



Los Cerros Limited

ABN 43 119 759 349

Audited Financial Statements - 31 December 2020

Los Cerros Limited

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General Information

The financial statements cover Los Cerros Limited as a consolidated entity consisting of Los Cerros Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Los Cerros Limited's functional and presentation currency.

Los Cerros Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 2
11 Ventnor Avenue
West Perth WA 6005
Australia

Principal place of business

Suite 2
11 Ventnor Avenue
West Perth WA 6005
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 March 2021. The Directors have the power to amend and reissue the financial statements.

Los Cerros Limited
Corporate Directory
31 December 2020

Directors	Ross Ashton (Non-Executive Chairman) Jason Stirbinskis (Managing Director) Kevin Wilson (Non-Executive Director)
Chief Financial Officer and Joint Company Secretary	Blair Snowball
Joint Company Secretary	Jessamyn Lyons
Registered office	Suite 2 11 Ventnor Avenue West Perth WA 6005 Australia
Principal place of business	Suite 2 11 Ventnor Avenue West Perth WA 6005 Australia
Share register	Automic Group Level 5, 126 Phillip Street Sydney, NSW 2000 Australia 1300 288 664
Auditor	Grant Thornton Audit Pty Ltd Central Park Level 43, 152-158 St Georges Terrace Perth WA 6000
Stock exchange listing	Los Cerros Limited shares are listed on the Australian Securities Exchange (ASX Code: LCL)
Company website	https://www.loscerros.com.au

Los Cerros Limited
Directors' Report
31 December 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Consolidated Group' or the 'Group') consisting of Los Cerros Limited (referred to hereafter as 'Los Cerros' or the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

Directors

The following persons were Directors of Los Cerros Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ross Ashton	Non-Executive Chairman
Jason Stirbinskis	Managing Director
Kevin Wilson	Non- Executive Director

Principal Activities and Significant Changes in the Nature of Events.

Los Cerros Limited (ASX: LCL) (Los Cerros or the Company) is a gold/copper explorer formed through the 2019 merger of Metminco Ltd with Andes Resources Ltd which resulted in a dominant position within the Andes and Quinchia regions of the Mid-Cauca Gold belt of Colombia, which hosts many major gold discoveries. The Company was re-launched as Los Cerros in January 2020.

The Company's focus remains mineral exploration on the assets held in the Andes and the Quinchia Gold Projects. During the year, work continued on an Environmental Impact Statement for potential gold mining operations at Miraflores and exploration drilling of gold epithermal and porphyry targets at Chuscal and Tesorito.

On 21 January 2020, the Company changed its name from Metminco Limited to Los Cerros Limited, and its ASX code from 'MNC' to 'LCL'.

On 5 February 2020, the Company announced a share placement to sophisticated investors to raise \$2.1 million (before costs). The placement was made in two tranches and resulted in the issue of 53,125,000 ordinary shares at 4c per share.

On 10 February 2020, the Company completed the sale of its non-core Mollacas landholding in Chile for receipt of A\$1.4 million after costs and exchange rate variations.

On 26 February 2020, Simon Brown, a former director of Andes Resources Ltd commenced civil proceedings in the District Court of WA for redundancy and unpaid annual leave. Mr Brown's claims were fully settled on 21 August 2020 under the terms and conditions of the deed of settlement, via a cash payment of \$202,684 and the issue of 3,000,000 unquoted options to Mr Brown.

On 3 March 2020, the Company announced the raising of \$352,000 from a share purchase plan for the issue of 8.8 million shares at 4c per share and 4.4 million free attaching options.

On 30 March 2020, the Company held an Extraordinary General Meeting of shareholders to approve, amongst other matters, the issue of placement shares and options to sophisticated investors, the issue of placement shares and options to related and non-related parties, the issue of share purchase plan options to a related party, and the issue of shares to creditors.

Covid-19 was declared a pandemic by the World Health Organisation in March 2020. Los Cerros continues to monitor the situation very closely, with a primary focus on the health, wellbeing and safety of all employees. The Group has implemented extensive business continuity procedures to ensure ongoing operations with minimal disruptions. To date there has been minimal impact to the Group.

Los Cerros Limited

Directors' Report (Continued)

31 December 2020

On 22 April 2020, the Group announced a strategic partnership with HongKong Ausino Investments Limited ("Hongkong Ausino") for the provision of exploration equipment and services. Under the terms of the agreement, Los Cerros can elect whether to pay up to \$2,000,000 of exploration costs in shares or cash. On 3 June 2020, the Company placed a purchase order with HongKong Ausino for the purchase of the Company's first drill rig, the Atlas Copco C5C diamond drill rig, and peripherals including drill rods totalling \$654,871. On 30 July 2020, the Company issued 11,140,778 fully paid ordinary shares to HongKong Ausino as payment for the equipment. The first shipment comprising the rig and the bulk of the peripherals arrived in Colombia in November 2020.

On 13 July 2020, the Company announced it had received firm commitments to raise via share placement approximately \$3.5 million comprising Tranche 1, completed on 20 July 2020 - 49,500,000 shares were issued at \$0.04 per share raising \$1.98 million; and Tranche 2 - 38,000,000 shares were issued at \$0.04 per share raising \$1.52 million.

On 13 August 2020, the Company announced that drilling had commenced at the Tesorito Prospect.

On 24 August 2020 the Company announced that drilling at Tesorito had intercepted the interpreted potassic core of the Tesorito porphyry based on preliminary visual logs.

On 10 September 2020, the Company announced first assay results from drilling at Tesorito confirming the above in addition to substantial intercepts of epithermal and porphyry associated gold and the presence of copper suggesting further potential at depth.

On 17 September 2020, the Company advised it had sold its remaining Chilean interests via the sale of North Hill Ovalle Inc (and its 100% subsidiary, Minera Hampton Chile Limitada) for USD\$100,000. Additionally, the Company advised, as part of its strategy to stream-line the Group structure to focus on its Colombian portfolio, that it had liquidated its Peruvian subsidiaries, Cerro Norte Mining Inc and North Hill Peru Inc, which held no assets.

On 22 September 2020, the Company raised a further \$10 million (before costs) via a subsequent placement (Placement 2) to sophisticated and professional investors of 86,932,750 fully paid ordinary shares at \$0.115 per Share. A total of 50,439,655 shares were issued under Listing Rule 7.1 and a total of 36,493,095 shares were issued under Listing Rule 7.1A capacity.

Following Placement 2, the Company extinguished a \$3.5 million deferred payment to FirstRand Investment Holdings (Pty) Ltd, previously RMB Australia Holdings Pty Ltd, through the payment of \$2.21 million on 23 September 2020.

On 5 October 2020, the Company announced it had executed an agreement to acquire AngloGold Ashanti Colombia SA's interests in the Chuscal joint venture for 10,476,597 ordinary shares in the Company and 15,430,6481 options, with an exercise price of 16 cents. This resulted in the Company having 100% interest in Chuscal and the termination of the Chuscal joint venture.

On 23 October 2020, shareholders approved the Performance Rights and Options Plan and the issue of Performance Rights to directors at the General Meeting. Shareholders also approved the issue of shares to Directors, Ross Ashton and Kevin Wilson, as payments in lieu of outstanding director fees and expenses.

On 19 November 2020 the Company announced a share sale facility for holders of parcels of Los Cerros ordinary shares valued at less than \$500.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Operating and Financial Review

Overview of the Group

Los Cerros is a gold/copper explorer with a dominant position within the Andes and Quinchia regions of the Mid-Cauca Gold Belt of Colombia which hosts many major discoveries (Figure 1). Located in the Department of Risaralda, the Quinchia Gold Project (Los Cerros 100%) hosts the Miraflores Gold Deposit with a Resource of 877,000 Au ounces at 2.80g/t Au and Reserve of 457,000 Au ounces at 3.29g/t Au with economic sensitivities reported in Table 1. Within 3km of Miraflores is the Tesorito near surface gold porphyry and the Chuscal porphyry target (Figure 2). There are several other targets within the region including the Dosquebradas deposit which has an Inferred Resource of 459,000 ounces grading 0.71g/t Au. The Andes Gold Project (Los Cerros 90%, BHC 10% free carry to feasibility study) is a larger area of early stage exploration in the Department of Antioquia ~70km north of Quinchia. The Company has previously completed extensive preliminary surface work at many sites within the expansive footprint including ~14,000 surface samples to identify multiple early stage epithermal gold and porphyry gold +/- copper targets.

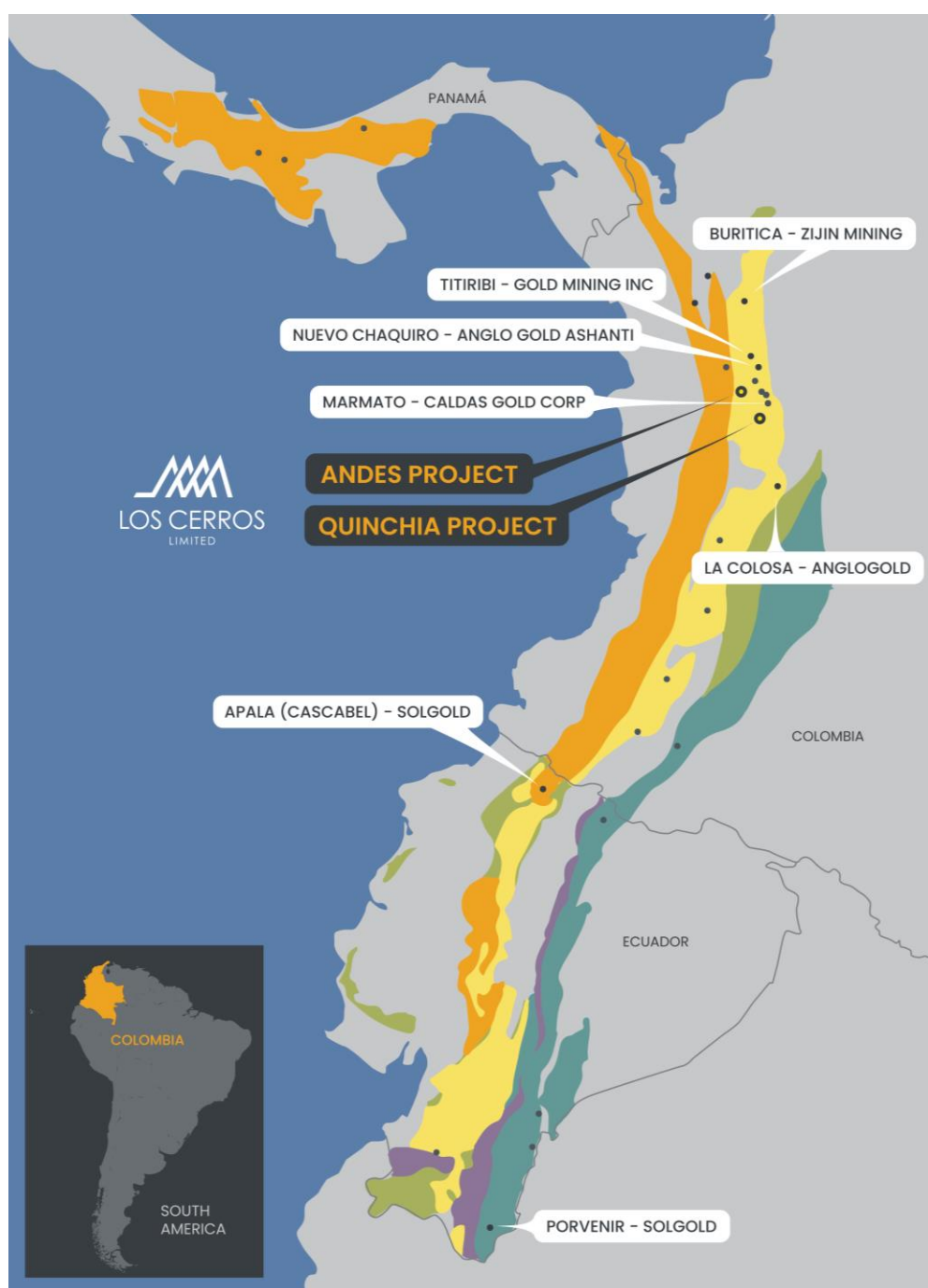


Figure 1: The Company's Andes and Quinchia Gold Projects sit on the Miocene aged, Mid-Cauca Gold Belt in a sub-section of the belt that hosts many major copper-gold porphyry discoveries.

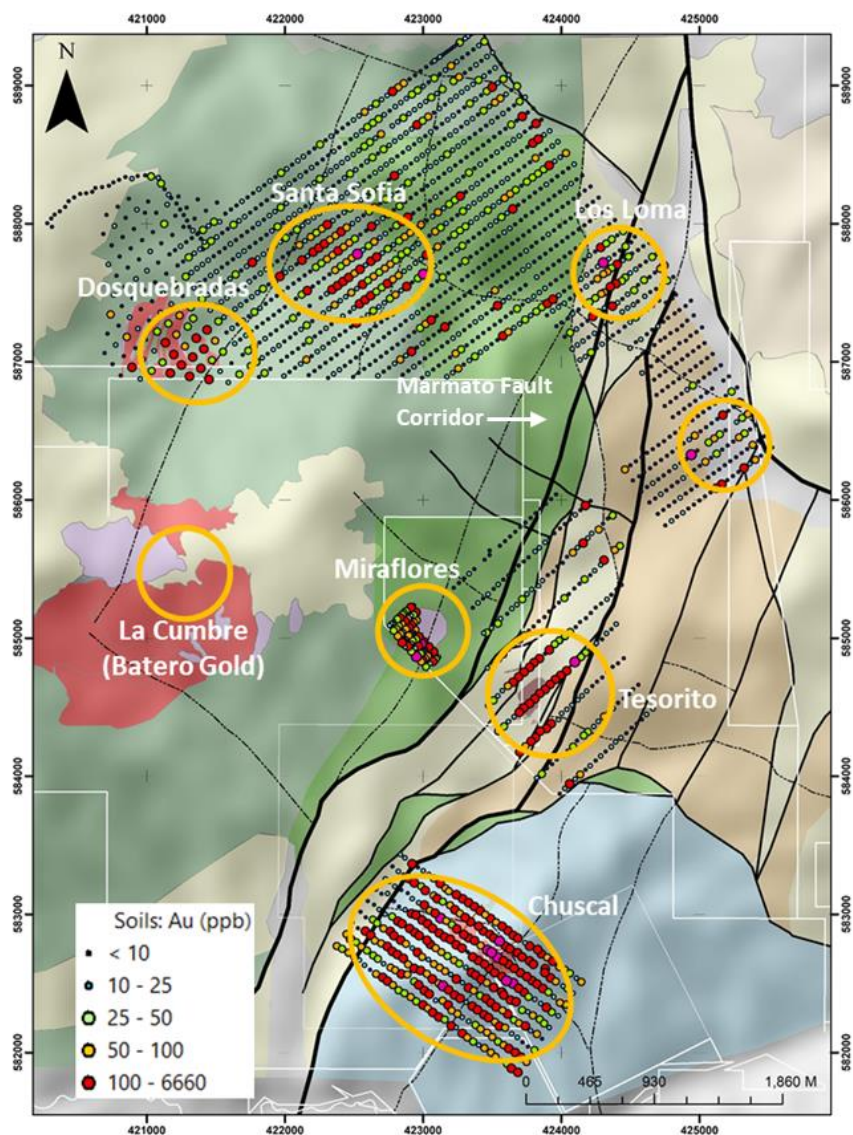


Figure 2: The Quinchia Gold Project contains multiple targets at various levels of investigation within a ~3km radius. This image reveals the major known target areas and gold in soils anomalism.

La Cumbre is a gold project within the area owned by TSX listed Batero Gold.

Sensitivity to Gold Price				
Key Financial Indicators*	Unit	US\$1,200 Au/oz	US\$1,300 Au/oz	US\$1,400 Au/oz
C1 Cash Cost**	US\$ per Au/oz	595	599	603
AISC-cost	US\$ per Au/oz	639	643	647
EBITDA (LoM average)	US\$m/annum	27.3	29.4	35.8
NPV @ 5%	US\$m	75	96.1	117
NPV @ 8%	US\$m	55	72.3	89.8
IRR	\$%	21	25	28
Payback	Years	4.1	3.6	3.3

* A variance of +15 -10% can be applied i.e. within the contingency. Contingency of 7.67%.
 ** C1 Cash Costs includes Government Royalty.

Table 1: The Miraflores Feasibility Study generated the above parameters based on US\$72 million capital expenditure for a retreat long hole stope with backfill mining operation feeding a 1,300tpd conventional cyanide leaching facility producing an average 4koz gold/month (48koz/yr) over a 10 year operating life. It is worth noting that current gold price far exceeds the upper limit of US\$1,400/oz used in the 2017 sensitivity analysis provided in the table above.

Review of Financial Results

The loss for the consolidated entity, after providing for income tax, amounted to \$3,717,752 (31 December 2019: \$4,158,184). Cash and cash equivalents at the end of the year were \$7,814,764 (31 December 2019: \$34,213). Net Assets for the company increased from \$14,745,197 (31 December 2019) to \$27,346,330 at 31 December 2020.

