

28 July 2020

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Los Cerros Limited (Company) will be held at Suite 12, Level 1, 11 Ventnor Avenue, West Perth WA 6005 on Thursday, 27 August 2020, at 11:00am (AWST) ("General Meeting", "GM" or "Meeting").

In accordance with subsection 5(1)(f) of the Corporations (Coronavirus Economic Response) Determination (No.1) 2020 made by the Commonwealth Treasurer on 5 May 2020, the Company will not be dispatching physical copies of the Notice of Meeting. Instead the Notice of Meeting and accompanying explanatory statement (Meeting Materials) are being made available to shareholders electronically. This means that:

- You can access the Meeting Materials online at the Company's website <https://www.loscerros.com.au/site/investor-information/Investor-Centre> or at or at the Company's share registry's website www.linkmarketservices.com.au through Investor Centre.
- A complete copy of the Meeting Materials has been posted to the Company's ASX Market announcements page at www.asx.com.au under the Company's ASX code "LCL".
- If you have provided an email address and have elected to receive electronic communications from the Company, you will receive an email to your nominated email address with a link to an electronic copy of the Meeting materials and the voting instruction form.

If you would like to receive electronic communications from the Company in the future, please update your communication elections online at www.linkmarketservices.com.au. If you have not yet registered, you will need your shareholder information including SRN/HIN details.

If you are unable to access the Meeting Materials online please contact our share registry LINK on www.linkmarketservices.com.au or by phone on 1300 554 474 (within Australia) or on +61 1300 554 474 (Outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday, to obtain a copy.

Yours sincerely



Julia Beckett
JOINT COMPANY SECRETARY



**Los Cerros Limited
ACN 119 759 349**

Notice of General Meeting

The General Meeting of the Company will be held at the office of Los Cerros Limited, at Suite 12, Level 1, 11 Ventnor Avenue, West Perth, Western Australia on Thursday, 27 August 2020 at 11:00am (WST).

THE COMPANY IS TAKING PRECAUTIONS TO FACILITATE AN IN PERSON MEETING IN ACCORDANCE WITH COVID-19 RESTRICTIONS. IF THE SITUATION IN RELATION TO COVID-19 CHANGES IN A WAY AFFECTING THE ABILITY TO FACILITATE AN INPERSON MEETING , THE COMPANY WILL PROVIDE AN UPDATE AHEAD OF THE MEETING BY WAY OF AN ASX ANNOUNCEMENT.

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

Should you wish to discuss any matter, please do not hesitate to contact the Joint Company Secretary, Julia Beckett, by telephone on +61 8 6245 2050.

Shareholders are urged to vote by lodging the proxy form attached to the Notice

Los Cerros Limited
ACN 119 759 349
(Company)

Notice of General Meeting

Notice is hereby given that the general meeting of Shareholders of Los Cerros Limited will be held at the office of Los Cerros Limited, Suite 12, Level 1, 11 Ventnor Avenue West Perth, Western Australia on Thursday, 27 August 2020 at 11:00am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 25 August 2020 at 11:00am (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

Agenda

1 Resolutions

Resolution 1 – Ratification of prior issue of Tranche 1 Placement Shares

To consider and, if thought fit, to pass with or without amendment, each as a **separate** ordinary resolution the following:

'That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the following issues of Tranche 1 Placement Shares:

- (a) 23,527,225 Tranche 1 Placement Shares under Listing Rule 7.1; and
- (b) 25,972,775 Tranche 1 Placement Shares under Listing Rule 7.1A,

on the terms and conditions in the Explanatory Memorandum.'

Resolution 2 – Approval to issue Tranche 2 Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That the issue of up to 38,000,000 Tranche 2 Placement Shares at \$0.04 each is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'

Resolution 3 – Approval to issue Director Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, pursuant to and in accordance Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 750,000 Director Placement Shares to Mr Ross Ashton (or his nominee) on the terms and conditions in the Explanatory Memorandum.'

Resolution 4 - Ratification of prior issue of Shares to HK Ausino Investment Limited

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of up to 12,473,724 Shares to HK Ausino Investment Limited (or its nominees) on the terms and conditions in the Explanatory Memorandum.'

