THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000, as amended ("**FSMA**") immediately, if you are in the United Kingdom, or another appropriately authorised independent professional adviser if you are taking advice in a territory outside the United Kingdom.

If you sell or transfer, or have sold or otherwise transferred, all of your Ordinary Shares in Hochschild Mining PLC (the "**Company**"), please send this document, together with any accompanying documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded, distributed or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred part of your holding of Ordinary Shares in the Company, please retain this document and any accompanying documents and contact immediately the bank, stockbroker or other agent through whom the sale or transfer was effected.

HOCHSCHILD
BEYOND MINING

Hochschild Mining PLC

(*Incorporated in England and Wales with registered number 05777693*)

Proposed acquisition of Amarillo Gold Corporation

Circular to Shareholders
and
Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 7 to 16 of this document and which recommends you to vote in favour of the resolution (the "Resolution") to be proposed at the Hochschild General Meeting referred to below in connection with the proposed acquisition of Amarillo Gold Corporation ("Amarillo") by Hochschild (the "Acquisition").

Notice of an extraordinary general meeting of the Company to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 2 p.m. on Tuesday 22 March 2022 (the "**Hochschild General Meeting**") is set out at the end of this document. Details of the actions you are recommended to take are set out on page 16 of this document. Whether or not you plan to attend the Hochschild General Meeting, please appoint a proxy in accordance with the instructions enclosed in this document as soon as possible, such that your proxy is received by the Company's Registrars, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom, as soon as possible but, in any event, by no later than 2 p.m. on Friday 18 March 2022 (or, in the case of any adjournment of the Hochschild General Meeting, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting). You may submit your proxy online at www.signalshares.com provided that your proxy is lodged by no later than 2 p.m. on Friday 18 March 2022 (or, in the case of any adjournment of the Hochschild General Meeting, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting). CREST Members may also appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual, ensuring that it is received by Link Group (ID: RA10) by no later than 2 p.m. on Friday 18 March 2022 (or, in the case of any adjournment of the Hochschild General Meeting, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting). Appointing a proxy online or using the CREST electronic proxy appointment service will not prevent members from attending, speaking and voting at the Hochschild General Meeting, or any adjournment thereof, in person, should they wish to do so.

Shareholders should make their own investigations in relation to the Resolution and the Acquisition referred to in this document. Nothing in this document constitutes legal, tax, financial or other advice and, if they are in any doubt about the contents of this document, Shareholders should consult their own professional advisers. For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the Hochschild General Meeting, please see Part II (*Risk Factors*) of this document.

This document is a circular relating to the Acquisition, which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority (the "**FCA**").

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as at any subsequent time.

RBC Europe Limited ("**RBC**"), which is authorised by the Prudential Regulation Authority and regulated by the FCA in the United Kingdom, is acting solely for the Company in relation to the matters set out or referred to in this document and nobody else and will not regard any other person (whether or not a recipient of this document) as its client and, subject to its responsibilities and liabilities which may arise under FSMA or the regulatory regime established thereunder, will not be responsible to anyone other than the Company for providing the protections afforded to clients of RBC nor for providing advice in relation to the Acquisition or any arrangement or other matter referred to herein. RBC does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Acquisition and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. RBC accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

This document is dated 4 March 2022.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Acquisition	30 November 2021
Interim Order of the Court in connection with the Plan of Arrangement obtained	27 January 2022
Amarillo Shareholder Approval obtained	1 March 2022
Publication and posting of this Circular and the Notice of Extraordinary General Meeting	4 March 2022
Expected date of Final Order of the Court approving the Plan of Arrangement	4 March 2022
Latest time and date for receipt of proxy appointments and CREST Proxy Instructions in respect of the Hochschild General Meeting	2 p.m. on 18 March 2022
Hochschild General Meeting	2 p.m. on 22 March 2022
Long Stop Date for Completion	30 April 2022

Unless otherwise stated, all references to time in this document are to London time.

The dates given are based on the Company's current expectations and may be subject to change. If any of the times or dates above change, the Company will give notice of the change by issuing an announcement through a Regulatory Information Service.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Eduardo Hochschild (*Chairman*) Ignacio Bustamante (*Chief Executive Officer*) Michael Rawlinson (*Senior Independent Director*) Dr Graham Birch (*Independent Non-Executive Director*) Jorge Born Jr. (*Independent Non-Executive Director*) Jill Gardiner (*Independent Non-Executive Director*) Eileen Kamerick (*Independent Non-Executive Director*) Tracey Kerr (*Independent Non-Executive Director*) Dionisio Romero Paoletti (*Non-Executive Director*)
Company Secretary	Raj Bhasin
Company Registered Office	17 Cavendish Square London W1G 0PH United Kingdom
Sponsor and Financial Adviser	RBC Europe Limited 100 Bishopsgate London EC2N 4AA United Kingdom
Legal Advisers (English law)	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
Legal Advisers (Canadian law)	Stikeman Elliott LLP 5300 Commerce Court West 199 Bay Street Toronto, ON M5L 1B9 Canada
Legal Advisers (Brazilian law)	Pinheiro Neto Advogados SAFS—Quadra 2—Bloco B Ed. Via Office—3º andar 70070-600—Brasília Brazil
Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place Charing Cross London WC2N 6RH United Kingdom
Mineral Advisers	SRK Consultores do Brasil Ltda Rua Gonçalves Dias, 89, 10º Andar, Edificio Delacroix Funcionários, 30.140-090, Belo Horizonte, Minas Gerais, Brazil
Registrars	Link Group 10th Floor Central Square 29 Wellington Street Leeds, LS1 4DL United Kingdom

GENERAL INFORMATION

FORWARD-LOOKING STATEMENTS

This document may include certain forward-looking statements, beliefs or opinions, including statements with respect to the business, financial condition and results of operations of the Amarillo Group, Hochschild Group and/or the Enlarged Group. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions.

These statements are made by the Directors in good faith based on the information available to them at the date of this document and reflect the Directors' beliefs and expectations. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in regulation and government policies, spending and procurement methodologies, currency fluctuations, a failure in the Amarillo Group's, Hochschild Group's or the Enlarged Group's health, safety or environmental policies and other factors discussed in Part II (*Risk Factors*) of this document.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of their respective dates, reflect the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Amarillo Group's, Hochschild Group's or the Enlarged Group's operations and growth strategy. You should specifically consider the factors identified in this document which could cause actual results to differ before making any decision in relation to the Acquisition. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the Disclosure Guidance and Transparency Rules (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document.

Neither the forward-looking statements contained in this document, nor the statements in this section seek to qualify in any way the working capital statement in paragraph 11 (*Working capital*) of Part VII (*Additional Information*) of this document.

No statement in this document is or is intended to be a profit forecast or to imply that the earnings of the Hochschild Group, the Amarillo Group or the Enlarged Group for the current or future financial years will necessarily match or exceed the historical or published earnings of the Hochschild Group or the Amarillo Group.

Any information contained in this document on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

NO OFFER OR SOLICITATION

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

A copy of this document, together with all information incorporated into this document by reference to another source, is and will be available for inspection on the Company's website at www.hochschildmining.com/en/investors/shareholder_information/share_price/Amarillo_acquisition from the time this document is published. For the avoidance of doubt, the contents of the websites referred to in this document are not incorporated into and do not form part of this document.

If and to the extent that any document or information incorporated by reference, or attached to this document, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as being specifically incorporated by reference or where this document is specifically defined as including such information.

In particular, information on or accessible through the Company's corporate website at www.hochschildmining.com and through Amarillo's corporate website at www.amarillogold.com does not form part of, and is not incorporated into, this document.

If you have received this document in electronic form, you may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting the Company's Registrars, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom or, between 9:00 a.m. and 5:30 p.m., Monday to Friday (excluding English and Welsh public holidays), on +44(0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Calls may be recorded and monitored for training and security purposes), with your full name and the full address to which the hard copy may be sent.

IMPORTANT INFORMATION TO OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England. It is the responsibility of any person receiving a copy of this document outside the United Kingdom to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such jurisdiction. If in doubt, such persons should consult their professional advisers. Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send it into any jurisdiction when to do so would, or might, contravene local securities laws or regulations.

PRESENTATION OF FINANCIAL INFORMATION

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

References to "**£**", "**GBP**", "**pounds**", "**pounds sterling**", "**sterling**", "**p**", "**penny**" or "**pence**" are to the lawful currency of the United Kingdom.

References to "**$**", "**US$**", "**USD**", "**US Dollars**", "**US dollars**" or "**cents**" are to the lawful currency of the United States of America.

References to "**R$**", "**Brazilian reais**", "**Brazilian Reais**", "**reais**" or "**BRL**" are to the lawful currency of the Federative Republic of Brazil.

References to "**C$**", "**CAD$**", "**CAD**", "**Canadian Dollars**", "**Canadian dollars**" or "**Canadian cents**" are to the lawful currency of Canada. Amarillo prepares its financial information in Canadian Dollars and the financial information on the Amarillo Group in this document is presented in Canadian Dollars (unless otherwise stated).

The average exchange rates of Canadian Dollars are shown relative to US Dollars below. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this document. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the US Dollar amounts actually represent such Canadian Dollar amounts or that such US Dollar amounts could have been converted into Canadian Dollars at any particular rate, if at all.

Average exchange rate of Canadian Dollars relative to US Dollars:

	Canadian Dollar			
Period	**Period end**	**Average**	**High**	**Low**
2019	1.2990	1.3268	1.3631	1.2990
2020	1.2725	1.3409	1.4511	1.2701
2021	1.2637	1.2537	1.2940	1.2035
1 January 2022 to 2 March 2022	1.2631	1.2673	1.2816	1.2503

Source: Bloomberg. The rates quoted are based on daily closing prices

As at 2 March 2022, being the latest practicable date before publication of this document (the "**Latest Practicable Date**"), any conversion of Canadian Dollars into US Dollars is based on an exchange rate of US$1.00 : C$1.2631.

CERTAIN DEFINED TERMS

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined and explained in Part IX (*Definitions and Glossary*) of this document.

PART I

LETTER FROM THE CHAIRMAN OF HOCHSCHILD MINING PLC

(*incorporated in England and Wales with registered number 05777693*)

Directors:
Eduardo Hochschild (*Chairman*)
Ignacio Bustamante (*Chief Executive Officer*)
Michael Rawlinson (*Senior Independent Director*)
Dr Graham Birch (*Independent Non-Executive Director*)
Jorge Born Jr. (*Independent Non-Executive Director*)
Jill Gardiner (*Independent Non-Executive Director*)
Eileen Kamerick (*Independent Non-Executive Director*)
Tracey Kerr (*Independent Non-Executive Director*)
Dionisio Romero Paoletti (*Non-Executive Director*)

Registered Office:
17 Cavendish Square
London
W1G 0PH
United Kingdom

4 March 2022

Dear Shareholder

Proposed acquisition of Amarillo Gold Corporation

1 Introduction

On 30 November 2021, the Company announced that it had entered into a definitive agreement with Amarillo pursuant to which Hochschild agreed to acquire all of the issued and outstanding shares in Amarillo (the "**Acquisition**").

Pursuant to the Acquisition, Hochschild will acquire a 100 per cent. interest in Amarillo's flagship Mara Rosa project in Goiás State, Brazil (the "**Mara Rosa Project**"), which includes the construction stage Posse gold project ("**Posse**") as well as certain early-stage and pre-resource stage exploration targets.

As part of the Acquisition, Amarillo's early resource stage Lavras do Sul gold project in Rio Grande do Sul State, Brazil (the "**Lavras do Sul Project**") will be transferred in full to a newly formed wholly-owned subsidiary of Amarillo, Lavras Gold Corp. ("**SpinCo**"), prior to Completion. The ownership of SpinCo will be transferred in full to Amarillo Shareholders at Completion.

The Acquisition values Amarillo at a price of C$0.40 per Amarillo Share, which will be satisfied by Hochschild in cash. In addition, the holders (each, an "**Amarillo Shareholder**") of the common shares of Amarillo (the "**Amarillo Shares**") will collectively receive 100 per cent. of the shares in SpinCo, to which Amarillo will contribute: (i) approximately C$10,000,000 of cash (subject to adjustment); and (ii) a 2 per cent. net smelter revenue royalty on certain exploration properties owned by Amarillo that are separate from Posse. The net acquisition cost to Hochschild, including Amarillo's net cash as at 31 December 2021, is estimated to be approximately C$141,355,670 (US$111,911,701).

The Acquisition will be implemented by way of a court-approved plan of arrangement of Amarillo effected under the Business Corporation Act of British Columbia (the "**Plan of Arrangement**") by the Supreme Court of British Columbia (the "**Court**"). The completion of the Acquisition (the "**Completion**") is expected to occur by the end of the first quarter of 2022.

The Acquisition constitutes a Class 1 Transaction under the Listing Rules. Accordingly, Completion under the Acquisition Agreement is conditional on, among other things, receiving the approval of a simple majority of the Shareholders in the Company (the "**Hochschild Shareholder Approval**"). Such approval will be sought at the Hochschild General Meeting to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 2 p.m. on Tuesday 22 March 2022. Details of the Hochschild General Meeting are set out in the Notice of Extraordinary General Meeting at the end of this document.

In addition to the Hochschild Shareholder Approval, the Acquisition requires the approval of at least 66⅔ per cent. of the votes cast by Amarillo Shareholders at a special meeting of Amarillo (the "**Amarillo General Meeting**") (the "**Amarillo Shareholder Approval**"). The Acquisition was unanimously recommended by the board of directors of Amarillo (the "**Amarillo Board**") and the Amarillo General Meeting was held on 1 March 2022, where the Amarillo Shareholder Approval was obtained. The Acquisition is also subject to receipt of Court approval and other closing conditions customary for transactions of this nature.

The purpose of this document is to: (i) explain the background to and reasons for the Acquisition; (ii) provide you with information about Amarillo; (iii) explain why the board of directors of the Company (the "**Board**") unanimously consider the Acquisition to be in the best interests of the Shareholders as a whole; and (iv) recommend that you vote in favour of the Resolution to be proposed at the Hochschild General Meeting.

Shareholders should read the whole of this Circular and not rely solely on information summarised in this letter.

Definitions for capitalised terms used in this letter and the rest of this document can be found in Part IX (*Definitions and Glossary*) of this document.

2 Information on Amarillo

Amarillo is a mineral exploration and development company listed on the TSX Venture Exchange (the "**TSX-V**") and headquartered in Canada. Amarillo is primarily focused on advancing the construction stage open pit gold deposit Posse, which is located within the Mara Rosa Project area in Goiás State, Brazil.

A definitive Feasibility Study for the Posse open pit gold project was filed on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") on 21 February 2021, which demonstrated that Posse can be built into a profitable operation with low costs and generate an attractive financial return. Hochschild forecasts an initial mine life of 10 years for Posse, based on a Mineral Reserve of 23.8 Mt (dry) grading 1.18 g/t which contains 902,000 in-situ ounces resulting in 811,000 recoverable ounces. Hochschild expects Posse to produce an average of approximately 100,000 ounces of gold per year in the first four years, and an average of approximately 80,000 ounces of gold per year at an average annual all-in sustaining cost ("**AISC**") of approximately US$840 per ounce over the life of the mine. Multiple compelling near-mine and regional exploration opportunities have also been identified which have the potential to extend Posse's initial mine life. Posse received a licence to install from state regulators in February 2021 (the "**Licence to Install**") and construction of certain infrastructure is underway. Pursuant to the Acquisition, Hochschild will hold a 100 per cent. interest in the Mara Rosa Project.

As well as Posse, the Mara Rosa Project also contains certain early-stage and pre-resource stage exploration targets. The Mara Rosa Project therefore offers exciting opportunities for further development and exploration.

In addition to the Mara Rosa Project, Amarillo has the Lavras do Sul Project, which is an early-stage exploration resource gold project encompassing 22,278 hectares and consisting of more than 23 prospects centred on historical workings. In September 2010, Amarillo released an NI 43-101 compliant Mineral Resource outlining Indicated Mineral Resources containing 215,000 ounces of gold grading 1.05 g/t and Inferred Mineral Resources containing 308,000 ounces of gold grading 0.74 g/t at a 0.30 g/t cut-off grade. Amarillo recently consolidated the land package by acquiring additional exploration claims and completed a 3,000-metre diamond drilling programme to help define priority drill targets for further testing. Pursuant to the Acquisition, Hochschild will not acquire an interest in SpinCo, which will own the Lavras do Sul Project, and which will be transferred to Amarillo Shareholders at Completion of the Acquisition, as further detailed in Part III (*Summary of the Transaction Agreements*) of this document.

Location

The Mara Rosa Project is located in the State of Goiás in central Brazil, approximately seven kilometres north of the town of Mara Rosa. The Posse structural trend encompasses 8,308 hectares of exploration concessions, including the 2,500 hectares of mining concessions on which Posse is situated. Hochschild will also acquire an additional 59,000 hectares of regional exploration concessions in connection with the Acquisition. As such, pursuant to the Acquisition Hochschild will acquire a total of 65,000 hectares of combined mining, exploration and regional concessions.

Access to the Mara Rosa Project can be achieved year-round through a four kilometre gravel road connecting to an asphalted state highway linking to the state capital of Goiânia and the national capital of Brasília.

History

Amarillo acquired the Mara Rosa Project in October 2003 and has, since then, completed a number of exploration and development activities to de-risk the Mara Rosa Project and advance Posse to the construction stage. Amarillo has published several NI 43-101 technical reports on Posse, including a Pre-Feasibility Study in 2018 and a definitive Feasibility Study in 2020, which was further updated in February 2022.

Amarillo has advanced Posse through major permitting milestones by securing several of the primary licences required to begin production at Posse. The preliminary licence was obtained in May 2016 (the "**Preliminary Licence**") and includes approval of Posse's environmental impact assessments. Posse received a Licence to Install in February 2021, which provides authorisation to initiate construction of certain infrastructure and includes approval of the mine development plan. Additional licences to install have been received since February 2021 and others are still awaiting approval. Upon commissioning of Posse, the process to obtain the operating licence, being the final permit, will be initiated. Amarillo has commenced construction of certain infrastructure and is currently procuring long-lead items for construction of the Posse mine and processing facilities.

Amarillo has also conducted several exploration drilling programmes on the Mara Rosa Project from 2005 to date totalling 56,760 metres, including a 4,000 metre programme currently underway targeting Pastinho, a satellite gold deposit near Posse.

Geology & mineralisation

The Mara Rosa Project is located on the eastern belt greenstone assemblage, with some coverage of the western and central belts, in close proximity to several significant mineral deposits including the former Zacarias mine, the Chapada copper-gold mine and numerous other historical prospects. Posse, the Mara Rosa Project's primary deposit, is about 30 metres thick and over one kilometre long, dipping along a 50 to 60 degrees striking fault zone.

In addition to Posse, the Mara Rosa Project's land package hosts several compelling near-mine and regional exploration targets along the approximately 10-kilometre-long Posse structural trend. These targets include Araras, Speti 24, Pastinho (now a deposit), Lambari, and Estrela.

Located 3.5 kilometres northeast of Posse, the Pastinho satellite gold deposit sits on 6,000 hectares of new exploration tenements that Amarillo gained access to in December 2019. It is a near surface, northeast-southwest trending, tabular-shape gold deposit over a strike length of 1,700 metres that dips approximately 60 degrees northwest. The apparent thickness ranges from 5 to 20 metres. Recent drilling has intersected gold up to a depth of 200 metres and along multiple parallel gold structures. The deposit remains open in all directions.

Development and opportunities

Posse has a positive definitive Feasibility Study that shows it can be built into a profitable operation with low costs and an attractive financial return. The detailed engineering of Posse is currently underway, and Hochschild expects to commence construction in the first half of 2022 and achieve first production in the first half of 2024.

The Mara Rosa Project provides potential to discover additional near-surface deposits that can extend Posse's mine life beyond its initial 10 years. For example, Posse is open down plunge to the southwest, providing potential to extend the mine life near the existing pit shell.

There is also an opportunity to define multiple satellite deposits along the 10-kilometre Posse structural trend including the Araras, Speti 24 and Pastinho priority targets. Recent drilling has identified Pastinho as a promising target with similar geological characteristics to Posse and multiple parallel gold structures extending from the surface to approximately 200 metres of vertical depth while remaining open. Hochschild also plans to conduct exploration activities on the 65,000 hectares of combined mining, exploration and regional concessions on the Mara Rosa Project.

Gross assets and profits

As at 31 December 2021, Amarillo had gross assets of C$90,303,017. During the financial year ended 31 December 2021, Amarillo generated net losses of C$5,159,767. For further financial information on Amarillo, please refer to Part IV (*Financial Information on Amarillo*) of this document.

3 Background to and reasons for the Acquisition

The Board believes that the Acquisition is a compelling strategic opportunity to enhance Hochschild's project pipeline and growth profile. The Acquisition is expected to deliver a number of key benefits to Hochschild, Shareholders and other stakeholders, including that it:

- aligns with Hochschild's core strengths and long-term strategy of acquiring and optimising development stage projects in the Americas;
- enhances the Company's portfolio by adding a long-life asset located in a mining-friendly jurisdiction;
- provides exposure to a high-quality project with attractive costs where certain infrastructure construction is underway;
- offers compelling near-mine and regional exploration opportunities;
- complements Hochschild's ESG-led approach with strong local community and government support; and
- maintains Hochschild's financial strength and flexibility.

3.1 Aligns with Hochschild's core strengths and long-term strategy of acquiring and optimising development stage projects in the Americas

The Acquisition is the result of a long-term Company review process of a wide range of growth opportunities. The Board believes that the Mara Rosa Project will enhance the Company's project pipeline and generate substantial value for Shareholders as Posse is advanced from construction through to production.

Hochschild's proven management team is well-positioned to continue the development of the Mara Rosa Project, supported by extensive experience in the exploration, development and operation of precious metals projects in the Americas, with recent experience in the construction and development of the Inmaculada Mine, a world-class precious metals deposit in Peru.

3.2 Enhances the Company's portfolio by adding a long-life asset located in a mining-friendly jurisdiction

The Acquisition of the Mara Rosa Project is expected to improve Hochschild's asset portfolio by adding a high-quality growth asset with meaningful production scale, low costs and compelling economic returns. Further, the Mara Rosa Project is located in the mining-friendly jurisdiction of Goiás State, Brazil. The state is home to many mining operations, including AngloGold's Serra Grande mine, Lundin Mining's Chapada mine and Pilar Gold's Pilar mine, and the local administration has historically adopted a friendly approach to local mining projects and is supportive of the development of Posse.

Currently, the Hochschild Group has producing operations and development projects in four countries (Peru, Argentina, Canada and Chile), as well as a pipeline of greenfield exploration prospects across three countries (Peru, USA and Canada). The Acquisition will further bolster the geographic diversity of the Hochschild portfolio, thereby expanding the Hochschild Group's geographical outlook and reducing its exposure to localised risks, such as political or environmental risks.

Hochschild expects Posse to have an initial mine life of 10 years, with average annual production of approximately 80,000 ounces of gold over the life of the mine and approximately 100,000 ounces of gold per year over the first four years of production. Pro forma, Hochschild's annual production would increase by approximately 22 per cent. from approximately 363,000 ounces to 443,000 ounces on a gold equivalent basis.[1]

1 Note: Standalone Hochschild production and AISC based on Hochschild Group's 2021 Preliminary Results. Pro forma Hochschild includes expected average life of mine production for Posse. All equivalent figures are calculated using the Company's 2021 average gold/silver ratio of 72x.

3.3 Provides exposure to a high-quality project with attractive costs where certain infrastructure construction is underway

Posse benefits from existing infrastructure and attractive costs. Hochschild expects an average AISC of US$840 per gold ounce over the life of mine.

Construction of certain infrastructure is underway, with the project having received an initial Licence to Install from state regulators in February 2021 and approval for the power line in October 2021. Additional licences to install have been received since February 2021 and others are still awaiting approval. Since the Licence to Install approval was obtained, construction of certain infrastructure components has begun, including the Porangatu electrical main substation and a 250-person offsite camp.

The detailed engineering of Posse is currently underway, and Amarillo expects to receive the remaining permits and start construction in the first half of 2022, and achieve first production in the first half of 2024.

3.4 Offers compelling near-mine and regional exploration opportunities

The Acquisition provides Hochschild with access to 65,000 hectares of Amarillo's combined mining, exploration and regional concessions. On these concessions, Hochschild has identified near-mine and regional exploration opportunities for Posse and the Mara Rosa Project. For example, Posse is open down plunge to the southwest, providing potential to extend the mine life near the existing pit shell.

The Acquisition also provides Hochschild with the opportunity to define multiple satellite deposits along the 10-kilometre Posse structural trend including the Arars, Septi 24 and Pastinho priority targets. Pastinho, in particular, is a promising target with recent drilling identifying its similar geological characteristics to Posse and multiple parallel gold structures extending from the surface to approximately 200 metres of vertical depth while remaining open.

In addition to the 8,308 hectares of exploration concessions that forms the Posse structural trend, which includes the 2,500 hectares of mining concessions on which Posse is situated, Hochschild will acquire an additional 59,000 hectares of regional exploration concessions on the Mara Rosa Project. As such, pursuant to the Acquisition Hochschild will acquire a total of 65,000 hectares of combined mining, exploration and regional concessions.

Hochschild is ideally placed to unlock this value potential from the Mara Rosa Project given the Company's long track record of developing and operating precious metals mines in the Americas.

3.5 Complements Hochschild's ESG-led approach with strong local community and government support

The Mara Rosa Project has strong local community and government support. Both state and municipal governments support the project and view mining as key to their economic post COVID-19 recovery.