Review of Operations

Los Cerros successfully navigated the uncertainty and challenges of 2020 with minimal disruption and delivered step change results on several fronts ending the year with an expanded Colombian exploration and administrative team and three drill rigs operating. Most notable was the emergence and evolution of the Tesorito porphyry discovery, a near surface gold porphyry that has delivered multiple 200+m intervals of 1+g/t gold. Drilling at the earlier stage Chuscal gold target has also provided encouraging results and vectoring information that the Company hopes will lead to a porphyry(ies) discovery in 2021. Modelling work at the Miraflores Gold Deposit has also revealed potential for additional mineralisation outside of the established envelope.

During the year Los Cerros also resolved a substantial legacy debt overhang, liquidated legacy Chilean assets, streamlined the organisational structure, re-branded the Company to Los Cerros to reflect the re-invention and re-energising of the Company and secured a 100% interest in the Chuscal tenements. The Company raised \$16 million (after transaction costs), welcomed new key shareholders and has seen strong share price performance throughout 2020 with the share price ranging from ~\$0.02 in March to ~\$0.22 in October with a market capitalisation range from ~\$5 million to ~\$102 million.

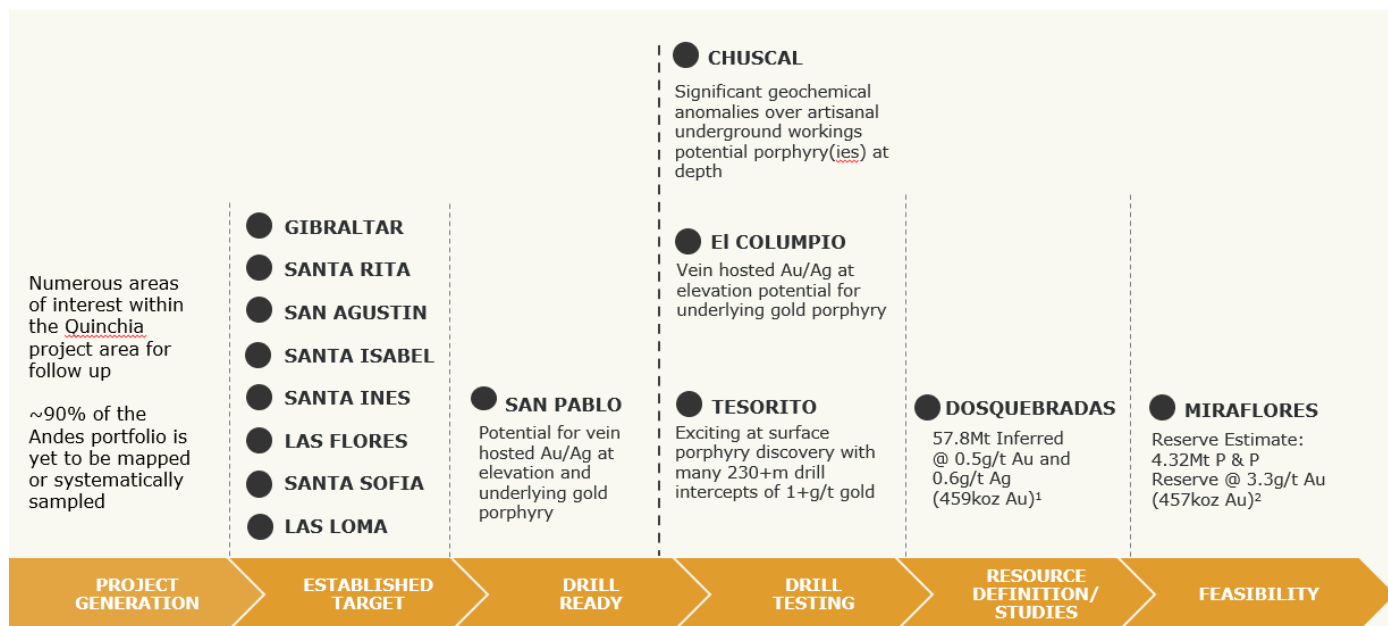


Figure 3: Los Cerros has a robust project pipeline with multiple targets at various stages of exploration and significant areas yet to be investigated.

Tesorito moves from target to Porphyry discovery.

Tesorito South porphyry target, part of the 100% owned Quinchia Project, delivered spectacular results during the year with the first hole of the 2020 program validating positive historic results and essentially transitioning the project status from 'interesting target' to 'porphyry discovery'. Results of note from 2020 and earlier programs include

- 384m @ 1.01g/t Au from 16m including 29.3m @ 1.9g/t Au from 136.75m in TS-DH02;
- 253.1m @ 1.01g/t Au from 2.9m including 64m @ 1.67g/t Au from 144m in TS-DH07;
- 230m @ 1.0g/t Au from surface including 74m @ 1.6g/t Au from 114m in TS-DH08, and;
- 262m @ 0.84g/t Au from surface including 32m @ 1.7g/t Au from 144m within 66m at 1.3g/t Au from 132m in TS-DH11.

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Directors' Report (Continued)
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In January 2021 hole TS-DH14 added the strongest porphyry gold intercept ever recorded by Los Cerros with a spectacular and globally significant 480 gram.metre interval (that is, weighted average grams per tonne over a drilled interval multiplied by the length of drill hole interval) as follows.

- 320m @ 1.5g/t Au starting from 2m including:
 - 102m @ 2.11g/t Au from 28m, and;
 - 30m @ 2.47g/t Au and 0.12% Cu from 262m within 60m @ 1.75g/t Au and 0.12% Cu from 250m.

Tesorito South is taking shape as an exciting, comparatively high grade near surface gold porphyry discovery that remains open at depth (Figure 4).

Los Cerros also began exploration of the Tesorito North surface anomaly which was defined via surface sampling in early 2020. Preliminary scout drilling of this target has intercepted elevated gold and porphyry pathfinders including:

- 360m @ 0.39g/t Au from surface in TS-DH09;
- 59.95m zone of elevated porphyry associated gold grading 0.51g/t and 52.5ppm molybdenum within diorite and associated magmatic breccia from 180.5m in TS-DH12, and;
- 238m grading 0.48g/t gold from surface in TS-DH13 under a gold/molybdenum surface anomaly including:
 - 38m @ 0.70g/t Au from 44m including 10m @ 1.14g/t Au from 44m;
 - 16m @ 1.23g/t Au from 114m, and;
 - 30m @ 0.69g/t Au from 208m.

All intercepts occur with elevated copper and molybdenum suggesting a porphyry source of the mineralisation which continues to suggest proximity to a gold porphyry source within the immediate Tesorito North area.

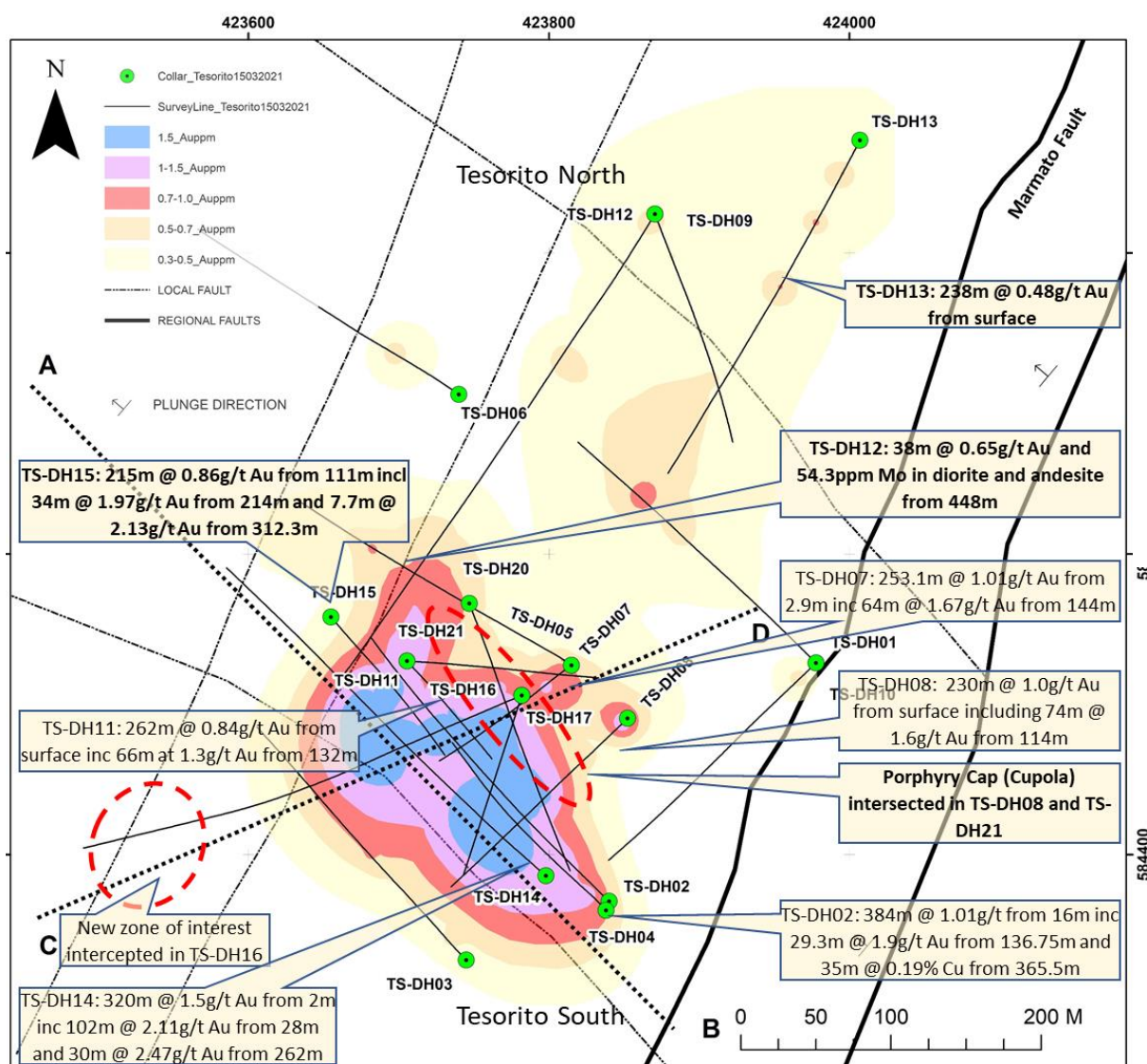


Figure 4: Plan of Tesorito South with modelled gold envelopes. A new zone of interest containing porphyry signatures was reported in TS-DH16 and released on the ASX 18 March 2021.

Chuscal drilling vectors into two porphyry targets

Chuscal, 2km south of Tesorito, is earlier stage exploration than Tesorito South but has a much larger surface footprint (anomalous gold in soils). The 2020 drilling program consisted of two phases with the first shallow drilling phase serving three main objectives:

- to explore for strike and depth extensions of near surface vein-hosted epithermal gold that overprints porphyry associated gold throughout Chuscal;
- to provide vectoring information to refine and filter the porphyry targets ahead of the second phase porphyry drilling program which began in late 2020; and
- to better understand local structures controlling the distribution of mineralisation

The shallow drilling program has mapped numerous epithermal veins across the entire Chuscal area and the economic potential of near surface high grade Au/Ag veins at Chuscal remains an ongoing investigation. Best epithermal vein related gold results from the 2019 and 2020 program include:

- 1.35m @ 10.57g/t Au & 89.77g/t Ag from 133m including 0.4m @ 94.9 g/t Ag from 133m in CHDDH09;
- 2.10m @ 37.94g/t Au & 18.64g/t Ag from 232.5m including 0.8m @ 98.3g/t Au and 44.80g/t Ag from 233.8m in CHDDH09;
- 5.2m @ 5.44g/t Au from 54.0m including 0.5m @ 38.1g/t Au and 74.1g/t Ag from 57.9m in CHDDH008;
- 2m @ 6.44g/t Au and 87.40g/t Ag from 324m in CHDDH001;
- 8m @ 2.82g/t Au and 29.96g/t Ag from 342m in CHDDH001;
- 6m @ 2.97g/t Au from 250m including 0.4m @ 31.8g/t from 253.3m in CHDDH003; and
- 7m @ 2.07g/t Au from 331 including 0.5m @ 17.1g/t Au from 333m in CHDDH002.

The phase one drilling program, combined with results from the maiden drill program completed in January 2020, have provided important information to better define porphyry drill targets. Strong vectoring evidence from the program suggests western and eastern causative intrusives potentially accounting for the expansive surface anomaly (Figure 2). Near the end of 2020 the Company transitioned into phase two porphyry drilling with drillhole CHDDH09 intercepting units attributable to a western porphyry source and CHDDH12 intercepting units attributable to an Eastern porphyry source.

Miraflores Resource upside potential

The ~0.45M oz gold Reserve at Miraflores is the hub of the Quinchia Gold Project with Chuscal and Tesorito within 2km and numerous other targets within 4km. The Miraflores Gold Deposit is on the side of a hill overlooking the Tesorito southern porphyry some 900m downhill on the valley floor (Figure 2). Miraflores comprises intermediate sulphidation epithermal mineralisation in the form of a breccia pipe with a diameter of 250m x 280m, extending 600m vertically where it widens and remains open at depth. The breccia pipe itself consists of several pulses of breccia with a white-grey breccia pulse carrying higher gold grade than other breccia pulses. Some 20+ sheeted veins, predominantly NW trending, cut the breccia pipe and carry the highest gold values, in particular where the 220 and 800 vein sets intersect to form shoots within the white-grey breccia.

Drill core re-logging and 3D modelling completed during the year has revealed that the abovementioned sheeted veins and white-grey breccia, potentially remain open in some directions and are more widespread than previously assumed. This raises the potential to grow the Miraflores Resource in terms of tonnes and grade. Previous results from Miraflores drilling include the following highly encouraging intercepts:

- 449m @ 1g/t Au from 53.1m, including 23.95m @ 4.67g/t Au from 282.55m in QM-DH-03
- 369.7m @ 1g/t Au from surface in QM-DH-11
- 167.76m @ 1g/t Au from 178.9m in QM-DH-24
- 6.0m @ 11.04 g/t Au from 343.1m within 194.9m @ 1.57g/t from 159.4m in QM-DH-32A
- 10.6m @ 11.97g/t Au from 233m within 114.7m @ 1.89g/t from 185.9m in QM-DH-33
- 60.0m @ 5.48 g/t Au from 225m within 161.15m @ 3.23g/t Au from 183m in QM-DH-34; and
- 59.2m @ 5.72 g/t Au from 182.8m within 238.15m @ 2.06g/t Au from 146m in QM-DH-50

The Company also began the process of compiling final submissions for mine approval based on the Miraflores feasibility study (DFS) completed in 2017. The submissions which mainly comprise environmental base lines and community consultation elements is targeting completion for mid-2021. Once approved by the Colombian authorities, this will provide the Company with optionality to pursue modest scale production based on the Miraflores DFS.

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Directors' Report (Continued)
31 December 2020

Dosquebradas Inferred Resource takes Quinchia Project Resource to 1.3Moz gold

Dosquebradas (Figure 2) is a near surface gold-copper deposit situated ~3km from the Miraflores deposit and 1.5km from the advanced La Cumbre deposit owned by Batero Gold Ltd (TSX-V: BAT).

In 2020 Los Cerros conducted a review of all Quinchia targets including the conversion of the Dosquebradas resource, previously calculated under Canadian NI 43-101 standards by TSX-V listed Seafeld Resources Ltd in 2011, to an Inferred Resource compliant with ASX JORC 2012 standards (Table 2).

Table 2: Dosquebradas Inferred Mineral Resource Estimate using various cut-offs, as at 24 February 2020 (100% basis)

Cut-Off	Tonnes	Au	Au	Ag	Ag	Cu	Cu
gpt Au	'000t	gpt	koz	gpt	koz	%	pounds
0.3	57,794	0.50	920.8	0.6	1,036	0.04	56,767
0.4	34,593	0.60	664.1	0.6	683.8	0.05	38,428
0.5	20,206	0.71	459.1	0.7	431.7	0.06	24,867

Gold mineralisation at Dosquebradas is associated with an early diorite porphyry and structurally controlled intrusive breccias. Previous drilling intersected mineralisation over an area of 400m x 300m, extending from surface to ~550m. Mineralisation remains open at depth, and to the north and east, within the Company's tenements, where the host diorite is exposed in erosional windows within thin basaltic cover.

Dosquebradas mineralisation continues south onto Batero Gold Ltd tenements where that company has completed a substantial drilling program and metallurgical test work at the La Cumbre deposit, as part of an investigation of the viability of an open pit and conventional leap leach gold mining operation.