Voting exclusions

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of:

- (a) Resolution 1(a) and (b) by or on behalf of any person who participated in the issue of the Tranche 1 Placement Shares, or any of their respective associates;
- (b) Resolution 2 by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any of their respective associates;
- (c) Resolution 3 by or on behalf of Mr Ross Ashton (or his nominees), and any other person who will obtain a material benefit as a result of the issue of the Director Placement Shares (except a benefit solely by reason of being a Shareholder), or any of their respective associates; and
- (d) Resolution 4 by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved.

The above voting exclusions do not apply to a vote cast in favour of the relevant Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Shares held by or for an employee incentive scheme must only be voted on a Resolution under the Listing Rules if and to the extent that they are held for the benefit of a nominated participant in the scheme; the nominated participant is not excluded from voting on the Resolution under the Listing Rules; and the nominated participant has directed how the Shares are to be voted.

BY ORDER OF THE BOARD



Julia Beckett
Joint Company Secretary
Los Cerros Limited
Dated: 28 July 2020

Los Cerros Limited
ACN 119 759 349
(Company)

Explanatory Memorandum

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the office of Los Cerros Limited, Suite 12, Level 1, 11 Ventnor Avenue, West Perth, Western Australia on Thursday, 27 August 2020 at 11:00am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Resolution 1– Ratification of prior issue of Tranche 1 Placement Shares
Section 4	Resolution 2– Approval to issue Tranche 2 Placement Shares
Section 5	Resolution 3– Approval to issue Director Placement Shares
Section 6	Resolution 4- Ratification of prior issue of Shares to HK Ausino Investment Limited
Schedule 1	Definitions

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Impact of COVID-19 on the Meeting

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19.

Based on the best information available to the Board at the time of the Notice, the Board considers it will be in a position to hold an 'in-person' meeting to provide Shareholders with a reasonable opportunity to participate in and vote at the Meeting, while complying with the COVID-19 restrictions regarding gatherings. The Company, however, strongly encourages Shareholders to submit proxies prior to the Meeting.

If the situation in relation to COVID-19 were to change in a way that affects the position above, the Company will provide an update ahead of the Meeting by releasing an ASX announcement.

2.2 Voting in person

Given the current COVID-19 circumstances and in the interests of public health and safety of our Shareholders, the Company will implement arrangements to allow Shareholders to physically attend the Meeting in accordance with COVID-19 protocols and government advice.

The Company will strictly comply with applicable limitations on indoor gatherings in force at the time of the Meeting. If you attend the Meeting in person, you will be required to adhere to COVID-19 protocols in place at the time of the Meeting.

2.3 Proxies

Shareholders are encouraged to vote by voting online or by completing a Proxy Form.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Lodgement instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form to the Notice of Meeting.

Proxy Forms can be lodged:

Online:	At www.linkmarketservices.com.au
By email:	registrars@linkmarketservices.com.au
By mail:	Share Registry – Link Market Services Limited, Locked Bag A14 Sydney South NSW 1235 Australia
By fax:	+61 2 9287 0309 (outside Australia) 1300 554 474 (within Australia)
By hand:	Link Market Services Limited * Level 12, 680 George Street SYDNEY NSW 2000 *During business hours (Monday to Friday, 9:00am-5:00pm)
All enquiries to:	+61 1300 554 474 (outside Australia)

2.4 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

3. **Resolution 1– Ratification of prior issue of Tranche 1 Placement Shares**

3.1 **General**

On 13 July 2020, the Company announced that it had received binding commitments for a placement to raise approximately \$3.5 million before costs (**Placement**) by the issue of 88,250,000 Shares at \$0.04 each as follows:

- (a) 49,500,000 Shares issued under the Company's Listing Rules 7.1 and 7.1A placement capacity to sophisticated and professional investors (**Placement Participants**) who are not related parties of the Company (**Tranche 1 Placement Shares**);
- (b) 38,000,000 Shares to be issued subject to the receipt of prior Shareholder approval (the subject of Resolution 2) (**Tranche 2 Placement Shares**); and
- (c) 750,000 Shares to be issued to Mr Ross Ashton, subject to the receipt of prior Shareholder approval (the subject of Resolution 3) (**Director Placement Shares**).

