



5 March 2024

Option to acquire Monte Do Carmo project, Brazil

Hochschild Mining PLC ("**Hochschild**" or the "**Company**") (LSE: HOC) (OTCQX: HCHDF) is pleased to announce that its wholly-owned subsidiary, Amarillo Mineração do Brasil Ltda. ("**Amarillo Mineração**") has entered into an option agreement and certain ancillary agreements (the "**Agreements**") with Cerrado Gold Inc. ("**Cerrado**") (TSXV: CERT) (OTCPK: CRDO.F), pursuant to which Cerrado has granted Amarillo Mineração the option (the "**Option**") to acquire a 100% interest in Cerrado's Monte Do Carmo Project (the "**Project**") located in the mining-friendly state of Tocantins, Brazil.

The Project, comprising 21 mineral concessions encompassing 82,542 hectares, hosts multiple identified gold targets along a 30km mineralised trend, including the principal Serra Alta gold deposit, which hosts a Measured and Indicated resource of 1,012koz gold and Inferred resource of 66koz gold and was the subject of a Feasibility Study dated 31 October 2023. The Project benefits from significant existing site infrastructure including year-round access via a paved highway and close proximity to the Isamu Ikeda hydropower plant. Permitting is substantially advanced, with the Environmental Impact Assessment approved and the Preliminary Licence granted by the Tocantins state environmental agency in May 2023.

In consideration for entering into the Option, Amarillo Mineração has agreed to advance to Cerrado an amount equal to \$15 million by way of 10% interest-bearing secured loan (the "**Signing Loan**") and has committed to incur a minimum of \$5 million in exploration expenditures at the Project during a 12.5-month period ending on 19 March 2025 (the "**Option Period**").

At any time during the Option Period, Amarillo Mineração may, at its sole discretion, elect to exercise the Option to acquire a 100% interest in the Project by deemed repayment of the Signing Loan, and by making further cash payments to Cerrado totaling \$45 million in the aggregate, in multiple installments over the next three years, as further described below (together with the Option, the "**Transaction**"). Hochschild has provided a guarantee of the obligations of Amarillo Mineração under the Agreements.

Eduardo Landin, Chief Executive Officer of Hochschild, commented:

"We are pleased to have secured the option to acquire Monte Do Carmo, an exciting project in the mining-friendly state of Tocantins. With the project holding significantly advanced permitting and compelling exploration upside potential, the transaction aligns with our strategy of adding high quality, pre-production assets where our construction, operational and brownfield exploration expertise provides us with a competitive advantage. With our Mara Rosa mine, also located in Brazil, in the state of Goiás, recently achieving first production, we are looking forward to commencing a brownfield exploration programme at Monte Do Carmo which will allow us to assess the next steps for its development and its potential to generate sustainable value for Hochschild and local stakeholders."

Transaction Details

Amarillo Mineração has agreed to advance US\$15 million by way of 10% interest-bearing secured loan, advanced in cash as follows:

- US\$7 million has been advanced by Amarillo Mineração (the "**First Advance**") on the date of the Option grant;
- US\$1 million to be advanced 60 days after the date of the First Advance; and
- US\$7 million to be advanced within two business days following the mailing to Cerrado shareholders of the management information circular to be prepared in connection with the meeting of Cerrado shareholders at which management would seek the approval of the shareholders of Cerrado (the "**Cerrado Shareholder Approval**").

Upon obtaining the Cerrado Shareholder Approval, the Signing Loan, together with all accrued and unpaid interest thereon and expenses relating thereto, shall be deemed to be repaid in full by Cerrado by the concurrent set off of an amount equal to the Signing Loan due by Amarillo Mineração as part of the Purchase Price. If Cerrado fails to secure the Cerrado Shareholder Approval on or before 30 June 2024, the Signing Loan will mature on 30 September 2024, at which time Cerrado will be obliged to: (i) repay the Signing Loan and other expenses (and any interest accrued thereon) no later than 30 September 2024; (ii) reimburse Amarillo Mineração for any costs incurred on the Project between the date of signing of the Agreements and the date of termination of the Option; and (iii) pay to Amarillo Mineração a break fee in the amount of US\$2.5 million.