Corporate strategies position the company for an exciting future

Los Cerros was formed through the merger of Andes Resources Ltd and Metminco Limited in August 2019. Since the merger, new management have been working on an extensive program of restructure and re-invention to prime Los Cerros and its assets for accelerated strategic growth and opportunity. Examples of strategic initiatives concluded in 2020 include:

- following through on the recommendations contained within the Company's 2019 portfolio review and prioritisation exercise which assigned priority status to drilling Tesorito and Chuscal, in addition to advancing Miraflores and several other key targets in 2020;
- purchasing the Company's first Atlas Copco C5C diamond drill rig through the \$2 million HK Ausino strategic partnership arrangement also launched in 2020. This is expected to provide the Company with flexibility and efficiencies through running its own rig. The rig was commissioned in December of 2020 and successfully completed a 689m deep hole in early 2021. At year end the Company was operating three diamond rigs on the Quinchia Gold Project;
- welcoming new key shareholders and raising \$16.6 million via five well supported placements and one share purchase plan, with an additional \$0.6 million raised through options exercised;
- rapidly moving to strict COVID management protocols which included the formation of isolated, discrete teams with non/minimal cross over of people and equipment. The impact of COVID on Los Cerros' operations has been minimal throughout 2020 and into 2021;
- repaying a legacy \$3.5 million debt to RMB Australia Holdings Ltd through a discounted payment of \$2.21 million;
- investing in final submissions for mine approval based on the Miraflores feasibility study completed in 2017. The submissions, which mainly comprise environmental base lines and community consultation elements, is targeting completion in mid 2021;
- commissioning an unmarketable parcels (UMP) program in December 2020 to address the significant number of shareholders with less than marketable share parcels;
- selling legacy assets in Chile and removing four legacy subsidiaries from the corporate structure; and
- moving to 100% of Chuscal ownership through dissolving the Chuscal JV with AngloGold Ashanti Colombia SA ("AngloGold" or "AGA") in exchange for AGA becoming a shareholder of Los Cerros.

Our role in the Colombian community and economy

The success of Los Cerros though 2020 has resulted in a dramatic increase in exploration activity in Colombia during a very difficult period caused by COVID. It has been enormously gratifying to be in a position to support the Quinchia and Andes communities where we operate. The following summarises some of the Company's 2020 activity and achievements with respect to the Company's ESG (Environmental, Social, Governance) framework.



Los Cerros enters 2021 in a strong position with significant funding and a multi-rig, multi-target drill program during 2021 built on substantial exploration success in 2020. Los Cerros expects to finalise submissions for granting of mining approvals based on the Miraflores DFS, ultimately giving the Company optionality to consider a production pathway. The Company also has a robust project pipeline with ambitions to see many prioritised early stage targets advance during 2021 in what promises to be another very exciting year for the Company.

Significant Changes in the State of Affairs

On 22 September 2020, the Company concluded the sale of North Hill Ovalle Inc (NHO, a 100% BVI subsidiary of LCL); Minera Hampton Chile Limitada (a 100% subsidiary of NHO); and the Loica and Vallecillo Projects held within the aforementioned vehicle for USD\$100,000 before costs. The sale of the Company's residual interests in Chile followed the sale of the Mollacas Project in February 2020 for ~USD\$1 million.

On 22 September 2020, the Company also liquidated subsidiaries, Cerro Norte Mining Inc and North Hill Peru Inc as part of a broader clean-up of the Company structure.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

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Directors' Report (Continued)
31 December 2020

Matters Subsequent to the End of the Financial Year

On 1 February 2021, the Company issued and allotted 1,257,511 fully paid ordinary shares upon the exercise of 1,250,000 unquoted options exercisable at \$0.10 per option on or before 6 April 2022 and the exercise of 7,511 quoted options exercisable at \$0.16 per option on or before 16 August 2021.

On 16 February 2021, the Company issued and allotted 125,000 fully paid ordinary shares upon the exercise of 62,500 unquoted options exercisable at \$0.10 per option on or before 6 April 2022 and the exercise of 62,500 unquoted options exercisable at \$0.02 per option on or before 18 May 2022.

On 18 February 2021, the Company issued and allotted 660,000 fully paid ordinary shares upon the exercise of 660,000 unquoted performance rights that were convertible before 31 January 2025 for nil consideration.

On 9 March 2021, the Company issued and allotted 187,500 fully paid ordinary shares upon the exercise of 187,500 unquoted options exercisable at \$0.10 per option on or before 6 April 2022.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law. The Group is subject to environmental regulations in foreign countries where it operates, such as Chile and Colombia. The Directors are not aware of any breaches of the legislation during the year that are material in nature.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Information on Directors

Name:	Ross Ashton
Title:	Non-Executive Director (to 28 November 2019); Non-Executive Chairman (from 28 November 2019)
Qualifications:	BSc
Experience and expertise:	Ross has over 50 years' experience as a geologist specialising in mineral exploration and development internationally. He was founding Managing Director of Red Back Mining Limited, a company subsequently acquired by Kinross Gold Corporation for US\$7.2 billion in 2010. He was also a director of TSX/ASX listed PMI Gold Ltd and ASX listed Brockman Resources Ltd. Both companies were involved in corporate transactions following the discovery of significant mineral resources.
Other current directorships:	-
Former directorships (last 3 years):	-
Interests in shares:	9,387,499 ordinary shares
Interests in options:	1,919,780 quoted options (exercise price of 16 cents expiring 16 August 2021) 2,000,000 unquoted options (exercise price of 13.5 cents expiring 30 September 2024) 937,500 unquoted options (exercise price of 10 cents expiring 6 April 2022) 625,000 unquoted options (exercise price of 32 cents expiring 1 July 2023)
Interests in rights:	2,320,000 performance rights

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Information on Directors (Continued)

Name:	Kevin Wilson - Executive Chairman (to 16 August 2019); Non-Executive Chairman (from 16 August 2019) and Non-Executive Director (from 28 November 2019)
Title:	Non-Executive Director
Qualifications:	BSc, MBA
Experience and expertise:	Kevin was appointed Executive Chairman of the Company on 23 March 2018. He resigned his executive role on 16 August 2019 and resigned as Chairman and became a Non-Executive Director on 28 November 2019. He has over 30 years' experience in the minerals and finance industries. He was the Managing Director of Rey Resources Limited, an Australian energy exploration company, from 2008 to 2016 and the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its initial public offering in 2005 through to its sale in 2006. He has prior experience as a geologist with the Anglo American group in Africa and North America and as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and USA. Mr Wilson is currently also non-executive Chairman of Navarre Minerals Limited and non-executive Chairman of Investigator Resources Limited.
Other current directorships:	Non-executive Chairman - Navarre Minerals Limited and Non-executive Chairman - Investigator Resources Limited.
Former directorships (last 3 years):	-
Interests in shares:	4,358,122 ordinary shares
Interests in options:	184,527 quoted options (exercise price of 16 cents expiring 16 August 2021) 2,000,000 unquoted options (exercise price of 13.5 cents expiring 30 September 2024) 625,000 unquoted options (exercise price of 10 cents expiring 6 April 2022) 625,000 unquoted options (exercise price of 2 cents expiring 18 May 2022)
Interests in rights:	1,980,000 performance rights (440,000 performance rights are presently eligible for conversion to ordinary shares before 31 January 2025)

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Information on Directors (Continued)

Name:	Jason Stirbinskis (from 16 August 2019)
Title:	Managing Director
Qualifications:	BSc, MBA
Experience and expertise:	Originally a geologist, Jason is a corporate executive with over 15 years' experience leading both private and public companies in the mining and mining services space. He is experienced across a number of commodities including gold, zinc, lead, copper, and nickel and has managed projects ranging from greenfield to DFS/Development in West Africa, Scandinavia, Australia, Central Asia and most recently Colombia. He is well networked across international and Australian capital markets and skilled in leading multidisciplinary, international teams.
Other current directorships:	-
Former directorships (last 3 years):	Non-executive Director - Mount Burgess Mining NL (August 2016 to July 2019).
Interests in shares:	616,667 ordinary shares
Interests in options:	33,334 quoted options (exercise price of 16 cents expiring 16 August 2021) 6,000,000 unquoted options (exercise price of 13.5 cents expiring 30 September 2024) 225,000 unquoted options (exercise price of 10 cents expiring 6 April 2022) 225,000 unquoted options (exercise price of 2 cents expiring 18 May 2022) 1,875,000 unquoted options (exercise price of 32 cents expiring 1 July 2023)
Interests in rights:	9,000,000 performance rights (2,000,000 performance rights are presently eligible for conversion to ordinary shares before 31 January 2025)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Chief Financial Officer (CFO) and Joint Company Secretary

Blair Snowball was appointed CFO and Joint Company Secretary on 19 November 2020. Jessamyn Lyons, who was appointed as Joint Company Secretary on 18 November 2019, will remain as Joint Company Secretary with Blair Snowball.

Blair Snowball is a member of the Institute of Chartered Accountants and has over 20 years of management, corporate advisory, finance and accounting experience, working for several listed and unlisted companies for which he has held positions as Director, Chief Financial Officer and Company Secretary. He has many years' experience in South America, formerly based in Brazil for Beadell Resources Ltd as Finance Director of its Brazilian operating gold mine, and has also worked in Europe for Barclays Plc and Cable & Wireless Plc and in Australia with KPMG.

Jessamyn Lyons is a Chartered Secretary, an Associate of the Governance Institute of Australia and holds a Bachelor of Commerce. Jessamyn Lyons is also a Company Secretary of Medallion Metals Limited, Dreadnought Resources Limited, Doriemus Plc, Southern Hemisphere Mining Limited, RBR Group Limited, Ragnar Metals Limited and Lunnon Metals Limited. She also has 15 years of experience working in the stockbroking and banking industries and has held various positions with Macquarie Bank, UBS Investment Bank (London) and Patersons Securities.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2020, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Kevin Wilson	6	6	-	-
Jason Stirbinskis	6	6	-	-
Ross Ashton	6	6	-	-

Held: represents the number of meetings held during the time the Director held office. The Board fulfilled the functions of the Audit and Risk Committee during the year.

A circular resolution of the Board or Audit and Risk Committee was used where necessary.

Remuneration Report (Audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation; and
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- Transparency.

The Board, in the absence of a Nomination and Remuneration Committee, is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Los Cerros Limited

Directors' Report (Continued)

31 December 2020

Remuneration Report (Audited, Continued)

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 31 May 2012, where the shareholders approved a maximum annual aggregate remuneration of \$600,000.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPIs') being achieved. KPIs may include profit contribution, leadership contribution and project milestones. No STI was granted in 2020.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Remuneration Report (Audited, Continued)

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of four years based on long-term incentive measures. These include increase in shareholders' value and project milestones. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 31 December 2020.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined exploration or corporate objectives being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

The Board is of the opinion that improved results can be attributed in part to the adoption of performance based compensation and is satisfied that performance based compensation can increase shareholder wealth if maintained over the coming years.

Voting and comments made at the company's 23 June 2020 Annual General Meeting ('AGM')

At the AGM held on 23 June 2020, the shareholders of the Company approved the adoption of the remuneration report for the year ended 31 December 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Superannuation	Long service leave	Equity-settled	
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive Directors:</i>							
Ross Ashton	-	-	-	-	-	68,035	68,035
Kevin Wilson	-	-	-	-	-	60,976	60,976
<i>Executive Directors:</i>							
Jason Stirbinskis	250,000	-	-	23,750	-	233,507	507,257
<i>Other Key Management Personnel:</i>							
Blair Snowball (i)	13,800	-	-	-	-	-	13,800
	<u>263,800</u>	<u>-</u>	<u>-</u>	<u>23,750</u>	<u>-</u>	<u>362,518</u>	<u>650,068</u>

(i) Salary and fees and superannuation for 2020 included an amount of \$13,800 that was accrued as at reporting date.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Remuneration Report (Audited, Continued)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2019	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive Directors:</i>							
Ross Ashton (i)	18,750	-	-	-	-	592	19,342
Kevin Wilson (i)	105,583	-	-	11,083	-	28,268	144,934
Roger Higgins (ii)	23,649	-	-	-	-	6,929	30,578
Glenister Lamont (iii)	28,342	-	-	2,975	-	6,929	38,246
<i>Executive Directors:</i>							
Jason Stirbinskis (i)	83,332	-	-	6,333	-	1,777	91,442
<i>Other Key Management Personnel:</i>							
Simon Brown	66,666	-	-	6,333	-	-	72,999
William Howe	52,482	-	-	-	-	-	52,482
Nicholas Winer	172,156	-	-	745	-	4,184	177,085
	<u>550,960</u>	<u>-</u>	<u>-</u>	<u>27,469</u>	<u>-</u>	<u>48,679</u>	<u>627,108</u>

(i) Salary and fees and superannuation for 2019 included an amount of \$289,569 that was accrued as at reporting date.

(ii) On 27 December 2019, Roger Higgins received 580,625 shares equal to a value of \$46,450 (\$0.08 per share) in settlement for outstanding director's fees for the period 1 July 2018 to 16 August 2019, on resignation as a director.

(iii) On 27 December 2019, Glenister Lamont received 689,625 shares equal to a value of \$55,170 (\$0.08 per share) in settlement for outstanding director's fees for the period 1 July 2018 to 16 August 2019, on resignation as a director.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Ross Ashton	69%	100%	-	-	31%	-
Kevin Wilson	77%	100%	-	-	23%	-
<i>Executive Directors:</i>						
Jason Stirbinskis	84%	100%	-	-	16%	-
<i>Other Key Management Personnel:</i>						
Blair Snowball	100%	-	-	-	-	-

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Remuneration Report (Audited, Continued)

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Ross Ashton
Title:	Non-Executive Director (to 28 November 2019); Non-Executive Chairman (from 28 November 2019)
Details:	No written contract
Name:	Kevin Wilson
Title:	Executive Chairman (to 16 August 2019); Non-Executive Chairman (from 16 August 2019) and Non-Executive Director (from 28 November 2019)
Details:	No written contract
Name:	Jason Stirbinskis
Title:	Managing Director (appointed 16 August 2019)
Details:	Written contract (3 months' notice)
Name:	Blair Snowball
Title:	Chief Financial Officer (appointed 19 November 2020)
Details:	Written contract (1 month notice)

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of performance rights

Name	Performance Hurdle	Number of rights granted	Grant date	Expiry date	Share price hurdle for vesting	Fair Value at Grant Date per Performance Right	Total Fair Value at Grant Date
Ross Ashton (2)	Tranche 1	660,000	23/10/2020	31/12/2024	\$0.19425	\$0.15960	\$105,336
	Tranche 2	1,160,000	23/10/2020	31/12/2024	\$0.20000	\$0.15784	\$183,090
	Tranche 3	1,160,000	23/10/2020	31/12/2024	\$0.25000	\$0.15599	\$180,946
Kevin Wilson (2)	Tranche 1	440,000	23/10/2020	31/12/2024	\$0.19425	\$0.15960	\$ 70,224
	Tranche 2	770,000	23/10/2020	31/12/2024	\$0.20000	\$0.15784	\$121,534
	Tranche 3	770,000	23/10/2020	31/12/2024	\$0.25000	\$0.15599	\$120,111
Jason Stirbinskis (2)	Tranche 1	2,000,000	23/10/2020	31/12/2024	\$0.19425	\$0.15960	\$319,200
	Tranche 2	3,500,000	23/10/2020	31/12/2024	\$0.20000	\$0.15784	\$552,426
	Tranche 3	3,500,000	23/10/2020	31/12/2024	\$0.25000	\$0.15599	\$545,958

Note (1):

The total value of performance rights granted to directors during the year was \$2,198,824. This value will be recognised progressively over the period from 23 October 2020 to 31 December 2024. During the 2020 financial year, \$98,539 was expensed.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Remuneration Report (Audited, Continued)

Note (2):

- Tranche 1 - Performance Rights vesting upon the achievement of the greater of the two following milestones:
 (a) the Company achieving a 20-day volume weighted average price (VWAP) of not less than \$0.15 on or before 31 December 2024; or
 (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
 On 21 January 2021 the Performance Rights vested when the Company's share price reached \$0.205.
- Tranche 2 - Performance Rights vesting upon the achievement of the greater of the two following milestones:
 (a) the Company achieving a 20-day VWAP of not less than \$0.20 on or before 31 December 2024; or
 (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
- Tranche 3 - Performance Rights vesting upon the achievement of the greater of the two following milestones:
 (a) the Company achieving a 20-day VWAP of not less than \$0.25 on or before 31 December 2024; or
 (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).

Performance rights carry no dividend or voting rights.

Retention rights

There were no retention rights over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 31 December 2020.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Acquired	Disposals/ consolidation / other	Balance at the end of the year
<i>Ordinary shares</i>					
Ross Ashton	4,911,398	253,601 ⁽²⁾	2,625,000	937,500 ⁽¹⁾	8,727,499
Kevin Wilson	922,630	2,185,492 ⁽²⁾	1,250,000	-	4,358,122
Jason Stirbinskis	166,667	-	450,000	-	616,667
	<u>6,000,695</u>	<u>2,439,093</u>	<u>4,325,000</u>	<u>937,500</u>	<u>13,702,288</u>

(1) Acquired on exercise of options.