Informational updates in relation to the Mara Rosa Project and its development are delivered on a monthly basis to the local community. Amarillo intends to hire locally as much as possible, with training programmes underway for carpentry, civil construction and excavator and truck operators. As well as contributing to the local skill profile, these training programmes form part of Amarillo's commitment to promote safe and secure working environments through rigorous safety standards.

Posse is designed with high environmental standards, including features such as dry stack filtered tailings and associated filtration and is set to benefit from Hochschild's considerable and valuable experience in stakeholder engagement and relations.

3.6 Maintains Hochschild's financial strength and flexibility

Posse presents a low-risk and low-cost open pit development opportunity with an attractive cost profile and offers compelling exploration upside potential in a mining-friendly jurisdiction. The AISC of Posse is expected to be low and support meaningful free cash flow generation once the mine is in production.

The Acquisition and the financing of the construction of Posse will be funded by a combination of Hochschild's own cash resources and funds drawn from its credit facility. It is expected that the Acquisition will contribute to the financial strength and flexibility of the Hochschild Group through Posse's cost attractive free cash flow profile once in production.

The Board believes that the project will enhance the Company's project pipeline and generate substantial value for Shareholders as the Mara Rosa Project proceeds to production.

4 Mineral Resources and Mineral Reserves

A competent persons' report (the "**Competent Persons' Report**") prepared by SRK Consultores do Brasil Ltda, assisted by a team of consultants (together, the "**Qualified Persons**") is contained in Annex 2 (*Competent Persons' Report*) of this document. Given Posse is the only project currently owned by Amarillo which has reached the construction stage, the Competent Persons' Report only reports on the Mineral Resources and Mineral Reserves of Posse. No Mineral Resources or Mineral Reserves are attributed to the other early-stage and pre-resource stage exploration targets owned by Amarillo.

The summary table presented below in respect of Posse's Mineral Reserves as per June 2020 has been extracted from the Competent Persons' Report. Further details on the Mineral Reserves of Posse are contained in Part VI (*Mineral Resources and Mineral Reserves Information*) of this document and the Competent Persons' Report.

Mineral Reserves	Diluted tonnes (Mt dry)	Diluted grade (g/t Au)	Contained metal (koz Au)	Estimated recovery (% Au)	Recoverable metal (koz Au)
Proven Reserves	11.8	1.20	456	89.9%	410
Probable Reserves	12.0	1.16	446	89.8%	401
Total Mineral Reserves	23.8	1.18	902	89.9%	811

Notes:

(1) A gold price of US$1,450 per ounce is assumed and an exchange rate of R$5.05 to US$1.00 is assumed.

(2) Mineral Reserves are based on Measured Mineral Resource and Indicated Mineral Resource only.

(3) Open pit Mineral Reserves above are reported at a cut-off grade of 0.37g/tAu.

The summary table presented below in respect of Posse's Mineral Resources as per June 2020 has been extracted from the Competent Persons' Report. Further details on the Mineral Resources of Posse are contained in Part VI (*Mineral Resources and Mineral Reserves Information*) of this document and the Competent Persons' Report.

Mineral Resources	Tonnes (Mt dry)	Grade (g/t Au)	Contained metal (koz Au)
Measured	14	1.20	510
Indicated	19	1.10	640
Measured & Indicated	32	1.10	1,200
Inferred	0.10	0.52	1.7

Notes:

(1) A metal price of US$1,500 per ounce is assumed and an exchange rate of R$5.05 to US$1.00 is assumed.

(2) Mineral Resources are reported inclusive of the reported Mineral Reserves.

(3) Mineral Resources above are reported at a cut-off grade of 0.35g/tAu.

5 Financial effects of the Acquisition

The consideration in respect of the Acquisition will be funded by the Company's own cash resources. Amarillo had no bank debt as at 31 December 2021 and there will be no change to Hochschild's current debt of US$499,000 and non-current debt of US$300,000,000, each as at 31 December 2021. The ownership of SpinCo (and the Lavras do Sul Project) will be transferred in full to Amarillo Shareholders at Completion, and therefore the consideration payable by Hochschild in respect of the Acquisition only relates to the Mara Rosa Project. For further details see Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) of this document.

The Acquisition and the financing of the construction of Posse will be funded by a combination of Hochschild's own cash resources and funds drawn from its credit facility.

Given Posse is currently in the construction stage, Hochschild is not expecting any immediate incremental revenues to be generated by Posse following the Acquisition.

6 Trend information

6.1 Hochschild

On 23 February 2022, Hochschild published the Hochschild Group's 2021 Preliminary Results, extracts of which are set out below:

Financial Highlights

- Strong balance sheet and financial performance despite continuing Covid-19 impact;
- Adjusted EBITDA of US$382.8 million (2020: US$270.9 million);
- Profit before income tax (pre-exceptional) of US$148.7 million (2020: US$85.8 million);
- Net cash of US$86.3 million as at 31 December 2021 (2020: net cash of US$21.6 million);
- Final proposed dividend of 2.3 cents per share (US$12.0 million) bringing the full-year total cash dividend to US$22.0 million (2020: US$32.6 million); and
- Dividend in specie of US$94.9 million from Aclara demerger.

2022 Outlook

- Production target: 360,000-375,000 gold equivalent ounces (26.0-27.0 million silver equivalent ounces) using 72x gold silver ratio;
- All-in sustaining costs target: US$1,330-US$1,370 per gold equivalent ounce (US$18.5-19.0 per silver equivalent ounce) using 72x gold silver ratio;
- Total sustaining and development capital expenditure expected to be approximately US$150-160 million;
- Brown field exploration budget expected to be approximately US$34 million; and
- Amarillo/Posse capital expenditure in Brazil planned to be US$120 million.

6.2 Amarillo

On 25 February 2022, Amarillo published its consolidated financial statements for the financial year ended 31 December 2021, extracts of which are set out below:

Financial Highlights

- Cash on hand at the end of the year was C$26 million, compared to cash at the beginning of the year of C$52.4 million;
- Incurred C$23.6 million expenditure on Amarillo's two properties, of which C$21.7 million was spent on the Mara Rosa Project. Most of this expenditure was deployed towards detailed engineering, land acquisition, project execution planning and deposits on certain long lead-time equipment as Amarillo moved closer towards its goal of commencing construction of Posse; and
- Loss for the year C$5.2 million compared to loss of C$3.9 million in 2020; net cash used in operations was C$3.9 million (2020: C$2.8 million).

2022 Outlook

After the announcement of the Acquisition, Amarillo ceased its search for project financing. The existing cash balance of C$26 million, along with certainty of funding from Hochschild, led Amarillo management, in concert with Hochschild, to place orders for long lead-time equipment including ball mills, transmission lines and filtration systems. Accordingly, as of the date of this document, C$25.6 million has been committed towards these items. Amarillo expects to have all permits in place necessary to commence construction at the end of the rainy season (which runs from October to March inclusive). Amarillo recently completed a revised definitive Feasibility Study on Posse which resulted in planned capital expenditures of US$120 million in 2022.

7 Terms of the Acquisition

A summary of the Transaction Agreements is set out in Part III (*Summary of the Transaction Agreements*) of this document. The principal terms of the key Transaction Agreements are summarised below.

Acquisition Agreement

On 29 November 2021, the Acquisition Agreement was entered into between Hochschild, an entity ultimately controlled and owned by Hochschild called 1334940 B.C. Limited (the "**Purchaser**") and Amarillo. Pursuant to the Acquisition Agreement, Hochschild agreed to acquire (through its indirect wholly-owned subsidiary, the Purchaser) all of the issued and outstanding and to be issued Amarillo Shares such that, following Completion, Amarillo will be an indirect, wholly-owned subsidiary of Hochschild. The Acquisition will be implemented by way of a statutory plan of arrangement in accordance with the laws of the Province of British Columbia, Canada at a price of C$0.40 per Amarillo Share in cash. In addition, Amarillo Shareholders will collectively receive 100 per cent. of the shares in SpinCo at a ratio of one common share in the capital of SpinCo (a "**SpinCo Share**") per Amarillo Share.

Conditions

Completion under the Acquisition Agreement is subject to satisfaction or waiver of certain conditions, including:

(a) Amarillo Shareholder Approval having been obtained;

(b) Hochschild Shareholder Approval having been obtained;

(c) no Amarillo Material Adverse Effect having occurred;

(d) the Interim Order and the Final Order to approve the Arrangement each having been obtained from the Court; and

(e) the TSX-V having approved or accepted notice for filing of the Arrangement, subject to compliance with customary conditions of the TSX-V.

The Interim Order was obtained from the Court on 27 January 2022 and Amarillo Shareholder Approval was received on 1 March 2022.

Termination fees

The Acquisition Agreement contains reciprocal break fee arrangements, pursuant to which, if the Acquisition Agreement is terminated under certain circumstances, the Purchaser may be required to pay Amarillo a reverse break fee of C$2,500,000 (US$1,979,257) (the "**Reverse Break Fee**") or Amarillo may be required to pay the Purchaser a break fee of C$5,000,000 (US$3,958,515) (the "**Termination Fee**").

Amarillo voting support agreements

On 29 November 2021, each of Baccarat Trade Investments Limited, 2176423 Ontario Limited and EMA GARP Fund LP, who together owned 148,842,500 Amarillo Shares reflecting in aggregate approximately 38.55 per cent. of Amarillo's issued and outstanding common shares on a non-diluted basis as at the date of the Amarillo General Meeting, and certain of the Amarillo Board, entered into a voting support agreement with Amarillo, pursuant to which they agreed, *inter alia*, to exercise all of the voting rights attaching to their Amarillo Shares in favour of the Amarillo Resolution at the Amarillo General Meeting. Amarillo Shareholder Approval was received on 1 March 2022.

Eduardo Hochschild voting support agreement

On 29 November 2021, Pelham Investment Corporation, an entity ultimately owned and controlled by Eduardo Hochschild and representing approximately 38.32 per cent. of Hochschild's issued share capital as at the Latest Practicable Date, entered into a voting support agreement with Amarillo, pursuant to which it agreed, *inter alia*, to exercise all of the voting rights attaching to its Ordinary Shares in favour of the Resolution at the Hochschild General Meeting.

SpinCo Royalty Agreement

In accordance with the Arrangement, it is agreed that, shortly after Completion, a royalty agreement (the "**SpinCo Royalty Agreement**") will be entered into between Amarillo Mineração do Brasil Limitada ("**AMB**") and LDS Mineração Do Brasil Ltda ("**LDS**").

Following Completion, AMB will be an indirect wholly-owned subsidiary of Hochschild, whilst LDS will be a wholly-owned subsidiary of SpinCo.

Under the SpinCo Royalty Agreement, AMB will grant LDS a royalty of 2.0 per cent. of net smelter returns on any production from certain exploration properties retained by AMB that are separate from Posse in consideration for a cash payment of C$150,000 by SpinCo on behalf of LDS to AMB (the "**SpinCo Royalty**").

8 Hochschild General Meeting

Completion of the Acquisition is conditional upon, amongst other things, Shareholders' approval being obtained at the Hochschild General Meeting. Accordingly, you will find set out at the end of this document a notice convening a Hochschild General Meeting to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 2 p.m. on Tuesday 22 March 2022 at which the Resolution will be proposed to approve the Acquisition.

The Resolution will be proposed as an ordinary resolution in accordance with the Company's articles of association and requires a simple majority of votes in favour in order to be passed. The Acquisition is conditional upon: (i) the Resolution being passed; (ii) Amarillo Shareholder Approval; (iii) the approval of the Court of the Plan of Arrangement; and (iv) regulatory approvals, and other customary closing conditions as further described in Part III (*Summary of the Transaction Agreements*) of this document.

The Resolution will be decided on a poll. The Board believes that a poll is more representative of Shareholders' voting intentions because Shareholders' votes are counted according to the number of Ordinary Shares held and all votes tendered are taken into account. The results of the Hochschild General Meeting will be published on the Company's website (www.hochschildmining.com) and will be released to the London Stock Exchange as soon as practicable following the conclusion of the Hochschild General Meeting.

9 Action to be taken

Whether or not you will be attending the Hochschild General Meeting, I would urge you to appoint a proxy in accordance with the instructions below and ensure that such proxy is lodged and received by the Company's Registrars, Link Group, as soon as possible and, in any event, by no later than 2 p.m. on Friday 18 March 2022.

A Shareholder can appoint a proxy by:

- logging on to www.signalshares.com and following the instructions;
- requesting a hard copy form of proxy from the Company's Registrars, Link Group, by:
  - o sending a letter addressed to Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom; or
  - o contacting Link Group on +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales (the "**Shareholder Helpline**"). Please note that the helpline operators cannot provide advice on the merits of the Acquisition or give any financial, legal or tax advice),

  and completing, signing and returning such hard copy form of proxy in accordance with the instructions set out thereon; or

- in the case of CREST Members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 6 of the Notice of Extraordinary General Meeting set out on page 419 of this Circular,

in each case so that such proxy is received no later than 2 p.m. on Friday 18 March 2022.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2 p.m. on Friday 18 March 2022 in order to be considered valid.

Further details in relation to the appointment of proxies, including the CREST electronic proxy appointment service, are given in the notes to the Notice of Extraordinary General Meeting set out on pages 418 to 421 of this Circular.

Additional forms of proxy may be obtained by contacting Link Group on the Shareholder Helpline.

Appointing a proxy online, completing and returning a hard copy form of proxy or appointing a proxy using the CREST electronic proxy appointment service will not preclude Shareholders from attending and voting in person at the Hochschild General Meeting, should they so wish.

The attention of corporate Shareholders wishing to appoint more than one corporate representative is drawn to note 7 of the Notice of Extraordinary General Meeting set out on page 420 of this Circular.

Your attention is drawn to the fact that the Acquisition is conditional on (among other conditions) the Resolution being passed by Shareholders at the Hochschild General Meeting.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial and/or legal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

10 Further information

Your attention is drawn to the further information contained in the remaining sections of this document. Shareholders should read the whole of this document and not rely solely on information summarised in this letter.

11 Financial advice

The Board, which has received financial advice from RBC, considers the Acquisition to be in the best interests of Shareholders as a whole. In providing advice to the Board, RBC has relied on the Board's commercial assessment of the Acquisition.

12 Recommendation

The Board unanimously recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of Ordinary Shares, representing, as at the Latest Practicable Date, approximately 38.57 per cent. of the Company's existing issued ordinary share capital.

Yours faithfully,

Eduardo Hochschild
Chairman

PART II

RISK FACTORS

Prior to making any decision to vote in favour of the Resolution at the Hochschild General Meeting, Shareholders should carefully consider, together with all other information contained in this document, the specific risk factors described below.

The Company considers these to be the known material risk factors for Shareholders to consider relating to, or which will otherwise be impacted by, the Acquisition. If any of the following risks were to materialise, the business, financial condition, results of operations and prospects of the Hochschild Group and/or the Enlarged Group could be materially adversely affected and the value of the Ordinary Shares could decline and Shareholders could lose all or part of their investment in those Ordinary Shares.

These should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The risks described in this Part II (Risk Factors) are based on information known at the date of this document but may not be the only risks to which the Hochschild Group and/or the Enlarged Group is or might be exposed. Additional risks and uncertainties, which are currently unknown to the Company or that the Company does not currently consider to be material, may adversely affect the business of the Hochschild Group and/or the Enlarged Group and could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Hochschild Group and/or the Enlarged Group.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

1 Material risks related to the Acquisition

1.1 The Acquisition is subject to the satisfaction or waiver (where capable of being waived) of a number of conditions and there can be no assurance that the Acquisition will proceed if the conditions are not satisfied or waived

Completion under the Acquisition Agreement is subject to, and can only occur upon satisfaction or waiver (where capable of being waived) of, a number of conditions, including, but not limited to: (i) Hochschild Shareholder Approval; (ii) Amarillo Shareholder Approval; (iii) the Interim Order and the Final Order having been obtained from the Court; (iv) subject to certain exceptions, no Amarillo Material Adverse Effect having occurred; and (v) various regulatory consents, such as the TSX-V having approved or accepted notice for filing of the Arrangement (subject to compliance with customary conditions of the TSX-V), having been obtained.

The Interim Order was obtained from the Court on 27 January 2022 and Amarillo Shareholder Approval was received on 1 March 2022. Although Hochschild and Amarillo have certain obligations in relation to the satisfaction of the remaining conditions to the Acquisition under the Acquisition Agreement, these remaining conditions may not be fulfilled or waived (where capable of being waived) and the Acquisition may therefore not be completed.

1.2 The Acquisition Agreement may be terminated in certain circumstances

Each of Hochschild and Amarillo has the right to terminate the Acquisition Agreement and the Plan of Arrangement in certain circumstances. Accordingly, there is no certainty, nor can Hochschild provide any assurance, that the Acquisition Agreement will not be terminated by Hochschild or Amarillo prior to Completion. For example, Hochschild may terminate the Acquisition Agreement if an Amarillo Material Adverse Effect occurs which is incapable of being cured on or prior to the Long Stop Date. There is no assurance that an Amarillo Material Adverse Effect will not occur, in which case Hochschild may be entitled to terminate the Acquisition Agreement, which would mean that the Plan of Arrangement would not proceed and the Acquisition would not complete.

The Acquisition Agreement can also be terminated by Hochschild or Amarillo if the Hochschild Shareholder Approval is not obtained or because the Board makes a Hochschild Change in Recommendation, which would also mean that the Plan of Arrangement would not proceed and the Acquisition would not complete. If the Acquisition Agreement is terminated by Hochschild or Amarillo because Hochschild Shareholder Approval is not obtained or because the Board makes a Hochschild Change in Recommendation, Hochschild has agreed to pay the Reverse Break Fee of C$2,500,000 to Amarillo.

1.3 Hochschild may fail to realise the anticipated financial benefits from the Acquisition or may incur unanticipated costs associated with the Acquisition

The Amarillo Group may not perform in line with the Company's expectations and there can be no assurance that the Acquisition will achieve the financial benefits that Hochschild anticipates as quickly or to the extent anticipated or at all. Hochschild believes that the consideration for the Acquisition is justified in part by the benefits it expects to achieve by acquiring the Mara Rosa Project. However, these expected benefits may not develop and other assumptions upon which Hochschild determined the consideration may prove to be incorrect.

To the extent that Hochschild achieves lower financial benefits than expected, the Enlarged Group's results of operations, financial condition and the price of the Ordinary Shares may suffer. In addition, if the Acquisition completes and the financial benefits generated by the Amarillo Group are not in line with Hochschild's expectations, a write-down may be required against the carrying value of its investment in Amarillo.

1.4 The Enlarged Group may experience difficulties in integrating the acquired business

If the Acquisition completes, then the integration of Amarillo into the Hochschild Group following the Acquisition would involve a number of risks, including that: (i) the attention of the Enlarged Group's management may be diverted away from other business concerns; (ii) there may be outstanding or unforeseen legal, regulatory, contractual, labour or other issues arising from the Acquisition; and (iii) the Enlarged Group may find it difficult to effectively assimilate the business and management cultures of Hochschild and Amarillo.

If the Company fails to integrate Amarillo on a timely and cost-effective basis, the higher than expected costs and other difficulties could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

1.5 The value of Amarillo may be less than the consideration paid

Pursuant to the Acquisition Agreement, Hochschild will only be entitled to terminate the Acquisition Agreement and not implement the Acquisition in certain circumstances. In the event that there is an adverse event affecting the value of Amarillo or the value of Amarillo declines prior to Completion, Hochschild may not be able to terminate the Acquisition Agreement unless such event or decline constitutes an Amarillo Material Adverse Effect or requires a Hochschild Change in Recommendation. Therefore, the value of the business acquired by Hochschild pursuant to the Acquisition may be less than the consideration agreed to be paid. Accordingly, the net assets of Hochschild could be reduced, which could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

1.6 Acquisition-related costs may exceed Hochschild's expectations

Hochschild expects to incur costs in relation to the Acquisition, including integration and post-closing costs in order to successfully integrate the operations of Hochschild and Amarillo. The actual costs of the integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, Hochschild will incur legal, accounting, financing and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition is completed.

The Board believes that integration and Acquisition costs will be offset by the future benefits expected to be achieved as a result of the Acquisition, although these benefits may not be achieved as quickly or to the extent expected or at all, particularly if the Acquisition is delayed or is not completed. These factors could materially adversely affect the Enlarged Group's results of operations.

1.7 There may be an adverse impact on Hochschild's reputation if the Acquisition does not complete

If the Acquisition does not complete, there may be an adverse impact on the reputation of the Company as a result of media scrutiny arising in connection with the attempted Acquisition. Any such reputational risks could adversely affect the business, financial condition, results of operations, cash flows and prospects of the Hochschild Group.

2 Material risks related to the Enlarged Group if the Acquisition completes

2.1 Pre-production stage of development

The exploration for, and development of, mineral deposits involve significant financial, operational and geological risks which even a combination of careful evaluation, experience and knowledge may not eliminate. At present, the Mara Rosa Project does not have any mineral production. If the Acquisition completes, the Enlarged Group will initially focus on finalising the permitting required, building the Mara Rosa Project on schedule and on budget and preparing for initial production. However, there can be no assurance that the Mara Rosa Project will be brought into production or that the project will ever be profitable.

The commercial viability of mineral deposits of the kind located, and believed to be located, at the Mara Rosa Project area is dependent upon a number of factors, including, but not limited to, commodity prices, the quality, size, grade and other attributes of the deposits and the proximity to, and availability of, infrastructure necessary to develop, exploit and transport minerals on a commercial scale. Major expenditures will be required to develop metallurgical processes and to construct mining and processing facilities at a site.

The development of the Mara Rosa Project for mineral production may be subject to unexpected problems or delays during development, construction and mine ramp-up as a result of poor geology, inadequate recovery rates, capital expenditure requirements and availability of funding, environmental and other regulations, infrastructure requirements and availability and other issues outside of the Company's control. Such problems may prevent (or otherwise delay) the commencement of mineral production.

Given the Mara Rosa Project is currently in the construction stage, Amarillo has not generated any revenue to date from its operations and has negative cashflow, and a significant amount of capital expenditure may be required prior to the commencement of mineral production and the generation of material revenue. Accordingly, as set out in Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on Amarillo's ability to continue as a going concern.

Accordingly, the Enlarged Group's future development activities may not result in anticipated production at the Mara Rosa Project as quickly or to the extent anticipated or at all, which could have an adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.2 The level of the Mara Rosa Project's resources and reserves and their quality, production volumes and expected cash flows are inherently uncertain and may be lower than estimated or expected

There are numerous uncertainties inherent in estimating Mineral Resources and Mineral Reserves and such estimation is a subjective process. The resources and reserves information presented in this document are estimates only and are reproduced from the Competent Persons' Report, and do not reflect events and activities subsequent to the relevant report date. In general, estimates of resources and reserves and the future revenues derivable therefrom are inherently uncertain, as they are based on a number of factors and assumptions made as of the date on which the resources and reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results.

Notably, the estimation of Mineral Resources and Mineral Reserves depends on multiple variables and assumptions, including: quantity and quality of data; interpretation of the available geological data; future commodity prices; capital expenditure requirements; effectiveness of the applied technologies and equipment; future operating costs, tax, development costs and remedial costs; effects of regulations adopted by governmental agencies; and the judgement of the persons preparing the estimates. As all reserve estimates are subjective, results may differ materially from those assumed in estimating reserves, including in connection with the quantities and qualities that are ultimately recovered, the production and operating costs incurred and future gold prices.

The Mineral Resources and Mineral Reserves information set out and referred to in this document may not reflect actual resources and reserves or be comparable to similar information reported by other companies.

The cash flow model as reported in the Competent Persons' Report to support the recent Mineral Reserve estimates given in the Competent Persons' Report is based on a life of mine plan developed at a Feasibility Study level of accuracy. If the assumptions upon which the estimates of the Mara Rosa Project's Mineral Resources and Mineral Reserves prove to be incorrect, or if the actual Mineral Resources and Mineral Reserves available to the Amarillo Group in respect of Posse are otherwise less than current estimates or of a lesser quality than expected, the Enlarged Group may be unable to recover and produce the estimated levels or quality of gold set out in this document, which may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.3 If the Acquisition completes, the Enlarged Group will have exposure to the political, legal and regulatory risks of operating in Brazil

Currently, the Hochschild Group has producing operations and development projects in four countries (Peru, Argentina, Canada and Chile), as well as a pipeline of greenfield exploration prospects across three countries (Peru, USA and Canada). Following Completion of the Acquisition, Hochschild will indirectly hold the Mara Rosa Project, which is located in Brazil. As such, the Enlarged Group will have exposure to the political, legal, tax and regulatory landscape in Brazil, which is subject to change in a manner that may be materially adverse to the Enlarged Group.

The production and sale of metals are subject to various state and local governmental regulations, which may be changed from time to time in response to economic or political conditions and could have a significant impact upon the Enlarged Group's operations in Brazil. Matters subject to regulation include the issue and payment for licences, royalties and taxes and environmental protection. These laws and regulations could be amended or expanded to the disadvantage of the Enlarged Group.

The Enlarged Group's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, closures, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation.

The Enlarged Group's operations may also be adversely affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, crime, extreme fluctuations in currency exchange rates and high inflation.

Changes to, among other things, government policies and regulations governing taxation, royalties, the environment and health and safety could require the Enlarged Group to expend significant resources to comply with new laws or regulations or changes to current requirements and lead to restrictions on or suspensions/delays of the Enlarged Group's operations and activities, any of which could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.4 Adverse movements in precious metals could materially impact the Enlarged Group in various ways

If the Acquisition completes, the Enlarged Group is expected to be more dependent upon the price of precious metals and a substantial or extended decline in prices would have an adverse effect on the revenues, profitability and reserves of the Enlarged Group.