Resolution 1(a) and Resolution 1(b) seek the approval of Shareholders pursuant to Listing Rule 7.4 to ratify the issue of the Tranche 1 Placement Shares.

Resolution 1(a) and Resolution 1(b) are ordinary resolutions.

The Board recommends that Shareholders vote in favour of both of the Resolutions which form part of Resolution 1.

3.2 **Listing Rules 7.1, 7.1A and 7.4**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval at its annual general meeting to allow it to issue Equity Securities comprising up to 10% of its issued capital. The Company obtained this approval at its annual general meeting held on 23 June 2020.

The issue of the Tranche 1 Placement Shares does not fit within any of the exceptions to Listing Rules 7.1 and 7.1A and, as it has not yet been approved by Shareholders, effectively uses up part of the Company's placement capacity under each of Listing Rules 7.1 and 7.1A. This reduces the Company's capacity to issue further Equity Securities without Shareholder approval under those Listing Rules for the 12 month period following the issue of the Tranche 1 Placement Shares.

Listing Rule 7.4 provides an exception to Listing Rules 7.1 and 7.1A. It provides that where a company in general meeting ratifies previous issues of securities made pursuant to Listing Rules 7.1 and 7.1A (and provided that the previous issues did not breach Listing Rules 7.1 and 7.1A), those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rules 7.1 and 7.1A, as applicable.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rules 7.1 and 7.1A.

The effect of the resolutions which form part of Resolution 1 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 and the additional 10% annual placement capacity set out in Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

If both of the Resolutions which form part of Resolution 1 are passed, the issue will be excluded in calculating the Company's 15% limit in Listing Rule 7.1 and 10% limit in Listing Rule 7.1A, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue date.

In the event that Resolution 1(a) is not passed, the portion of the Tranche 1 Placement Shares issued under Listing Rule 7.1 will continue to be included in the Company's 15% limit under Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue or agree to issue without obtaining prior Shareholder approval to the extent of 23,527,225 Equity Securities for the 12 month period following the issue of those Tranche 1 Placement Shares.

In the event that Resolution 1(b) is not passed, the portion of Tranche 1 Placement Shares issued under Listing Rule 7.1(a) will continue to be included in the Company's 10% limit under Listing Rule 7.1A, effectively decreasing the number of Equity Securities the Company can issue or agreed to issue without obtaining prior Shareholder approval, to the extent of 25,972,775 Equity Securities, until the earlier of:

- (a) 22 June 2021;
- (b) the Company's next annual general meeting; or
- (c) the date Shareholders approve a transaction under Listing Rule 11.1.2 or 11.2.

3.3 **Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Tranche 1 Placement Shares:

- (a) the Tranche 1 Placement Shares were issued to Placement Participants, none of whom is a related party of the Company or a Material Investor. Hartleys Limited acted as Lead Manager to the Placement. The Placement Participants were identified through a bookbuild process, which involved the Lead Manager seeking expressions of interest to participate in the capital raising from non-related parties of the Company, including but not limited to existing contacts of the Company and clients of the Lead Manager;
- (b) a total of 49,500,000 Tranche 1 Placement Shares were issued on 21 July 2020 as follows:
 - (i) 23,527,225 Tranche 1 Placement Shares were issued within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval; and
 - (ii) 25,972,775 Tranche 1 Placement Shares were issued within the 10% limit permitted under Listing Rule 7.1A, without the need for Shareholder approval;

- (c) the Tranche 1 Placement Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Tranche 1 Placement Shares were issued at \$0.04 per Share;
- (e) the proceeds from the issue of the Tranche 1 Placement Shares are intended to be used towards developing the Quinchia Gold Project which includes the Tesorito, Chuscal and Miraflores deposits (the Company to first commence drilling at Tesorito) and general working capital;
- (f) the Tranche 1 Placement Shares were not issued under an agreement; and
- (g) a voting exclusion statement is included in the Notice.

4. Resolution 2– Approval to issue Tranche 2 Placement Shares

4.1 General

Refer to Section 3.1 for details of the Placement.