(2) Settlement of unpaid remuneration of prior years.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Remuneration Report (Audited, Continued)

Options over ordinary shares

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Acquired	Exercised	Expired / forfeited / consolidation / other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Ross Ashton	4,544,780	2,500,000	(937,500)	(625,000)	5,482,280
Kevin Wilson	2,309,955	1,250,000	-	(125,428)	3,434,527
Jason Stirbinskis	7,908,334	450,000	-	-	8,358,334
	<u>14,763,069</u>	<u>4,200,000</u>	<u>(937,500)</u>	<u>(750,428)</u>	<u>17,275,141</u>

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Ross Ashton	-	2,980,000	-	-	2,980,000
Kevin Wilson	580,000	1,980,000	-	(580,000)	1,980,000
Jason Stirbinskis	-	9,000,000	-	-	9,000,000
	<u>580,000</u>	<u>13,960,000</u>	<u>-</u>	<u>(580,000)</u>	<u>13,960,000</u>

This concludes the remuneration report, which has been audited.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Options and Rights Over Equity Instruments

Listed Options

Grant date	Expiry date	Exercise price	Number under option
December 2019 & April 2020	16 August 2021	\$0.160	<u>53,061,914</u>
			<u>53,061,914</u>

Unlisted Options (Vested)

Grant date	Expiry date	Exercise price	Number under option
19 August 2019	1 July 2023	\$0.3200	5,546,875
19 August 2019	31 August 2023	\$0.3200	656,250
19 August 2019	15 November 2023	\$0.3200	46,875
19 August 2019	16 August 2021	\$0.2400	1,250,000
20 December 2019	30 September 2024	\$0.1350	6,000,000
6 April 2020	6 April 2022	\$0.1000	28,337,500
15 May 2020	15 May 2022	\$0.0200	5,787,500
13 August 2020	1 July 2025	\$0.0700	3,000,000
23 June 2020	9 October 2021	\$0.1600	15,430,648
			<u>66,055,648</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Unlisted Performance Rights (Vested)

Grant date	Vesting date	Expiry date	Exercise price	Number under option
23 October 2020	21 January 2021	31 January 2025	\$0.0000	<u>2,440,000</u>
				<u>2,440,000</u>

No person entitled to exercise the performance rights had or has any right by virtue of the performance rights to participate in any share issue of the Company or of any other body corporate.

Corporate Governance Statement

The current Corporate Governance Statement, as approved by the Board of Directors, is published on the Company website: <https://www.loscerros.com.au/site/about-us/Corporate-Governance>.

Indemnity and Insurance of Officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Los Cerros Limited
Directors' Report (Continued)
31 December 2020

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-Audit Services

There were no non-audit services provided during the financial year by the auditor.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Ross Ashton
Non-Executive Chairman

26 March 2021

Auditor's Independence Declaration

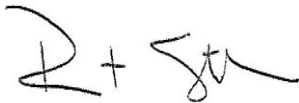
To the Directors of Los Cerros Limited

In accordance with the requirements of *section 307C* of the *Corporations Act 2001*, as lead auditor for the audit of Los Cerros Limited for the year ended 26 March 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B P Steedman
Partner – Audit & Assurance

Perth, 26th March 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Los Cerros Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2020

	Note	Consolidated	2019
		2020	2019
		\$	\$
Revenue			
Interest revenue		231	756
Profit on disposal of subsidiaries	31(c)	-	-
Foreign exchange gains recognised on disposal of subsidiaries	31(c)	528,105	-
Other revenue		84,624	-
Expenses			
Employee benefits expense		(985,466)	(1,322,075)
Depreciation and amortisation expense	4	(19,163)	(2,889)
Exploration and evaluation expenditure	12	(536,564)	-
Reversal of historical impairment of exploration expenditure	12	197,443	-
Share-based payment expense	19	(362,518)	(421,107)
Finance costs	4	(61,867)	(8,312)
Impairment of assets held for sale	9	-	(1,325,663)
Fair value adjustment to deferred consideration	16	15,881	442,816
Occupancy		(100,785)	(64,001)
Other expenses	4	(2,477,673)	(1,407,391)
Total expenses		<u>(4,330,712)</u>	<u>(4,158,940)</u>
Loss before income tax expense		(3,717,752)	(4,158,184)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Los Cerros Limited		(3,717,752)	(4,158,184)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,538,735)</u>	<u>(411,065)</u>
Other comprehensive loss for the year, net of tax		<u>(1,538,735)</u>	<u>(411,065)</u>
Total comprehensive loss for the year attributable to the owners of Los Cerros Limited		<u><u>(5,256,487)</u></u>	<u><u>(4,569,249)</u></u>
		Cents	Cents
Basic earnings/(loss) per share	30	(1.12)	(0.18)
Diluted earnings/(loss) per share	30	(1.12)	(0.18)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Los Cerros Limited
Consolidated Statement of Financial Position
As at 31 December 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	6	7,814,764	34,213
Other receivables	7	64,610	28,258
Prepayments	8	169,848	190,976
		<u>8,049,222</u>	<u>253,447</u>
Asset held for sale	9	-	1,352,775
Total current assets		<u>8,049,222</u>	<u>1,606,222</u>
Non-current assets			
Property, plant and equipment	11	1,133,026	680,794
Exploration and evaluation	12	18,853,659	17,849,587
Total non-current assets		<u>19,986,685</u>	<u>18,530,381</u>
Total assets		<u>28,035,907</u>	<u>20,136,603</u>
Liabilities			
Current liabilities			
Trade and other payables	13	492,480	2,514,767
Borrowings	14	50,000	413,150
Provisions	15	147,097	237,608
Total current liabilities		<u>689,577</u>	<u>3,165,525</u>
Non-current liabilities			
Other payables	16	-	2,225,881
Total non-current liabilities		<u>-</u>	<u>2,225,881</u>
Total liabilities		<u>689,577</u>	<u>5,391,406</u>
Net assets		<u>27,346,330</u>	<u>14,745,197</u>
Equity			
Issued capital	17	367,424,798	350,163,191
Reserves	20	3,046,625	12,136,603
Accumulated losses		(343,125,093)	(347,554,597)
Total equity		<u>27,346,330</u>	<u>14,745,197</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Los Cerros Limited
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020

Consolidated	Issued capital \$	Convertible note equity, option and share-based payment reserves \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2020	350,163,191	1,497,624	10,638,979	(347,554,597)	14,745,197
Reclassification of historical realised foreign currency transactions	-	-	(8,147,256)	8,147,256	-
Loss after income tax expense for the year	-	-	-	(3,717,752)	(3,717,752)
Other comprehensive loss for the year, net of tax	-	-	(1,538,735)	-	(1,538,735)
Total comprehensive loss for the year	-	-	(1,538,735)	(3,717,752)	(5,256,487)
Shares issued during the period	17,781,344	-	-	-	17,781,344
Options exercised	615,276	-	-	-	615,276
Transaction costs	(1,135,013)	-	-	-	(1,135,013)
Issue of options to purchase interests in Chuscal	-	34,648	-	-	34,648
Issue of options as part of settlement of legal claims	-	198,847	-	-	198,847
Other share-based payments	-	362,518	-	-	362,518
Balance at 31 December 2020	<u>367,424,798</u>	<u>2,093,637</u>	<u>952,988</u>	<u>(343,125,093)</u>	<u>27,346,330</u>

Consolidated	Issued capital \$	Convertible note equity, option and share-based payment reserves \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2019	339,411,378	1,166,117	11,050,044	(343,822,586)	7,804,953
Loss after income tax expense for the year	-	-	-	(4,158,184)	(4,158,184)
Other comprehensive loss for the year, net of tax	-	-	(411,065)	-	(411,065)
Total comprehensive loss for the year	-	-	(411,065)	(4,158,184)	(4,569,249)
Shares issued during the period	10,281,652	-	-	-	10,281,652
Transaction costs	(447,839)	-	-	-	(447,839)
Equity component of convertible note	918,000	-	-	-	918,000
Options issued	-	757,680	-	-	757,680
Options expired	-	(426,173)	-	426,173	-
Balance at 31 December 2019	<u>350,163,191</u>	<u>1,497,624</u>	<u>10,638,979</u>	<u>(347,554,597)</u>	<u>14,745,197</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Los Cerros Limited
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(4,536,260)	(2,176,112)
Proceeds from government stimulus		84,624	-
Interest received		231	756
Interest and other finance costs paid		(61,867)	(8,312)
Settlement of legal claims		(202,684)	-
		<hr/>	<hr/>
Net cash used in operating activities	29	(4,715,956)	(2,183,668)
Cash flows from investing activities			
Payments for plant and equipment	11	(599,363)	-
Payments for exploration and evaluation	12	(1,975,251)	(1,353,860)
Payments against deferred acquisition consideration	16	(2,210,000)	-
Proceeds from assets held for sale	9	1,402,705	-
Proceeds from sale of plant and equipment		11,288	-
Proceeds from sale of subsidiaries, net of cash disposed		140,627	-
Cash acquired on acquisition of Andes Resources Ltd		-	37,477
		<hr/>	<hr/>
Net cash used in investing activities		(3,229,994)	(1,316,383)
Cash flows from financing activities			
Proceeds from issue of shares	17	15,947,270	3,404,760
Proceeds from exercise of options	17	615,276	-
Share issue transaction costs		(540,048)	(447,839)
Proceeds from borrowings		-	37,150
Repayment of borrowings		(37,150)	-
Proceeds from loans from related parties		20,000	376,000
Repayment of loans from related parties		(346,000)	-
		<hr/>	<hr/>
Net cash from financing activities		15,659,348	3,370,071
Net increase/(decrease) in cash and cash equivalents		7,713,398	(129,980)
Cash and cash equivalents at the beginning of the financial year		34,213	167,614
Effects of exchange rate changes on cash and cash equivalents		67,153	(3,421)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	6	<u>7,814,764</u>	<u>34,213</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Los Cerros Limited

Notes to the Consolidated Financial Statements

31 December 2020

Note 1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Going concern

The Consolidated Group incurred a net loss after tax of \$3,717,752 (31 December 2019: \$4,158,184). The Consolidated Group's net cash used in operations was \$4,715,956 during year ended 31 December 2020 (31 December 2019: \$2,183,668); its net cash used in investing activities was \$3,229,994 (31 December 2019: \$1,316,383)).

The Company reports a strong cash balance of \$7,814,764 at 31 December 2020 (31 December 2019: \$34,213). Whilst running a modest exploration program, the Company expects its present funding to be sufficient to maintain its current portfolio and meet its debts as and when they fall due. Therefore, these financial statements have been prepared on a going concern basis. However, the Company will also look for opportunities for future capital raisings to increase its ability to significantly advance its Colombian exploration strategies.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Los Cerros Limited ('Company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the year then ended. Los Cerros Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 1. Significant Accounting Policies (Continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Los Cerros Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 1. Significant Accounting Policies (Continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 1. Significant Accounting Policies (Continued)

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 1. Significant Accounting Policies (Continued)

Exploration and evaluation assets

Where no mineral resources have been established or where such resources have not been evaluated sufficiently to permit the establishment of economically recoverable reserves, exploration in relation to each identifiable area is written off in the year when it is incurred. Exploration and evaluation expenditure is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploration of an area of interest, or by its sale. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. This includes considering the requirements set out in *AASB 6 Exploration for and Evaluation of Mineral Resources* in respect of the capitalised exploration and development expenditure. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Plant and equipment, and capitalised exploration and development expenditure, are assessed for impairment on a cash generating unit ("CGU") basis. A cash generating unit is the smallest grouping of assets that generates independent cash flows, and generally represents an individual project. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 1. Significant Accounting Policies (Continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial American Tree method of valuing securities that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 1. Significant Accounting Policies (Continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as capitalised exploration costs. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 1. Significant Accounting Policies (Continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Los Cerros Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 2. Critical Accounting Judgements, Estimates and Assumptions (Continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Exploration and evaluation costs

Where no mineral resources have been established or where such resources have not been evaluated sufficiently to permit the establishment of economically recoverable reserves, exploration in relation to each identifiable area is written off in the year when it is incurred. Where exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 3. Operating Segments

Identification of reportable operating segments

The Company's primary activity is mineral exploration in the geographic area of South America. This focus is consistent with the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily for the sole purpose of mineral exploration.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual and half yearly financial statements of the Group.

Intersegment transactions

There are no intersegment transactions.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Head office income / expenses and related assets / liabilities

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 3. Operating Segments (Continued)

Operating segment information

	Mineral Exploration \$	Non-core Reconciling Items \$	Total \$
Consolidated - 2020			
EBITDA	(2,170,690)	(2,191,811)	(4,362,501)
Foreign exchange gains recognised on disposal of subsidiaries	-	528,105	528,105
Depreciation and amortisation expense	(10,969)	(8,194)	(19,163)
Reversal of historical impairment of exploration expenditure	197,443	-	197,443
Interest revenue	78	153	231
Finance costs	-	(61,867)	(61,867)
Loss before income tax expense	<u>(1,984,138)</u>	<u>(1,733,614)</u>	<u>(3,717,752)</u>
Income tax expense			-
Loss after income tax expense			<u>(3,717,752)</u>
Assets			
Segment assets	20,364,544	7,671,363	28,035,907
Total assets			<u>28,035,907</u>
Liabilities			
Segment liabilities	129,591	559,986	689,577
Total liabilities			<u>689,577</u>
Consolidated - 2019			
EBITDA	(1,666,002)	(1,156,074)	(2,822,076)
Depreciation and amortisation	(2,889)	-	(2,889)
Impairment of assets	(1,325,663)	-	(1,325,663)
Interest revenue	266	490	756
Finance costs	-	(8,312)	(8,312)
Loss before income tax expense	<u>(2,994,288)</u>	<u>(1,163,896)</u>	<u>(4,158,184)</u>
Income tax expense			-
Loss after income tax expense			<u>(4,158,184)</u>
Assets			
Segment assets	17,901,502	2,235,101	20,136,603
Total assets			<u>20,136,603</u>
Liabilities			
Segment liabilities	1,108,987	4,282,419	5,391,406
Total liabilities			<u>5,391,406</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 3. Operating Segments (Continued)

Geographical information

	Geographical non-current assets	
	2020	2019
	\$	\$
Australia	2,333	10,527
Colombia	19,984,352	18,519,854
	<u>19,986,685</u>	<u>18,530,381</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 4. Expenses

	Consolidated	
	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	19,163	2,889
<i>Impairment</i>		
Assets held for sale	-	1,325,663
Exploration and evaluation (reversal of historical impairment)	(197,443)	-
Total impairment	(197,443)	1,325,663
<i>Exploration and evaluation expenditure</i>		
Exploration and evaluation expenditure	536,564	-
<i>Other expenses</i>		
Foreign exchange loss	382,387	-
Corporate expenses	1,137,012	858,746
Settlement of legal claims (i)	401,531	-
Administration expenses	556,743	548,645
Total other expenses	2,477,673	1,407,391
<i>Fair value adjustment to deferred consideration</i>		
Fair value adjustment to deferred consideration (ii)	(15,881)	(442,816)
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	61,867	8,312
<i>Share-based payments expense</i>		
Share-based payments expense (iii)	318,165	421,107
<i>Employee benefits expense</i>		
Employee and directors' benefits expense	1,029,819	1,322,075

(i) On 26 February 2020, Mr Simon Brown, a former director of Andes Resources Ltd, commenced civil proceedings in the District Court of Western Australia for redundancy and unpaid annual leave. Mr Brown's claims were fully settled on 21 August 2020 under the terms and conditions of the deed of settlement, via a cash payment of \$202,684 and the issue of 3,000,000 unquoted options to Mr Brown. The unquoted options have an exercise price of \$0.07 per option and expire on 1 July 2025 and were valued at \$198,847.

The input used in the measurement of the fair value at grant date of the unquoted options rights were as follows:

Issue date share price	\$0.087
Expected volatility	100%
Rights life	4.88 years
Grant date fair value	\$0.0663

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 4. Expenses (Continued)**

(ii) The deferred consideration of \$A3.5 million owing at the end of 31 December 2019 by Miraflores Compania Minera SAS, had been discounted at 9% per annum to determine fair value at 31 December 2019. On 17 September 2020, the Company announced that it had executed a binding agreement with RMB for Los Cerros to make a one-off payment of A\$2.21 million for the extinguishment of the deferred consideration. The payment was made on 23 September 2020, and the remaining deferred consideration has been adjusted to nil to reflect the extinguishment of the debt with RMB. For further details refer to Note 16 - Non-current liabilities - other payables.

(iii) The value of share-based payments represents the value of shares, options and performance options and rights issued to related and non-related parties during the financial year in lieu of services rendered. (Refer to Note 19 for further information).