Sales of silver and gold accounted for 44 per cent. and 56 per cent., respectively, of the Hochschild Group's gross revenue in respect of the year ended 31 December 2021. As a result of the Acquisition, it is expected that the Enlarged Group will become more dependent on precious metal prices in light of the gold reserves and resources located within the Mara Rosa Project area.

Commodity price risk, specifically relating to the price of gold, could adversely affect the Mara Rosa Project, whose future profitability and viability of development depends upon the world market price of gold. Precious metal prices have historically been subject to wide fluctuations and are affected by numerous factors, including international economic and political conditions, monetary and fiscal policies of industrialised economies and major central banks, levels of supply and demand, the availability and costs of substitutes, global inventory levels and actions of participants in the commodities markets.

Any decrease in demand for precious metals (or precious metal prices) may have various adverse impacts, including impacts on the feasibility of the Mara Rosa Project, the economics of its Mineral Reserves and Mineral Resources, heightened personnel, retention and sustainability-related risks, which may be significant and could have a material adverse effect on the Enlarged Group.

2.5 Impact of safety, health, environmental and social issues affecting the Mara Rosa Project

Safety, health, environmental and social legislation affects nearly all aspects of mining activities. Compliance with safety, health, environmental and social legislation can require significant expenditure and failure to comply with such legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. These laws address emissions into the air, discharges into water, management of waste and hazardous substances, protection of natural resources, reclamation of lands disturbed by mining operations and community relations.

The Mara Rosa Project is still at an early stage of project development and further consideration will need to be given to safety, health, environmental and social issues affecting it. Environmental and safety legislation (e.g. in relation to reclamation, disposal of waste products, protection of wildlife and otherwise relating to environmental protection) may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations.

There may also be unforeseen environmental liabilities resulting from both future and historical exploration or mining activities, which may be costly to remedy. Potential environmental liabilities as a result of unfulfilled environmental obligations by the previous owners may impact the Enlarged Group. Risks may include on-site sources of environmental contamination and rehabilitation of the site. It is currently unknown what this could be, but the funding of this could have a material adverse impact on Hochschild and the Enlarged Group in the future. If the Enlarged Group is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Enlarged Group.

2.6 There can be no assurance that the Enlarged Group will receive, be able to locate and/or be able to renew all necessary licences, certificates, approvals and permits for operations

The operations of the Enlarged Group, including the Mara Rosa Project, are subject to various licences, certificates, approvals and permits. There is no assurance that the Enlarged Group will be able to renew its licences, certificates, approvals and permits upon their expiration. There is also no assurance that the Enlarged Group will receive necessary licences, certificates, approvals and permits which are required and have not yet been granted. In particular, it is noted that Posse has not yet received all the licences to install required to build the project nor the operating licence, the final licence which it requires under the local permitting framework.

It is not guaranteed that the Enlarged Group will be able to locate copies of historical licences, certificates, approvals and permits which have been granted in respect of the Enlarged Group's operations. In addition, the Enlarged Group may not always have been in full compliance with the terms of its licences and permits, and may not be able to secure new or amended licences and permits to allow, among other things, construction and/or production at the Mara Rosa Project.

The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licences, certificates, approvals or permit requirements relevant to the Enlarged Group's business operations may significantly escalate compliance and maintenance costs or may preclude the Enlarged Group from continuing with the Mara Rosa Project or may limit or prohibit the Enlarged Group from expanding its business. Any such outcomes could have a material adverse effect on the Enlarged Group.

2.7 Any significant difficulties affecting construction of the Mara Rosa Project may have an adverse impact on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group

Construction of the Mara Rosa Project in line with the anticipated timeline and specification is subject to a number of factors. Unplanned construction disruptions may occur for external reasons including natural disasters, weather (including floods, lightning and severe cold weather), rising sea levels caused by global warming, dam failures, pandemics or other outbreaks of disease, transportation interruption, disruptions in relationships with distributors, supply-chain failures, utilities interruption, government regulation, political unrest or terrorism, criminal misconduct by employees or third parties or internal reasons, such as fire, human error, labour disputes, health and safety incidents, IT system failures or outages, utility outages, unplanned maintenance or other problems. Additionally, construction of the Mara Rosa Project is also dependent on numerous raw materials from various sources, including imports and third-party suppliers. Alternative facilities with sufficient capacity may not be available, may cost substantially more to utilise or may take a significant time to implement. Accordingly, any material disruptions of construction operations of the Mara Rosa Project are likely to have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.8 The tax regime in Brazil may be subject to change

The Brazilian government regularly implements changes to its tax regime, including changes in tax rates and, occasionally, the implementation of temporary taxes, the payment of which is tied to specific governmental purposes in connection with matters such as fiscal constraints and/or political pressure. Additionally, tax reforms have been discussed by the Brazilian government in recent years, which may include (among other things) the elimination or unification of certain taxes, the creation of new taxes and the revocation of income tax exemptions on the distribution of profits and dividends. Any such new taxes, laws, regulations and requirements may be retroactive in their effect and implementation.

Furthermore, the interpretation of tax laws by the Brazilian courts and taxation authorities is constantly evolving, and the courts and/or the taxation authorities may interpret tax legislation in a way that deviates from historical precedent and usual practice. In Brazil, the tax system is highly complex and the interpretation of the tax laws and regulations can be controversial, which may give rise to new administrative and judicial proceedings regarding such taxes.

Changes in historically adopted interpretation of tax laws and regulations, and the enactment of additional tax laws, regulations or reforms, could have potentially adverse tax consequences for the Enlarged Group, including, but not limited to, the imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries, and could therefore have a material adverse effect on the Enlarged Group.

PART III

SUMMARY OF THE TRANSACTION AGREEMENTS

The following is a summary of the principal terms of the Transaction Agreements. The Acquisition Agreement is available for inspection as described in Part VII (*Additional Information*) of this document.

1 Acquisition Agreement

1.1 Introduction

On 29 November 2021, the Acquisition Agreement was entered into between Hochschild, the Purchaser (an entity ultimately controlled and owned by Hochschild) and Amarillo. The Acquisition Agreement sets out the terms on which the Purchaser agreed to purchase the Amarillo Shares. Under the terms of the Acquisition Agreement, the Purchaser will acquire all of the issued and outstanding and to be issued Amarillo Shares such that, following Completion of the Acquisition, Amarillo will be an indirect, wholly-owned subsidiary of Hochschild. The Acquisition will be implemented by way of the Plan of Arrangement in accordance with the laws of the Province of British Columbia, Canada.

The Acquisition Agreement is governed by the laws of the Province of British Columbia and the federal laws of Canada (as applicable). The following is a summary of the principal terms of the Acquisition Agreement.

1.2 Consideration

Pursuant to the Acquisition, Hochschild will acquire a 100 per cent. interest in Amarillo (and therefore the Mara Rosa Project). The ownership of SpinCo (and the Lavras do Sul Project) will be transferred in full to Amarillo Shareholders at Completion and as such Hochschild will not acquire an interest in SpinCo (or the Lavras do Sul Project) pursuant to the Acquisition.

The Acquisition values Amarillo at a price of C$0.40 per Amarillo Share, which will be satisfied by Hochschild in cash. In addition, the Amarillo Shareholders will collectively receive 100 per cent. of the shares in SpinCo, to which Amarillo will contribute: (i) approximately C$10,000,000 of cash (subject to adjustment); and (ii) a 2 per cent. net smelter revenue royalty on certain exploration properties owned by Amarillo that are separate from Posse.

The net acquisition cost to Hochschild, including Amarillo's net cash as at 31 December 2021, will be approximately C$141,355,670 (US$111,911,701).

Following the approval of the arrangement described in the Plan of Arrangement (the "**Arrangement**") by the Court, and on the Business Day before Amarillo files certain required documents with the Canadian registrar, the Purchaser shall (subject to the terms and conditions of the Acquisition Agreement) place (or cause to be placed) into escrow: (i) sufficient cash; and (ii) a sufficient number of SpinCo Shares, to discharge the aggregate consideration receivable by the Amarillo Shareholders.

At 12:01 a.m. (Pacific Time) (the "**Effective Time**") on the date on which the Arrangement takes effect (the "**Effective Date**"), each Amarillo Shareholder who has properly followed the dissent procedure prescribed by the BCA shall be deemed to have transferred their Amarillo Shares to the Purchaser in exchange for a debt claim for an amount equal to the fair value of their Amarillo Shares. The fair value of the Amarillo Shares will be determined by the Court in accordance with the procedures prescribed by the BCA (as modified by the Interim Order).

Five minutes after the Effective Time, each Amarillo Shareholder who did not dissent to the Acquisition shall transfer their Amarillo Shares to the Purchaser in exchange for C$0.40 in cash.

20 minutes after the Effective Time, all Amarillo share options outstanding prior to the Effective Time with an exercise price greater than the Cash Offer will be cancelled without any payment.

25 minutes after the Effective Time, all Amarillo share options outstanding prior to the Effective Time with an exercise price equal to or less than the Cash Offer ("**Cashed-Out Option**") will be cancelled in exchange for a right to receive from Amarillo: (i) a cash payment per Cashed-Out Option equal to the Cash Offer less the exercise price per Cashed-Out Option; and (ii) one SpinCo Share per Cashed-Out Option.

45 minutes after the Effective Time, a reorganisation of Amarillo will take place, following which each Amarillo Shareholder will receive one SpinCo Share per Amarillo Share that they held immediately prior to the Effective Time.

To the extent that the Amarillo Group incurs unbudgeted expenditure on the Lavras do Sol Project prior to Completion of the Arrangement, the C$10,000,000 of cash contributed by Amarillo to SpinCo will be reduced by an amount equal to such unbudgeted expenditure. It is expected that the C$10,000,000 of cash (as reduced if necessary) will be contributed by Amarillo to SpinCo on Completion but, to the extent such amount is not contributed by Amarillo to SpinCo on Completion, and unless otherwise agreed by the parties, such liability will become an obligation of the Enlarged Group following Completion.

1.3 Conditions to Completion

Completion under the Acquisition Agreement is subject to, and can only occur upon satisfaction or (to the extent permitted by law) waiver of, a number of outstanding conditions, including:

(i) Amarillo Shareholder Approval having been obtained;

(ii) Hochschild Shareholder Approval having been obtained;

(iii) no Amarillo Material Adverse Effect having occurred;

(iv) the Interim Order and the Final Order to approve the Arrangement each having been obtained from the Court; and

(v) the TSX-V having approved or accepted notice for filing of the Arrangement, subject to compliance with customary conditions of the TSX-V.

In addition, and unless otherwise waived by the Purchaser, the Purchaser is not required to complete the Arrangement in circumstances where more than 5 per cent. of Amarillo Shareholders exercise their dissent rights in connection with the Arrangement.

Under the terms of the Acquisition Agreement, Hochschild and Amarillo are required to co-operate and use commercially reasonable efforts to complete the Acquisition as soon as reasonably practicable.

The Interim Order was obtained from the Court on 27 January 2022 and Amarillo Shareholder Approval was received on 1 March 2022. The Final Order is expected to be obtained on or around the date of this document.

1.4 Representations, warranties and covenants

The Acquisition Agreement contains representations and warranties, covenants, undertakings and conditions that are customary for a Canadian acquisition of the size and nature of the Acquisition.

In particular, each of Hochschild and Amarillo are subject to covenants concerning their respective obligations to call and hold a shareholder meeting in order to obtain shareholder approval for the Acquisition.

1.5 No solicitation

Pursuant to the Acquisition Agreement, Amarillo has agreed not to make, solicit, initiate, knowingly encourage or otherwise knowingly facilitate any inquiry, proposal or offer that constitutes or may constitute:

(i) any direct or indirect sale, disposition or similar arrangement of assets either representing 20 per cent. or more of the consolidated assets of the Amarillo Group or contributing 20 per cent. or more of the consolidated annual revenue of the Amarillo Group;

(ii) any direct or indirect acquisition, purchase, take-over bid or similar transaction that would result in a third party owning 20 per cent. or more of the Amarillo Shares;

(iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganisation, recapitalisation, liquidation, dissolution or winding-up involving the Amarillo Group; or

(iv) any other similar transaction,

(an “**Acquisition Proposal**”).

Prior to the receipt of the Amarillo Shareholder Approval (which was received on 1 March 2022) the Amarillo Board had the right to consider and accept any unsolicited bona fide written acquisition proposal made after the date of the Acquisition Agreement by a third party that, *inter alia*:

(i) related to the acquisition of not less than 100 per cent. of the outstanding Amarillo Shares or all or substantially all of the assets of the Amarillo Group; and

(ii) in respect of which, *inter alia*, the Amarillo Board determined (in good faith having received the advice of its legal and financial advisers) was reasonably capable of being completed without undue delay, and would have resulted in a transaction which would have been more favourable, from a financial point of view, to Amarillo Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by Hochschild pursuant to the Acquisition Agreement),

(a “**Superior Proposal**”).

Under certain conditions, the Purchaser had the right to match any Superior Proposal in accordance with the Acquisition Agreement. In addition, prior to entering into a definitive agreement relating to a Superior Proposal, Amarillo would have been obligated to pay the Termination Fee. As the Amarillo Shareholder Approval was received on 1 March 2022, the Amarillo Board can no longer consider or accept any Superior Proposal.

1.6 Termination

The Acquisition Agreement may be terminated at any time prior to the Effective Time by the mutual written agreement of Amarillo, the Purchaser and Hochschild. In addition, the Acquisition Agreement contains reciprocal termination rights in certain circumstances, including if:

(i) Amarillo Shareholder Approval is not obtained. As the Amarillo Shareholder Approval was obtained on 1 March 2022, each of Amarillo and the Purchaser may no longer terminate the Acquisition Agreement in connection with a failure to obtain Amarillo Shareholder Approval;

(ii) Hochschild Shareholder Approval is not obtained;

(iii) any final and non-appealable law, decree, judgment or ruling is enacted, made, enforced or amended (as applicable) that makes consummation of the Arrangement illegal or otherwise prohibits or enjoins Amarillo, Hochschild, the Purchaser or SpinCo from consummating the Arrangement (subject to certain exceptions set out in the Acquisition Agreement); or

(iv) the Acquisition has not completed on or before 30 April 2022 (the “**Long Stop Date**”) (subject to certain exceptions set out in the Acquisition Agreement).

In addition, Amarillo may terminate the Acquisition Agreement in certain other circumstances, including where:

(i) prior to obtaining Amarillo Shareholder Approval, the Amarillo Board authorises entering into a written agreement with respect to a Superior Proposal as permitted under the Acquisition Agreement. As the Amarillo Shareholder Approval was received on 1 March 2022, Amarillo may no longer terminate the Acquisition Agreement in connection with a Superior Proposal;

(ii) prior to obtaining Hochschild Shareholder Approval, the Board makes a Hochschild Change in Recommendation; or

(iii) either of Hochschild or the Purchaser breaches any representation or warranty or fails to perform any covenant or agreement under the Acquisition Agreement that would cause any condition to Completion not to be satisfied and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Acquisition Agreement.

Furthermore, the Purchaser may terminate the Acquisition Agreement in certain other circumstances, including where:

(i) prior to obtaining Amarillo Shareholder Approval, the Amarillo Board or the relevant independent committee thereof makes an Amarillo Change in Recommendation. As the Amarillo Shareholder Approval was received on 1 March 2022, the Purchaser may no longer terminate the Acquisition Agreement in connection with an Amarillo Change in Recommendation;

(ii) prior to obtaining Hochschild Shareholder Approval, the Board makes a Hochschild Change in Recommendation;

(iii) Amarillo is in breach of the applicable non-solicitation provisions contained in the Acquisition Agreement in any material respect;

(iv) an Amarillo Material Adverse Effect has occurred which is incapable of being cured on or prior to the Long Stop Date; or

(v) Amarillo breaches any representation or warranty or fails to perform any covenant or agreement under the Acquisition Agreement that would cause any condition to Completion not to be satisfied and such breach or failure is incapable of being cured or is not cured by the Long Stop Date in accordance with the terms of the Acquisition Agreement.

1.7 Break fees

Reverse Break Fee payable to Amarillo

Amarillo, Hochschild and the Purchaser have agreed that Hochschild will pay the Reverse Break Fee to Amarillo if:

(i) the Acquisition Agreement is terminated because Hochschild Shareholder Approval is not obtained; or

(ii) if either Amarillo or the Purchaser terminates the Acquisition Agreement because the Board makes a Hochschild Change in Recommendation.

The Reverse Break Fee payable by Hochschild to Amarillo in either of the above circumstances will be C$2,500,000 (US$1,979,257).

Termination Fee payable to Hochschild

Amarillo has agreed to pay the Termination Fee to Hochschild if the Acquisition Agreement is terminated in certain circumstances, including where:

(i) the Purchaser terminates the Acquisition Agreement following an Amarillo Change in Recommendation or a breach by Amarillo of its non-solicitation obligations contained in the Acquisition Agreement. As the Amarillo Shareholder Approval was received on 1 March 2022, Amarillo may no longer terminate the Acquisition Agreement in connection with an Amarillo Change in Recommendation;

(ii) if the Purchaser is entitled to terminate the Acquisition Agreement because of an Amarillo Change in Recommendation. As the Amarillo Shareholder Approval was received on 1 March 2022, the Purchaser may no longer terminate the Acquisition Agreement in connection with an Amarillo Change in Recommendation;

(iii) Amarillo terminates the Acquisition Agreement because, prior to obtaining Amarillo Shareholder Approval, the Amarillo Board makes an Amarillo Change in Recommendation or authorises Amarillo to enter into a written agreement with respect to a Superior Proposal as permitted under the Acquisition Agreement. As the Amarillo Shareholder Approval was received on 1 March 2022, Amarillo may no longer terminate the Acquisition Agreement in connection with an Amarillo Change in Recommendation or in connection with a Superior Proposal; or

(iv)

(A) Amarillo or the Purchaser terminates the Acquisition Agreement because Amarillo Shareholder Approval is not obtained or because Completion has not occurred prior to the Long Stop Date; or

(B) the Purchaser terminates the Acquisition Agreement because Amarillo is in breach,

in either case only if, prior to such termination, an Acquisition Proposal relating to 50 per cent. or more of the share capital of Amarillo or the assets of Amarillo is made or publicly announced and within 12 months of such termination an Acquisition Proposal relating to

50 per cent. or more of the share capital of Amarillo is completed by Amarillo or a binding contract is signed in respect of such Acquisition Proposal and such Acquisition Proposal is later completed.

The Termination Fee pursuant to paragraphs (i) to (iii) above will be equal to C$5,000,000 (US$3,958,515).

2 Voting support agreements

2.1 Amarillo voting support agreements

On 29 November 2021, each of Baccarat Trade Investments Limited, 2176423 Ontario Limited and EMA GARP Fund LP, who together owned 148,842,500 Amarillo Shares reflecting in aggregate approximately 38.55 per cent. of Amarillo's issued and outstanding common shares on a non-diluted basis as at the date of the Amarillo General Meeting, and certain of the Amarillo Board, entered into a voting support agreement with Amarillo, pursuant to which they agreed, *inter alia*, to exercise all of the voting rights attaching to their Amarillo Shares in favour of the Amarillo Resolution at the Amarillo General Meeting. The Amarillo Shareholder Approval was obtained at the Amarillo General Meeting on 1 March 2022.

2.2 Eduardo Hochschild voting support agreement

On 29 November 2021, Pelham Investment Corporation, an entity ultimately owned and controlled by Eduardo Hochschild and representing approximately 38.32 per cent. of Hochschild's issued share capital as at the Latest Practicable Date, entered into a voting support agreement with Amarillo, pursuant to which it agreed, *inter alia*, to exercise all of the voting rights attaching to its Ordinary Shares in favour of the Resolution at the Hochschild General Meeting.

3 SpinCo Royalty Agreement

3.1 Introduction

Pursuant to the Acquisition, the Lavras do Sul Project will be transferred to SpinCo prior to Completion. Following Completion, AMB will be an indirect wholly-owned subsidiary of Hochschild, whilst LDS will be a wholly-owned subsidiary of SpinCo.

AMB will grant LDS the SpinCo Royalty of 2.0 per cent. of net smelter returns on any production from certain exploration properties retained by AMB that are separate from Posse (the "**Property**") in consideration for a cash payment of C$150,000 by SpinCo on behalf of LDS to AMB. The terms of this agreement are set out in the SpinCo Royalty Agreement, which is appended to the Acquisition Agreement and which will be entered into immediately after Completion between AMB, LDS, SpinCo and Amarillo.

3.2 Key terms

The SpinCo Royalty will apply to the sale of all the raw, intermediate and refined mining products (including, without limitation, gold, silver and copper) derived from the Property (the "**Products**"). The SpinCo Royalty shall run with the title of the Property in perpetuity, subject to the terms and conditions of the SpinCo Royalty Agreement, and shall survive any disposition or transfer of the Property, or any interest therein, by AMB. In accordance with the SpinCo Royalty Agreement, AMB is required to use its best commercial endeavours to sell the Products as soon as commercially reasonable subject to customary restrictions, including in relation to stockpiling, commingling and tailings activities.

The SpinCo Royalty Agreement includes an indemnity in favour of AMB with respect to any claims or liabilities that may be made or brought against AMB that result from or relate to operations conducted on or in respect of the Property or other mining activities. The SpinCo Royalty Agreement contains customary reporting and audit requirements and payment mechanics. The SpinCo Royalty Agreement also contains restrictions on transfers by LDS of its rights under the SpinCo Royalty Agreement without AMB's consent, and also includes a right of first refusal in favour of AMB to repurchase and cancel the SpinCo Royalty Agreement in the event that LDS receives a bona fide offer by a third party to purchase its rights under the SpinCo Royalty Agreement.

3.3 Governing law and dispute resolution

The SpinCo Royalty Agreement is governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein. In addition, the SpinCo Royalty Agreement contains a dispute resolution mechanism providing for binding arbitration to settle any disputes between the parties in accordance with the rules of the International Chamber of Commerce.

PART IV

FINANCIAL INFORMATION ON AMARILLO

PART A: HISTORICAL FINANCIAL INFORMATION RELATING TO AMARILLO

This Part A of Part IV (*Financial Information on Amarillo*), together with Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) to this Circular, contains consolidated financial information for Amarillo for the three years ended 31 December 2021, 31 December 2020 and 31 December 2019.

The financial information contained in this Part IV (*Financial Information on Amarillo*) and Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) to this Circular has been extracted without material adjustment from the consolidated audited financial statements of Amarillo as published in the annual reports for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

The financial information contained in this Part IV (*Financial Information on Amarillo*) and Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) to this Circular includes the assets and liabilities, results of operations and cash flows of LDS and the underlying Lavras do Sul Project, which are not being acquired by the Hochschild Group pursuant to the Acquisition. LDS and its interest in the Lavras do Sul Project will be owned by SpinCo (and indirectly by Amarillo Shareholders) immediately following Completion.

This financial information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The consolidated audited financial statements of Amarillo in respect of the years ended 31 December 2021, 31 December 2020 and 31 December 2019 have been filed on SEDAR.

Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV (*Financial Information on Amarillo*).

Unless otherwise stated, the financial information relating to Amarillo in this Circular has been prepared in accordance with IFRS.

Following an analysis of the accounting policies of Amarillo for each of the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, the Directors concluded that there were no material differences between the accounting policies adopted by Hochschild and the accounting policies adopted by Amarillo, except for those detailed in Note 2 of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*), in each case for the period covered by the historical financial information. Consequently, no additional material adjustments need to be made, except for those detailed in Note 2 of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*), to the historical financial information for Amarillo incorporated by reference into this Circular, in order to achieve consistency with the accounting policies of Hochschild.

Consolidated Statements of Financial Position

	As at December 31,		
	2021	2020	2019
	(Expressed in thousands of Canadian Dollars unless otherwise stated)		
Assets			
Current assets			
Cash and cash equivalents	25,974	52,423	7,635
Accounts receivable	86	65	26
Receivable from Western Potash Corporation (WPC)	927	510	—
Prepaids and deposits	254	195	15
Total current assets	**27,240**	**53,193**	**7,676**
Receivable from WPC — long-term portion	141	573	—
Resource properties and deferred exploration expenditures	48,305	33,656	30,611
Property and equipment	14,616	4,785	1,987
Total assets	**90,303**	**92,207**	**40,274**
Liabilities and equity			
Current liabilities			
Accounts payables and accrued liabilities	2,002	1,224	1,015
Due to related parties	—	—	225
Concession fees payable	438	276	364
Total current liabilities	**2,440**	**1,500**	**1,604**
Concession fees payable — long-term portion	786	504	1,001
Total liabilities	**3,226**	**2,004**	**2,604**
Equity			
Shareholders' Equity			
Capital Stock	119,231	117,900	62,839
Contributed surplus	17,209	11,213	8,763
Warrants	—	5,293	6,400
Deficit	(49,363)	(44,203)	(40,333)
Total equity	**87,077**	**90,203**	**37,669**
Total liabilities and equity	**90,303**	**92,207**	**40,274**

See Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document for accompanying notes to the consolidated financial statements.