Resolution 2 seeks the approval of Shareholders for the issue of up to 38,000,000 Tranche 2 Placement Shares to raise up to \$1.52 million (before costs) under and for the purposes of Listing Rule 7.1.

Resolution 2 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 2.

4.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is contained in Section 3.2 above.

The proposed issue of Tranche 2 Placement Shares does not fit within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Tranche 2 Placement Shares and raise up to \$1.52 million (before costs) to fund the Company's Quinchia Gold Project and general working capital. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the proposed issue of the Tranche 2 Placement Shares and may need to raise additional funds through an equity capital raising of a lesser amount using any remaining capacity under Listing Rules 7.1 and 7.1A, or forgo the funds that otherwise could have been raised through the issue of the Tranche 2 Placement Shares. In the event that the funds were not raised, this would impact on the Company's ability to carry out its proposed exploration program at the Quinchia Gold Project in the manner it currently intends to. There can be no assurance that additional finance will be available when needed or, if available, that the terms of the financing will be favourable to the Company.

4.3 **Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Tranche 2 Placement Shares:

- (a) the Tranche 2 Placement Shares will be issued to Placement Participants, being investors to whom a prospectus does not need to be provided under the Corporations Act, none of whom will be a related party of the Company or a Material Investor. Other than the issue of the Director Placement Shares to (refer to Resolution 3), none of the Placement Participants will be related parties of the Company. Hartleys Limited has been mandated to act as Lead Manager to the Placement. The participants in the Placement are existing contacts of the Company and Lead Manager were identified by the Company after it sought expressions of interest from non-related parties to participate in the Placement. The Company notes that Dr Minlu Fu has committed to subscribe for Tranche 2 Placement Shares and through his nominee Lizeng Pty Ltd is a Material Investor by virtue of being a substantial Shareholder. Dr Minlu Fu is not a related party of the Company, but is a controller of Ausino, an entity which provides services to the Company;
- (b) a maximum of 38,000,000 Shares are to be issued as Tranche 2 Placement Shares;
- (c) the Tranche 2 Placement Shares will be issued as fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;
- (d) the Tranche 2 Placement Shares will be issued no later than three months after the date of the Meeting. It is intended that the Tranche 2 Placement Shares will be issued on or about the date of the Meeting;
- (e) the Tranche 2 Placement Shares will be issued at \$0.04 per Share;
- (f) proceeds from the issue of the Tranche 2 Placement Shares are intended to be used for the same purposes as all other funds raised under the Placement (as set out in Section 3.3(e));
- (g) the Tranche 2 Placement Shares will not be issued under an agreement, however, the Company understands subscribers for the Tranche 2 Placement Shares entered into commitment letters with Hartleys Limited; and
- (h) a voting exclusion statement is included in the Notice.

5. **Resolution 3– Approval to issue Director Placement Shares**

5.1 **General**

Refer to Section 3.1 for details of the Placement.

Pursuant to Resolution 3, the Company is seeking Shareholder approval for the issue of up to 750,000 Director Placement Shares to Mr Ross Ashton (or his nominee) at an issue price of \$0.04 each to raise up to \$30,000 (before costs).

Resolution 3 is an ordinary resolution.

The Board (other than Mr Ashton who has a personal interest in the outcome of the Resolution) recommends that Shareholders vote in favour of Resolution 3.

5.2 **Listing Rule 10.11**

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies.

Mr Ashton is a related party of the Company by virtue of being a Director. As the issue of the Director Placement Shares involves the issue of Shares to related parties of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to Listing Rule 7.1 is not required for the issue of the Director Placement Shares as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of the Director Placement Shares will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to proceed with the issue of 750,000 Director Placement Shares to Mr Ashton and raise up to \$30,000 (before costs) to fund the Company's Quinchia Gold Project and general working capital.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Director Placement Shares to Mr Ashton.