Note 5. Income Tax

	Consolidated	
	2020	2019
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(3,717,752)	(4,158,184)
Tax at the statutory tax rate of 30% (2019: 27.5%)	(1,115,326)	(1,143,501)
Add/(Less):		
Non-deductible expenses/(income)	542,314	(364,588)
Temporary differences and tax loss not brought to account as a deferred tax asset	585,864	1,508,089
International tax rate differential	(12,852)	-
Income tax expense	<u>-</u>	<u>-</u>
Unused tax losses for which no deferred tax asset has been recognised	<u>48,428,406</u>	<u>43,990,612</u>

Note 6. Current Assets - Cash and Cash Equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank	<u>7,814,764</u>	<u>34,213</u>

Note 7. Current Assets - Other Receivables

	Consolidated	
	2020	2019
	\$	\$
Other receivables	<u>64,610</u>	<u>28,258</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 8. Current Assets - Prepayments

	Consolidated	
	2020	2019
	\$	\$
Prepayments	169,848	190,976

Note 9. Current Assets - Asset Held for Sale

	Consolidated	
	2020	2019
	\$	\$
Land	-	1,352,775

	Consolidated	
	2020	2019
	\$	\$
Opening Balance	1,352,775	2,861,983
Impairment	-	(1,325,663)
Disposal	(1,402,705)	
Impact of foreign exchange movement	49,930	(183,545)
	-	1,352,775

The Directors agreed that the land at Mollacas, Chile was surplus to requirements and was therefore offered for sale as at 31 December 2019. On 10 February 2020, the sale was completed for \$1.4 million after costs and exchange rate variations.

Note 10. Non-Current Assets - Receivables

	Consolidated	
	2020	2019
	\$	\$
VAT Receivables (i)	691,257	517,042
Provision for impairment of VAT receivables	(691,257)	(517,042)
	-	-

(i) VAT incurred by Miraflores Compania Minera SAS relating to Quinchia Gold Project in Colombia.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 11. Non-Current Assets - Property, Plant and Equipment

	Consolidated	
	2020	2019
	\$	\$
Land - at cost	538,994	616,734
Plant and equipment - at cost	1,107,217	1,418,492
Less: Accumulated depreciation	(513,185)	(1,354,432)
	<u>594,032</u>	<u>64,060</u>
	<u><u>1,133,026</u></u>	<u><u>680,794</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land	Plant and	Total
	\$	equipment	\$
		\$	
Balance at 1 January 2019	556,792	80,982	637,774
Disposals	-	(16,112)	(16,112)
Exchange differences	59,942	2,079	62,021
Depreciation expense	-	(2,889)	(2,889)
		<u>64,060</u>	<u>680,794</u>
Balance at 31 December 2019	616,734	64,060	680,794
Additions	-	599,363	599,363
Other disposals	-	(11,288)	(11,288)
Depreciation expense	-	(19,163)	(19,163)
Depreciation capitalised to exploration and evaluation	-	(11,003)	(11,003)
Exchange differences	(77,740)	(27,937)	(105,677)
		<u>594,032</u>	<u>1,133,026</u>
Balance at 31 December 2020	<u>538,994</u>	<u>594,032</u>	<u>1,133,026</u>

Note 12. Non-Current Assets - Exploration and Evaluation

	Consolidated	
	2020	2019
	\$	\$
Exploration and evaluation	<u>18,853,659</u>	<u>17,849,587</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 12. Non-Current Assets - Exploration and Evaluation (Continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration and Evaluation Expenditure \$	Total \$
Balance at 1 January 2019	10,411,767	10,411,767
Additions	1,353,860	1,353,860
Additions through asset acquisitions (note 27)	6,375,145	6,375,145
Exchange differences	(291,185)	(291,185)
	<hr/>	<hr/>
Balance at 31 December 2019	17,849,587	17,849,587
Additions	2,594,238	2,594,236
Reversal of historical impairment of exploration and evaluation expenditure	197,443	197,443
Disposal through sale of subsidiaries (note 31(c))	(186,481)	(186,481)
Exchange differences	(1,601,128)	(1,601,128)
	<hr/>	<hr/>
Balance at 31 December 2020	<u>18,853,659</u>	<u>18,853,659</u>

Exploration and evaluation capitalised at 31 December 2020 represents the Miraflores Prospect within the Quinchia Gold Project (including the Chuscal Prospect which was fully acquired from AngloGold Ashanti Colombia SA during the year see note 32(i) for further information); and tenements held by Andes Resources Ltd which are located in the Antioquia, Risaralda and Choco, Departments (States) of Colombia.

Capitalised costs amounting to \$1,975,251 (including the effects of exchange differences) for the year ended 31 December 2020 (for the year ended 31 December 2019: \$1,353,860) have been included in cash flows from investing activities.

Recoverability of the carrying amount of exploration assets is dependent upon the successful recovery of ore reserves. Impairment indicators in AASB 6 are considered for each area of interest. During the year ended 31 December 2020, an amount of \$197,443 which was historically impaired was reversed to reflect the amounts recovered and then disposed through the sale of subsidiaries (see note 31(c)). No other capitalised amounts were impaired during the 2019 or the 2020 years.

During the year, \$536,564 expenditure relating to the tenements held by Andes Resources Ltd was directly expensed and recognised in the statement of profit or loss and other comprehensive income (2019: \$nil).

Note 13. Current Liabilities - Trade and Other Payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	74,609	1,305,543
Other payables	417,871	1,209,224
	<hr/>	<hr/>
	<u>492,480</u>	<u>2,514,767</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 14. Current Liabilities - Borrowings

	Consolidated	
	2020	2019
	\$	\$
Insurance premium funding	-	37,150
Loans from related parties	50,000	376,000
	<u>50,000</u>	<u>413,150</u>

Note 15. Current Liabilities - Provisions

	Consolidated	
	2020	2019
	\$	\$
Annual leave	147,097	237,608
	<u>147,097</u>	<u>237,608</u>

Note 16. Non-Current Liabilities - Other Payables

	Consolidated	
	2020	2019
	\$	\$
Deferred consideration (i)	-	2,225,881
	<u>-</u>	<u>2,225,881</u>

(i) Note:

In July 2019, the Company reached agreement with FirstRand Investment Holdings (Pty) Ltd (previously RMB Australia Holdings Pty Ltd, "RMB") to renegotiate the terms of the Company's previously outstanding deferred consideration of \$5,000,000. The agreement was:

(a) Deferred consideration to be settled partially by share based payments of \$2 million and the balance of deferred consideration to be repaid on achieving certain milestones comprising 3 payments totalling \$3.5 million ("Milestone Payments").

- A\$1.25 million at the earlier of Los Cerros' market capitalisation exceeding \$30 million or achieving an Indicated Resources exceeding 2 million oz of gold grading not less than 4g/t;
- A\$1.25 million at the earlier of Los Cerros' market capitalisation exceeding \$35 million or achieving a Proved and Probable Reserve exceeding 1 million oz of gold grading not less than 4g/t;
- A\$1.0 million at the earlier of Los Cerros' market capitalisation exceeding \$40 million or confirmation by the Board that it had secured the required funding for development.

All three Milestone Payments had a backstop date of 1 January 2025 and, if any part of any Milestone Payment had not been made by that date, the deferred consideration had to be fully paid on 31 March 2025.

(b) Royalty payable to RMB of 2% of NSR (net smelter return) on production, capped at A\$15 million.

On 17 September 2020, the Company announced that it executed a binding agreement with RMB for Los Cerros to make a one-off payment of A\$2.21 million for the extinguishment of the deferred consideration. The payment was made on 23 September 2020, fully extinguishing the Company's liability with RMB.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 16. Non-Current Liabilities - Other Payables (Continued)

	Opening Balance 1 January \$	Settlement during the year \$	Fair value adjustment \$	Closing Balance 31 Dec \$
Deferred consideration (present value) - 2019	4,668,697	(2,000,000)	(442,816)	2,225,881
Deferred consideration (present value) - 2020	2,225,881	(2,210,000)	(15,881)	-

Note 17. Equity - Issued Capital

	2020 Shares	Consolidated 2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	<u>468,779,522</u>	<u>167,760,161</u>	<u>367,424,798</u>	<u>350,163,191</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2019	1,136,416,664		339,411,378
Exercise of listed options	21 January 2019	23,950	\$0.0110	260
Share issue from renounceable rights issue shortfall	15 February 2019	51,500,000	\$0.0030	154,500
Shares issued to extinguish convertible notes (1)	15 August 2019	459,000,000	\$0.0020	918,000
Share issued as part of the acquisition of Andes Resources Ltd - tranche 1 (2)	15 August 2019	2,777,156,042	\$0.0020	5,554,313
Shares issued - capital raising (3)	15 August 2019	1,166,000,000	\$0.0020	2,332,000
Share issued pursuant to Broker Mandate (2)	15 August 2019	62,500,000	\$0.0020	125,000
Share issue as consideration for repayment of debt (4)	30 August 2019	1,000,000,000	\$0.0020	2,000,000
Share issued as part of the acquisition of Andes Resources Ltd - tranche 2 (2)	16 September 2019	6,979,175	\$0.0020	13,959
Share consolidation (40 to 1)	26 September 2019	(6,493,085,920)	\$0.0000	-
Shares issued in lieu of directors fees	27 December 2019	1,270,250	\$0.0800	101,620
Less: Costs of capital raising				(447,839)
Balance	31 December 2019	<u>167,760,161</u>		<u>350,163,191</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 17. Equity - Issued Capital (Continued)

Movements in ordinary share capital (continued)

Details	Date	Shares	Issue price	\$
Balance	1 January 2020	167,760,161		350,163,191
Exercise of listed options	1 June 2020	41	\$0.4400	18
Exercise of unlisted options	6 June 2020	17,000,000	\$0.0200	340,000
Sandfire Collaboration Agreement (5)	9 January 2020	224,161	\$0.0800	17,933
Placement - Tranche 1 (6)	13,18 February 2020	24,939,860	\$0.0400	997,594
Placement - Tranche 2 (6)	6 April, 18 May & 5 June 2020	28,185,140	\$0.0400	1,127,406
Share Purchase Plan (7)	5 March 2020	8,800,000	\$0.0400	352,000
Shares issued in lieu of services	6 April 2020	12,112,500	\$0.0400	484,500
Shares issued to related parties	6 April 2020	393,391	\$0.0400	15,736
Exercise of unlisted options	2 July 20	312,500	\$0.0200	6,250
Shares Placement (8)	21 July 20	49,500,000	\$0.0400	1,980,000
Exercise of unlisted options	27 July 20	1,500,000	\$0.0200	30,000
Exercise of unlisted options	30 July 20	937,500	\$0.0200	18,750
Shares Placement (9)	30 July 20	11,140,778	\$0.0525	584,891
Exercise of unlisted options	7 August 20	812,500	\$0.0200	16,250
Exercise of unlisted options	21 August 20	2,562,500	\$0.0200	51,250
Shares Placement (10)	3 September 20	38,000,000	\$0.0400	1,520,000
Shares Placement (11)	10 September 20	750,000	\$0.0400	30,000
Share based payment to Digital (S3) (12)	11 September 20	1,300,000	\$0.0769	100,000
Shares Placement (13)	22 September 20	86,932,750	\$0.1150	9,997,266
Exercise of unlisted options	23 September 20	625,000	\$0.0200	12,500
Exercise of unlisted options	23 September 20	375,000	\$0.1000	37,500
Exercise of listed options	23 September 20	50,000	\$0.1600	8,000
Shares issued to AngloGold Ashanti Colombia SA (14)	9 October 20	10,476,597	\$0.0370	387,634
Exercise of unlisted options	9 October 20	250,000	\$0.1000	25,000
Issued to directors in lieu of unpaid salary	23 October 20	2,439,093	\$0.0760	186,384
Exercise of listed options	23 October 20	12,550	\$0.1600	2,008
Exercise of unlisted options	6 November 20	500,000	\$0.1000	50,000
Exercise of unlisted options	16 November 20	637,500	\$0.0200	12,750
Exercise of unlisted options	29 December 20	250,000	\$0.0200	5,000
Less: Costs of capital raising				(1,135,013)
Balance	31 December 2020	468,779,522		367,424,798

Share consolidation

On 26 September 2019, the Company implemented a share consolidation scheme, which provided shareholders with 1 new ordinary share for every 40 shares held. Share amounts and issue prices are disclosed at the pre consolidation amounts if issued prior to 26 September 2019, or at the post consolidation amounts if issued after 26 September 2019

(1) Convertible notes

On 29 March 2019 the Company issued 306 unlisted convertible notes at a price of \$3,000 per note to raised \$918,000 before costs. The notes were converted into fully paid ordinary shares at a conversion price of \$0.002 per share on the successful completion of the acquisition of Andes Resources Ltd.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 17. Equity - Issued Capital (Continued)

(2) Acquisition of Andes Resources Ltd

A total of 2,784,135,217 shares at \$0.002 per share were issued in two tranches as part of the total consideration of the acquisition of Andes Resources Ltd. In addition 62,500,000 at \$0.002 per shares were issued to a broker as part of the deal expenses.

(3) Capital Raising

1,166,000,000 shares were issued on 15 August 2019 at a price of \$0.002 per share, raising \$2,332,000.

(4) Debt to equity conversion

1,000,000,000 shares were issued at \$0.002 per share to RMB Australia Holdings Pty Ltd, as part of a liability restructuring program.

(5) Shares Issued to Sandfire Resources NL

224,161 shares were issued at \$0.08 per share to Sandfire Resources NL under the terms and conditions of the Sandfire Collaboration Agreement.

(6) Share Placement

A share placement was made with sophisticated investors in 2 tranches to raise capital to advance the Quinchia Gold Project.

(7) Share Purchase Plan

The Company also undertook a Share Purchase Plan to allow existing eligible shareholders to participate in the equity raising (see Note (6)) on the same terms as placement investors.

(8) Capital Raising

49,500,000 shares were issued on 21 July 2020 at a price of \$0.04 per share, raising \$1,980,000.

(9) Capital Raising

11,140,778 shares were issued on 30 July 2020 at a price of \$0.0525 per share, raising \$584,891.

(10) Capital Raising

38,000,000 shares were issued on 3 September 2020 at a price of \$0.04 per share, raising \$1,520,000.

(11) Capital Raising

750,000 shares were issued on 10 September 2020 at a price of \$0.04 per share, raising \$30,000.

(12) Shares Issued to Digital (S3)

1,300,000 shares were issued and allotted to S3 Consortium Pty Ltd at a price of \$0.0769 per share under the terms and conditions of a basic services agreement in consideration for the provision of consultancy services.

(13) Capital Raising

86,932,750 shares were issued on 22 September 2020 at a price of \$0.1150 per share, raising \$9,997,266.

(14) Shares Issued to AngloGold Ashanti Colombia SA

10,476,597 shares were issued and allotted to AngloGold Ashanti Colombia SA pursuant to the terms of the agreement with AngloGold Ashanti Colombia SA in consideration for their interests' in the Chuscal joint venture, as approved by shareholders at the General Meeting held on 23 June 2020. The shares were issued for nil considered and recognised at a deemed value of \$0.037 per share.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 17. Equity - Issued Capital (Continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2019 Annual Report.

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 18. Equity - Options and Performance Rights

As at the reporting date, the Company has a series of options and performance rights currently under issue, which entitle holders to one ordinary share in the Parent Company at a fixed exercise price, or the achievement of certain performance targets. The terms and conditions for each type of option performance right is listed in the following tables.

Options

Listed Options (ASX: LCLOA and LCLOB) outstanding as at 31 December 2020 and movements during the current financial year.

Grant Date	Expiry date	Ex. price	Outstanding at 31 Dec 2019	Issued during year	Exercised during year	Lapsed	Outstanding at 31 Dec 2020
24/04/2018	01/06/2020	\$0.4400	5,790,269	-	-	(5,790,269)	-
30/04/2018	01/06/2020	\$0.4400	246,913	-	-	(246,913)	-
22/05/2018	01/06/2020	\$0.4400	572,788	-	-	(572,788)	-
29/05/2018	01/06/2020	\$0.4400	5,948,665	-	-	(5,948,665)	-
24/12/2018	01/06/2020	\$0.4400	1,125,000	-	-	(1,125,000)	-
18/12/2019	16/08/2021	\$0.1600	50,206,975	-	(62,550)	-	50,144,425
6/04/2020	16/08/2021	\$0.1600	-	2,925,000	-	-	2,925,000
			<u>63,890,610</u>	<u>2,925,000</u>	<u>(62,550)</u>	<u>(13,683,635)</u>	<u>53,069,425</u>

All outstanding options above were exercisable as at 31 December 2020.

Unlisted Options outstanding as at 31 December 2020 and movements during the current financial year.

Grant date	Expiry date	Ex. price \$	Outstanding at 31 Dec 2019	Issued during year	Exercised during year	Lapsed	Outstanding at 31 Dec 2020
19/08/2019	1/07/2023	0.3200	5,546,875	-	-	-	5,546,875
19/08/2019	31/08/2023	0.3200	656,250	-	-	-	656,250
19/08/2019	15/11/2023	0.3200	46,875	-	-	-	46,875
19/08/2019	16/08/2021	0.2400	1,250,000	-	-	-	1,250,000
6/04/2020	6/04/2022	0.1000	-	30,962,500	(1,125,000)	-	29,837,500
15/05/2020	18/05/2022	0.0200	-	30,487,500	(24,637,500)	-	5,850,000
13/08/2020	1/07/2025	0.0700	-	3,000,000	-	-	3,000,000
23/06/2020	9/10/2021	0.1600	-	15,430,648	-	-	15,430,648
			<u>7,500,000</u>	<u>79,880,648</u>	<u>(25,762,500)</u>	<u>-</u>	<u>61,618,148</u>

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 18. Equity - Options and Performance Rights (Continued)****Performance Rights and Options:**

Performance rights and options outstanding as at 31 December 2020 and movements during the current financial year.