Consolidated Statements of Income/(Loss)

	Fiscal year ended December 31,		
	2021	2020	2019
	(Expressed in thousands of Canadian Dollars unless otherwise stated)		
Expenses (income)			
General and administrative	(3,558)	(2,407)	(2,746)
Recovery of legal fees from Western Potash Corporation	—	187	—
Stock-based compensation	(971)	(1,343)	(1,004)
Financing advisory services	(372)	(541)	(36)
Arrangement costs	(589)	—	—
Foreign exchange (gain) loss	32	195	(153)
Interest income	335	50	—
Interest and finance charges	(37)	(11)	(121)
Accretion on gold-linked loan	—	—	—
Write off of accounts payable	—	—	—
	(5,160)	**(3,870)**	**(4,060)**
Loss before the following adjustments			
Gain on settlement of payables	—	—	5
Gain on settlement of gold-linked loan	—	—	—
Loss on foreign exchange of gold-linked loan	—	—	—
Gain on fair value of derivative	—	—	—
Loss before income taxes	(5,160)	(3,870)	(4,055)
Deferred tax (expense) recovery	—	—	—
Total loss and comprehensive loss	**(5,160)**	**(3,870)**	**(4,055)**

See Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document for accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Capital stock	Contributed surplus	Warrants	Deficit	Total equity
	(Expressed in thousands of Canadian Dollars unless otherwise stated)				
Balance, December 31, 2018	53,595	7,491	1,235	(36,278)	26,043
Private placement, net of issuance cost	14,429	140	—	—	14,569
Fair value of warrants, net of tax	(5,293)	—	5,293	—	—
Expired warrants	—	128	(128)	—	—
Stock-based compensation	—	1,004	—	—	1,004
Shares issued to settle payables	108	—	—	—	108
Loss and comprehensive loss for the year	—	—	—	(4,055)	(4,055)
Balance, December 31, 2019	**62,839**	**8,763**	**6,400**	**(40,333)**	**37,669**
Private placement, net of issuance cost	55,061	—	—	—	55,061
Expired warrants	—	1,107	(1,107)	—	—
Stock-based compensation	—	1,343	—	—	1,343
Loss and comprehensive loss for the year	—	—	—	(3,870)	(3,870)
Balance, December 31, 2020	117,900	11,213	5,293	(44,203)	90,203
Private placement, net of issuance cost	—	—	—	—	—
Exercise of warrants	931	—	(182)	—	749
Exercise of broker options	310	(140)	101	—	271
Expired warrants	—	5,212	(5,212)	—	—
Exercise of stock options	90	(48)	—	—	42
Stock-based compensation	—	972	—	—	972
Loss and comprehensive loss for the year	—	—	—	(5,160)	(5,160)
Balance, December 31, 2021	**119,231**	**17,209**	—	**(49,363)**	**87,077**

See Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document for accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Fiscal year ended December 31,		
	2021	2020	2019
	(Expressed in thousands of Canadian Dollars unless otherwise stated)		
Cash provided by (used in)			
Operating activities			
Net loss for the year	(5,160)	(3,870)	(4,055)
Unrealised foreign exchange gain on concession fees payable net of loss on receivable from Western Potash Corporation (WPC)	(104)	(145)	(130)
Interest on loan payable	—	—	—
Interest on concession fees payable	(8)	21	98
Stock-based compensation	971	1,343	1,004
Gain on settlement of payables	—	—	(5)
Accounts receivable	(20)	(39)	115
Prepaids and deposits	(60)	(179)	—
Receivable from WPC	—	390	—
Concession fees payable	(315)	(274)	(379)
Accounts payable and accrued liabilities	778	209	(314)
Due to related parties	—	(225)	20
Cash flow from operating activities	**(3,918)**	**(2,769)**	**(3,646)**
Financing activities			
Common shares	1,062	57,200	15,282
Share issuance costs	—	(2,139)	(713)
Proceeds from sale of royalty	—	—	—
Gold-linked loan	—	—	—
Related party loan proceeds	—	—	1,000
Related party loan repayment	—	—	(1,000)
Interest paid on concession fees payable	8	(21)	(27)
Interest paid on related party loan	—	—	—
Net cash from financing activities	**1,070**	**55,040**	**14,542**
Investing activities			
Resource properties and deferred exploration expenditures	(13,696)	(4,587)	(4,165)
Property and equipment	(9,906)	(2,896)	(1,365)
Net cash used in investing activities	**(23,602)**	**(7,483)**	**(5,530)**
Increase (decrease) in cash and cash equivalents	(26,449)	44,788	5,366
Cash and cash equivalents, beginning of year	52,423	7,635	2,269
Cash and cash equivalents, end of year	**25,974**	**52,423**	**7,635**
Items not involving cash:			
Non-cash operating activities	—	—	—
Shares issued to settle payables	—	—	—
Non-cash financing activities	—	—	—
Shares issued to settle payables on resource properties	—	—	114
Shares issued to settle gold-linked loan	—	—	—
Non-cash investing activities			
Shares issued to settle payables on resource properties	—	—	114
Capitalised depreciation	**74**	**98**	**91**

See Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document for accompanying notes to the consolidated financial statements.

PART IV

FINANCIAL INFORMATION ON AMARILLO

PART B: UNAUDITED RECONCILIATIONS OF THE AMARILLO GROUP'S HISTORICAL FINANCIAL INFORMATION TO THE HOCHSCHILD GROUP'S ACCOUNTING POLICIES

The following unaudited reconciliations summarise the material adjustments which reconcile Amarillo's consolidated net income/(loss) for each of the three years ended 31 December 2021, 31 December 2020 and 31 December 2019, as well as the total equity (net assets) for each of the three years ended 31 December 2021, 31 December 2020 and 31 December 2019, as previously reported by Amarillo, to estimate those that would have been reported had Amarillo applied the accounting policies used by the Hochschild Group in the preparation of its consolidated financial statements for year ended 31 December 2021.

These differences relate to methods for recognition and measurement of the amounts shown in the consolidated financial statements. The reconciliation does not seek to reflect any changes to the judgments made by Amarillo in preparing the underlying Amarillo financial information and does not reflect any fair value adjustments which the Board will need to make as a result of the Acquisition or would have made had the Acquisition happened at any other date during the historical period shown.

The following unaudited reconciliations present the effect of the material differences between Amarillo's accounting policies and the Hochschild Group's accounting policies (both using IFRS). The adjustment to the balance sheet (net assets) at each period end is a cumulative adjustment whereas the net income/(loss) adjustment represents the effect for the accounting period only and therefore does not correspond with the net assets adjustment amount for the corresponding accounting period.

1. Unaudited reconciliation of Amarillo's net income for the years ended 31 December 2021, 31 December 2020 and 31 December 2019

C$ thousands	December 31, 2021	December 31, 2020	December 31, 2019
Net income/(loss) of Amarillo as reported under its accounting policies	(5,160)	(3,870)	(4,055)
Accounting policy adjustments:	—	—	—
Net income/(loss) of Amarillo as reported under Hochschild's accounting policies	(5,160)	(3,870)	(4,055)
Net income/(loss) of Amarillo as reported under Hochschild's accounting policies translated to US$ (thousands)	(4,037)	(3,027)	(3,103)

2. Unaudited reconciliation of Amarillo's total equity as at 31 December 2021, 31 December 2020 and 31 December 2019

C$ thousands	December 31, 2021	December 31, 2020	December 31, 2019
Total equity of Amarillo as reported under its accounting policies	87,077	90,203	37,669
Accounting policy adjustments:			
Evaluation and exploration assets (A)	(9,121)	(9,121)	(9,121)
Deferred income tax assets (B)	3,101	3,101	3,101
Total equity of Amarillo under Hochschild´s accounting policies	81,057	84,183	31,649
Total equity of Amarillo under Hochschild´s accounting policies translated to US$ (thousands)	63,420	65,855	24,219

Details of the adjustments are below:

(A) Evaluation and exploration assets

Because Amarillo is in the exploration stage, having obtained a scoping study or Pre-Feasibility Study, Amarillo capitalises all costs of acquiring, retaining, evaluating, and exploring resource properties or maintaining an interest in such properties. Amarillo obtained the Pre-Feasibility

Study in October 2011. In accordance with the IFRS accounting policies adopted by Hochschild, these costs should only be capitalised once the future economic benefit of the project can reasonably be regarded as assured. Exploration and evaluation costs related to projects in the development phase are capitalised as assets from the date that the Board authorises management to conduct a Feasibility Study. Consequently, an alignment adjustment has been recognised for Amarillo in order to achieve consistency with the accounting policies of Hochschild. Evaluation and exploration assets have been translated at the rate of US$0.78241:C$1, being the closing exchange rate as at 31 December 2021.

(B) Deferred income tax

Deferred income tax assets arising from the adjustment described in numeral (A) above. This is the deferred tax impact of the reversal of the capitalisation of evaluation and exploration assets. The resulting adjustment as at each year end is US$2,426 (C$3,101) and is calculated after applying an income tax rate of 34 per cent., the legal rate in Brazil, to the amount that will be recorded as an exploration expense.

PART C: ACCOUNTANTS' REPORT ON THE UNAUDITED RECONCILIATION OF THE AMARILLO GROUP'S HISTORICAL FINANCIAL INFORMATION TO THE HOCHSCHILD GROUP'S ACCOUNTING POLICIES

The Directors
Hochschild Mining plc
17 Cavendish Square
London W1G 0PH
United Kingdom

RBC Europe Limited
100 Bishopsgate
London EC2N 4AA
United Kingdom

4 March 2022

Dear Ladies and Gentleman,

Hochschild Mining plc (the "Company"): Proposed acquisition of Amarillo Gold Corporation (the "Target")

We report on the unaudited reconciliation of the net income/(loss) for each of the years ended 31 December 2019, 2020 and 2021 and of the total equity as at 31 December 2019, 2020 and 2021, together the "**Financial Information**", as previously reported in the financial statements of the Target prepared under IFRS, showing the adjustments necessary to restate it on the basis of the Company's accounting policies used in preparing the Company's last set of annual financial statements (the "**Reconciliation**"), set out in Part B of Part IV (*Financial Information on Amarillo*) of the circular of the Company dated 4 March 2022 (the "**Circular**").

This report is required by item 13.5.27R(2)(a) of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
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Opinion

In our opinion:

(a) the Reconciliation has been properly compiled on the basis stated; and

(b) the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Responsibilities

It is the responsibility of the Directors to prepare the Reconciliation in accordance with item 13.5.27R(2)(a) of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.5.27R(2)(a) of the Listing Rules as to whether:

(a) the Reconciliation has been properly compiled on the basis stated; and

(b) the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies, and to report that opinion to you.

The Reconciliation is based on the audited balance sheets as at 31 December 2019, 2020 and 2021 and income statements for each of the years then ended of the Target which were the responsibility of the directors of the Target and were audited by another firm of accountants. We do not accept any responsibility for any of the historical financial statements of the Target, nor do we express any opinion on those financial statements.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of Preparation

This reconciliation has been prepared for inclusion in the Circular on the basis set out in Part B of Part IV (*Financial Information on Amarillo*) of this Circular.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of checking whether the unadjusted financial information of the Target has been accurately extracted from an appropriate source, assessing whether all adjustments necessary for the purpose of presenting the Financial Information on a basis consistent in all material respects with the Company's accounting policies have been made, examination of evidence supporting the adjustments in the Reconciliation and checking the arithmetical accuracy of the calculations within the Reconciliation.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Reconciliation has been properly compiled on the basis stated and that the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

PART A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets relating to the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") set out in this Part A of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) has been prepared on the basis of the notes below, and in accordance with Listing Rule 13.3.3R, to illustrate the impact of the Acquisition on the net assets of Hochschild as at 31 December 2021 as if it had taken place at that date.

The Unaudited Pro Forma Financial Information has been prepared based on the consolidated balance sheet of Hochschild as at 31 December 2021 and the consolidated balance sheet of Amarillo as at 31 December 2021, to illustrate the effect on the net assets of Hochschild as if the Acquisition had taken place as at 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies and presentation adopted by Hochschild in relation to its preliminary results for the financial year ended 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results. The Unaudited Pro Forma Financial Information does not purport to represent what the Enlarged Group's financial position would have been if the Acquisition had been completed on the date indicated, nor does it purport to represent the financial position at any future date.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this Circular and not rely solely on the summarised financial information contained in this Part V (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*).

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS RELATING TO THE ENLARGED GROUP

As at 31 December 2021	Hochschild (Note 1)	Adjusted Amarillo (IFRS) (Note 2)	Acquisition adjustment (Notes 3 and 4)	Pro forma Enlarged Group
	US$'000	US$'000	US$'000	US$'000
Assets				
Non-current assets				
Property, plant and equipment	738,119	11,426	—	749,545
Evaluation and exploration assets	124,304	15,054	—	138,358
Intangible assets	18,094	—	—	18,094
Derivative financial instruments	5,042	—	—	5,042
Other financial assets at fair value through OCI	661	—	—	661
Other financial assets at fair value through profit and loss	3,155	—	—	3,155
Trade and other receivables	2,470	111	—	2,581
Investments in associates	43,559	—	—	43,559
Deferred income tax assets	484	2,426	5,435	8,345
Total non-current assets	**934,888**	**29,017**	**5,435**	**969,340**
Current assets				
Inventories	49,184	—	—	49,184
Trade and other receivables	69,749	970	—	70,719
Income tax receivable	32	—	—	32
Derivative financial instruments	14,073	—	—	14,073
Cash and cash equivalents	386,789	19,543	(130,837)	275,495
Total current assets	**519,827**	**20,513**	**—**	**409,503**
TOTAL ASSETS	**1,454,715**	**49,530**	**(125,402)**	**1,378,843**
Liabilities				
Current liabilities				
Trade and other payables	(133,482)	(1,839)	—	(135,321)
Derivative financial instruments	—	—	—	—
Borrowings	(499)	—	—	(499)
Provisions	(32,058)	—	—	(32,058)
Deferred income	—	—	—	—
Income tax payable	(22,354)	—	—	(22,354)
Total current liabilities	**(188,393)**	**(1,839)**	**—**	**(190,232)**
Non-current liabilities				
Trade and other payables	(2,815)	(615)	—	(3,430)
Derivative financial instrument	—	—	—	—
Borrowings	(300,000)	—	—	(300,000)
Provisions	(116,835)	—	—	(116,835)
Deferred income tax liabilities	(87,228)	—	—	(87,228)
Total non-current liabilities	**(506,878)**	**(615)**	**—**	**(507,493)**
TOTAL LIABILITIES	**(695,271)**	**(2,454)**	**—**	**(697,725)**
NET ASSETS	**759,444**	**47,076**	**(125,402)**	**681,118**

Notes:

(1) Hochschild's financial information as at 31 December 2021 has been extracted, without material adjustment, from Hochschild's published financial statements for the year ended 31 December 2021, which are prepared in accordance with IFRS and are incorporated by reference pursuant to paragraph 13 (*Incorporation by reference*) of Part VII (*Additional Information*) of this document.

(2) Amarillo's net assets are based on the consolidated balance sheet of Amarillo as at 31 December 2021 extracted without material adjustment from Amarillo consolidated financial statements included in Part IV (*Financial Information on Amarillo*) of this document, as adjusted to Hochschild's accounting policies and presentation and as adjusted to exclude assets and liabilities of or related to the Lavras do Sul Project. A reconciliation of Amarillo's consolidated balance sheet under its IFRS accounting policies to Hochschild's IFRS accounting policies and presentation is presented below:

As at 31 December 2021	Amarillo (Note A)	Carve out of LDS (Note B)	Accounting policy adjustment	Adjusted Amarillo (IFRS)
	US$'000	US$'000	US$'000	US$'000
Assets				
Non-current assets				
Property, plant and equipment	11,436	(10)	—	11,426
Evaluation and exploration assets	37,794	(15,604)	(7,136)**(C)**	15,054
Trade and other receivables	111	—	—	111
Deferred income tax assets	—	—	2,426 **(D)**	2,426
Total non-current assets	**49,341**	**(15,614)**	**(4,710)**	**29,017**
Current assets				
Trade and other receivables	991	(21)	—	970
Cash and cash equivalents	20,322	(779)	—	19,543
Total current assets	**21,313**	**(800)**	**—**	**20,513**
TOTAL ASSETS	**70,654**	**(16,414)**	**(4,710)**	**49,530**
Liabilities				
Current liabilities				
Trade and other payables	(1,909)	70	—	(1,839)
Total current liabilities	**(1,909)**	**70**	**—**	**(1,839)**
Non-current liabilities				
Trade and other payables	(615)	—	—	(615)
Deferred income tax liabilities	—	—	—	—
Total non-current liabilities	**(615)**	—	—	**(615)**
TOTAL LIABILITIES	**(2,524)**	**70**	**—**	**(2,454)**
NET ASSETS	**68,130**	**(16,344)**	**(4,710)**	**47,076**

(A) Amarillo's financial information has been translated from C$ to US$ using the closing exchange rate as at 31 December 2021 of C$1:US$0.78241, and adjusted to Hochschild's accounting presentation. A reconciliation of Amarillo's consolidated balance sheet to Hochschild's presentation is presented below:

Amarillo Balance Sheet line items	Amarillo Balance Sheet line items as at 31 December 2021 C$'000	Hochschild Balance Sheet line items	Amarillo Balance Sheet line items under Hochschild's Presentation as at 31 December 2021 C$'000	Translated into Hochschild's Reporting US$'000
Assets		**Assets**		
Current assets		**Non-current assets**		
Cash and cash equivalents	25,974	Property, plant and equipment	14,616	11,436
Accounts receivables	86	Evaluation and exploration assets	48,305	37,794
Receivable from Western Potash Corporation WPC	927	Intangible assets	—	—
Prepaid and deposits	254	Derivative financial instruments	—	—
		Other financial assets at fair value through OCI	—	—
		Other financial assets at fair value through profit and loss	—	—
		Trade and other receivables	141	111
		Income tax receivable	—	—
		Deferred income tax assets	—	—
Total current assets	27,241	**Total non-current assets**	63,062	49,341
Non-current assets		**Current assets**		
Receivable from Western Potash Corporation WPC	141	Inventories	—	—
Property, plant and equipment	14,616	Trade and other receivables	1,267	991
Resource properties and deferred exploration expenditures	48,305	Income tax receivable	—	—
Deferred assets — Lavras Do Sul	—	Derivative financial instruments	—	—
Intangible assets	—	Cash and cash equivalents	25,974	20,322
Derivative financial instruments	—	Assets held for sale	—	—
Other financial assets at fair value through profit and loss	—			
Trade and other receivables	—			
Deferred income tax assets	—			
Total non-current assets	63,062	**Total current assets**	27,241	21,313
Liabilities		**Liabilities**		
Current liabilities		**Non-current liabilities**		
Accounts payables and accrued liabilities	2,002	Trade and other payables	786	615
Concession fees payable	438	Derivative financial instruments	—	—
Borrowings	—	Borrowings	—	—
Provisions	—	Provisions	—	—
Deferred income	—	Deferred income	—	—
Income tax payable	—	Deferred income tax liabilities	—	—
Liabilities directly associated with assets held for sale	—			
Accountants payable to related parties	—			
Total current liabilities	2,440	**Total current liabilities**	786	615
Non-current liabilities		**Current liabilities**		
Trade and other payables	786	Trade and other payables	2,440	1,909
Derivative financial instrument	—	Derivative financial instrument	—	—
Borrowings	—	Borrowings	—	—
Provisions	—	Provisions	—	—
Deferred income	—	Deferred income	—	—
Deferred income tax liabilities	—	Income tax payable	—	—
		Liabilities directly associated with assets held for sale	—	—
		Accountants payable to related parties	—	—
Total liabilities	786	**Total liabilities**	2,440	1,909
Net assets	87,077	**Net assets**	87,077	68,130

(B) Amarillo's consolidated financial statements include balances relating to its two subsidiaries located in Brazil: the Mara Rosa Project and the Lavras do Sul Project. Pursuant to the Acquisition, Hochschild will acquire a 100 per cent. interest in Amarillo (and therefore the Mara Rosa Project). The ownership of SpinCo (and LDS and the Lavras do Sul Project) will be transferred in full to Amarillo Shareholders at Completion and as such Hochschild will not acquire an interest in SpinCo (or LDS or the Lavras do Sul Project) pursuant to the Acquisition. This column shows the balance of LDS, which is not part of the transaction perimeter, being excluded from the Adjusted Amarillo (IFRS) net assets total.

(C) Evaluation and exploration assets

Because Amarillo is in the exploration stage, having obtained a scoping study or Pre-Feasibility Study, Amarillo capitalises all costs of acquiring, retaining, evaluating, and exploring resource properties or maintaining an interest in such properties. Amarillo obtained the Pre-Feasibility Study in October 2011. In accordance with the IFRS accounting policies adopted by Hochschild, these costs should only be capitalised once the future economic benefit of the project can reasonably be regarded as assured. Exploration and evaluation costs related to projects in the development phase are capitalised as assets from the date that the Board authorises management to conduct a Feasibility Study. Consequently, an alignment adjustment amounting to thousand US$7,136 has been recognised for Amarillo in order to achieve consistency with the accounting policies of Hochschild. Evaluation and exploration assets have been translated at the rate of US$0.78241:C$1, being the closing exchange rate as at 31 December 2021.

(D) Deferred income tax

Deferred income tax assets arising from: the adjustment described in numeral (C) above. The resulting amount as at 31 December 2021 of US$2,426 (C$3,101) is after applying an income tax rate of 34 per cent., the legal rate in Brazil, to the amount that will be recorded as an exploration expense.

(3) Hochschild and Amarillo Gold have the same accounting policy regarding the recognition of deferred taxes, losses and expenses that will be deductible when they are paid. However, Amarillo has not historically recognised them because it had no expectation that they can be applied against the future profits. Hochschild has re-reviewed the likelihood of recoverability and concluded that the appropriate recognition criteria is met as a result of this transaction. Therefore, these adjustments do not represent accounting policy differences, but arise from the acquisition and are shown as such. These adjustments are the following:

	Accumulated Balance Sheet Impact 31 December 2021 (US$ thousand)
Tax losses carried forward (Brazil)	2,186
Temporary difference (Brazil)	3,249
	5,435

(4) The Unaudited Pro Forma Financial Information has been prepared on the basis that the Enlarged Group will treat the transaction as an asset acquisition. The unaudited pro forma statement of net assets does not reflect the fair value adjustments to the acquired assets and liabilities, as the purchase price allocation exercise will not be finalised until after Completion. Upon completion of the purchase price allocation exercise, Hochschild expects that fair value adjustments will be recognised in respect of certain assets and liabilities.

Hochschild has applied its judgement to weigh the characteristics of Amarillo's acquisition and conclude whether it constitutes the acquisition of a business or a set of assets and activities. Since there are no outputs acquired, Hochschild based its conclusion on the fact that the processes acquired are not critical to the ability to develop or convert the actual inputs into outputs, and that the employees acquired could, and in some cases will, be replaced with other professionals or its own employees. In this context, and in application of IFRS 3, Hochschild concludes that the acquisition of Amarillo does not constitute the acquisition of a business but the acquisition of a set of assets.

The total consideration adjustment to cash and cash equivalents is as follows:

	US$ in millions
Cash Consideration	129
Transaction costs	2
Cash outflow in respect of consideration and transaction costs	**131**

Cash consideration is calculated as US$129 million, based on C$0.40 per share for 386,073,694 Amarillo Shares outstanding as at 31 December 2021, plus the US$8 million (subject to adjustment) of cash to be paid to SpinCo on Completion. The final number of Amarillo Shares to be used for calculating the consideration will be determined at Completion and will reflect certain additional Amarillo Shares which will be issued as a result of share awards vesting in the period up to and on Completion. Total cash consideration has been translated at the rate of US$1:C$1.278, being the closing exchange rate as at 31 December 2021.

Total transaction costs incurred as at 31 December 2021 are US$1.9 million, of which, US$1.6 million are pending to be paid. Transaction costs of US$1.3 million were capitalised and the remaining US$0.6 million is recognised within administrative expenses.

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

PART B: ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Hochschild Mining plc
17 Cavendish Square
London W1G 0PH
United Kingdom

RBC Europe Limited
100 Bishopsgate
London EC2N 4AA
United Kingdom

4 March 2022

Dear Ladies and Gentlemen

Hochschild Mining plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in Part A of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) of the Company's circular dated 4 March 2022 (the "**Circular**").

This report is required by item 13.3.3R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

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No reports or opinions have been made by us on any financial information of the Company or Amarillo Gold Corporation used in the compilation of the Pro Forma Financial Information. In providing this opinion we are not providing any assurance on any source financial information of the Company or Amarillo Gold Corporation on which the Pro Forma Financial Information is based beyond the above opinion.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of Amarillo Gold Corporation by the Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2021.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

PART VI

MINERAL RESOURCES AND MINERAL RESERVES INFORMATION

1 Introduction

The following information, setting out the expected period of working of the Mineral Reserves and Mineral Resources of Posse, is provided in compliance with paragraph 132 of the Committee of European Securities Regulators' recommendations for the consistent implementation of the Prospectus Directive Regulation, as updated by the European Securities and Markets Authority (the "**ESMA Recommendations**").

There are numerous uncertainties inherent in estimating mineral reserves, and estimates of mineral reserves are based on certain assumptions, so changes in such assumptions could lead to reported ore reserves being restated. Please see the risk factor headed "*The level of the Mara Rosa Project's resources and reserves and their quality, production volumes and expected cash flows are inherently uncertain and may be lower than estimated or expected*" in Part II (*Risk Factors*) of this document.

2 Mineral information

Mineral Resources

The summary table presented below in respect of Posse's Mineral Resources as per June 2020 has been extracted from the Competent Persons' Report. Further details on the Mineral Resources of Posse are contained in the Competent Persons' Report.