5.3 **Specific information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Director Placement Shares:

- (a) the Director Placement Shares will be issued to Mr Ross Ashton (or his nominee), a Director of the Company;
- (b) pursuant to Listing Rule 10.11.1, Mr Ashton is a related party by virtue of his position as Director;
- (c) the maximum number of Director Placement Shares to be issued to Mr Ross Aston (or his nominee) is 750,000 Shares;
- (d) the Director Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Director Placement Shares will be issued no later than one month after the date of the Meeting;
- (f) the issue price will be \$0.04 per Director Placement Share, being the same as all other Shares issued under the Placement;
- (g) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in Section 3.3(e);

- (h) the Director Placement Shares are not being issued under an agreement; and
- (i) a voting exclusion statement is included in the Notice.

5.4 **Chapter 2E of the Corporations Act**

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Mr Ashton's participation in the Placement will result in the issue of Shares which constitutes giving a financial benefit and Mr Ashton is a related party of the Company by virtue of being a Director.

The Board considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Mr Ashton's participation in the Placement because the Shares will be issued on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

6. **Resolution 4- Ratification of prior issue of Shares to HK Ausino Investment Limited**

6.1 **General**

On 22 April 2020, the Company announced that it had entered into a strategic partnership and services agreement (**Services Agreement**) with HK Ausino Investments Limited (**Ausino**) for the provision of induced polarisation (**IP**) survey services, drilling services, drilling equipment, personnel and consumables.

Key elements of the Services Agreement are detailed below:

- (a) The Services Agreement is subject to a 6-month trial period. During the trial period, the parties may at any time terminate the Services Agreement. At the end of the trial period, the parties may negotiate in good faith to make amendments to the term of the Services Agreement, the minimum performance conditions and performance targets.
- (b) The Services Agreement will commence upon the Company placing the initial purchase order.
- (c) Ausino will provide equipment and services over an approximately 18-month period to the value of up to \$2 million.
- (d) Ausino will provide a new, fit for purpose, diamond core drill rig, drill rods, other consumables and extended after sale support in the form of expert senior drillers on site to build the Company's internal capabilities.

- (e) Ausino will provide two sets of specialist IP equipment and a specialist Geophysics team to conduct IP surveys over targets within the Company's portfolio.
- (f) The Company has the discretion to pay Ausino in cash or in Shares, with payments to be made incrementally in conjunction with a purchase order using a 20-day VWAP based on the day the Company issues the purchase order.

The Company will also decide whether such an issue will be made subject to Shareholder approval or out of its placement capacity under Listing Rule 7.1. The issue of Shares is calculated in accordance with the following formula:

$$\text{Number of Shares} = \frac{\text{Purchase Order Amount}}{\text{(20 Day) VWAP of Shares at the Purchase Order Date}}$$

There is no obligation on the Company to issue Shares under the Services Agreement.

The Services Agreement contains additional provisions, including warranties and indemnities in respect of the services, which are considered standard for agreements of this nature.

On 3 June 2020, the Company placed a purchase order, the subject of this Resolution 4, with Ausino in relation to a drilling operation of 10,000m (C5C drill rig) totalling \$654,871 (**Purchase Order**). The Company assessed the Purchase Order and agreed to pay Ausino in Shares based on a 20 day VWAP of \$0.0525 on the day that the Company issues the Purchase Order (**Ausino Shares**). Pursuant to the formula, Ausino will receive up to 12,473,724 Shares.

Following the date of the Notice, but prior to the Meeting, the Company intends to issue up to 12,473,724 Shares to Ausino.

Resolution 4 seeks the approval of Shareholders pursuant to Listing Rule 7.4 to ratify the issue of Ausino Shares.

Resolution 4 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 4.

6.2 Listing Rule 7.1 and 7.4

A summary of Listing Rule 7.1 and 7.4 is contained in Section 3.2 above.

The Company confirms that the issue of the Ausino Shares will not breach Listing Rule 7.1.

The effect of passing Resolution 4 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to 15% Placement Capacity without the requirement to obtain prior Shareholder approval.

Resolution 4 seeks the required Shareholder approval to the issue of the Ausino Shares under and for the purposes of Listing Rule 7.1.

In the event that Resolution 4 is not approved by Shareholders, the issue of the Ausino Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively

decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue date.