Grant date	Expiry date	Exercise price \$	Outstanding at 31 Dec 2019	Issued during the year	Lapsed during the year	Outstanding at 31 Dec 2020	Note
28/05/2018	31/12/2020	\$0.9600	240,000	-	(240,000)	-	
29/05/2018	31/12/2020	\$0.9600	290,000	-	(290,000)	-	1
29/05/2018	31/12/2020	\$0.0000	290,000	-	(290,000)	-	2
14/05/2019	31/12/2020	\$0.2400	250,000	-	(250,000)	-	3
15/05/2019	31/12/2021	\$0.0000	250,000	-	-	250,000	4
20/12/2019	30/09/2024	\$0.1350	4,000,000	-	-	4,000,000	5
20/12/2019	30/09/2024	\$0.1350	2,000,000	-	-	2,000,000	6
20/12/2019	30/09/2024	\$0.1350	2,000,000	-	-	2,000,000	7
20/12/2019	30/09/2024	\$0.1350	2,000,000	-	-	2,000,000	8
23/10/2020	31/01/2025	\$0.0000	-	3,100,000	-	3,100,000	9
23/10/2020	31/01/2025	\$0.0000	-	5,430,000	-	5,430,000	10
23/10/2020	31/01/2025	\$0.0000	-	5,430,000	-	5,430,000	11
			<u>11,320,000</u>	<u>13,960,000</u>	<u>(1,070,000)</u>	<u>24,210,000</u>	

Performance rights outstanding as at 31 December 2020 are subject to the following vesting conditions:

- (1) Tranche 3 vesting on 30 day VWAP of \$0.96 before December 31, 2020. This tranche lapsed during the year.
 - (2) Tranche 4 vesting on delivery of a resource of at least 1 million ounces of gold at Chuscal before December 31, 2020. This tranche lapsed during the year.
- (Tranche 1 and 2 lapsed during the prior financial year.)

Performance rights outstanding as at 31 December 2020 are subject to the following vesting conditions:

- (3) Tranche 2 vesting on 30 day VWAP of \$0.24 or higher on or before December 31, 2020. This tranche lapsed during the year.
 - (4) Tranche 3 vesting on delivery of a resource of at least 1 million ounces resource at Chuscal before December 31, 2021.
- (5) Directors Options were issued during the prior year in 1 tranche of 4 million with an exercise price of \$0.135, and expiring on 30 September 2024. These options were issued in lieu of the recipients being paid directors fees for the 24 months from date of issue.

Incentive Options were issued during the prior year in 3 equal tranches of 2 million with the following vesting conditions.

- (6) Tranche 1 vesting after 12 months of service at an exercise price of \$0.135, and expiring on 30 September 2024.
- (7) Tranche 2 vesting after 24 months of service, at an exercise price of \$0.135 and expiring on 30 September 2024.
- (8) Tranche 3 vesting upon the discovery of 0.5Moz gold resource at more than 1.75g/t or 1Moz gold resource at more than 0.9g/t, at an exercise price of \$0.135, and expiring on 30 September 2024.

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 18. Equity - Options and Performance Rights (Continued)**

Long Term Incentive Performance Rights were issued during the year in 3 tranches (3.1 million, 5.43 million and 5.43 million respectively) with the following vesting conditions.

- (9) Tranche 1 vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day volume weighted average price (VWAP) of not less than \$0.15 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
 On 21 January 2021 the Performance Rights vested when the Company's share price reached \$0.205.
- (10) Tranche 2 vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.20 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
- (11) Tranche 3 vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.25 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).

Note 19. Equity - Share-Based Payment Expenses

	Consolidated	
	2020	2019
	\$	\$
(1) Shares	-	101,620
(2) Options	-	270,810
(3) Long-term incentive plan	362,518	48,677
	<u>362,518</u>	<u>421,107</u>

(1) Shares

	Consolidated	
	2020	2019
	\$	\$
The following shares were issued in satisfaction of fees for services provided by past directors of the Company for the period from 1 July 2018 to 16 August 2019, as approved by Shareholders at the General Meeting held on 28 November 2019.		
Roger Higgins (580,625 shares @ \$0.08 post consolidation)	-	46,450
Glenister Lamont (689,625 shares @ \$0.08 post consolidation)	-	55,170
	<u>-</u>	<u>101,620</u>

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 19. Equity - Share-Based Payment Expenses (Continued)

(2) Options

The Group has determined the fair value of its options, performance options and performance rights ('options and rights') using the Binomial American Tree method of valuing securities. The following options and rights were issued during the year ended 31 December 2019 alongside the key inputs utilised in the pricing model, including the Group's risk-free borrowing rate and volatility of the Group's shares.

The following options were awarded to convertible note holders in lieu of interest during the year ended 31 December 2019

Awarded during the year	Award date and vesting date	Expiry date	Fair value of option at award date \$	Exercise price \$	Value of options granted during the year \$	Amount of expense recognised \$	Risk free rate %	Expected volatility %
459,000,000	16/08/2019	16/08/2021	0.00059	0.004	270,810	270,810	1.00%	87.00%

(3) Long Term Incentive Plan

Performance Rights and Performance Options issued to related parties under the Company's Long-Term Incentive Plan was approved at AGM held on 28 May 2018. During the year the shareholders approved a new Performance Rights and Options Plan at the 23 October General Meeting. The Group has determined the fair value of its performance rights and options issues (for services rendered), using the Binomial American Tree method of valuing securities.

The following options and rights issued during the year ended 31 December 2020 to related parties under the Company's Performance Rights and Options Plan, alongside the key inputs utilised in the pricing model, including the Group's risk-free borrowing rate and volatility of the Group's shares, are as follows:

Performance Rights

Recipient	Terms of issue	Performance Rights Issued No.	Share-Based Payment Value \$
Ross Ashton (3.1)	Performance Rights issued under terms of Company's Employee Long Term Incentive Plan	2,980,000	469,372
Kevin Wilson (3.2)	Performance Rights issued under terms of Company's Employee Long Term Incentive Plan	1,980,000	311,868
Jason Stirbinskis (3.3)	Performance Rights issued under terms of Company's Employee Long Term Incentive Plan	9,000,000	1,417,584
		<u>13,960,000</u>	<u>2,198,824</u>

The input used in the measurement of the fair value at grant date of each of these performance rights were as follows:

	Tranche 1	Tranche 2	Tranche 3
Issue date share price	\$0.19	\$0.19	\$0.19
Expected volatility	100%	100%	100%
Rights life	4.27 years	4.19 years	4.19 years
Grant date fair value	\$0.16	\$0.1578	\$0.1560

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 19. Equity - Share-Based Payment Expenses (Continued)

(3.1) The following performance conditions are applicable to the performance rights awarded in the year:

- Tranche 1 - 660,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day volume weighted average price (VWAP) of not less than \$0.15 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
 On 21 January 2021 the Performance Rights vested when the Company's share price reached \$0.205.
- Tranche 2 - 1,160,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.20 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
- Tranche 3 - 1,160,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.25 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).

See further details below:

Awarded during the year	Award date	Vesting date	Expiry date	Service period date (days)	No. vested and lapsed during the year	Value of performance rights granted during the year \$	Amount of expense recognised \$
660,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15960	4,721
1,160,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15784	8,205
1,160,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15599	8,109
					-		21,035

(3.2) The following performance conditions are applicable to the performance rights awarded in the year:

- Tranche 1 - 440,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day volume weighted average price (VWAP) of not less than \$0.15 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
 On 21 January 2021 the Performance Rights vested when the Company's share price reached \$0.205.
- Tranche 2 - 770,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.20 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
- Tranche 3 - 770,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.25 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 19. Equity - Share-Based Payment Expenses (Continued)

See further details below:

Awarded during the year	Award date	Vesting date	Expiry date	Service period date (days)	No. vested and lapsed during the year	Value of performance rights granted during the year (\$)	Amount of expense recognised (\$)
440,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15960	3,147
770,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15784	5,446
770,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15599	5,383
					-		13,976

(3.3) The following performance conditions are applicable to the performance rights awarded in the year:

- Tranche 1 - 2,000,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day volume weighted average price (VWAP) of not less than \$0.15 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
 On 21 January 2021 the Performance Rights vested when the Company's share price reached \$0.205.
- Tranche 2 - 3,500,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.20 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).
- Tranche 3 - 3,500,000 Performance Rights vesting upon the achievement of the greater of the two following milestones:
 - (a) the Company achieving a 20-day VWAP of not less than \$0.25 on or before 31 December 2024; or
 - (b) the Company achieving a closing share price that is 105% of the Company's closing share price on 23 October 2020 (i.e. 105% of \$0.185, being a vesting hurdle of \$0.19425).

See further details below:

Awarded during the year	Award date	Vesting date	Expiry date	Service period date (days)	No. vested and lapsed during the year	Value of performance rights granted during the year (\$)	Amount of expense recognised (\$)
2,000,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15960	14,305
3,500,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15784	24,756
3,500,000	23/10/2020	(See above)	31/12/2024	N/A	-	0.15599	24,467
					-		63,528

Los Cerros Limited

Notes to the Consolidated Financial Statements (Continued)

31 December 2020

Note 19. Equity - Share-Based Payment Expenses (Continued)

The following options and rights issued during the year ended 31 December 2019 to related parties under the Company's Long-Term Incentive Plan (following approval of issue at AGM held on 17 May 2019), and which are still outstanding at year-end are as follows.

Performance Rights and Performance Options.

Recipient	Terms of issue	Performance Options issued No.	Share-Based Payment Value \$
Ross Ashton (3.4)	Director options issued under terms of Company's Employee Long Term Incentive Plan	2,000,000	94,000
Kevin Wilson (3.4)	Director options issued under terms of Company's Employee Long Term Incentive Plan	2,000,000	94,000
Jason Stirbinskis (3.5)	Incentive options issued under terms of Company's Employee Long Term Incentive Plan	6,000,000	282,000
		<u>10,000,000</u>	<u>470,000</u>

(3.4) These options were granted in lieu of board fees for a future period of 24 months from the date of issue.

See further details below regarding Directors Options awarded to Kevin Wilson and Ross Ashton in a single tranche of 2,000,000 options each:

Awarded during the prior year	Award date	Vesting date	Expiry date	Fair value of performance option at award date \$	Service period date days	Value of performance option granted during the year \$	Amount of expense recognised \$
4,000,000	20/12/2019	20/12/2019	30/09/2021	\$0.07360	1,746	188,000	94,000

These options were granted to Kevin Wilson and Ross Ashton in lieu of cash remuneration for their board duties over the 24 months from the date of issue, amounting to a saving to the Company of \$200,000 cash in aggregate.

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 19. Equity - Share-Based Payment Expenses (Continued)**

(3.5) The following performance conditions are applicable to the options awarded in the year:

- Tranche 1 - 2,000,000 Performance Rights vesting upon the 12 month anniversary of Mr Stirbinskis's appointment;
- Tranche 2 - 2,000,000 Performance Rights vesting upon 24 months of Mr Stirbinskis's appointment;
- Tranche 3 - 2,000,000 Performance Rights vesting upon the announcement of an additional inferred mineral resource of at least 0.5Moz gold equivalent@ > 1.75g/t, or at least 1Moz gold equivalent@ > 0.9g/t.

See further details below:

Awarded during the prior year	Award date	Vesting date	Expiry date	Fair value of performance option at award date \$	Service period date (days)	Value of performance option granted \$	Amount of expense recognised \$
2,000,000	20/12/2019	16/08/2020	30/09/2022	0.07300	1,746	94,000	93,409
2,000,000	20/12/2019	16/08/2021	30/09/2022	0.07300	1,746	94,000	56,866
2,000,000	20/12/2019	30/09/2022	30/09/2022	0.07300	1,746	94,000	19,704
						<u>282,000</u>	<u>169,979</u>

All options have an exercise price of \$0.135.

The 6 million incentive options were seen as incentivising Mr Stirbinskis to remain with the Company and continue to manage the exploration activities of the Company to achieve mineral discoveries that, if achieved, will be to the benefit of all Shareholders.

The directors have assessed that those conditions are more than probable to be achieved by the expiry date and therefore the total value of the options incorporates all rights awarded.

Note 20. Equity - Reserves

	Consolidated	
	2020	2019
	\$	\$
Foreign currency reserve	952,988	10,638,979
Share based payments reserve	<u>2,093,637</u>	<u>1,497,624</u>
	<u>3,046,625</u>	<u>12,136,603</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 21. Financial Risk Management

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and, if appropriate, hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2020	2019
	\$	\$
Cash and receivables		
Cash and cash equivalents	7,814,764	34,213
Trade and other receivables	64,610	28,258
Total cash and receivables	<u>7,879,374</u>	<u>62,471</u>
Financial liabilities (at amortised cost)		
Trade and other payables	492,480	2,514,767
Borrowings	50,000	413,150
Deferred consideration	-	2,225,881
Total financial liabilities	<u>542,480</u>	<u>5,153,798</u>

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

Exposure to other price risk arises on derivative asset may result in the fair value of cash flows from the equity swap receipts due to movement in the Company's share price. The future receipts are calculated as the difference between the benchmark share price and the 5 day VWAP of the Company's share price as quoted on the ASX. The movement in the Company's share price cannot be reliably determined.

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 21. Financial Risk Management (Continued)***Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The Consolidated Group is exposed to interest rate and foreign exchange risk through cash assets held and financial liabilities owed as at the reporting date.

	Consolidated	
	2020	2019
	\$	\$
Cash assets held in Australian dollars and subject to floating interest rate	7,003,009	17,452
Australian currency equivalent of cash assets held in US dollars and subject to floating interest rate	578,321	9,565
Australian currency equivalent of cash assets held in UK pounds and subject to floating interest rate	5	1,932
Australian currency equivalent of cash assets held in other currencies and subject to floating interest rate	<u>233,429</u>	<u>5,264</u>
Total cash assets	<u><u>7,814,764</u></u>	<u><u>34,213</u></u>

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Interest Rate Sensitivity Analysis

At 31 December 2020 and at 31 December 2019, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	31 December 2020	31 December 2019
Consolidated	\$	\$
Change in profit		
Increase in interest rate by 2%	156,295	684
Decrease in interest rate by 2%	(156,295)	(684)
Change in equity		
Increase in interest rate by 2%	156,295	684
Decrease in interest rate by 2%	(156,295)	(684)

Foreign Currency Risk Sensitivity Analysis

At 31 December 2020 and at 31 December 2019, the effect on profit and equity as a result of changes in the foreign exchange rates, with all other variables remaining constant would be as follows:

	31 December 2020	31 December 2019
Consolidated	\$	\$
Change in profit		
Improvement in AUD to USD by 5%	(28,916)	(478)
Decline in AUD to USD by 5%	28,916	478

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 21. Financial Risk Management (Continued)

Change in equity		
Improvement in AUD to USD by 5%	(28,916)	(478)
Decline in AUD to USD by 5%	28,916	478
Change in profit		
Improvement in AUD to GBP by 5%	-	(97)
Decline in AUD to GBP by 5%	-	97
Change in equity		
Improvement in AUD to GBP by 5%	-	(97)
Decline in AUD to GBP by 5%	-	97
Change in profit		
Improvement in AUD to COP by 5%	(11,671)	(262)
Decline in AUD to COP by 5%	11,671	262
Change in equity		
Improvement in AUD to COP by 5%	(11,671)	(262)
Decline in AUD to COP by 5%	11,671	262

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 21. Financial Risk Management (Continued)

Financial Liability and Financial Asset Maturity Analysis

31 December 2020 Consolidated Group	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	7,814,764	-	-	7,814,764
Other receivables	64,610	-	-	64,610
Trade and other payables	(492,480)	-	-	(492,480)
Borrowings	(50,000)	-	-	(50,000)
Net (outflow)/inflow on financial instruments	<u>7,336,894</u>	<u>-</u>	<u>-</u>	<u>7,336,894</u>
31 December 2019 Consolidated Group	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Trade and other payables	(2,514,767)	-	-	(2,514,767)
Borrowings	(413,150)	-	-	(413,150)
Deferred consideration	-	-	(2,225,881)	(2,225,881)
Cash and cash equivalents	34,213	-	-	34,213
Other receivables	28,258	-	-	28,258
Net (outflow)/inflow on financial instruments	<u>(2,865,446)</u>	<u>-</u>	<u>(2,225,881)</u>	<u>(5,091,327)</u>

Fair value of financial instruments

Fair value estimation

Financial assets and financial liabilities are presented at fair value or at amortised cost in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 21. Financial Risk Management (Continued)**

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

Consolidated	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<i>Assets</i>				
Cash and cash equivalents	7,814,764	7,814,764	34,213	34,213
Trade receivables	64,610	64,610	28,258	28,258
	<u>7,879,374</u>	<u>7,879,374</u>	<u>62,471</u>	<u>62,471</u>
<i>Liabilities</i>				
Trade payables	74,609	74,609	1,305,543	1,305,543
Other payables	417,871	417,871	1,209,224	1,209,224
Borrowings	50,000	50,000	413,150	413,150
Deferred consideration	-	-	2,225,881	2,225,881
	<u>542,480</u>	<u>542,480</u>	<u>5,153,798</u>	<u>5,153,798</u>

The fair values disclosed in the above table have been determined based on the following methodologies:

Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value approximates to fair value. Deferred consideration represents short-term and long-term financial instruments which are valued at amortised cost which also approximates fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

Note 22. Key Management Personnel Disclosures*Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	263,800	550,960
Post-employment benefits	23,750	27,469
Share-based payments	362,518	48,679
	<u>650,068</u>	<u>627,108</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 23. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	65,023	120,000
<i>Other services - network firms</i>		
Audit or review of the financial statements	-	3,000
<i>Other services - network firms</i>		
Audit or review of the financial statements	-	18,512
Preparation of the tax return	-	10,840
	-	29,352

Note 24. Contingent Liabilities

The Company is aware that a former director and chief executive officer of one of the Company's subsidiaries (Miraflores Compania Minera SAS (previously Minera Seafield SAS)) previously lodged a claim with the Labour Court in Medellin, Colombia (Juzgado Laboral del Circuito de Medellin) seeking termination payments, unpaid bonus payments and damages in the amount of approximately US\$2 million. The Directors are of the opinion that the claim can be successfully defended and believe that the risk of the Company facing an unfavourable judgement is remote. The Company intends to defend the proceeding.