Mineral Resources	Tonnes (Mt dry)	Grade (g/t Au)	Contained metal (koz Au)
Measured	14	1.20	510
Indicated	19	1.10	640
Measured & Indicated	32	1.10	1,200
Inferred	0.10	0.52	1.7

Notes:

(1) A metal price of US$1,500 per ounce is assumed and an exchange rate of R$5.05 to US$1.00 is assumed.

(2) Mineral Resources are reported inclusive of the reported Mineral Reserves.

(3) Mineral Resources above are reported at a cut-off grade of 0.35g/tAu.

Mineral Reserves

The summary table presented below in respect of Posse's Mineral Reserves as per June 2020 has been extracted from the Competent Persons' Report. Further details on the Mineral Reserves of Posse are contained in the Competent Persons' Report.

Mineral Reserves	Diluted tonnes (Mt dry)	Diluted grade (g/t Au)	Contained metal (koz Au)	Estimated recovery (%Au)	Recoverable metal (koz Au)
Proven Reserves	11.8	1.20	456	89.9%	410
Probable Reserves	12.0	1.16	446	89.8%	401
Total Mineral Reserves	23.8	1.18	902	89.9%	811

Notes:

(1) A gold price of US$1,450 per ounce is assumed and an exchange rate of R$5.05 to US$1.00 is assumed.

(2) Mineral Reserves are based on Measured Mineral Resource and Indicated Mineral Resource only.

(3) Open pit Mineral Reserves above are reported at a cut-off grade of 0.37g/tAu.

3 Project life

Anticipated mine life

Hochschild forecasts an initial mine life of 10 years for Posse based on a Mineral Reserve of 23.8 Mt (dry) grading 1.18g/tAu which contains 902,000 *in-situ* ounces resulting in 811,000 recoverable ounces.

Near mine exploration potential

Posse remains open downdip and down plunge, and has clear potential to extend at depth with similar grades and widths. No drilling has occurred deeper than 400 metres below surface and it is believed that there is a high probability that the deposit extends at depth.

Regional exploration potential

Amarillo controls more than 60,000 hectares in the area surrounding Posse. The land package around the Posse deposit is very extensive and has not been explored systematically. To date, several geochemical anomalies have been identified and their significance needs to be assessed. There is also evidence of past artisanal mining (Garimpos) in several areas that needs to be assessed and evaluated.

The priority areas identified during the Company's review of the region includes Pastinho, Estrela, and Filo and Sorongo, which are all located within 5 km of Posse. It is likely that additional targets may be outlined following further analysis.

Further details on the project life of Posse are contained in the Competent Persons' Report.

4 Current and anticipated progress

The construction and development schedule as outlined in the Competent Persons' Report assumes commencement of construction and pre-production mining activities during 2022 for a 24-month period to enable construction completion by 31 December 2023 and processing of stockpiled ore commencing in Q1 2024 with nameplate capacity of 2.5Mtpa reached in 2025. Further details in respect of mining and processing production schedules, as well as construction activities and associated capital expenditures, are provided in the Competent Persons' Report, specifically in sections 16, 22 and 24. The assumed progress is dependent upon sufficient financial funding to support the initial capital cost of US$194 million, the details for which are included in sections 21 and 22 of the Competent Persons' Report.

5 Permitting and licences

Concessions

Posse encompasses a land area of 2,552 hectares across three mining concessions — the mining leases numbered 1,783/86, 1,784/86 and 1,785/86, linked to Brazil's National Department of Mineral Production (each a "**Posse Concession**") — as well as numerous exploration leases in the areas surrounding the Mara Rosa Project mine area. Further details on the Posse Concessions are set out in the Competent Persons' Report.

Licences

The Brazilian mine permitting process has three licence stages: the preliminary licence stage, the licence to install stage and the operating licence stage. The State of Goiás Department for the Environment and Sustainable Development (the "**Goiás State Department**") is the agency responsible for the Mara Rosa Project's environmental licensing. On 9 May 2016, the Goiás State Department issued Posse with a Preliminary Licence. A summary of the key terms of the Preliminary Licence (as amended) is set out below:

Under the terms of the Preliminary Licence, Amarillo has committed:

(i) that the Mara Rosa Project's structures will not affect the buffer zones of any protected areas;

(ii) that Amarillo will comply with applicable laws which provide for the protection of native vegetation;

(iii) that Amarillo will comply with applicable laws regarding environmental compensation;

(iv) that Amarillo will prepare a recovery plan for areas with environmental liabilities related to recovery of legal reserves and permanent conservation areas, erosion control and a monitoring plan in the mining and waste dumps areas, presentation of construction projects for the ore processing plant, sanitary sewage treatment and the tailings pile, and a commitment to presenting semi-annual reports to monitor the execution of all socio-environmental programmes proposed; and

(v) that the total area of native vegetation which Amarillo clears for the purposes of the Mara Rosa Project will not exceed 91.5844 hectares and 182,2975 hectares of pasture containing trees.

On 4 February 2021, the Goiás State Department issued Amarillo with a Licence to Install, which permits Amarillo to start construction of certain components on the Mara Rosa Project site. Additional licences to install have been received since February 2021 and others are still awaiting approval.

Upon commissioning of Posse, the process to obtain the operating licence, the final permit, will be initiated. Further details of the licensing regime which Posse is subject to and the licences which it has obtained are set out in the Competent Persons'' Report.

6 Other

Any and all exceptional factors that have influenced the items set out in paragraphs 2 to 5 of this Part VI (*Mineral Resources and Mineral Reserves Information*) are set out in sections 24.2 (*Implementation Risk Analysis*), 25 (*Interpretation and Conclusions*) and 26 (*Recommendations*) of the Competent Persons' Report.

PART VII
ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names are set out in paragraph 3 (*Directors*) below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Hochschild Mining PLC

The Company was incorporated and registered in England and Wales on 11 April 2006 under the Companies Act 1985 as a private company limited by shares with registered number 05777693 with the name of Hackremco (No. 2372) Limited. On 13 June 2006, the Company changed its name to Hochschild Mining Limited, and then on 17 October 2006, the Company re-registered as a public company limited by shares and changed its name to Hochschild Mining PLC. The Company's legal entity identifier is 549300JK10TVQ3CCJQ89.

The registered office of the Company is 17 Cavendish Square, London W1G 0PH, United Kingdom. The Company's headquarters are located in Peru at Calle La Colonia No. 180, Urb. El Vivero, Santiago de Surco, Lima 33, Peru.

3 Directors

The Directors and their principal functions are as follows:

Eduardo Hochschild	*Chairman*
Ignacio Bustamante	*Chief Executive Officer*
Michael Rawlinson	*Senior Independent Director*
Dionisio Romero Paoletti	*Non-Executive Director*
Dr Graham Birch	*Independent Non-Executive Director*
Eileen Kamerick	*Independent Non-Executive Director*
Jill Gardiner	*Independent Non-Executive Director*
Jorge Born Jr.	*Independent Non-Executive Director*
Tracey Kerr	*Independent Non-Executive Director*

4 Directors' shareholdings

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company were as follows:

Director	Interest	Number of Ordinary Shares
Eduardo Hochschild(1)	Beneficial	196,900,306
Ignacio Bustamante	Beneficial	1,214,115
Dr Graham Birch	Beneficial	33,750
Dionisio Romero Paoletti	Beneficial	55,169
Eileen Kamerick	—	0
Jill Gardiner	—	0
Jorge Born Jr	—	0
Michael Rawlinson	—	0
Tracey Kerr	—	0

Notes:

(1) The shareholding of Eduardo Hochschild is held through Pelham Investment Corporation.

5 Directors' service contracts and terms of appointment

Save for the service contracts described below, there are no existing or proposed service contracts between any Director (or proposed director of the Company) and the Company and its subsidiary undertakings.

5.1 Directors' service contracts

Ignacio Bustamante is employed under a contract of employment with Compañía Minera Ares S.A.C. ("**Ares**") dated 1 April 2007.

Name	Service agreement start date	Current salary p/a	Notice by Hochschild (days)	Notice by the Director (days)	Place of Work
Ignacio Bustamante . .	1 April 2007	US$700,000(1)(2)	0	30	Lima, Peru

Notes:

(1) Figures disclosed include certain statutory payments accounted for internally within base salary, which were US$300 for the 12 months ending 31 December 2021.

(2) Ignacio Bustamante also received taxable benefits of US$27,000 for the 12 months ending 31 December 2021. Taxable benefits include use of a company car and medical insurance.

In addition to the above, Ignacio Bustamante is entitled to an annual bonus of up to 180 per cent. of base salary based on performance during a calendar year against a range of objectives reflecting operational performance, progress against strategic priorities and ESG performance. Any bonus earned above 150 per cent. of base salary will be paid in shares and deferred for two years.

The contract is subject to Peruvian law and, as such, has no fixed term and may be terminated (i) by Ignacio Bustamante on 30 days' notice, and (ii) by Ares without notice. Under Peruvian law, termination by Ares other than termination for certain prescribed reasons (such as gross negligence) gives rise to an entitlement to compensation of no less than 1.5 times the monthly base salary for each year of service completed, up to a maximum of 12 months' base salary. In addition to these provisions and to reflect Peruvian market practice, Hochschild's remuneration committee has discretion to award Ignacio Bustamante up to an additional 12 months' base salary on termination (other than for the prescribed reasons such as gross negligence). The prevailing circumstances will be taken into consideration at the time of termination.

5.2 Terms of appointment

The remainder of the Directors serve under letters of appointment (each a "**Letter of Appointment**") as detailed in the table below. In accordance with their terms, the Directors serve for an initial period of three years which is automatically extended for a further three years. Notwithstanding the foregoing, in line with the UK Corporate Governance Code, all Directors are subject to annual re-election by the Company in general meeting and the appointments of such Directors may be determined by the Board or the Director giving not less than three months' notice.

On termination by the Board of a Director's Letter of Appointment, the Director shall be entitled to an amount equivalent to three months' fees.

Name	Title	Letter of appointment dated	Current fees per annum(1)
Eduardo Hochschild .	Chairman	30 January 2015	US$400,000
Dr Graham Birch . . .	Independent Non-Executive Director	20 June 2011	£84,000
Jorge Born Jr	Independent Non-Executive Director	16 October 2006	£70,000
Jill Gardiner	Independent Non-Executive Director	17 July 2020	£70,000
Eileen Kamerick	Independent Non-Executive Director	9 September 2016	£84,000
Tracey Kerr	Independent Non-Executive Director	4 December 2021	£70,000
Dionisio Romero Paoletti	Non-Executive Director	18 December 2017	£70,000
Michael Rawlinson . .	Senior Independent Director	18 December 2015	£98,000

Notes:

(1) Fees are listed inclusive of any supplements payable to senior independent directors and committee chairs.

6 Key individuals

The names and principal functions of the key individuals of Amarillo are as follows:

Mike Mutchler	President and CEO
Hemdat Sawh	Chief Financial Officer and Corporate Secretary
Paulo Serpa	Country Manager
Arao Portugal	Special Adviser to the CEO
Frank Baker	Process Manager

7 Major Shareholders

As at the Latest Practicable Date, the Company had been notified of the following direct or indirect interests in the Company's issued ordinary share capital or voting rights pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules:

Shareholder	Number of Ordinary Shares held	Number of voting rights in which Shareholder has a direct or indirect interest	Percentage of voting rights in which Shareholder has a direct or indirect interest
Eduardo Hochschild(1)	196,900,306	196,900,306	38.32%
BlackRock, Inc(2)	21,794,468	26,170,641	5.09%
Majedie Asset Management Limited(3)	25,384,745	25,384,745	4.94%
Van Eck Associates Corporation(4)	17,949,877	17,949,877	3.49%
AFP Integra(5)	19,402,156	19,402,156	3.78%

Notes:

(1) The shareholding of Eduardo Hochschild is held through Pelham Investment Corporation.

(2) This information is taken from the latest notification received by Hochschild from BlackRock, Inc. on 1 March 2022.

(3) This information is taken from the latest notification received by Hochschild from Majedie Asset Management Limited on 29 October 2018.

(4) This information is taken from the latest notification received by Hochschild from Van Eck Associates Corporation on 16 December 2021.

(5) The Company has not received a notification form from AFP Integra in relation to its shareholding; however, based on the Company's analysis of its register of members as at 31 January 2022, it believes that AFP Integra has a legal and/or beneficial interest as shown in the table above.

Save as set out above, the Company is not aware of any other notifiable interests.

8 Related party transactions

Details of the related party transactions entered into during the period covered by the historical financial information contained in Part IV (*Financial Information on Amarillo*) of this Circular up to the date of this Circular are set out below:

(i) for the year ended 31 December 2021, those transactions disclosed in note 30 on pages 53 to 54 of the Hochschild Group's 2021 Preliminary Results;

(ii) for the year ended 31 December 2020, those transactions disclosed in note 31 on pages 167 to 168 of the Hochschild Group's 2020 Annual Report and Accounts; and

(iii) for the year ended 31 December 2019, those transactions disclosed in note 11 on page 158 of the Hochschild Group's 2019 Annual Report and Accounts.

The details of related party transactions in paragraphs (i), (ii), and (iii) above are incorporated by reference into this Circular, as described in Part VIII (*Documentation Incorporated by Reference*) of this Circular.

The Company has not entered into any related party transactions during the period from 31 December 2021 to the date of this Circular.

9 Material contracts

9.1 Hochschild Group

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Hochschild Group: (i) within the two years immediately preceding the date of this Circular which are or may be material; or (ii) which contain any provision under which any member of the Hochschild Group has any obligation or entitlement which is material to the Hochschild Group as at the date of this Circular:

9.1.1 The Transaction Agreements

The Transaction Agreements, summaries of which are set out in Part III (*Summary of the Transaction Agreements*) of this document.

9.1.2 Medium Term Loan Facility

On 13 December 2019, the Company and its wholly-owned subsidiary, Ares, entered into a facility agreement with (among others) the Bank of Nova Scotia and Banco Bilbao Vizcaya Argentaria S.A., New York Branch pursuant to which Ares was borrower and the Company was guarantor. On 20 September 2021, the Company and Ares entered into an amendment agreement to the original facility agreement with (among others) Scotiabank Perú S.A.A., the Bank of Nova Scotia and Banco Bilbao Vizcaya Argentaria S.A., New York Branch. Under the amendment agreement, the relevant lenders (the "**Lenders**") agreed to advance to Ares a total facility amount of US$300,000,000 (the "**Medium Term Loan Facility**"). The Medium Term Loan Facility is available to Ares for: (i) the purpose of re-financing the original facility; and (ii) general corporate purposes, including financing the working capital requirements of the Mara Rosa Project. The Company is guarantor in relation to the Medium Term Loan Facility under an English-law guarantee. The Medium Term Loan Facility has a term of five years, commencing on the closing date of the amendment agreement, which occurred on 20 September 2021.

The Medium Term Loan Facility has two tranches: (i) US$200,000,000 to re-finance the original facility, available in a single drawdown on the closing date of the amendment agreement; and (ii) US$100,000,000, available until the end of the term of the Medium Term Loan Facility with a utilisation period of two years from the closing date of the amendment agreement, to finance the working capital requirements of the Mara Rosa Project and other general corporate purposes. The aggregate principal amount of the Medium Term Loan Facility is up to US$300,000,000 at an interest rate payable on a quarterly basis of three-month LIBOR plus a margin of 165 basis points. Ares shall also pay: (i) to the Bank of Nova Scotia and Banco Bilbao Vizcaya Argentaria S.A., New York Branch as arrangers an arrangement fee at a rate equal to 30 basis points of the total Medium Term Loan Facility amount, payable on the closing date of the amendment agreement; and (ii) to the Lenders, a commitment fee at a rate equal to 60 basis points of the undrawn commitments from time to time, payable quarterly for the duration of the availability period. As at the Latest Practicable Date, Ares has drawn down US$300,000,000 of the aggregate principal amount of the Medium Term Loan Facility.

The Medium Term Loan Facility contains customary covenants for a facility of this nature, including, *inter alia, pari passu*, cross default (for any amount above US$15,000,000), cross acceleration (for any amount above US$15,000,000), negative pledge, change of control, limitations on the distribution of dividends in an event of default, limitations on making disposals, loans or giving guarantees and any other covenants that may be required by the Lenders. The governing law of the Medium Term Loan Facility is New York law.

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of the Hochschild Group: (i) within the two years immediately preceding the date of this

Circular which are, or may be, material; or (ii) which contain any provision under which any member of the Hochschild Group has any obligation or entitlement which is material to the Hochschild Group as at the date of this Circular.

9.2 Amarillo Group

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Amarillo Group: (i) within the two years immediately preceding the date of this Circular which are, or may be, material; or (ii) which contain any provision under which any member of the Amarillo Group has any obligation or entitlement which is material to the Amarillo Group as at the date of this Circular:

9.2.1 The Transaction Agreements

The Transaction Agreements, summaries of which are set out in Part III (*Summary of the Transaction Agreements*) of this document.

9.2.2 Royalty agreements

(a) RG royalty agreement

The royalty agreement between AMB and RG Royalties, LLC dated 29 June 2018 sets out, *inter alia*, the conveyance and assignment by AMB to RG Royalties, LLC of a royalty, in perpetuity, equal to 1.75 per cent. of the net smelter returns of the Mara Rosa Project. This royalty agreement also affirms an additional, pre-existing royalty equal to 1.00 per cent. of net smelter returns relating to the Mara Rosa Project pursuant to an underlying agreement of association (as amended) between AMB and RG Royalties, LLC.

(b) Euro-Nevada royalty deed

The royalty deed between Metallica Brasil S.A. and Euro-Nevada Mining Corporation dated 29 September 1997 sets out, *inter alia*, an obligation for Metallica Brasil S.A. to pay Euro-Nevada Mining Corporation a perpetual royalty of 1.00 per cent. of net smelter returns of the Mara Rosa Project. Amarillo indirectly assumed Metallica Brasil S.A.'s obligations under this royalty deed upon its acquisition of Metallica Brasil S.A., which later became AMB. The current holder of the Euro-Nevada Mining Corporation royalty is Franco-Nevada Corporation.

(c) IRC royalty agreement

The royalty assignment agreement (farm-out) between BHP Brasil Ltda. and International Royalty Corporation dated 31 March 2005 sets out, *inter alia*, the assignment of a 1.00 per cent. perpetual royalty interest in respect of Posse from BHP Brasil Ltda. to International Royalty Corporation. Amarillo indirectly assumed the obligations relating to the payment of the International Royalty Corporation royalty under this royalty agreement in connection with its acquisition of the Mara Rosa Project. The current holder of the International Royalty Corporation royalty is Royal Gold Inc.

9.2.3 Investor Rights Agreements

Amarillo entered into investor rights agreements (each, an "**Investor Rights Agreement**") with each of Baccarat Trade Investments Limited and 2176423 Ontario Limited (each, an "**Investor**"). Each Investor Rights Agreement is incorporated by reference into a subscription agreement executed by the respective Investor in connection with an Amarillo financing that closed on 13 August 2020. Each Investor Rights Agreement grants, *inter alia*, participation rights, under which, provided that the applicable Investor holds at least 10 per cent. of the issued and outstanding Amarillo Shares, such Investor will have the right to participate in any future public offering, private placement or other issuance of Amarillo securities (subject to customary exceptions, including options and shares relating to director, officer and employee compensation) on substantially the same terms and conditions provided under such offering to allow the Investor to subscribe for a number of Amarillo Shares, or securities convertible into Amarillo Shares, to preserve the applicable Investor's ownership interest. Following Completion of the Acquisition, the Investor Rights Agreement will cease to apply.

9.2.4 Mineral rights purchase agreement

On 8 January 2020, AMB entered into a purchase agreement with Bcv Consultoria e Projetos Ltda. ("**Bcv**") for the acquisition by AMB of nine exploration stage mineral rights from Bcv. The mineral rights are located nearby Posse, but outside of the current Posse resource and mine plan.

Pursuant to the agreement, AMB has agreed to pay to Bcv up to US$600,000, which comprises: (i) two separate instalments of US$50,000 each, which were due in January 2020 and January 2021 respectively; and (ii) an exploration premium of US$500,000, which is conditional on the performance of exploration works and approval, by the relevant Brazilian mining authority, of an exploration report that certifies the existence of Mineral Reserves in at least one of the nine mineral rights.

AMB has also agreed to pay to Bcv a perpetual royalty of 1.00 per cent. of the revenue arising from the sales of the ore extracted from the areas comprised by the mineral rights, subject to the deduction of the certain taxes and costs associated with refining, transportation and insurance of the ore. Under the terms of the agreement, this royalty can be bought back by AMB at any time for US$500,000.

9.2.5 Term of commitment for construction of a power line

On 22 January 2021, AMB entered into a commitment agreement with Celg Distribuição S.A. — Celg D ("**Enel Brazil**"), the power utility, to build a dedicated power line to Posse. Pursuant to this agreement, AMB has agreed to build a 67 kilometre long 138 kilovolt power line that will connect to a power substation located nearby Posse. In connection with the agreement, the parties have also agreed that Enel Brazil will supply electricity to Posse.

The construction of the power line was designed by AMB and approved by Enel Brazil. Construction costs are estimated at R$37,000,000 (approximately US$7,251,916) and construction commenced on 19 January 2022. The power line constructed by AMB will be owned and operated by Enel Brazil. Under the terms of the agreement:

(a) AMB agrees to engage a third-party contractor to build the power line;

(b) AMB agrees to comply, and cause the contractor to comply with, all applicable laws in relation to the construction of the power line, including in relation to occupational health and safety and the environment;

(c) Enel Brazil has the right to supervise the execution of the construction works;

(d) AMB agrees to obtain all the licences and permits required for constructions of the power line;

(e) AMB is responsible for obtaining access to the real properties required for construction of the power line, either amicably or by means of creation of legal servitudes; and

(f) AMB agrees to implement any corrective measures indicated by Enel Brazil for commissioning of the power line.

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of the Amarillo Group: (i) within the two years immediately preceding the date of this document which are, or may be, material; or (ii) which contain any provision under which any member of the Amarillo Group has any obligation or entitlement which is material to the Amarillo Group as at the date of this document.

10 Litigation

10.1 Hochschild Group

During the period covering the previous 12 months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had, a significant effect on the Company and/or the Hochschild Group's financial position or profitability.

10.2 Amarillo Group

During the period covering the previous 12 months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had, a significant effect on the Company and/or the Amarillo Group's financial position or profitability.

11 Working capital

The Company is of the opinion that, following the Acquisition and taking into account the Medium Term Loan Facility, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

12 Significant changes

12.1 Hochschild Group

There has been no significant change in the financial performance or financial position of the Hochschild Group since 31 December 2021, being the end of the last financial period for which unaudited preliminary annual financial statements were published.

12.2 Amarillo Group

There has been no significant change in the financial performance or financial position of the Amarillo Group since 31 December 2021, being the end of the last financial period for which audited financial statements were published.

13 Incorporation by reference

The following documents (or parts of documents) are incorporated by reference in, and form part of, this document:

- Hochschild Group's 2021 Preliminary Results;
- Hochschild Group's 2020 Annual Report and Accounts; and
- Hochschild Group's 2019 Annual Report and Accounts.

Part VIII (*Documentation Incorporated by Reference*) of this document sets out the location of references to the above documents within this document.

14 Consents

- RBC has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.
- MNP LLP has given and has not withdrawn its written consent to the inclusion in Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document of its reports in the form and context in which they are included.
- PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to: (i) the inclusion in Part C of Part IV (*Financial Information on Amarillo*) of this document of its report in the form and context in which it appears; and (ii) the inclusion in Part B of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) of this document of its report in the form and context in which it appears.
- SRK Consultores do Brasil Ltda has given and has not withdrawn its written consent to the inclusion in Annex 2 (*Competent Persons' Report*) of this document of its reports in the form and context in which they are included.

15 Documents available for inspection

Copies of the following documents may be inspected on the Company's website (www.hochschildmining.com/en/investors/shareholder_information/share_price/Amarillo_acquisition) up to and including the date of the Hochschild General Meeting:

- the up to date memorandum and articles of association of the Company;
- the consent letters referred to in paragraph 14 (*Consents*) above;
- MNP LLP's reports on the historical financial information of the Amarillo Group set out in Annex 1 (*Historical Financial Information Relating to the Amarillo Group*) of this document;
- PricewaterhouseCoopers LLP's report on the unaudited reconciliation of the consolidated financial information of Amarillo set out in Part C of Part IV (*Financial Information on Amarillo*) of this document;
- PricewaterhouseCoopers LLP's report on the Unaudited Pro Forma Financial Information on the Enlarged Group set out in Part B of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) of this document;
- the Competent Persons' Report on the Mineral Reserves of the Amarillo Group set out in Annex 2 (*Competent Persons' Report*) of this document;
- Hochschild Group's 2021 Preliminary Results;
- Hochschild Group's 2020 Annual Report and Accounts;
- Hochschild Group's 2019 Annual Report and Accounts; and
- this document,

and copies of the above-mentioned documents, together with the Acquisition Agreement, may also be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office up to and including the date of the Hochschild General Meeting.

PART VIII

DOCUMENTATION INCORPORATED BY REFERENCE

The following definitions apply throughout this Circular, unless stated otherwise:

The following documents, which have been approved, filed with or notified to the FCA, and which are available for inspection in accordance with paragraph 15 (*Documents available for inspection*) of Part VII (*Additional Information*), contain information about the Company and the Hochschild Group which is relevant to this Circular:

(a) Hochschild Group's 2021 Preliminary Results;

(b) Hochschild Group's 2020 Annual Report and Accounts; and

(c) Hochschild Group's 2019 Annual Report and Accounts.