6.3 **Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Ausino Shares:

- (a) the Ausino Shares were issued to HK Ausino Investments Limited (or its nominees). Ausino is an entity controlled by Dr Minlu Fu, who is a Material Investor by virtue of being a substantial Shareholder of the Company through his nominee Lizeng Pty Ltd;
- (b) a total of up to 12,473,724 Shares were to be issued pursuant to the Company's 15% placement capacity under Listing Rule 7.1;
- (c) the Ausino Shares were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) following the date of the Notice, but prior to the Meeting, the Company intends to issue the Ausino Shares;
- (e) the Ausino Shares were issued for nil cash consideration as consideration for the Purchase Order. Accordingly, no funds were raised from the issue;
- (f) a summary of the material terms of the Services Agreement is set out in Section 6.1 above; and
- (g) a voting exclusion statement is included in the Notice.

Schedule 1 Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$	means Australian Dollars.
ASX	means ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Ausino	means HK Ausino Investments Limited.
Ausino Shares	Means up to 12,473,724 Shares to be issued to Ausino as consideration for the Purchase Order.
Board	means the board of Directors.
Chair	means the person appointed to chair the Meeting of the Company convened by the Notice.
Company	means Los Cerros Limited ACN 119 759 349.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Director Placement Shares	means the 750,000 Shares to be issued to Mr Ross Ashton, which is the subject of Resolution 3.
Equity Security	has the same meaning as in the Listing Rules.
Explanatory Memorandum	means the explanatory memorandum which forms part of the Notice.
Key Management Personnel	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.
Listing Rules	means the listing rules of ASX.
Material Investor	means, in relation to the Company: (a) a related party; (b) Key Management Personnel; (c) a substantial Shareholder; (d) an adviser; or (e) an associate,

of the above who will receive securities in the Company which constitute more than 1% of the Company's anticipated capital structure at the time of issue.

Meeting	has the meaning given in the introductory paragraph of the Notice.
Notice	means this notice of general meeting.
Option	means an option to acquire a Share.
Placement	has the meaning given in Section 3.1.
Placement Participants	means the sophisticated and professional investors introduced to the Company by Hartleys Limited, acting as lead manager, who participated in the Placement.
Proxy Form	means the proxy form attached to the Notice.
Purchase Order	means a purchase order provided by the Company to Ausino, requesting the provision of any one or combination of equipment, personnel, services and consumables.
Resolution	means a resolution referred to in the Notice.
Schedule	means a schedule to the Notice.
Section	means a section of the Explanatory Memorandum.
Securities	means any Equity Securities of the Company.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
Services Agreement	means the strategic partnership and services agreement entered into between the Company and HK Ausino Investments Limited for the provision of induced polarisation (IP) survey services, drilling services, drilling equipment, personnel and consumables dated on or around 22 April 2020.
Tranche 1 Placement Shares	means the 49,500,000 Shares issued on 21 July 2020 under the Placement, which are the subject of Resolution 1(a) and (b).
Tranche 2 Placement Shares	means up to 38,000,000 Shares to be issued under the Placement, which is the subject of Resolution 2.
WST	means Western Standard Time being the time in Perth, Western Australia.

LODGE YOUR VOTE

-  **ONLINE**
www.linkmarketservices.com.au
-  **BY MAIL**
Los Cerros Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
-  **BY FAX**
+61 2 9287 0309
-  **BY HAND**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
-  **ALL ENQUIRIES TO**
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Los Cerros Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **11:00am (WST) on Thursday, 27 August 2020 at Suite 12, Level 1, 11 Ventnor Avenue, West Perth WA 6005** (the **Meeting**) and at any postponement or adjournment of the Meeting.

To access the Notice of General Meeting this can be viewed and downloaded at the Company's website at <https://www.loscerros.com.au/site/investor-information/Investor-Centre>.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.


VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

STEP 2

Resolutions

	For	Against	Abstain*
1 Ratification of prior issue of Tranche 1 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to issue Tranche 2 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to issue Director Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of prior issue of shares to HK Ausino Investment Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual) <input style="width: 100%; height: 30px;" type="text"/>	Joint Shareholder 2 (Individual) <input style="width: 100%; height: 30px;" type="text"/>	Joint Shareholder 3 (Individual) <input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

STEP 3

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (WST) on Tuesday, 25 August 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Los Cerros Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**