Otherwise the Group is not aware of any other contingent liabilities.

Note 25. Commitments

	Consolidated	
	2020	2019
	\$	\$
<i>Exploration Tenement Licence Commitments (i)</i>		
Committed at the reporting date:		
Within one year	41,007	216,116
Between one and five years	-	5,505
Total commitment	41,007	221,621
Less: Future finance charges	-	-
Net commitment recognised	41,007	221,621

(i) Represents mining and exploration licence fees for tenements held by the Group but not yet capitalised in the financial statements.

The Company has no other material commitment other than lease commitment obligations and mining access rights.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 26. Related Party Transactions

Parent entity

Los Cerros Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 31.

Joint ventures

Interests in joint ventures are set out in Note 32.

Key management personnel

Disclosures relating to key management personnel are set out in Note 22 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payment for other expenses:		
Interest payable to key management personnel	8,819	8,132

* Interest of \$8,819 (2019: \$5,660) payable to Kevin Wilson during the year.

** Interest of \$nil (2019: \$2,472) payable to Ross Ashton during the year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2020	2019
	\$	\$
Current borrowings:		
Loans from key management personnel	50,000	376,000

* On 1 March 2019 Kevin Wilson made an unsecured loan to the company of \$50,000; and on 1 November 2019 Mr Wilson made an unsecured loan to the company of \$150,000. Both loans are at an annual interest rate of 9.0% and matured on 1 February 2020 or later by mutual agreement.

Between 13 February 2020 and 15 July 2020, a total of \$150,000 plus interest was repaid to Mr Wilson, reducing Mr Wilson's loan to the Company to \$50,000 plus accrued interest.

** Between 1 November 2019 and 1 December 2019 Ross Ashton made unsecured loans to the company totalling \$176,000 at an annual interest rate of 9.0% and maturing on 1 February 2020 or later by mutual agreement. On 13 January 2020, Mr Ashton advanced an additional \$20,000, bringing Mr Ashton's total loan to the Company to \$196,000, before any repayments were made.

Following this, between 13 February 2020 and 15 July 2020, \$196,000 plus interest was repaid to Mr Ashton, thereby extinguishing the loan.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 27. Business Combinations

On 16 August 2019, Metminco Limited (subsequently renamed Los Cerros Limited) acquired 100% of the ordinary shares of Andes Resources Ltd for the total consideration transferred of \$5,938,145 comprising shares and options. Andes Resources Ltd owns an array of tenements and applications in Los Cerros' area of interest, and the acquisition resulted in the Company holding a dominant position in the richly gold-copper endowed Mid-Cauca Gold Belt, with multiple exploration assets.

Andes Resources Ltd did not qualify as a 'business' under the guidelines stipulated in *AASB 3 Business Combinations* and was accounted for as an asset acquisition.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	37,477
Exploration costs	6,375,145
Trade and other payables	(228,282)
Employee benefits	(64,040)
Other liabilities	<u>(39,155)</u>
Net assets acquired	6,081,145
Goodwill	<u>-</u>
Acquisition-date fair value of the total consideration transferred	<u><u>6,081,145</u></u>
Representing:	
2,784,135,217 ordinary shares in Metminco Limited (now Los Cerros Limited) at \$0.002 per share to Andes (pre share consolidation)	5,568,270
250,000,000 options, at a strike price of \$0.008, expiring between 1st July 2023 and 15th November 2023 (pre share consolidation)	148,625
375,000,000 options at a strike price of \$0.004, expiring on 16th August 2021 (pre share consolidation)	<u>221,250</u>
	<u><u>5,938,145</u></u>
Shares and options issued to consultants directly involved in the acquisition:	
62,500,000 ordinary shares in Metminco Limited (now Los Cerros Limited) at \$0.002 per share (pre share consolidation)	125,000
50,000,000 options at a strike price of \$0.006, expiring on 16th August 2021 (pre share consolidation)	<u>18,000</u>
	<u>143,000</u>
Total value of consideration	<u><u>6,081,145</u></u>

Note 28. Events After the Reporting Period

On 1 February 2021, the Company issued and allotted 1,257,511 fully paid ordinary shares upon the exercise of 1,250,000 unquoted options exercisable at \$0.10 per option on or before 6 April 2022 and the exercise of 7,511 quoted options exercisable at \$0.16 per option on or before 16 August 2021.

On 16 February 2021, the Company issued and allotted 125,000 fully paid ordinary shares upon the exercise of 62,500 unquoted options exercisable at \$0.10 per option on or before 6 April 2022 and the exercise of 62,500 unquoted options exercisable at \$0.02 per option on or before 18 May 2022.

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 28. Events After the Reporting Period (Continued)

On 18 February 2021, the Company issued and allotted 660,000 fully paid ordinary shares upon the exercise of 660,000 unquoted performance rights that were convertible before 31 January 2025 for nil consideration.

On 9 March 2021, the Company issued and allotted 187,500 fully paid ordinary shares upon the exercise of 187,500 unquoted options exercisable at \$0.10 per option on or before 6 April 2022.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 29. Reconciliation of Loss after Income Tax to Net Cash Used in Operating Activities

	Consolidated	
	2020	2019
	\$	\$
Profit/(Loss) after income tax expense for the year	(3,717,752)	(4,158,184)
Adjustments for:		
Depreciation and amortisation	19,163	2,889
Foreign exchange loss	382,387	-
Share-based payment expense	362,518	421,107
Equity-settled share-based payment transactions	1,050,322	-
Non-cash financing charges on deferred acquisition consideration	(15,881)	(442,816)
Reversal of historical impairment of exploration expenditure	(197,443)	-
Profit on disposal of subsidiaries	-	-
Foreign exchange gains recognised on disposal of subsidiaries	(528,105)	-
Impairment of land held for resale	-	1,325,663
Change in operating assets and liabilities:		
Decrease in other receivables	(36,709)	45,065
Increase in prepayments	21,128	(129,550)
Increase/(decrease) in trade and other payables	(1,965,073)	727,683
Increase in employee benefits	(90,511)	24,475
Net cash used in operating activities	<u>(4,715,956)</u>	<u>(2,183,668)</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 30. Loss per Share

	Consolidated	
	2020	2019
	\$	\$
Profit/(Loss) after income tax attributable to the owners of Los Cerros Limited	<u>(3,717,752)</u>	<u>(4,158,184)</u>
	Cents	Cents
Basic earnings/(loss) per share	(1.12)	(0.18)
Diluted earnings/(loss) per share	(1.12)	(0.18)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>332,045,315</u>	<u>2,259,390,888</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>332,045,315</u>	<u>2,259,390,888</u>

Note 31. Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
Controlled Entities consolidated			
Subsidiaries of Los Cerros Limited:			
Hampton Mining Limited	Australia	100%	100%
North Hill Holdings Group Inc.	British Virgin Islands	100%	100%
Andes Resources Ltd	Australia	100%	100%
Wholly owned subsidiaries of North Hill Holdings Group Inc.:			
Cerro Norte Mining Inc. (see note b below)	British Virgin Islands	-	100%
North Hill Ovale Inc. (see note c below)	British Virgin Islands	-	100%
North Hill Perú Inc. (see note b below)	British Virgin Islands	-	100%
North Hill Colombia Inc.	British Virgin Islands	100%	100%
Minera Hampton Chile Limitada (see note c below)	Chile	-	100%
Miraflores Hampton Colombia SAS	Colombia	100%	100%
Miraflores Compania Minera SAS	Colombia	100%	100%
Subsidiaries of Andes Resources Ltd:			
Andes Resources Inc.	Canada	100%	100%
Andes Resources E.P. S.A.S.	Colombia	100%	100%
Andes Holdings S.A.S.	Colombia	90%	90%
Ni Maria J S.A.S.	Canada	50%	50%

a) Andes Resources Ltd was acquired on 16 August 2019. See Note 27 for further details.

Los Cerros Limited**Notes to the Consolidated Financial Statements (Continued)****31 December 2020****Note 31. Interests in Subsidiaries (Continued)**

b) On 17 September 2020, the Company advised, as part of its strategy to streamline the Company structure to focus on its Colombian portfolio, that it had liquidated its Peruvian subsidiaries, Cerro Norte Mining Inc and North Hill Peru Inc, which held no assets during the years ended 31 December 2019 and 31 December 2020.

c) On 17 September 2020, the Company sold its remaining Chilean interests via the sale of North Hill Ovalle Inc. (and its 100% subsidiary, Minera Hampton Chile Limitada) for USD\$100,000. The carrying value of identifiable assets and liabilities derecognised, and the profit on sale of North Hill Ovalle Inc. and Minera Hampton Chile Limitada are as follows:

	Fair Value
	\$
Cash and cash equivalents	13,314
Trade and other receivables	357
Plant and equipment	-
Exploration and evaluation	186,481
Trade and other payables	<u>(46,211)</u>
Fair value of assets and liabilities disposed	<u>153,941</u>
Cash received for sale of subsidiaries	153,941
Less: Fair value of net assets disposed	<u>(153,941)</u>
Profit on disposal of subsidiaries	<u>-</u>
Foreign exchange gains recognised on disposal of subsidiaries	<u>528,105</u>
<i>Net cash inflow arising from sale of subsidiaries:</i>	
Cash received	153,941
Less: Cash and cash equivalents balances disposed	<u>(13,314)</u>
Net inflow of cash - investing activities	<u>140,627</u>

Note 32. Interests in Joint Ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
Chuscal JV (i)	Colombia	100%	10%
Ni Maria J S.A.S (ii)	Colombia	50%	50%

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 32. Interests in Joint Ventures (Continued)

(i) Key Terms of the Chuscal JV, Ownership of Chuscal Interests and Termination of the Chuscal JV

In December 2018 Los Cerros Limited and AngloGold Ashanti Colombia SA ("AngloGold") formed the Chuscal JV with ownership: MNC 10% and AngloGold 90%. On 30 April 2020, the Company entered into a binding term sheet agreement ("Agreement") with AngloGold for the exchange of all of AngloGold's interests in the Chuscal JV for LCL shares.

The Agreement was formalised on 5 October 2020, and increased Los Cerros' ownership of Chuscal to 100%. As part of the Agreement, Los Cerros issued to AngloGold 10,476,597 fully paid ordinary shares and 15,430,648 options with an exercise price of \$0.16 and an expiry date of 9 October 2021, both of which were issued on 9 October 2020. The Agreement also terminated the Chuscal JV and associated obligations such as minimum spend requirements.

Under the previous Chuscal JV, Los Cerros Limited had the right to earn a further 41% interest (to obtain a 51% interest) in the joint venture by spending US\$2.5 million over 3 years (to 2022), including at least 7,500m of drilling, and AngloGold held a free carried interest. Further details of the previous Chuscal JV are included in the Company's "Audited Financial Statements - 31 December 2019" which was published on the ASX on 31 March 2020.

Under the Agreement, Los Cerros has a 100% interest in Chuscal with no further earn-in obligations.

As at 31 December 2020, the amount invested into the Chuscal interest was \$1,397,546 (2019: \$144,841) and is included in the Statement of Financial Position - Exploration and Evaluation.

(ii) Ni Maria J S.A.S

Ni Maria J S.A.S was formed on 31 May 2018 as a special purpose joint venture vehicle to acquire the San Pablo mining permits. Upon completion of the mining permits acquisition, the Group will hold 100% ownership of the entity.

Note 33. Parent Entity Information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	<u>(1,118,984)</u>	<u>(4,569,249)</u>
Total comprehensive loss	<u>(1,118,984)</u>	<u>(4,569,249)</u>

Los Cerros Limited
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

Note 33. Parent Entity Information (Continued)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	<u>7,669,030</u>	<u>130,484</u>
Total assets	<u>32,043,819</u>	<u>19,027,616</u>
Total current liabilities	<u>559,986</u>	<u>2,056,538</u>
Total liabilities	<u>559,986</u>	<u>4,282,419</u>
Equity		
Issued capital	367,424,798	350,163,191
Options reserve	2,093,637	1,497,624
Accumulated losses	<u>(338,034,602)</u>	<u>(336,915,618)</u>
Total equity	<u><u>31,483,833</u></u>	<u><u>14,745,197</u></u>

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020. Guarantees as at 31 December 2019, which the parent entity had given in relation to the debts of its subsidiaries, all ceased in 2020.

Los Cerros Limited
Directors' Declaration
31 December 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Ross Ashton', written over a horizontal line.

Ross Ashton
Non-Executive Chairman

26 March 2021

Independent Auditor's Report

To the Members of Los Cerros Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Los Cerros Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter
Exploration and evaluation assets - Notes 12

At 31 December 2020 the carrying value of exploration and evaluation assets was \$18,853,659.

In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.

The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.

This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.

How our audit addressed the key audit matter

Our procedures included, amongst others:

- obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
- reviewing management's area of interest considerations against AASB 6;
- conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including:
 - tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
 - enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;
 - understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
- assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;
- evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and
- assessing the appropriateness of the related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 19 of the Directors' report for the year ended 31 December 2020.

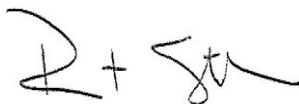
In our opinion, the Remuneration Report of Los Cerros Limited, for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B P Steedman
Partner – Audit & Assurance

Perth, 26 March 2021

Los Cerros Limited
Shareholder Information
31 December 2020

The shareholder information set out below was applicable as at 19 March 2021.

Distribution of fully paid ordinary shares

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Percentage of issued ordinary shares
1 to 1,000	165	0.00%
1,001 to 5,000	536	0.43%
5,001 to 10,000	746	1.21%
10,001 to 100,000	1838	14.60%
100,001 and over	582	83.76%
	<u>3,867</u>	<u>100.00%</u>

There were 360 holding s of less than a marketable parcel

Distribution of quoted options

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Percentage of issued ordinary shares
1 to 1,000	993	0.27%
1,001 to 5,000	252	1.18%
5,001 to 10,000	72	1.03%
10,001 to 100,000	166	11.35%
100,001 and over	79	86.17%
	<u>1,562</u>	<u>100.00%</u>

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

Unquoted equity securities

Class	Number of unquoted equity securities	Number of holders	Number of holders holding 20% or more in the class
Options exercisable at \$0.10 expiring 06/04/2022	28,337,500	69	1
Options exercisable at \$0.16 expiring 09/10/2021	15,430,648	1	1
Options exercisable at \$0.24 expiring 16/08/2021	1,250,000	9	1
Options exercisable at \$0.07 expiring 01/07/2025	3,000,000	1	1
Options exercisable at \$0.02 expiring 18/05/2022	4,937,500	27	1
Options exercisable at \$0.02 expiring 18/05/2022	850,000	2	2
Class A Options exercisable at \$0.32 expiring 01/07/2023	5,546,875	6	2
Class B Options exercisable at \$0.32 expiring 31/08/2023	546,875	3	1
Class B Options exercisable at \$0.32 expiring 31/08/2023	109,375	2	2
Class C Options exercisable at \$0.32 expiring 15/11/2023	46,875	1	1
Incentive Options exercisable at \$0.135 expiring 30/09/2024	10,000,000	3	3
Performance Rights expiring 31 December 2021	250,000	1	1
Performance Rights expiring 31 January 2025 (Tranche 1)	2,440,000	2	2
Performance Rights expiring 31 January 2025 (Tranche 2)	5,430,000	3	3
Performance Rights expiring 31 January 2025 (Tranche 3)	5,430,000	3	3

All Performance Rights, except Tier 1, and 4 million of the Incentive Options remain subject to vesting.