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this Circular, and only the parts of the documents identified in the table below are incorporated by reference in and form part of this Circular. Where the information described below itself incorporates further information by reference to other documents, such other documents are not incorporated into and do not form part of this Circular. Parts of the documents from which such information has been incorporated are not set out above and are either not relevant or are covered elsewhere in this Circular.

Reference document	**Information incorporated by reference**	**Paragraph and page number(s) in this Circular**
Hochschild Group's 2021 Preliminary Results	Details of related party transactions that the Company has entered into for the 52 weeks to 31 December 2021 (pages 53 to 54)	Paragraph 13 (*Incorporation by reference*) of Part VII (*Additional Information*), page 55
Hochschild Group's 2020 Annual Report and Accounts	Details of related party transactions that the Company has entered into for the 52 weeks to 31 December 2020 (pages 167 to 168)	Paragraph 13 (*Incorporation by reference*) of Part VII (*Additional Information*), page 55
Hochschild Group's 2019 Annual Report and Accounts	Details of related party transactions that the Company has entered into for the 52 weeks to 31 December 2019 (page 158)	Paragraph 13 (*Incorporation by reference*) of Part VII (*Additional Information*), page 55

Each of the documents incorporated by reference is available for inspection in accordance with paragraph 15 (*Documents available for inspection*) of Part VII (*Additional Information*) of this Circular. This Circular is also available on the Company's website at www.hochschildmining.com/en/investors/shareholder_information/share_price/Amarillo_acquisition.

PART IX
DEFINITIONS AND GLOSSARY

PART A: DEFINITIONS

The following definitions apply throughout this document, unless stated otherwise:

Acquisition	the proposed acquisition of Amarillo pursuant to the Transaction Agreements
Acquisition Agreement	the arrangement agreement dated 29 November 2021, between Hochschild, the Purchaser, Amarillo and SpinCo in relation to the Acquisition, as amended from time to time
Acquisition Proposal	has the meaning given to that term in paragraph 1.5 (*No solicitation*) of Part III (*Summary of the Transaction Agreements*)
AMB	Amarillo Mineração do Brasil Limitada
Amarillo	Amarillo Gold Corporation, a corporation existing under the laws of the Province of British Columbia, Canada
Amarillo Board	the board of directors of Amarillo
Amarillo Change in Recommendation	the Amarillo Board or the relevant independent committee thereof: (a) failing to unanimously recommend or withdrawing, amending, modifying or qualifying in a manner adverse to the Purchaser its recommendation to Amarillo Shareholders to vote in favour of the Amarillo Resolution; (b) accepting, approving, endorsing or recommending (or public proposing to do so) an Acquisition Proposal or taking no position or remaining neutral with respect to a publicly announced Acquisition Proposal for more than five Business Days (or beyond the third Business Day prior to the date of the Amarillo General Meeting, if sooner); (c) accepting, approving, endorsing, recommending or executing or entering into (or publicly proposing to do so) any document (other than as permitted by the Acquisition Agreement) in respect of an Acquisition Proposal; or (d) failing to publicly reaffirm its recommendation to Amarillo Shareholders to vote in favour of the Amarillo Resolution within five Business Days after having been requested in writing by Hochschild to do so
Amarillo General Meeting	the special meeting of Amarillo Shareholders held on 1 March 2022 and which approved, *inter alia*, the Amarillo Resolution
Amarillo Group	Amarillo and its subsidiary undertakings
Amarillo Material Adverse Effect	any result, fact, change, event, occurrence, effect, circumstance or development that, individually or in the aggregate with other such results, facts, changes, events, occurrences, effects, circumstances or developments, has, has had or would reasonably be expected to have, a material and adverse effect on: (a) the business, assets, liabilities (including any contingent liabilities), results of operations, obligations or condition of the Amarillo Group; (b) Amarillo's assets, including with respect to any underlying properties, operations or assets; or (c) the ability of Amarillo to perform its obligations under the Acquisition Agreement and consummate the transactions contemplated under the Acquisition Agreement, subject to certain exceptions set out in the Acquisition Agreement including, *inter alia*, any result, fact, change, event, occurrence or development, arising out of, resulting from or attributable to: (i) conditions or effects that generally affect the global mining industry; (ii) any regional, national or international economic, financial, banking, inflationary, capital, regulatory, social, political, labour or market conditions; (iii) any earthquakes, floods, hurricanes, or other natural disasters or acts of God; (iv) pandemics (including COVID-19),

	national health emergencies, lockdowns or similar events; (v) changes in interest or exchange rates or commodity prices; or (vi) changes in laws or IFRS
Amarillo Resolution	the special resolution proposed to Amarillo Shareholders to vote on the Plan of Arrangement, which was approved at the Amarillo General Meeting
Amarillo Shareholder Approval	approval of the Acquisition by at least 66⅔ per cent. of the votes cast by Amarillo Shareholders present in person or represented by proxy at the Amarillo General Meeting
Amarillo Shareholders	the holders of the Amarillo Shares
Amarillo Shares	the common shares of Amarillo or, following completion of section 2.4(j) of the Plan of Arrangement, the class A shares in the capital of Amarillo
Ares	Compañía Minera Ares S.A.C.
Arrangement	an arrangement under section 288 of the BCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement
BCA	Business Corporations Act (British Columbia), S.B.C. 2002, c. 57
Bcv	Bcv Consultoria e Projetos Ltda.
Board	the board comprising the Directors
Business Day	any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario, London, England, or Vancouver, British Columbia
Cashed-Out Option	has the meaning given to that term in paragraph 1.2 (*Consideration*) of Part III (*Summary of the Transaction Agreements*)
Cash Offer	the cash offer made by Hochschild to Amarillo Shareholders of C$0.40 per Amarillo Share
Circular	this document
Company or Hochschild	Hochschild Mining PLC
Competent Persons' Report	the Competent Persons' report on the mineral reserves and resources of the Amarillo Group set out in Annex 2 (*Competent Persons' Report*)
Completion	completion of the Acquisition in accordance with the Transaction Agreements
Court	the Supreme Court of British Columbia, Canada
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form
CREST Manual	the rules governing the operation of CREST as published by Euroclear
CREST Member	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations)
CREST Proxy Instruction	an authenticated CREST message to appoint or instruct a proxy in accordance with Euroclear's specifications and the CREST Manual
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
Directors	the directors of the Company, whose names are set out on page 2 of this Circular

Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules made by the FCA pursuant to Part 6 of FSMA
Effective Date	the date on which the Arrangement takes effect pursuant to the BCA
Effective Time	12:01 a.m. (Pacific Time) on the Effective Date
Enel Brazil	Celg Distribuição S.A.—Celg D
Enlarged Group	the Hochschild Group following Completion
ESMA Recommendations	the Committee of European Securities Regulators' recommendations for the consistent implementation of the Prospectus Directive Regulation, as updated by the European Securities and Markets Authority
FCA	the Financial Conduct Authority
Final Order	the final order of the Court pursuant to section 291(4) of the BCA, approving the Plan of Arrangement, as such order may be amended at any time prior to the Effective Date in accordance with the terms of the Acquisition Agreement
FSMA	the Financial Services and Markets Act 2000, as amended
Goiás State Department	the State of Goiás Department for the Environment and Sustainable Development
Hochschild Change in Recommendation	the Board failing to recommend or withdrawing, amending, modifying or qualifying, or publicly proposing or stating an intention to withdraw, amend, modify or qualify its recommendation to Shareholders to vote in favour of the Resolution in a manner adverse to Amarillo, or failing to convene and conduct the Hochschild General Meeting in accordance with the Acquisition Agreement
Hochschild General Meeting	the extraordinary general meeting of the Company to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 2 p.m. on Tuesday 22 March 2022 (or any adjournment thereof, notice of which is set out at the end of this Circular)
Hochschild Group	the Company and its subsidiary undertakings
Hochschild Group's 2019 Annual Report and Accounts	the annual report and accounts of the Hochschild Group for the financial year ended 31 December 2019
Hochschild Group's 2020 Annual Report and Accounts	the annual report and accounts of the Hochschild Group for the financial year ended 31 December 2020
Hochschild Group's 2021 Preliminary Results	the preliminary results of the Hochschild Group for the financial year ended 31 December 2021
Hochschild Shareholder Approval	approval of the Acquisition by a simple majority of Shareholders
IFRS	the International Financial Reporting Standards adopted pursuant to Registration (EC) No 1606/2002 as it applies in the EU
Interim Order	the interim order of the Court pursuant to section 291(2) of the BCA, issued on 27 January 2022 providing for, *inter alia*, the calling and holding of the Amarillo General Meeting, as such order may be amended, supplemented or varied by the Court with the consent of Amarillo and Hochschild, each acting reasonably
Investor	has the meaning given to that term in paragraph 9.2.3 (*Investor Rights Agreements*) of Part VII (*Additional Information*)

Investor Rights Agreement	means the investor rights agreement defined in paragraph 9.2.3 (*Investor Rights Agreements*) of Part VII (*Additional Information*), as amended from time to time
Latest Practicable Date	2 March 2022, being the latest practicable date before publication of this Circular
Lavras do Sul Project	the gold project near to the town of Lavras do Sul in the state of Rio Grande do Sul, southern Brazil
LDS	LDS Mineração Do Brasil Ltda
Lenders	has the meaning given to that term in paragraph 9.1.2 (*Medium Term Loan Facility*) of Part VII (*Additional Information*)
LIBOR	London Inter-Bank Offered Rate
Licence to Install	the licence to install issued to Posse by the Goiás State Department on 4 February 2021
Listing Rules	the rules and regulations made by the FCA under the FSMA, and contained in the FCA's publication of the same name
Long Stop Date	30 April 2022
Mara Rosa Project	the gold project located approximately seven kilometres north of the town of Mara Rosa in Goiás state, central Brazil
Medium Term Loan Facility	has the meaning given to that term in paragraph 9.1.2 (*Medium Term Loan Facility*) of Part VII (*Additional Information*)
Nominated Persons	persons who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006
Notice of Extraordinary General Meeting	the notice set out at the end of this Circular giving Shareholders notice of the Hochschild General Meeting
Ordinary Shares	the ordinary shares of 25 pence each in the capital of the Company
Plan of Arrangement	the plan of arrangement of Amarillo setting out the terms and conditions of the Acquisition, and any amendments or variations thereto made in accordance with the Acquisition Agreement and the plan of arrangement or upon the direction of the Court in the Final Order
Posse	the Posse gold project located on the Mara Rosa Project
Posse Concession	has the meaning given to that term in paragraph 5 (*Permitting and licences*) of Part VI (*Mineral Resources and Mineral Reserves Information*)
Preliminary Licence	the preliminary licence issued to Posse by the Goiás State Department 9 May 2016
Products	has the meaning given to that term in paragraph 3.2 (*Key terms*) of Part III (*Summary of the Transaction Agreements*)
Property	has the meaning given to that term in paragraph 3.1 (*Introduction*) of Part III (*Summary of the Transaction Agreements*)
Prospectus Directive Regulation	Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended)
Purchaser	1334940 B.C. Limited, a corporation existing under the laws of the Province of British Columbia, Canada
Qualified Persons	SRK Consultores do Brasil Ltda, Paulo Laymen (MAusIMM, ChMC (QP), SRK Principal Consultant (Mining)), Keith Whitehouse (MAusIMM CP (Geo), AEFS Principal Consultant (Geology)), Stuart Smith (FAusIMM, Aurifex Principal Metallurgist) and Tommaso Roberto Raponi (P.Eng., Ausenco Principal Metallurgist)

Regulatory Information Service	any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements
Resolution	the ordinary resolution proposed to Shareholders to vote on the Acquisition as set out in the Notice of Extraordinary General Meeting at the end of this Circular
Reverse Break Fee	the reverse termination fee payable by Hochschild to Amarillo of C$2,500,000 pursuant to the Acquisition Agreement
SEDAR	the Canadian System for Electronic Document Analysis and Retrieval
Shareholder Helpline	the telephone helpline of Link Group on +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales)
Shareholders	the holders of the Ordinary Shares
SpinCo	Lavras Gold Corp., a corporation existing under the laws of the Province of British Columbia, Canada
SpinCo Royalty	has the meaning given to that term in paragraph 7 (*Terms of the Acquisition*) of Part I (*Letter from the Chairman of Hochschild Mining PLC*)
SpinCo Royalty Agreement	the SpinCo royalty agreement defined in paragraph 7 (*Terms of the Acquisition*) of Part I (*Letter from the Chairman of Hochschild Mining PLC*), as amended from time to time
SpinCo Shares	common shares in the capital of SpinCo
Sponsor or RBC	RBC Europe Limited
Superior Proposal	has the meaning given to that term in paragraph 1.5 (*No solicitation*) of Part III (*Summary of the Transaction Agreements*)
Termination Fee	the termination fee payable by Amarillo to Hochschild of C$5,000,000 pursuant to the Acquisition Agreement
Transaction Agreements	the Acquisition Agreement, SpinCo Royalty Agreement and voting support agreements described in Part III (*Summary of the Transaction Agreements*) of this Circular
TSX-V	the TSX Venture Exchange
UK Corporate Governance Code	the UK Corporate Governance Code 2018
Unaudited Pro Forma Financial Information	the unaudited pro forma net assets statement of the Enlarged Group set out in Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*)

PART IX
DEFINITIONS AND GLOSSARY

PART B: GLOSSARY OF TECHNICAL TERMS

The following definitions apply to the technical terms throughout this Circular unless the context requires otherwise:

AISC	all-in sustaining cost
Au	gold symbol
Feasibility Study	a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors, together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that the extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project
g/t	gram per tonne
Indicated Mineral Resource	that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. Has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve
Inferred Mineral Resource	that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. Has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration
koz	thousand ounces
Mt	million tonnes
Measured Mineral Resource	that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. Has a higher level of confidence than that applying to either an Indicated or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or under certain circumstances to a Probable Mineral Reserve
Mineral Reserve	the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by Pre-Feasibility Studies or Feasibility Studies, as

	appropriate, that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified
Mineral Resource	a concentration or occurrence of solid material of economic interest in or on the earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. These are sub-divided, in order of increasing geological confidence, into Inferred Mineral Resource, Indicated Mineral Resource and Measured Mineral Resource
Modifying Factors	considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
Pre-Feasibility Study	a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a competent person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an ore reserve at the time of reporting
Probable Mineral Reserve	the economically mineable part of an Indicated Mineral Resource, and, in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve
Proven Mineral Reserve	the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors

ANNEX 1

HISTORICAL FINANCIAL INFORMATION RELATING TO THE AMARILLO GROUP

SECTION 1

HISTORICAL FINANCIAL INFORMATION RELATING TO THE AMARILLO GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

AMARILLO GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Years ended
December 31, 2021 and 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the shareholders of Amarillo Gold Corporation

The accompanying consolidated financial statements have been prepared by and are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimate and judgement based on currently available information.

Management is also responsible for a system of internal control that is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized, and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities with respect to financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual consolidated financial statements before they are presented to the Board of Directors for approval.

The Company's independent auditors, MNP LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

/s/ Hemdat Sawh
Chief Financial Officer

Toronto, Ontario
February 24, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Amarillo Gold Corporation:

Opinion

We have audited the consolidated financial statements of Amarillo Gold Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 Canadian generally accepted 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 these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shaila Rani Mehta.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario

February 24, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	As at December 31 2021	2020
		($)	
Current assets			
Cash and cash equivalents		25,974,108	52,423,488
Accounts receivable		85,641	65,361
Receivable from Western Potash Corporation (WPC)	**15**	926,530	510,438
Prepaids and deposits		254,075	194,454
		27,240,354	53,193,741
Non-current assets			
Receivable from WPC — long-term portion	**15**	141,486	573,268
Resource properties and deferred exploration expenditures	**7**	48,304,961	33,656,034
Property and equipment	**8**	14,616,216	4,784,406
Total assets		90,303,017	92,207,449
Liabilities and equity			
Current liabilities			
Accounts payables and accrued liabilities		2,002,383	1,224,012
Concession fees payable	**15**	437,515	275,818
		2,439,898	1,499,830
Non-current liabilities			
Concession fees payable — long-term portion	**15**	785,774	504,268
Total liabilities		3,225,672	2,004,098
Equity			
Capital stock	**9**	119,231,244	117,900,368
Contributed surplus		17,209,101	11,213,116
Warrants	**9**	—	5,293,100
Deficit		(49,363,000)	(44,203,233)
Total equity		87,077,345	90,203,351
Total liabilities and equity		90,303,017	92,207,449

The accompanying notes are an integral part of these consolidated financial statements.

Business of the Company and going concern (Note 1)

Commitments and contingencies (Note 17)

Subsequent events (Note 18)

Approved by the Board

/s/ Lawrence Lepard	/s/ Rowland Uloth
Chair	Chair
Audit Committee	Board of Directors

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars except weighted average shares)

	Notes	As at December 31 2021	2020
		($)	
Expenses (income)			
General and administrative	**12**	3,557,848	2,407,308
Recovery of legal fees from WPC	**15**	—	(187,000)
Stock-based compensation	**9(e)**	971,491	1,342,867
Financing advisory services		372,261	540,965
Arrangement costs	**16**	588,569	—
Foreign exchange gain		(32,183)	(195,284)
Interest income		(335,055)	(50,295)
Interest and finance charges		36,836	11,273
		5,159,767	3,869,834
			—
Loss before income tax		(5,159,767)	(3,869,834)
Deferred tax (expense) recovery	**13**	—	—
Total loss and comprehensive loss	**10**	(5,159,767)	(3,869,834)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average shares outstanding basic and diluted	**10**	384,022,519	264,858,109

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

	Capital stock	Contributed surplus	Warrants	Deficit	Total equity
			($)		
At December 31, 2019	62,839,327	8,763,661	6,399,688	(40,333,399)	37,669,277
Private placement, net of issuance cost	55,061,041	—	—	—	55,061,041
Expired warrants	—	1,106,588	(1,106,588)	—	—
Stock-based compensation	—	1,342,867	—	—	1,342,867
Loss and comprehensive loss for the year	—	—	—	(3,869,834)	(3,869,834)
At December 31, 2020	117,900,368	11,213,116	5,293,100	(44,203,233)	90,203,351
Exercise of warrants	931,084	—	(182,002)	—	749,082
Exercise of broker options	309,673	(139,831)	101,346	—	271,188
Expired warrants	—	5,212,444	(5,212,444)	—	—
Exercise of stock options	90,119	(48,119)	—	—	42,000
Stock-based compensation	—	971,491	—	—	971,491
Loss and comprehensive loss for the year	—	—	—	(5,159,767)	(5,159,767)
At December 31, 2021	119,231,244	17,209,101	—	(49,363,000)	87,077,345

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Year ended December 31	
	2021	2020
	($)	
Operating activities		
Net loss for the year	(5,159,767)	(3,869,834)
Unrealized foreign exchange gain on concession fees payable net of loss on receivable from WPC	(104,395)	(145,185)
Interest on concession fees payable	(8,171)	21,231
Stock-based compensation	971,491	1,342,867
	(4,300,842)	(2,650,921)
Accounts receivable	(20,280)	(39,470)
Prepaids and deposits	(59,621)	(179,663)
Receivable from WPC	—	390,457
Concession fees payable	(315,863)	(274,082)
Accounts payable and accrued liabilities	778,371	209,416
Due to related parties	—	(224,500)
Net cash used in operating activities	(3,918,235)	(2,768,763)
Investing activities		
Resource properties and deferred exploration expenditures	(13,695,587)	(4,587,264)
Property and equipment	(9,905,999)	(2,895,591)
Net cash used in investing activities	(23,601,586)	(7,482,855)
Financing activities		
Common shares	1,062,270	57,199,800
Share issuance costs	—	(2,138,759)
Interest on concession fees payable	8,171	(21,231)
Net cash from financing activities	1,070,441	55,039,810
Change in cash and cash equivalents during the year	(26,449,380)	44,788,192
Cash and cash equivalents, beginning of year	52,423,488	7,635,296
Cash and cash equivalents, end of year	25,974,108	52,423,488
Non-cash investing activities		
Capitalized depreciation	74,189	97,856

The accompanying notes are an integral part of these consolidated financial statements.

1 Business of the Company and going concern

Amarillo Gold Corporation ("Amarillo" or the "Company") is incorporated under the laws of the Province of British Columbia, Canada. The registered office of Amarillo is 600-890 West Pender Street, Vancouver, British Columbia, Canada, V6C 19J. The head office of the Company is Suite 201 — 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

The Company is a development stage company engaged in the acquisition, exploration, and development of mineral properties, primarily in Brazil. Amarillo currently has two properties in Brazil: Mara Rosa, which is located in the State of Goiás, and Lavras do Sul, which is located in the State of Rio Grande do Sul.

A few employees in Brazil have tested positive with Covid-19; all have fully recovered, and the outbreak has not had a significant impact on operations to date. Management has an appropriate response plan in place, and will continue to monitor and assess ongoing developments and respond accordingly. However, the Company's business could be adversely affected by Covid-19 or another pandemic.

The Company has not earned any revenue to date from its operations. The Company is in the process of exploring and developing its resource properties.

The recoverability of the properties' carrying values and of the related deferred evaluation and exploration expenditures depends on:

- discovering economically recoverable reserves
- maintaining the Company's interest in the underlying mineral claims
- the Company's ability to obtain necessary financing to complete their development
- establishing profitable production in the future or selling the properties for sufficient proceeds.

Amarillo's management has actively pursued sources of financing, and while it has been successful in doing so in the past, no assurance exists that it will be able to do so in the future. For the year ended December 31, 2021, the Company has a net loss of $5,159,767 and negative cash flows from operating activities of $3,918,235. In addition, the Company has an accumulated deficit of $49,363,000.

These consolidated financial statements have been prepared on the assumption that the Company will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on its ability to obtain financing and to attain profitable operations. There are no assurances that the Company will successfully achieve these goals.

These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of using accounting principles applicable to a going concern. These consolidated financial statements do not give effect to any adjustments that would be necessary to the carrying values and classifications of assets and liabilities if the Company was unable to continue as a going concern.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. These consolidated financial statements are presented in Canadian dollars and include the Company's subsidiaries as detailed below.

Subsidiary	Ownership
Amarillo Mineraçâo do Brasil Ltda (“AMB”)	100%
LDS Mineraçâo do Brasil Ltda (“LDS”)	100%
Lavras do Sul Mineraçâo do Brasil Ltda (“LDSM”)	100%
Lavras Gold Corp. (“LGC”)	100%

3 Significant accounting policies

(a) Basis of presentation and preparation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss. The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and of its wholly-owned and controlled subsidiaries, AMB, LDS and LDSM which are incorporated in Brazil, and LGC which is incorporated in Canada. The Company achieves control over another entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Where necessary, the Company makes adjustments to the subsidiaries’ financial statements to bring its accounting policies into line with those used by the Company itself. It eliminates all intra-group transactions, balances, income, and expenses in full on consolidation.

(c) Foreign currency translation

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar and this is also the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the prevailing rates of exchange on the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Classifying and measuring financial instruments

Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as *fair value through profit and loss* (“FVTPL”), directly attributable transaction costs.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or fair value through other comprehensive income (FVTOCI). The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company’s cash is classified as financial assets and measured at FVTPL.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss:

- one — the object of the Company’s business model for these financial assets is to collect their contractual cash flows, and

- two — the asset's contractual cash flows represent solely payments of principal and interest.

The Company's accounts receivable, excluding harmonized sales tax, and receivable from WPC are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities, and concession fees payable do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For trade receivables, the Company uses a combined approach of specific account identification and a provision matrix to estimate lifetime expected impairment.

For all other financial assets, the Company uses specific account identification to determine the amount of expected impairment. Losses are recognized in the consolidated statement of comprehensive income and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the consolidated statement of comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and guaranteed investment certificates. The Company's cash is invested with major financial institutions in business accounts. Cash may also be invested in guaranteed investment certificates that are available on demand by the Company for its program. The Company does not invest in any asset-backed deposits/investments.

(f) Resource properties and deferred evaluation and exploration expenditures

The Company capitalizes all costs of acquiring, retaining, evaluating, and exploring resource properties or maintaining an interest in such properties. Such costs include, but are not limited to, geological consulting, drilling and related expenses, sampling, assay expenditures, geophysical studies, and other exploration costs directly related to the development of such properties. The Company expenses costs incurred before obtaining the legal rights to explore an area. It also writes off the accumulated capitalized costs relating to non-productive properties in which it abandons an interest.

The Company expects to amortize the capitalized costs in the future, over the estimated useful life of the producing properties, on a method relating recoverable reserve volumes to production volumes. The current carrying amount, based on capitalized costs, does not necessarily reflect present or future fair values.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of the properties, and on future production or proceeds of disposition.

The Company reviews the recoverability of the carrying values of its resource properties and deferred evaluation and exploration expenditures at the end of each reporting period. Since the Company is in the exploration stage, it has not yet conclusively determined whether the properties have economically recoverable reserves.

(g) Property and equipment

The Company records land at cost, and equipment at cost less accumulated depreciation and accumulated impairment losses. It recognizes depreciation to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Furniture, equipment, and vehicles	—20% declining balance
Computer hardware	—45% declining balance
Software	—50% declining balance

The Company capitalizes depreciation of equipment used in evaluating and exploring its properties, and recognizes depreciation of all other equipment as part of profit or loss. The Company reviews the estimated useful lives, residual values and depreciation method at each year end, accounting for the effect of any changes in estimate on a prospective basis.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(h) Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its equipment and finite life intangible assets, including deferred evaluation and exploration expenditures, to determine whether any indication exists that any of those assets have suffered an impairment loss. If there is an indication, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit that the asset belongs to. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows).