Amarillo Mineração may exercise the Option at its sole discretion at any time during the Option Period by providing an exercise notice to Cerrado, following which an aggregate amount of US\$45 million would be payable to Cerrado prior to the closing of the Transaction in cash as follows (collectively, the "**Consideration**"):

- US\$10 million following the exercise of the Option;
- US\$20 million upon either: (i) if necessary, the approval of the Transaction by Hochschild shareholders, which is to occur no later than June 30, 2025; or (ii) if Hochschild shareholder approval is not required, by no later than 30 March 2025.
- US\$10 million payable within 14 days of the second anniversary of the date of the Cerrado Shareholder Approval; and
- US\$5 million within 14 days of the earlier of (i) the commencement of commercial production from the Project, and (ii) 31 March 2027.

All amounts owing by Cerrado to, or advanced to Cerrado by, the Company or Amarillo Mineração, are secured by (i) a first lien on all of the outstanding equity interests (quotas) in Serra Alto, and (ii) a second lien on the assets relating to the Project (the “**Security**”), until termination of the Option Period (defined below). The security is subject to a security sharing agreement with another secured creditor.

Closing of the Transaction will be subject to a number of conditions, including: (i) the exercise of the Option by Amarillo Mineração, (ii) the payment by Amarillo Mineração of the full Consideration, (iii) the approval of the TSX Venture Exchange, (iv) Cerrado Shareholder Approval, and (v) satisfaction of other closing conditions customary in a transaction of this nature.

Amarillo Mineração has the right to terminate the Option at any time before the expiry of the Option Period and will have no further obligation to Cerrado, other than, if Amarillo Mineração elects to terminate or not to exercise the Option or material breaches the Agreements, the payment of the unfunded amount of the Expenditure Requirement. The Transaction will be funded from Amarillo Mineração’s existing funding resources.

Cerrado’s board of directors has unanimously recommended that Cerrado shareholders vote in favour of the Transaction. The directors, officers and a principal shareholder of Cerrado, holding common shares and options reflecting in aggregate approximately 23.6% of Cerrado’s issued and outstanding common shares on a fully diluted basis, have entered into voting and support agreements with Amarillo Mineração, pursuant to which they have agreed, among other things, to vote their Cerrado securities in favour of the Transaction.

The Agreement includes customary deal-protection provisions. Cerrado has agreed not to solicit or initiate any discussion regarding any other business combination or transaction involving the direct or indirect disposition of, or investment in, the Project. If the Option is terminated due to a material breach thereunder by Cerrado or Serra Alta, then the Signing Loan (to the extent it remains owing), all Consideration paid by Amarillo Mineração to Cerrado on or prior to such termination, and other expenses of Amarillo Mineração, shall be due and payable by Cerrado to Amarillo Mineração.

Advisors and Counsel

Hochschild and Amarillo Mineração are being advised by RBC Capital Markets as financial advisor, Stikeman Elliott LLP as Canadian legal counsel, Bichara Advogados as Brazilian legal counsel, and Linklaters LLP as UK legal counsel in connection with the Transaction.

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About Hochschild Mining PLC

Hochschild Mining PLC is a leading precious metals company listed on the London Stock Exchange (HOCM.L / HOC LN) and crosstrades on the OTCQX Best Market in the U.S. (HCHDF), with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild has over fifty years' experience in the mining of precious metal epithermal vein deposits and operates two underground epithermal vein mines: Inmaculada, located in southern Peru; and San Jose in southern Argentina, and an open pit gold mine, Mara Rosa, located in the state of Goiás, Brazil. Hochschild also has numerous long-term projects throughout the Americas.

Forward-looking statements

Certain statements contained in this announcement that are not historical fact may be "forward-looking" statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In addition, from time to time, the Company or its representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in, but are not limited to, press releases or oral statements made by or with the approval of an authorised executive officer of the Company. These forward-looking statements, and other statements contained in this announcement regarding matters that are not historical facts, involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements.

The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement. Except as required by applicable law and/or regulatory obligations, the Company does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this announcement. Nothing in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share or income, cash flow from operations or free cash flow for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or income, cash flow from operations or free cash flow for the Company.

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