Los Cerros Limited**Shareholder Information (Continued)****31 December 2020****Equity security holders***Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

LCL - FULLY PAID ORDINARY SHARES

	Ordinary shares	
	Number	% of total
	held	shares
		issued
LIZENG PTY LTD <LIZENG A/C>	42,500,000	9.02%
CITICORP NOMINEES PTY LIMITED	18,809,011	3.99%
PHILLIP RICHARD PERRY	18,550,001	3.94%
JIALING LIU	15,624,039	3.32%
1215 CAPITAL PTY LTD	11,838,256	2.51%
ANGLOGOLD ASHANTI HOLDINGS PLC	10,476,597	2.22%
FRESHWATER RESOURCES PTY LTD <THE ASHTON SUPERFUND A/C>	7,547,826	1.60%
PETER PIOTR MACKOW	6,845,000	1.45%
MARISA MACKOW	6,305,000	1.34%
BATMAN INVEST PTY LTD <BATMAN INVEST A/C>	5,700,000	1.21%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,532,578	0.96%
TOPSERV CVBA	4,500,000	0.96%
PHILLIP RICHARD PERRY & TETYANA PERRY <DONESKA SUPER FUND A/C>	4,478,270	0.95%
TREADSTONE SERVICE COMPANY PTY LIMITED <THREADSTONE IUT #1 A/C>	3,862,580	0.82%
KEVIN WILSON	3,722,453	0.79%
THOMAS CHERAVELIL THOMMEN	3,501,000	0.74%
MALIK MOHAMMED EASAH	3,150,000	0.67%
STEPHEN FRANK BELBEN & PAMELA JUNE BELBEN <BELBEN SUPER FUND A/C>	3,138,782	0.67%
CAIGEN WANG	3,000,000	0.64%
MISS BELINDA LEES	3,000,000	0.64%
KAOS INVESTMENTS PTY LIMITED	2,800,000	0.59%
	<u>183,881,393</u>	<u>39.04%</u>

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

LCLOB.ASX [BONUS OPTION -16/08/2021 \$0.16]

	Options over ordinary shares	
	Number held	% of total options issued
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,254,358	9.90%
FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD	5,040,000	9.50%
CITICORP NOMINEES PTY LIMITED	3,206,687	6.04%
MR ALEXIS ADAMIDES	2,504,118	4.72%
BATMAN MANAGEMENT GROUP	1,880,635	3.54%
FRESHWATER RESOURCES PTY LTD <THE ASHTON SUPERFUND A/C>	1,714,119	3.23%
TOPSERV CVBA	1,687,500	3.18%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,293,419	2.44%
BATMAN INVEST PTY LTD <BATMAN INVEST A/C>	1,181,000	2.23%
TREADSTONE SERVICE COMPANY PTY LIMITED <THREADSTONE IUT #1 A/C>	1,178,201	2.22%
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	1,000,002	1.88%
RED DOG FUND PTY LTD <ARCHIBALD FUND A/C>	923,875	1.74%
OCEAN REEF HOLDINGS PTY LTD	900,000	1.70%
STEPHEN FRANK BELBEN & PAMELA JUNE BELBEN <BELBEN SUPER FUND A/C>	754,757	1.42%
MR SIMON ANDREW TESTER	730,000	1.38%
DALROW PTY LTD	720,000	1.36%
MISS SIHONG ZENG	702,476	1.32%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	639,577	1.21%
CARROLL SUPERANNUATION FUND PTY LTD <THE GERARD SUPER FUND A/C>	625,000	1.18%
OCEANIC CAPITAL PTY LTD	607,813	1.15%
	<u>32,543,537</u>	<u>61.33%</u>

Substantial holders

There are no substantial holders in the Company.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

TENEMENTS held as at 19 March 2021

Quinchia Gold Project, Colombia

TENEMENT (1)	TITLEHOLDER (2)	TYPE OF CONTRACT (3)(5)	STAGE
010-87M (4)	MCM	Contribution contract	Exploration
DLK-142 (6)	Monica María Uribe Perez	Concession	Exploration
DLK-14544X	MCM	Concession	Exploration
FCG-08353X	MCM	Concession	Exploration
FCG-08355X	MCM	Concession	Exploration
FCG-08356X	MCM	Concession	Exploration
FCG-08357X	MCM	Concession	Exploration
FCG-08358X	MCM	Concession	Exploration
FKH-145510X	MCM	Concession	Exploration
GC4-15002X (6)	AGA	Concession	Exploration
GC4-15005X (6)	AGA	Concession	Exploration
GC4-150010X (6)	AGA	Concession	Exploration
TDR-11411	AGA	Application	Exploration
GC4-15001X (6)	AGA	Application	Exploration
GC4-15004X (6)	AGA	Application	Exploration
GC4-15006X (6)	AGA	Application	Exploration
GC4-15007X (6)	AGA	Application	Exploration
GC4-15008X (6)	AGA	Application	Exploration
GC4-15009X (6)	AGA	Application	Exploration
KHL-15421 (6)	AGA	Application	Exploration
OG2-08112	MCM	Application	Exploration
OG2-10591	MCM	Application	Exploration
OG2-8073	MCM	Application	Exploration

(1) All titles are part of the Quinchia Gold Project, Quinchia, Department of Risaralda, Colombia.

(2) MCM (Miraflores Compañía Minera SAS) a 100%-owned subsidiary of North Hill Holdings Group Inc., owned as to 100% by Los Cerros.

(3) Concessions at Exploration Stage have 3 year life extendable for 2 years to a maximum 11 years.

(4) 15 year life extendable for 15 years.

(5) Applications have neither legal liabilities nor certainty that they will be granted in whole or in part. If there was open ground at the time of lodging, a contract for exploration and potential exploration will be offered to the applicant. MCM has a beneficial interest of 100% of the tenement when the application is granted.

(6) AGA (AngloGold Ashanti Colombia SAS). Los Cerros has a 100% beneficial interest in these tenements which are in the process of transfer to MCM.

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

Tenements held by Andes Resources

TENEMENT (1)	TITLEHOLDER (2)	TYPE OF CONTRACT (3)	STAGE
T5630005 El Columpio	Andes Elias Ruiz (2.1)	Exploration License (4)	Exploration
P8717011 San Pablo	Nicanor Maria Restrepo Restrepo - Mineria Integral de Colombia S.A.S. - MININCOL S.A.S. (2.1)	Special Permission (5)	Exploration
HINC-03-5843	Grupo de Bullet S.A.S (2.2)	Concession	Exploration
KI7-14021	Frontera S.O.M (2.2)	Concession	Exploration
18821	Puerto de Oro S.A & Claudia Naranjo Ruiz (2.2)	Application (6)	Exploration
18821X	Puerto de Oro S.A & Claudia Naranjo Ruiz (2.2)	Application (6)	Exploration
19697	Puerto de Oro S.A (2.2)	Application (6)	Exploration
20982	Colombian Development Corporation S.A.S (2.2)	Application (6)	Exploration
HD6-08152X	Negocios Mineros S.A (2.2)	Application (6)	Exploration
HD6-086	Negocios Mineros S.A (2.2)	Application (6)	Exploration
PKA-08231	Nacional de Minerales y Metals SAS (2.2)	Application (6)	Exploration
HKU-08011	Leo S.O.M (2.2)	Application (6)	Exploration
JC4-08003X	Acuario S.O.M (2.2)	Application (6)	Exploration
JC4-08007X	Acuario S.O.M (2.2)	Application (6)	Exploration
JC4-08008X	Acuario S.O.M (2.2)	Application (6)	Exploration
JC4-08004X	Acuario S.O.M (2.2)	Application (6)	Exploration
JC4-08005X	Acuario S.O.M (2.2)	Application (6)	Exploration
JC4-08009X	Acuario S.O.M (2.2)	Application (6)	Exploration
JC4-08006X	Acuario S.O.M (2.2)	Application (6)	Exploration
JCC-16191X	Achagua S.O.M (2.2)	Application (6)	Exploration
JGS-16391	Cholo S.O.M (2.2)	Application (6)	Exploration
JGS-16394X	Cholo S.O.M (2.2)	Application (6)	Exploration
JGS-16393X	Cholo S.O.M (2.2)	Application (6)	Exploration
JII-08221	El Crucero S.O.M (2.2)	Application (6)	Exploration
JII-08221Sec2 (7)	El Crucero S.O.M (2.2)	Application (6)	Exploration
JJR-08052X	El Percal S.O.M (2.2)	Application (6)	Exploration
KCJ-08041	Eros S.O.M (2.2)	Application (6)	Exploration
KGD-08051	Esquimal S.O.M (2.2)	Application (6)	Exploration
KGD-08052X	Esquimal S.O.M (2.2)	Application (6)	Exploration
KI7-14022X	Sociedad Frontera S.O.M (2.2)	Application (6)	Exploration
KI7-14023X	Sociedad Frontera S.O.M (2.2)	Application (6)	Exploration
KI7-14024X	Sociedad Frontera S.O.M (2.2)	Application (6)	Exploration
LJQ-08007 and sectors 2-9	Grupo de Bullet S.A.S (2.2)	Application (6)	Exploration
OG2-08124	Negocios Mineros S.A (2.2)	Application (6)	Exploration
OG2-08159	Negocios Mineros S.A (2.2)	Application (6)	Exploration
OG2-09375	Minerales OTU S.A.S (2.2)	Application (6)	Exploration
PDN-09001	Nacional de Minerales y Metales SAS (2.2)	Application (6)	Exploration
PCK-08191	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
PCK-08192	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

Tenements held by Andes Resources (continued)

TENEMENT (1)	TITLEHOLDER (2)	TYPE OF CONTRACT (3)	STAGE
QL2-12161	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
RHA-08101	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
RI2-08011	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TG9-08001	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGC-08001	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGD-08001	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGG-08001	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGH-08001	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGH-08002X	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGI-08001	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
THF-08011	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TII-08021	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TJO-08031	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TLB-08151	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
UA2-10471	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
UAF-08011	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGG-08002X	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGG-08003X	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration
TGG-08004X	Andes Resources EP S.A.S (2.3)	Application (6)	Exploration

(1) All titles are part of the Andes Gold Project, located in Antioquia, Risaralda and Choco, Departments of Colombia. Pursuant to the Interest Transfer Agreement with Bullet Holding Corporation (Bullet), Andes has a 90% beneficial interest, and Bullet has a 10% interest. All tenements have been crossed checked against the National Mining Authority Registry (ANNA) and reflect the status reported in ANNA. The Colombian Mining Authority's migration to a new tenement management and cadastre system (ANNA) has generated inconsistencies and issues concerning certain mineral tenement boundaries. In addition, there is uncertainty regarding the application and constitutionality of Presidential Decree 1955/19, the purpose of which was to re-instate certain land rights over free land to qualifying informal miners. The issues are not unique to Los Cerros and have the potential to reduce the footprint of a subset of exploration licence applications within the Company's Andes Gold Project. The Company is monitoring the situation and will keep the market informed of developments.

(2) The Titleholders of the tenements are:

(2.1) Tenements in process of acquisition by Andes Resources EP S.A.S (Andes).

(2.2) The titleholders of the applications are various companies associated with Bullet and covered under the Interest Transfer Agreement - see note (1).

(2.3) Andes is a subsidiary company of Los Cerros.

(3) Concessions at Exploration Stage have 3 year life extendable for 2 years to a maximum of 11 years.

(4) 10 year life extendable for 10 years and the tenement is in process of transformation to Concession contract.

(5) 5 year life extendable for 5 years and the tenement is in process of transformation to Concession contract.

(6) Applications have neither legal liabilities nor certainty that they will be granted in whole or in part. If the ground was open ground at the time of lodging, a contract for exploration and potential exploitation will be offered to the applicant. Andes has a beneficial interest in the tenement when the application is granted.

(7) Currently under 'technical study' by the mining authority pending granting of an application.

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

ANNUAL MINERAL RESOURCES AND RESERVES STATEMENT - 31 DECEMBER 2020

APPENDIX 1

Summarised below are the Mineral Resources that have been estimated by Metal Mining Consultants, and the Ore Reserves estimated by Ausenco for the Company's Miraflores Prospect located in Colombia.

The Miraflores Prospect Mineral Resource estimate has been estimated by Metal Mining Consultants in accordance with the JORC Code (2012 Edition) and first publicly reported on 14 March 2017. The Miraflores Project Ore Reserve was estimated by Ausenco in accordance with the JORC Code (2012 Edition) and first publicly reported on 27 October 2017. No material changes have occurred after the reporting of these resource estimates since their first reporting.

MIRAFLORES PROSPECT - COLOMBIA

Table 1: Mineral Resource Statement, 14 March 2017.

Resource Classification	Tonnes ('000)	Au (g/t)	Ag (g/t)	Contained Metal (Koz Au)	Contained Metal (Koz Ag)
Measured	2,958	2.98	2.49	283	237
Indicated	6,311	2.74	2.90	557	588
Measured & Indicated	9,269	2.82	2.77	840	826
Inferred	487	2.36	3.64	37	57

Note:

(i) Reported at a 1.2g/t gold % Cu cut-off.

(ii) Mineral Resource estimated by Metal Mining Consultants Inc.

(iii) First publicly released on 14 March 2017. No material change has occurred after that date that may affect the JORC Code (2012 Edition) Mineral Resource estimation.

(iv) These Mineral Resources are inclusive of the Ore Reserves listed in Table 2 below.

(v) Rounding may result in minor discrepancies.

Table 2: Miraflores Mineral Reserve Estimate as at 27 November 2017 (100% basis)

Reserve Classification	Tonnes (Mt)	Au (g/t)	Ag (g/t)	Contained Metal (Koz Au)	Contained Metal (Koz Ag)
Proved	1.70	2.75	2.20	150	120
Probable	2.62	3.64	3.13	307	264
Total	4.32	3.29	2.77	457	385

Note:

(vi) Rounding-off of numbers may result in minor computational errors, which are not deemed to be significant.

(vii) These Ore Reserves are included in the Mineral Resources listed in Table 1 above.

(viii) First publicly released on 27 November 2017. No material change has occurred after that date that may affect the JORC Code (2012 Edition) Ore Reserve estimation.

(ix) Source: Ausenco, 2017

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

DOSQUEBRADAS PROSPECT - COLOMBIA

Table 3: Mineral Resource Statement, 24 February 2020.

Resource Classification	Tonnes (000)	Au (gpt)	Au (koz)	Ag (gpt)	Ag (koz)	Cu (%)	Cu (pounds)
Inferred	20,206	0.71	459.1	0.7	431.7	0.05	24,867

- Note:
- (i) Reported at a cut-off of 0.5gpt Au
 - (ii) Mineral Resource estimated by Mr. Scott E. Wilson of Resource Development Associates Inc
 - (iii) First publicly released on 25 February 2020. No material change has occurred after that date that may affect the JORC Code (2012 Edition) Mineral Resource estimation.
 - (iv) Rounding may result in minor discrepancies.

COMPETENT PERSON'S STATEMENT

Los Cerros

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.

Ausenco

The Company's Ore Reserve estimates for the Miraflores Prospect have been independently reviewed and signed off by Mr. Boris Caro who is a Member of the Australasian Institute of Mining and Metallurgy and a Registered Member of the Chilean Mining Commission. Mr. Caro is an independent consultant contracted by Ausenco to review and sign off the Ore Reserve estimate. Mr. Caro has a broad international experience leading mining projects in several countries and he was a Qualified Person of Fortuna Silver Mines in 2014 and 2015. Mr. Caro has over five years' experience relevant to the style of mineralisation and type of mineral deposit under consideration, and to the activity which was undertaken, to make the statements found in this report in the form and context in which they appear. Mr. Caro visited the site in August 2017 for 3 days as part of the study team to review all aspects of the study including an investigation of the mine, plant and site layouts. Mr. Caro consented to be named in the first publicly released announcement and inclusion of information attributed to him in the form and context in which it appears therein.

Metal Mining Consultants Inc.

The information provided as it relates to Mineral Resources of the Miraflores Prospect is based on information compiled by Scott Wilson, President of Metal Mining Consultants Inc. in Colorado, USA. Mr. Wilson, a Qualified Person for JORC (2012 Edition) compliant statements, reviewed the technical information presented in this document.

Mr. Wilson has sufficient experience that is relevant to the style of mineralisation and type of mineral deposit under consideration, and to the activity which was undertaken, to make the statements found in this report in the form and context in which they appear. Mr. Wilson consented to be named in the first publicly reported announcement and inclusion of information attributed to him in the form and context in which it appears therein.

Los Cerros Limited
Shareholder Information (Continued)
31 December 2020

Resource Development Associates Inc

The information presented here that relates to Mineral Resources of the Dosquebradas Prospect, Quinchia District, Republic of Colombia is based on and fairly represents information and supporting documentation compiled by Mr. Scott E. Wilson of Resource Development Associates Inc, of Highlands Ranch Colorado, USA. Mr Wilson takes overall responsibility for the Resource Estimate. Mr. Wilson is Member of the American Institute of Professional Geologists, a "Recognised Professional Organisation" as defined by the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Wilson is not an employee or related party of the Company. Mr. Wilson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. Mr. Wilson consents to the inclusion in the news release of the information 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