If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

(i) Provisions including asset retirement obligations

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable it will be required to settle the obligation, and it can make a reliable estimate of its amount. The amount it recognizes as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the surrounding risks and uncertainties. Where it measures a provision using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, calculated using a pre-tax discount rate reflecting the risks specific to the liability. The Company adjusts the liability at the end of each reporting period for the unwinding of the discount rate and for changes to the discount rate or to the amount or timing of the estimated cash flows underlying the obligation.

In particular, as a result of exploring, developing, and operating its mineral properties, the Company may incur legal or constructive obligations to incur asset retirement or site restoration costs. It measures these obligations at its best estimate of their net present value and capitalizes their cost to the related asset's carrying amount.

There was no provision for asset retirement obligations as at December 31, 2021 and 2020.

(j) Share-based payment transactions

The Company's share option plan allows the Company's employees and consultants to acquire shares of the Company. The Company measures equity-settled share-based payments issued under the stock option plan at the fair value of the equity instruments at the grant date, described in Note 9. The Company calculates the fair value using the Black-Scholes option valuation model and expenses this amount over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, crediting the amounts to contributed surplus. It revises its estimate of the number of equity instruments expected to vest at the end of each reporting period, recognizing the impact of revising the original estimates, if any, in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When options are exercised, the Company credits the proceeds, together with the amount originally credited to contributed surplus, to capital stock.

In the case of consultants, the value of the options is measured based on the fair value of goods or services provided, unless it cannot be reliably determined, in which case the options are also measured using the Black-Scholes method.

(k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(l) Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are anti-dilutive as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

(m) Measurement uncertainty

Preparing financial statements in conformity with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Items affected by significant estimates include, but are not limited to, concession fees payable, income taxes, and the estimated net realizable value of the resource properties and deferred evaluation and exploration expenditures. In this case, actual results could differ from the estimates that the Company used.

The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to the following:

- *The recoverability of the receivable from WPC*

  There is no allowance for credit loss on the receivable from WPC. In determining the recoverability of this receivable, the Company considered the credit quality of WPC. The Company has determined that there are no indications of an impairment in this receivable. However, this assessment could change if there is a deterioration in the financial condition of WPC.

- *The recoverability of resource properties and deferred exploration expenditures*

  The recoverability of resource properties is uncertain because of the estimates and judgments like forecasts of metal prices, operating costs, capital costs, and income taxes among numerous other valuation inputs, discount rates, comparability of the Company's properties to those of other market participants and the selection of market-participant assumptions used in the determination of fair value.

- *The concession fee payable*

The provision of concession fee payable requires the incorporation of a market borrowing rate to total future obligation to arrive a present value of the provision. The borrowing rate is based on the economic environment in Brazil which is subject estimates and judgements.

- *Income taxes*

  Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

- *Valuation of options and warrants*

  The determination of the fair value of stock options and warrants is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model.

  The model requires management to forecasts future events, including estimates of the average future hold period of issued stock options and warrants before exercise, expiry or cancellation, future volatility of the Company's share price during the expected hold period (using historical volatility as a reference), and the appropriate risk-free rate of interest.

  Stock options incorporate an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates, and is adjusted if the actual forfeiture rate differs from the expected rate. The resulting value is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or warrants and they are not transferable. Management believes the value derived is highly subjective and dependent entirely upon the input assumptions made.

- *Provisions and contingent liabilities*

  Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

4 Capital risk management

Amarillo uses its capital structure and the funds its capital generates to acquire, explore, and develop mineral properties. The Company's capital is made up of share capital, other equity components, and accumulated deficit. It totalled $87,077,345 at December 31, 2021 (December 31, 2020 — $90,203,351).

Amarillo depends on external financing to fund its activities, because all the properties that the Company has an interest in are in the exploration and development stage. The Company will continue to assess new properties and may seek to acquire interests in more properties if:

- there is enough geologic or economic potential, and
- the Company has the financial resources to do so.

The Board of Directors has not set quantitative return on capital criteria for management, and relies on the expertise of the Company's management team to sustain the future development of the business.

Management believes that its approach to capital management is appropriate to the size of the company. It reviews this approach on an ongoing basis, and made no changes during the year ended December 31, 2021.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

5 Financial risk factors

Amarillo's activities expose it to three key financial risks:

- credit risk
- liquidity risk
- market risk, including interest rate, foreign rate, and gold price risk.

The Company's management team is responsible for managing these risks. It receives guidance from the Audit Committee under policies approved by the Board of Directors, which also provides regular guidance on overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to make its payment obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents, receivable from WPC, and accounts receivable. Credit risk on cash and cash equivalents is remote, as they are held with reputable financial institutions and closely monitored by management.

Management believes that the credit risk for financial instruments included in accounts receivable is remote. Most of the receivables are made up of taxes receivable, so no amount was applied to the expected credit losses.

As at December 31, 2021 and December 31, 2020, no receivable was considered impaired.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its short-term financial obligations.

The Company's goal in managing this risk is making sure it can meet its liabilities when they are due. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of the financing will be favourable (Note 1).

At December 31, 2021, the Company had a cash and cash equivalents balance of $25,974,108 (December 31, 2020 — $52,423,488) to settle current liabilities of $2,439,898 (December 31, 2020 — $1,499,830).

Market risk

Market risk is the risk of loss from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company regularly monitors its cash management policy of investing excess cash in high yield savings accounts. Interest rate risk is remote, as the Company's cash is relatively unaffected by changes in short-term interest rates and the interest rate.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. It transacts major purchases in Canadian dollars and Brazilian Reais ("BRL"). It maintains a Brazilian Real-denominated bank account to fund exploration expenses with enough funds to support monthly forecasted cash outflows.

(c) *Commodity price risk*

Commodity price risk, specifically relating to the price of gold, could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated significantly in recent years.

As at December 31, 2021, the Company was not a gold producer. However, gold price risk affects the completion of future equity transactions like equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are *reasonably possible* over a three-month period.

(a) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the years ended December 31, 2021 and 2020.

(b) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable, receivable from WPC, and accounts payable denominated in Brazilian Reais, and cash denominated in U.S. dollars.

A plus or minus 5% change in foreign exchange rate of the Brazilian Real against the Canadian dollar would affect net loss for year ended December 31, 2021, by approximately $325,300 (December 31, 2020 — $111,100).

A plus or minus 5% change in foreign exchange rate of the U.S. dollar against the Canadian dollar would affect net loss for the year ended December 31, 2021, by approximately $93,000 (December 31, 2020 — $441,100).

6 Categories of financial instruments

	As at December 31	
	2021	2020
	($)	
Financial assets		
Fair value through profit and loss		
Cash and cash equivalents	25,974,108	52,423,488
Amortized cost		
Accounts receivable, excludes HST/GST receivable	—	11,460
Receivable from WPC	1,068,016	1,083,706
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	2,002,383	1,224,012
Concession fees payable	1,223,289	780,086

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The fair value hierarchy has the following levels:

- Level 1 — valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — valuation techniques using either direct observable inputs (i.e., prices) or indirect observable inputs (i.e., derived from prices) for the asset or liability, other than the quoted prices in Level 1
- Level 3 — valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents, accounts receivable, receivable from WPC and payables approximate their carrying amounts due to their short-term nature. The fair value of the accounts payable and accrued liabilities, and concession fees payable approximates their carrying values due to current market rates and consistency of credit spread.

As at December 31, 2021 and December 31, 2020, cash and cash equivalents were measured at fair value and are classified within Level 1 of the fair value hierarchy.

7 Resource properties and deferred exploration expenditures

	Mara Rosa	Lavras do Sul	December 31, 2021	December 31, 2020
		($)		
Resource properties				
Balance, beginning of year	1,141,431	2,968,088	4,109,519	4,035,366
Additions during the year	102,974	314,943	417,917	74,153
Balance, end of year	1,244,405	3,283,031	4,527,436	4,109,519
Deferred evaluation and exploration expenditures				
Balance, beginning of year	15,294,615	14,251,900	29,546,515	26,575,547
Expenditures during the year				
Engineering and consulting	6,772,616	181,872	6,954,488	2,085,421
Drilling and related costs	469,112	1,557,687	2,026,799	798,419
Assays and metallurgy	130,691	207,600	338,291	438,185
Exploration	14,602	61,708	76,310	144,297
Transportation	81,254	19,910	101,164	37,105
Concession taxes	79,688	14,191	93,879	105,434
Travel	56,310	10,228	66,538	24,424
Depreciation	74,189	—	74,189	97,856
Salaries	1,280,668	161,277	1,441,945	569,991
Other evaluation and exploration expenses	465,003	194,491	659,494	309,836
Transmission line	159,853	—	159,853	—
Environmental compensation	975,640	—	975,640	—
Project execution plan	383,269	—	383,269	—
ANM concession fees recoverable from WPC (Note 16)	879,151	—	879,151	(1,640,000)
	11,822,046	2,408,964	14,231,010	2,970,968
Balance, end of year	27,116,661	16,660,864	43,777,525	29,546,515
Total	28,361,066	19,943,895	48,304,961	33,656,034

Mara Rosa

The Mara Rosa Property, which includes Amarillo's flagship Posse Gold Project, is located near the town of Mara Rosa in Goiás State in central Brazil, 335 kilometres northwest of the national capital of Brasilia, Brazil.

Mara Rosa consists of exploration tenements covering an area totalling 68,974 hectares, including the 6,940 hectares described below, and mining concessions (the "Posse Gold Project") that cover an area totalling 2,553 hectares.

This property is 100% controlled by Amarillo, although the ground is subject to a:

- 1% Net Smelter Return ("NSR") royalty to Franco Nevada Corporation, and
- 1.0% NSR royalty to Royal Gold, Inc. ("Royal Gold")that was increased to 2.75% as of June 29, 2018.

On June 29, 2018, the Company entered into an agreement to sell a 1.75% NSR royalty on the Posse Gold Project (the "Royalty Agreement") to RG Royalties, LLC, for US$10,800,000 (CDN$14,221,440).

RG Royalties is a wholly-owned subsidiary of Royal Gold.

The Company's obligations under the royalty are secured by Posse Gold Project assets; however, the Royalty Agreement contemplates and permits a potential future first ranking project financier.

On January 8, 2020, the Company acquired from an unrelated party nine exploration tenements comprising 6,940 hectares approximately four kilometres northeast of the Posse Gold Project. The Company paid US$50,000 on signing the agreement and an additional US$50,000 on January 8, 2021.

In addition, the Company will be required to pay US$500,000 on the successful conversion of any of these exploration tenements into a mining concession before February 26, 2023 for one tenement, March 1, 2023 for seven tenements, and December 11, 2024 for the remaining tenement. These tenements are also subject to a 1% net smelter royalty payable to the acquiree that can be purchased for US$500,000.

Lavras do Sul Property

Rio Tinto Agreement

The Company acquired an option on the Lavras do Sul property (the "Lavras Project") from Rio Tinto Desenvolvimentos Ltda. ("Rio Tinto") in October 2006.

The Lavras project area covers 220 square kilometres and is in the state of Rio Grande do Sul, approximately 320 kilometres by paved road southwest of the state capital Porto Alegre.

Amarillo's requirements under the option terms were to:

- pay US$1,265,000 through various instalments up to January 31, 2008, to acquire an initial 60% interest in the property — payments made
- issue 2,000,000 warrants exercisable at $0.50 to Rio Tinto within 60 days of signing the final agreement—these warrants were issued and expired on January 22, 2010
- spend US$2,550,000 by January 31, 2008 exploring the property — spent.

Having met these terms, Amarillo can form a joint venture with the underlying owners. If the underlying owners elect not to contribute, then Amarillo will earn a 100% interest in the property and pay a 1.5% NSR on production.

On November 16, 2021, the Company entered into an agreement with one of the two underlying owners to purchase its mineral rights (the "CBC Purchase Agreement"). Under the terms of the CBC Purchase Agreement, Companhia Brasileira do Cobre ("CBC") agreed to assign and transfer the mineral rights (the "CBC Mineral Rights"), which include the mineral rights related to the Butiá Prospect and Cerrito Prospect contained within the Lavras Project.

In consideration for the rights granted under the CBC Purchase Agreement, the Company agreed to pay to CBC the following amounts, payable in Brazilian Reais:

- USD 250,000 within 10 days of the date of execution of the CBC Purchase Agreement (paid);
- USD 150,000 within one year of the date of execution of the CBC Purchase Agreement; and
- six annual installments of USD 100,000, the first of which being payable within one year, after the second payment set out above.

The Company also agreed to grant to CBC a royalty (the "CBC Royalty") in an amount that is equal to 1.5% of the gross revenue of the future undertaking of the transferred CBC Mineral Rights, if and when there is mining activity in the area of the Mineral Rights. The Company has a right of first refusal with respect to any proposed transfer by CBC of the CBC Royalty.

The Company continues to negotiate this agreement with the remaining underlying owner of mineral rights. The Company may withdraw from this agreement at any time by giving 30 days written notice.

The Company must also make the following payments to Rio Tinto:

- US$1,806,000 upon receipt of the Installation License covering the Lavras Project, and
- Pay a 0.5% NSR on production from the Lavras Project.

IAMGOLD Agreement

On May 23, 2008, a Heads of Agreement ("HOA") was signed between IAMGOLD Corporation (IAMGOLD) and Amarillo. This agreement gave the Company the right to acquire up to 80% interest in eight license areas with a cumulative net area of approximately 7,000 hectares that are contiguous to the Lavras Project. The Company met its commitments in the IAMGOLD agreement earning a 51% interest in the license areas.

On May 28, 2021, the Company agreed to purchase four of the remaining license areas covered by the HOA (the "Property"), with a cumulative area of approximately 5,660 hectares, and the HOA, with its underlying terms and conditions, was terminated upon this agreement.

The purchase price payable by Amarillo is a maximum of US$700,000 payable in tranches upon attaining certain milestones up to commercial production on the Property. In addition, the Company agreed to grant to IAMGOLD a 3% NSR on the Property. The Company may elect to purchase from IAMGOLD 1% of the NSR for US$1,000,000 at any time prior to the commencement of commercial production on the Property.

8 Property and equipment

	Property	Deposits on equipment	Software	Furniture equipment and vehicles	Computer hardware	Total
				($)		
Cost						
Balance as at December 31, 2019	1,812,071	—	171,663	182,592	68,396	2,234,722
Additions for the year	2,026,794	714,054	39,608	83,167	34,845	2,898,468
Balance as at December 31, 2020	3,838,865	714,054	211,271	265,759	103,241	5,133,190
Additions for the year	6,331,824	3,459,680	40,389	48,568	28,492	9,908,953
Balance as at December 31, 2021	10,170,689	4,173,734	251,660	314,327	131,733	15,042,143
Accumulated depreciation						
Balance as at December 31, 2019	—	—	108,312	97,427	42,312	248,051
Depreciation for the year	—	—	72,940	22,413	5,380	100,733
Balance as at December 31, 2020	—	—	181,252	119,840	47,692	348,784
Depreciation for the year	—	—	46,079	22,910	8,154	77,143
Balance as at December 31, 2021	—	—	227,331	142,750	55,846	425,927
Carrying amounts						
At December 31, 2020	3,838,865	714,054	30,019	145,919	55,549	4,784,406
At December 31, 2021	10,170,689	4,173,734	24,329	171,577	75,887	14,616,216

Depreciation for the year ended December 31, 2021 amounting to $74,189 (December 31, 2020: $97,856) has been included as a deferred exploration cost of the Mara Rosa property.

9 Capital stock

(a) Authorized

Unlimited number of common shares.

(b) Issued

	Shares	Amount
		($)
Balance, December 31, 2019	191,404,814	62,839,327
Private placement and prospectus offerings, net of issuance cost	190,666,000	55,061,041
Balance, December 31, 2020	382,070,814	117,900,368
Exercise of broker compensation options (d)	1,355,940	309,673
Exercise of warrants	2,496,940	931,084
Exercise of stock options	150,000	90,119
Balance, December 31, 2021	386,073,694	119,231,244

On August 13, 2020, the Company closed a combined private placement and short form prospectus offering (the Offerings) through the issuance of 190,666,000 common shares of Amarillo at a subscription price of $0.30 per common share for aggregate gross proceeds of $57,199,800. The Company paid total commissions of $1,710,696, plus legal, filing, and other related costs of $428,063 for aggregate cost of issue of $2,138,759 and net proceeds of $55,061,041.

Management and directors of the Company subscribed for 1,940,000 common shares for an aggregate amount of $582,000.

Research Capital Corporation ("RCC") offered the private placement, purchasing 118,967,000 common shares for $35,690,100 on an underwritten basis as sole underwriter and bookrunner. RCC also led the public offering as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters including Sprott Capital Partners LP (the "Underwriters"). The Underwriters purchased 71,699,000 common shares for $21,509,700 for the bought deal short form prospectus offering.

As consideration for the services rendered in connection with the Offerings:

- RCC received a cash commission of up to 4.0% of the gross proceeds from the private placement
- the Underwriters received a cash commission of up to 6.0% of the gross proceeds from the public offering.

(c) Warrants

	Warrants	Weighted average exercise price	Value of warrants
	(#)		($)
Balance, December 31, 2019	85,621,836	0.31	6,399,688
Expired	(9,213,886)	0.38	(1,106,588)
Balance, December 31, 2020	76,407,950	0.30	5,293,100
Issued upon exercise of broker compensation options (d)	1,355,940	0.30	101,346
Exercised	(2,496,940)	0.30	(182,002)
Expired	(75,266,950)	0.30	(5,212,444)
Balance, December 31, 2021	—	—	—

(d) Broker compensation options

As described in Note 9(b), the Company granted the Underwriter 1,355,940 compensation options which entitle the holder thereof to purchase one compensation option unit ("CPU") at a price of $0.20, expiring on August 29, 2021.

Each CPU is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 per warrant share until August 29, 2021.

The grant date fair value of the CPUs granted was estimated at approximately $0.1031 per CPU for a total of $139,831 using the Black-Scholes option pricing model with the following estimates: risk free interest rate—1.24%, expected life—2 years; volatility—74%, and dividend yield—0%.

All 1,355,940 compensation options were exercised in June 2021 for gross proceeds of $271,188. As a result:

- 1,355,940 common shares were issued
- 1,355,940 common share purchase warrants were issued at a price of $0.30 per warrant share and an expiry date of August 29, 2021. These 1,355,940 warrants were exercised for gross process of $406,782 on August 9, 2021

(e) Stock options

The Company has a stock option plan (the Plan) for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company.

Options are granted for a term not exceeding five years and vest at the discretion of the board when granted to directors, senior officers, employees, and consultants (other than those performing investor relations).

Options granted to consultants performing investor relations activities vest at a minimum over a period of 12 months.

	Options	Weighted average exercise price
	(#)	*($)*
Balance, December 31, 2019	13,495,000	0.28
Granted	7,980,000	0.33
Expired	(415,000)	(0.29)
Balance, December 31, 2020	21,060,000	0.29
Granted	5,695,000	0.25
Exercised	(150,000)	(0.28)
Expired	(1,390,000)	(0.27)
Balance, December 31, 2021	25,215,000	0.29

Details of the stock options outstanding and exercisable are as follows:

Number of options	Exercisable at December 31, 2021	Exercise price	Fair value at date of grant	Remaining contractual life
			($)	*(Years)*
200,000	200,000	0.37	64,671	0.12
500,000	500,000	0.36	156,472	0.44
4,390,000	4,390,000	0.31	1,237,464	1.01
200,000	200,000	0.23	40,000	1.39
50,000	50,000	0.22	10,000	1.44
1,400,000	1,400,000	0.23	318,640	1.71
300,000	300,000	0.21	50,580	2.50
4,600,000	4,600,000	0.25	821,100	2.74
7,880,000	6,140,000	0.33	1,917,992	3.75
200,000	50,000	0.33	40,760	4.42
300,000	75,000	0.34	62,760	4.44
50,000	12,500	0.30	10,000	4.59
5,145,000	2,673,750	0.24	742,424	4.84
25,215,000	20,591,250	0.29	5,472,863	3.08

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model using the following estimates:

	Years ended December 31	
	2021	2020
Weighted average fair value per options ($)	0.15	0.24
Weighted average risk-free interest rate (%)	1.41	0.35
Expected life (years)	5.0	5.0
Weighted average expected volatility (%)	73	100
Expected rate of forfeiture	nil	nil
Expected dividend yield	nil	nil

The fair value compensation and contributed surplus relating to stock options vested for the year ended December 31, 2021 was $971,491 (2020: $1,342,867).

10 Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2021 was based on the loss attributable to common shareholders of $5,159,767 (December 31, 2020 — $3,869,834) divided by the weighted average number of common shares outstanding of 384,022,519 (December 31, 2020 — 264,858,109).

11 Related party transactions

During the years ended December 31, 2021 and 2020, the Company incurred charges with directors, officers, and a corporation with a common director as follows:

	As at December 31	
	2021	2020
	($)	
Salaries paid to officers	1,075,000	500,000
Directors' fees	210,000	210,000
Consulting fees charged by director's corporation	36,575	37,950
	1,321,575	747,950

During the year ended December 31, 2021, the Company granted to directors and officers 3,350,000 (2020: 6,600,000) options at a weighted average exercise price of $0.24 (2020: $0.33) expiring up to November 3, 2026 (2020: October 1, 2025).

These transactions were in the normal course of business and are measured at amounts representing normal commercial terms.

12 General and administrative expenses

General and administrative expenses consist of the following:

		Years ended December 31	
	Notes	2021	2020
		($)	
Consulting fees		537,208	371,223
Professional fees		729,960	713,288
Salaries and benefits	11	1,314,273	667,522
Directors' fees	11	210,000	207,656
Marketing and promotion		263,596	107,417
Filing and transfer agent fees		112,926	135,904
Travel		16,348	9,688
Other general and administrative		373,537	194,610
		3,557,848	2,407,308

13 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% for the year ended December 31, 2021 (2020: 26.5%) to the effective tax rate is as follows:

	Years ended December 31	
	2021	2020
	($)	
Net loss before income tax expense (recovery)	(5,159,767)	(3,869,834)
Expected income tax recovery	(1,367,340)	(1,025,510)
Difference in foreign tax rates	(43,010)	(14,710)
Share issuance costs charged to equity	—	(566,770)
Permanent differences	257,670	356,110
Resource properties not deductible for tax	128,310	62,890
Change in tax benefits not recognized	1,024,370	1,187,990
Income tax expense (recovery)	—	—

The following table summarizes the components of deferred tax:

	Years ended December 31	
	2021	2020
	($)	
Deferred tax assets		
Operating tax losses carried forward — Canada	2,286,050	2,145,520
Deferred tax liabilities		
Note payable/receivable	(2,286,050)	(2,145,520)
Net deferred tax liability	—	—

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax value and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31	
	2021	2020
	($)	
Operating tax losses carried forward—Canada	13,676,410	9,775,860
Operating tax losses carried forward—Brazil	1,820,870	1,266,990
Share issuance costs	1,645,140	2,373,020
Property and equipment	90,910	14,960
	17,233,330	13,430,830

The Company's Canadian total non-capital income tax losses of $22,303,000 expire as noted in the table below. These include losses of $8,626,587 that are recognized as deferred tax assets, and $13,565,110, which are not. Share issue and financing costs will be fully amortized in 2024. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian total non-capital income tax losses expire as follows:

	$
2026	382,000
2027	1,029,630
2028	129,220
2029	652,160
2030	774,720
2031	1,641,060
2032	1,198,160
2033	637,550
2034	419,480
2035	672,050
2036	1,967,250
2037	2,265,380
2038	1,124,840
2039	2,073,160
2040	3,058,290
2041	4,278,060
	22,303,010

14 Segmented information

The Company operates in one reportable operating segment—mineral exploration. The Company's resource properties are located in Brazil and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues.

Total assets by geographic region are as follows:

	Canada	Brazil	Total
		($)	
December 31, 2021			
Current assets	16,530,721	10,709,633	27,240,354
Receivable from Western Potash—long-term portion	141,486	—	141,486
Resource properties and deferred exploration expenditures	—	48,304,961	48,304,961
Property and equipment	—	14,616,216	14,616,216
	16,672,207	73,630,810	90,303,017
December 31, 2020			
Current assets	48,585,379	4,608,362	53,193,741
Receivable from Western Potash—long-term portion	573,268	—	573,268
Resource properties and deferred exploration expenditures	—	33,656,034	33,656,034
Property and equipment	—	4,784,406	4,784,406
	49,158,647	43,048,802	92,207,449

15 Concession fees payable and receivable from WPC

Amarillo entered into a services agreement (the Services Agreement) dated April 28, 2008, with Western Potash Corporation ("WPC"), a British Columbia Company pursuant to which the Company staked exploration permits (the "Exploration Permits") in Brazil's Amazon Basin for WPC. Once the Company's Brazilian subsidiary received the exploration permits from the Brazilian Departamento Nacional de Producao Mineral ("DNPM" and now renamed "ANM"), it was to transfer them to a Brazilian subsidiary of WPC.

The Company, through its Brazilian subsidiary AMB, performed the following services for WPC: staked mineral claims in the Amazon Basin, formed a subsidiary of WPC called Potassio Occidental Mineracao Ltda ("POML") in Brazil, set up bank accounts, provided an office, and did other things necessary for POML to commence business in Brazil.

