The Board of Los Cerros have resolved to settle outstanding liabilities to the Company's directors.

These liabilities have arisen over the period of substantial corporate reorganisation which commenced in 2018 and subsequent to and associated with the acquisition of Andes Resources whereby the Company's directors provided financial assistance to the Company via substantial unsecured loans plus deferral of salary, deferral of private expenses reimbursement and deferral of an employment contractual payment. These high-risk financial sacrifices have enabled the Company to complete and optimize exploration programs which has identified multiple drilling targets the subject of the current drilling program.

Accordingly, and as part of the broad and ongoing strategic re-structure and clean-up of legacy issues, the Company's board now wishes to address outstanding Director debts through the issue of fully paid shares, subject to shareholder approval as follows:

- \$19,379.09 to be paid in shares at \$0.0764/share being the 10day VWAP from 11 August 2020, to Non-executive Chair Ross Ashton, comprising:
 - 102,231 Shares in lieu of \$7,812.07 of unpaid Directors fees for Andes Resources; and
 - 151,370 Shares in lieu of reimbursement of \$11,567.02 of private expenses.
- \$167,005 to be paid in shares at \$0.0764/share being the 10day VWAP from 11 August 2020 (comprising 2,185,492 shares), to non-executive director Kevin Wilson, in lieu of unpaid salary for an approximately 15 month period when he was Executive Chairman under his 2018 Executive Services Agreement.

Board and Management Incentives

To assist in the reward, retention and motivation of directors and senior management, the Board resolved, subject to shareholder approval and with individual conflicted directors appropriately abstaining, to provide short and long term incentives through the issue of Performance Rights and Options as follows:

- Managing Director Jason Stirbinskis
 - 2 million Performance Rights for nil consideration conditional upon 20 day share price VWAP of >\$0.15, expiring 11 August 2024
 - 3.5 million Performance Rights for nil consideration conditional upon 20 day share price VWAP of >\$0.20, expiring 11 August 2024

- 3.5 million Performance Rights for nil consideration conditional upon 20 day share price VWAP of >\$0.25, expiring 11 August 2024
- Non-executive Chair Ross Ashton
 - 0.66 million Options for nil consideration exercisable at \$0.15, expiring 11 August 2024
 - 1.16 million Options for nil consideration exercisable at \$0.20, expiring 11 August 2024
 - 1.16 million Options for nil consideration exercisable at \$0.25, expiring 11 August 2024
- Non-executive Director Kevin Wilson
 - 0.44 million Options for nil consideration exercisable at \$0.15, expiring 11 August 2024
 - 0.77 million Options for nil consideration exercisable at \$0.20, expiring 11 August 2024
 - 0.77 million Options for nil consideration exercisable at \$0.25, expiring 11 August 2024

Settlement of Historical Dispute with Former Director

The Company also advises it has reached a settlement with Mr Simon Brown, a former director and employee of Andes Resources, the Company's wholly owned subsidiary. The settlement is a full and final settlement of the claim announced by the Company on 26 February 2020. The Company does not regard the settlement terms as material.

Conversion of Options

The Company further advises that over recent months approximately 20.56 million options have been exercised providing over \$400,000 of additional funding to the Company.

For the purpose of ASX Listing Rule 15.5, the Board has authorised for this announcement to be released.

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FORWARD LOOKING STATEMENTS This document contains forward looking statements concerning Los Cerros. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Los Cerros' beliefs, opinions and estimates of Los Cerros as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments. Although management believes that the assumptions made by the Company and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of gold, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. Readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. No representation, warranty or undertaking, express or implied, is given or made by the Company that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur.

JORC STATEMENTS - COMPETENT PERSONS STATEMENTS

The technical information related to Los Cerros assets contained in this report that relates to Exploration Results (excluding those pertaining to Mineral Resources and Reserves) is based on information compiled by Mr Cesar Garcia, who is a Member of the Australasian Institute of Mining and Metallurgy and who is a Geologist employed by Los Cerros on a full-time basis. Mr Garcia has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Garcia consents to the inclusion in the release of the matters based on the information he has compiled in the form and context in which it appears.

The Company is not aware of any new information or data that materially affects the information included in this release.