On September 12, 2011, AMB received the Exploration Permits that it had staked for WPC. The Company submitted applications to assign the Exploration Permits to POML. The Exploration Permits, which had a three-year life, obligated the owner of the Permits to pay the Taxa Annual pro Hectare ("TAH") on January 31, 2012, 2013, and 2014.

The Exploration Permits should, according to Brazilian law, have been transferred to POML within 60 days. However, the applications were not processed in a timely way as Brazil instituted a moratorium on all transfers of Exploration Permits pending the approval of a new mining code.

As a consequence, the transfer of the Exploration Permits was not processed. AMB remained the registered owner of the Exploration Permits and liable for the TAH thereon.

As the Exploration Permits had not been transferred to POML due to the moratorium, AMB continued to be liable to the ANM for the TAH due on January 31, 2013, and 2014 as well as penalties for non-payment and interest on the amount due. Neither WPC nor POML paid the TAH due on January 31, 2013 or 2014.

In January 2017, ANM brought proceedings against AMB for the unpaid TAH on the Exploration Permits.

In order to avoid enforcement proceedings by the ANM and to satisfy one of the conditions underlying the sale of a royalty to Royal Gold as described in Note 6, AMB entered into an agreement with the ANM to pay an estimated monthly amount of BRL93,778 or a total of BRL5,626,642 plus monthly accrued interest over a five-year period commencing on June 29, 2018.

The Company recorded the initial liability of BRL5,626,642 (CAD$1,982,266) and along with a foreign exchange adjustment of BRL171,687 (CAD$60,415) a total of BRL5,798,785 (CAD$2,042,681) was capitalized at the Mara Rosa properties.

In August 2021, AMB was advised of liabilities to the ANM of BRL3,576,213 (C$876,530) for WPC's failure to file reports for the Exploration permits. AMB entered into an agreement with the ANM to pay an estimated monthly amount of BRL59,604 or a total of BRL3,576,240 plus monthly accrued interest over a five-year period commencing on September 1, 2021.

The following table provides the continuity of this payable in Canadian dollars:

	As at December 31	
	2021	2020
	($)	
Balance, beginning of year	780,086	1,365,191
Addition	876,530	—
Accrued interest	9,202	21,231
Repayment	(322,444)	(295,314)
Foreign exchange adjustment	(120,085)	(311,022)
Balance, end of year	1,223,289	780,086
Less: current portion	437,515	275,818
Long-term portion	785,774	504,268

The following table shows the continuity of this payable in Brazilian Reais (BRL):

	As at December 31	
	2021	2020
	(BRL)	
Balance, beginning of year	3,182,727	4,225,288
Addition	3,576,213	—
Accrued interest	40,793	82,767
Repayment	(1,422,635)	(1,125,328)
Balance, end of year	5,377,098	3,182,727
Less: current portion	1,923,145	1,125,328
Long-term portion	3,453,953	2,057,399

Total future principal payments under this installment arrangement for the remaining five years are as follows:

	$	BRL
2022	437,515	1,923,145
2023	287,526	1,263,851
2024	166,971	733,939
2025	189,965	835,009
2026	141,313	621,154

On October 19, 2018, the Company filed a Domestic Commercial Arbitration Notice and a Statement of Claim with the British Columbia International Commercial Arbitration Centre regarding its claim against WPC for the TAH, penalties, and interest.

On April 15, 2020, Amarillo and WPC agreed to settle this dispute (the "Settlement Agreement"). Under the Settlement Agreement, WPC will pay Amarillo $426,000 for a portion of payments made by the Company from June 2018 until February 2020. This amount will be repaid in 24 monthly instalments of $17,000 starting on April 28, 2020 and ending March 28, 2022. A final instalment of $18,000 will be paid on April 28, 2022.

WPC has the right to pay any balance owing in a lump sum at any time.

WPC has also assumed full responsibility for the outstanding taxes payable to ANM. This amount was BRL4,540,748 (CDN$1,383,742) at February 29, 2020.

WPC will pay Amarillo $33,000 every month, starting with March 2020. The March payment was made on April 21, 2020. Every payment thereafter will be made on the 28th day of every month, up to and including May 28, 2023, as AMB continues to pay the outstanding taxes to ANM. The monthly payments are subject to quarterly adjustments to account for the fluctuations in the exchange rate between the Canadian dollar and Brazilian real. These adjustments began on July 15, 2020.

WPC also agreed to pay the costs awarded by the Court within 14 days of agreeing to the amount. On April 29, 2020, it was agreed that WPC would pay $187,000 to satisfy the Award. This amount was recorded as a recovery of legal expenses in the Company's statement of loss and comprehensive loss for the year ended December 31, 2020.

As security for its obligation to pay the settlement amounts described above (the "Settlement Amounts"), both Amarillo and WPC have jointly instructed the Arbitrator to make a consent award pursuant to Rule 37 of the Arbitral Rules that records WPC's obligations of WPC under the terms of the Settlement Agreement (the "Consent Award"). This Consent Award terminated the Arbitration without costs to any party.

If WPC defaults on any payment of the Settlement Amounts, and does not remedy this default within 15 days of the payment due date, then the entire amount remaining to be paid by WPC shall become immediately due and payable. Amarillo will be at liberty to file and/or register the Consent Award in the Supreme Court of British Columbia, or in any other court of competent jurisdiction, and be entitled to proceed against WPC to collect the outstanding amount. WPC has suspended payments as at December 2020 and has agreed to resume payments after completion of financing of their operations.

The Settlement Amounts were recorded as a reduction in the carrying value of the Mara Rosa properties. The Settlement Amounts total $1,640,000 and include:

- $426,000 in payments previously made by the Company
- $1,214,000 (BRL4,061,559) liability to ANM at the end of February 2020.

The following table shows the continuity of the receivable from WPC:

	As at December 31	
	2021	**2020**
	($)	
Settlement for previous payments		
Balance, beginning of year	—	—
Settlement amount	290,000	426,000
Amount received	—	(136,000)
Balance, end of year	290,000	290,000
Less: current portion	290,000	221,000
Long-term portion	—	69,000
Receivable for ANM concession fees payable		
Balance, beginning of year		
ANM fees payable at end of February 2020 (BRL4,061,559)	—	—
Amount received	793,706	1,214,000
Foreign exchange adjustment	—	(254,457)
Balance, end of year	(15,690)	(165,837)
Less: current portion	778,016	793,706
Long-term portion	636,530	289,438
Total receivable from WPC	141,486	504,268
Total current portion	926,530	510,438
Total long-term portion	141,486	573,268
Total	1,068,016	1,083,706

16 Proposed acquisition of Amarillo

On November 29, 2021, Amarillo, Hochschild Mining Plc ("Hochschild"), Lavras Gold Corp. ("Lavras SpinCo" or "LGC"), and 1334940 B.C. Ltd. entered into an arrangement agreement (the "Arrangement Agreement"), pursuant to which the parties have agreed to complete an arrangement (the "Arrangement") under Division 5 of Part 9 of the Business Corporations Act (British Columbia). In accordance with the Arrangement Agreement, on completion of the Arrangement, Hochschild will acquire all of the outstanding common shares of Amarillo, thereby indirectly acquiring Amarillo's Mara Rosa property in Goias state, Brazil, on which its Posse Gold Project and planned Posse mine are located.

Under the Arrangement, holders of common shares in the capital of Amarillo (each, an "Amarillo Common Share") will receive, in exchange for each Amarillo Common Share held, cash consideration of $0.40 and one common share in the capital of Lavras SpinCo a newly formed company which was incorporated on November 25, 2021, which will hold the assets and liabilities that will not be sold to Hochschild.

Following the completion of the Arrangement, Lavras SpinCo will own the business comprised of the Lavras Project(Note 7) in southern Brazil in the state of Rio Grande do Sul, and certain other assets (collectively, the "Carve-out Assets"), including (a) $10,000,000 of cash, less (i) any cash amounts held by LDSM at the effective time of the Arrangement, and (ii) any amounts spent on exploration related to the Lavras Project that are in excess of the amounts allocated for such expenditures in the Lavras Project's budget agreed with Hochschild, and (b) a 2.0% net smelter revenue royalty on certain of Amarillo's exploration properties located outside of Amarillo's current Posse resource and mine plan at Amarillo's Mara Rosa property, in each case, pursuant to the terms of the Arrangement.

The Arrangement is subject to approval of the shareholders of both Amarillo and Hochschild, plus court and regulatory approvals. A special meeting of shareholders of Amarillo has been scheduled for March 1, 2022.

As at December 31, 2021 the Company has incurred $588,569 in costs related to this Arrangement.

17 Commitments and contingencies

The Company signed contracts for engineering and certain long lead time equipment, construction of dormitory and reforestation in anticipation of construction of the mine at Mara Rosa. As at December 31, 2021, the aggregate commitment for these items amounted to $3.8 million (BRL 16.8 million).

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated.

Auramet International LLC ("Auramet") has commenced a claim in December 2021 against Amarillo alleging that it Auramet is owed compensation under a financial advisory services agreement under which Auramet was engaged to secure debt financing (the "Agreement"). Auramet seeks compensation of US$600,000 plus costs as a result of Amarillo's announcement of the proposed acquisition of Amarillo by Hochschild. Amarillo's position is that no payment is owed under the terms of the Agreement and Amarillo is defending the claim. Accordingly, no provision has been recorded.

18 Subsequent events

The following items occurred subsequent to the year ended December 31, 2021:

- additional long lead time equipment were contracted for a total of approximately $21.8 million (BRL 95.6 million)
- 243,125 stock options with weighted average exercise price of $0.35 expired

19 Authorization

These consolidated financial statements for the years ended December 31, 2021 and 2020 were reviewed and adopted by the Company's Audit Committee and Board of Directors on February 24, 2022, and subsequently certified by the Company's Chief Executive Officer and Chief Financial Officer.

SECTION 2

HISTORICAL FINANCIAL INFORMATION RELATING TO THE AMARILLO GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

AMARILLO GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Years ended
December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Amarillo Gold Corporation:

Opinion

We have audited the consolidated financial statements of Amarillo Gold Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that during the year ended December 31, 2020, the Company had a net loss and, as of that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 Canadian generally accepted 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 these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shaila Rani Mehta.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario

February 25, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

	Notes	As at December 31 2020	As at December 31 2019
		($)	
Current assets			
Cash and cash equivalents		52,423,488	7,635,296
Accounts receivable		65,361	25,891
Receivable from Western Potash Corporation (WPC)	16	510,438	—
Prepaids and deposits		194,454	14,791
		53,193,741	7,675,978
Non-current assets			
Receivable from WPC—long-term portion	16	573,268	—
Resource properties and deferred exploration expenditures	7	33,656,034	30,610,913
Property and equipment	8	4,784,406	1,986,671
Total assets		92,207,449	40,273,562
Liabilities and equity			
Current liabilities			
Accounts payables and accrued liabilities		1,224,012	1,014,594
Due to related parties	12	—	224,500
Concession fees payable	16	275,818	363,594
		1,499,830	1,602,688
Non-current liabilities			
Concession fees payable—long-term portion	16	504,268	1,001,597
Total liabilities		2,004,098	2,604,285
Equity			
Capital stock	9	117,900,368	62,839,327
Contributed surplus		11,213,116	8,763,661
Warrants	9	5,293,100	6,399,688
Deficit		(44,203,233)	(40,333,399)
Total equity		90,203,351	37,669,277
Total liabilities and equity		92,207,449	40,273,562

The accompanying notes are an integral part of these consolidated financial statements.

Business of the Company and going concern (Note 1)

Commitments and contingency (Note 17)

Approved by the Board

/s/ Lawrence Lepard	/s/ Rowland Uloth
Chair	Chair
Audit Committee	Board of Directors

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars except weighted average shares)

	Notes	Years ended December 31 2020	2019
		($)	
Expenses (income)			
General and administrative	13	2,407,308	2,745,792
Recovery of legal fees from Western Potash Corporation	16	(187,000)	—
Stock-based compensation	10 (e)	1,342,867	1,004,270
Financing advisory services		540,965	36,000
Foreign exchange (gain) loss		(195,284)	153,489
Interest income		(50,295)	—
Interest and finance charges		11,273	121,041
		3,869,834	4,060,592
Loss before the following adjustments		(3,869,834)	(4,060,592)
Gain on settlement of payables		—	5,417
Loss before income tax		(3,869,834)	(4,055,175)
Deferred tax (expense) recovery		—	—
Total loss and comprehensive loss	10	(3,869,834)	(4,055,175)
Basic and diluted loss per share		(0.01)	(0.03)
Weighted average shares outstanding basic and diluted	10	264,858,109	147,102,806

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in Canadian dollars)

	Capital stock	Contributed surplus	Warrants	Deficit	Total equity
			($)		
At December 31, 2018	53,594,862	7,491,946	1,234,202	(36,278,224	26,042,786
Private placement, net of issuance cost	14,429,234	139,831	—	—	14,569,065
Fair value of warrants, net of tax	(5,293,100)	—	5,293,100	—	—
Expired warrants	—	127,614	(127,614)	—	—
Stock-based compensation	—	1,004,270	—	—	1,004,270
Shares issued to settle payables	108,331	—	—	—	108,331
Loss and comprehensive loss for the year	—	—	—	(4,055,175)	(4,055,175)
At December 31, 2019	62,839,327	8,763,661	6,399,688	(40,333,399)	37,669,277
Private placement, net of issuance cost	55,061,041	—	—	—	55,061,041
Expired warrants	—	1,106,588	(1,106,588)	—	—
Stock-based compensation	—	1,342,867	—	—	1,342,867
Loss and comprehensive loss for the year	—	—	—	(3,869,834)	(3,869,834)
At December 31, 2020	117,900,368	11,213,116	5,293,100	(44,203,233)	90,203,351

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

	Years ended December 31	
	2020	2019
	($)	
Operating activities		
Net loss for the year	(3,869,834)	(4,055,175)
Unrealized foreign exchange gain on concession fees payable net of loss on receivable from Western Potash Corporation (WPC)	(145,185)	(129,702)
Interest on concession fees payable	21,231	97,784
Stock-based compensation	1,342,867	1,004,270
Gain on settlement of payables	—	(5,417)
	(2,650,921)	(3,088,240)
Accounts receivable	(39,470)	115,840
Prepaids and deposits	(179,663)	327
Receivable from WPC	390,457	—
Concession fees payable	(274,082)	(379,175)
Accounts payable and accrued liabilities	209,416	(314,346)
Due to related parties	(224,500)	19,500
Net cash used in operating activities	(2,768,763)	(3,646,094)
Investing activities		
Resource properties and deferred exploration expenditures	(4,587,264)	(4,164,830)
Property and equipment	(2,895,591)	(1,364,734)
Net cash used in investing activities	(7,482,855)	(5,529,564)
Financing activities		
Common shares	57,199,800	15,281,589
Share issuance costs	(2,138,759)	(712,524)
Related party loan proceeds	—	1,000,000
Related party loan repayment	—	(1,000,000)
Interest paid on concession fees payable	(21,231)	(26,625)
Net cash from financing activities	55,039,810	14,542,440
Change in cash and cash equivalents during the year	44,788,192	5,366,782
Cash and cash equivalents, beginning of year	7,635,296	2,268,514
Cash and cash equivalents, end of year	52,423,488	7,635,296
Non-cash investing activities		
Capitalized depreciation	97,856	91,096
Shares issued to settle payables on resource properties	—	113,748
Non-cash financing activities		
Shares issued to settle payables on resource properties	—	113,748

The accompanying notes are an integral part of these consolidated financial statements.

1 Business of the Company and going concern

Amarillo Gold Corporation is incorporated under the laws of the Province of British Columbia, Canada. The address of the Company's registered office is Suite 201—82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Amarillo is a development stage company engaged in the acquisition, exploration, and development of mineral properties, primarily in Brazil. Amarillo currently has two properties in Brazil: Mara Rosa, which is located in the State of Goiás, and Lavras do Sul, which is located in the State of Rio Grande do Sul.

Management is not aware of any cases of the novel strain of coronavirus known as Covid-19 among its personnel and the outbreak has not had a significant impact on operations to date. Management has an appropriate response plan in place, and will continue to monitor and assess ongoing developments and respond accordingly. However, the Company's business could be adversely impacted by the effects of Covid-19 or other pandemics.

The Company has not earned any revenue to date from its operations. It is in the process of exploring and developing its resource properties.

The recoverability of the properties' carrying values and of the related deferred evaluation and exploration expenditures depends on:

- discovering economically recoverable reserves
- maintaining the Company's interest in the underlying mineral claims
- the Company's ability to obtain necessary financing to complete their development
- establishing profitable production in the future or selling the properties for sufficient proceeds.

The Company's management is actively pursuing additional sources of financing, and while it has been successful in doing so in the past, no assurance exists that it will be able to do so in the future. For the year ended December 31, 2020, the Company has a net loss of $3,869,834 and negative cash flows from operating activities of $2,768,763. In addition, the Company has an accumulated deficit of $44,203,233.

These consolidated financial statements have been prepared on the assumption that the Company will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on its ability to obtain financing and to attain profitable operations. There are no assurances that the Company will successfully achieve these goals.

These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of using accounting principles applicable to a going concern. These consolidated financial statements do not give effect to any adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. These consolidated financial statements are presented in Canadian dollars and include the Company's subsidiaries as detailed below.

Subsidiary	Ownership
Amarillo Mineraçâo do Brasil Ltda (AMB)	100%
LDS Mineraçâo do Brasil Ltda	100%

3 Significant accounting policies

(a) Basis of presentation and preparation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and of its two wholly-owned and controlled subsidiaries, Amarillo Mineração do Brasil Ltda and LDS Mineração do Brasil Ltda, both incorporated in Brazil. The Company achieves control over another when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Where necessary, the Company makes adjustments to the subsidiaries' financial statements to bring its accounting policies into line with those used by the Company itself. It eliminates all intra-group transactions, balances, income, and expenses in full on consolidation.

(c) Foreign currency translation

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar and this is also the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the prevailing rates of exchange on the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Classifying and measuring financial instruments

Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as *fair value through profit and loss* (FVTPL), directly attributable transaction costs.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or fair value through other comprehensive income (FVTOCI). The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets and measured at FVTPL.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss:

- one—the object of the Company's business model for these financial assets is to collect their contractual cash flows, and
- two—the asset's contractual cash flows represent solely payments of principal and interest.

The Company's accounts receivable, excluding harmonized sales tax, are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities, concession fees payable, and amounts due to related parties do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For trade receivables, the Company uses a combined approach of specific account identification and a provision matrix to estimate lifetime expected impairment.

For all other financial assets, the Company uses specific account identification to determine the amount of expected impairment. Losses are recognized in the consolidated statement of comprehensive income and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the consolidated statement of comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and guaranteed investment certificates. The Company's cash is invested with major financial institutions in business accounts. Cash may also be invested in guaranteed investment certificates that are available on demand by the Company for its program. The Company does not invest in any asset-backed deposits/investments.

(f) Resource properties and deferred evaluation and exploration expenditures

The Company capitalizes all costs of acquiring, retaining, evaluating, and exploring resource properties or maintaining an interest in such properties. Such costs include, but are not limited to, geological consulting, drilling and related expenses, sampling, assay expenditures, geophysical studies, and other exploration costs directly related to the development of such properties. The Company expenses costs incurred before obtaining the legal rights to explore an area. It also writes off the accumulated capitalized costs relating to non-productive properties in which it abandons an interest.

The Company expects to amortize the capitalized costs in the future, over the estimated useful life of the producing properties, on a method relating recoverable reserve volumes to production volumes. The current carrying amount, based on capitalized costs, does not necessarily reflect present or future fair values.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of the properties, and on future production or proceeds of disposition.

The Company reviews the recoverability of the carrying values of its resource properties and deferred evaluation and exploration expenditures at the end of each reporting period. Since the Company is in the exploration stage, it has not yet conclusively determined whether the properties have economically recoverable reserves.

(g) Property and equipment

The Company records land at cost, and equipment at cost less accumulated depreciation and accumulated impairment losses. It recognizes depreciation to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Fuhrniture, equipment, and vehicles	–20% declining balance
Computer hardware	–45% declining balance
Software	–50% declining balance

The Company capitalizes depreciation of equipment used in evaluating and exploring its properties, and recognizes depreciation of all other equipment as part of profit or loss. The Company reviews the estimated useful lives, residual values and depreciation method at each year end, accounting for the effect of any changes in estimate on a prospective basis.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(h) Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its equipment and finite life intangible assets, including deferred evaluation and exploration expenditures, to determine whether any indication exists that any of those assets have suffered an impairment loss. If there is an indication, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit that the asset belongs to. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows).

If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

(i) Provisions including asset retirement obligations

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable it will be required to settle the obligation, and it can make a reliable estimate of its amount. The amount it recognizes as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the surrounding risks and uncertainties. Where it measures a provision using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, calculated using a pre-tax discount rate reflecting the risks specific to the liability. The Company adjusts the liability at the end of each reporting period for the unwinding of the discount rate and for changes to the discount rate or to the amount or timing of the estimated cash flows underlying the obligation.

In particular, as a result of exploring, developing, and operating its mineral properties, the Company may incur legal or constructive obligations to incur asset retirement or site restoration costs. It measures these obligations at its best estimate of their net present value and capitalizes their cost to the related asset's carrying amount.

There was no provision for asset retirement obligations as at December 31, 2020 and 2019.

(j) Share-based payment transactions

The Company's share option plan allows the Company's employees and consultants to acquire shares of the Company. The Company measures equity-settled share-based payments issued under the stock option plan at the fair value of the equity instruments at the grant date, described in Note 10. The Company calculates the fair value using the Black-Scholes option valuation model and expenses this amount over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, crediting the amounts to contributed surplus. It revises its estimate of the number of equity instruments expected to vest at the end of each reporting period, recognizing the impact of revising the original estimates, if any, in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. When options are exercised, the Company credits the proceeds, together with the amount originally credited to contributed surplus, to capital stock.

In the case of consultants, the value of the options is measured based on the fair value of goods or services provided, unless it cannot be reliably determined, in which case the options are also measured using the Black-Scholes method.

(k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(l) Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are anti-dilutive as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

(m) Measurement uncertainty

Preparing financial statements in conformity with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Items affected by significant estimates include, but are not limited to, concession fees payable, income taxes, and the estimated net realizable value of the resource properties and deferred evaluation and exploration expenditures. In this case, actual results could differ from the estimates that the Company used.

The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to the following:

- *The recoverability of the receivable from WPC*

  There is no allowance for credit loss on the receivable from WPC. In determining the recoverability of this receivable, the Company considered the credit quality of WPC. The Company has determined that there are no indications of an impairment in this receivable. However, this assessment could change if there is a deterioration in the financial condition of WPC.

- *The recoverability of resource properties and deferred exploration expenditures*

  The recoverability of resource properties is uncertain because of the estimates and judgments like forecasts of metal prices, operating costs, capital costs, and income taxes among numerous other valuation inputs, discount rates, comparability of the Company's properties to those of other market participants and the selection of market-participant assumptions used in the determination of fair value.

- *The concession fee payable*

  The provision of concession fee payable requires the incorporation of a market borrowing rate to total future obligation to arrive a present value of the provision. The borrowing rate is based on the economic environment in Brazil which is subject estimates and judgements.

- *Income taxes*

  Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

- *Valuation of options and warrants*

  The determination of the fair value of stock options and warrants is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model.

  The model requires management to forecasts future events, including estimates of the average future hold period of issued stock options and warrants before exercise, expiry or cancellation, future volatility of the Company's share price during the expected hold period (using historical volatility as a reference), and the appropriate risk-free rate of interest.

  Stock options incorporate an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates, and is adjusted if the actual forfeiture rate differs from the expected rate. The resulting value is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or warrants and they are not transferable. Management believes the value derived is highly subjective and dependent entirely upon the input assumptions made.

- *Provisions and contingent liabilities*

  Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

4 Capital risk management

Amarillo uses its capital structure and the funds its capital generates to acquire, explore, and develop mineral properties. The Company's capital is made up of share capital, other equity components, and accumulated deficit. It totalled $90,203,351 at December 31, 2020 (December 31, 2019—$37,669,277).

Amarillo depends on external financing to fund its activities, because all the properties that the Company has an interest in are in the exploration and development or construction stage. The Company will continue to assess new properties and may seek to acquire interests in more properties if:

- there is enough geologic or economic potential, and
- the Company has the financial resources to do so.

The Board of Directors has not set quantitative return on capital criteria for management, and relies on the expertise of the Company's management team to sustain the future development of the business.

Management believes that its approach to capital management is appropriate to the size of the company. It reviews this approach on an ongoing basis, and made no changes during the year ended December 31, 2020.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

5 Financial risk factors

Amarillo's activities expose it to three key financial risks:

- credit risk
- liquidity risk
- market risk, including interest rate, foreign rate, and gold price risk.

The Company's management team is responsible for managing these risks. It receives guidance from the Audit Committee under policies approved by the Board of Directors, which also provides regular guidance on overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to make its payment obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents, receivable from WPC, and accounts receivable. Credit risk on cash and cash equivalents is remote, as they are held with reputable financial institutions and closely monitored by management.

Management believes that the credit risk for financial instruments included in accounts receivable is remote. Most of the receivables are made up of taxes receivable, so no amount was applied to the expected credit losses.

As at December 31, 2020 and December 31, 2019, no receivable was considered impaired.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its short-term financial obligations.

The Company's goal in managing this risk is making sure it can meet its liabilities when they are due. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of the financing will be favourable (Note 1).

At December 31, 2020, the Company had a cash and cash equivalents balance of $52,423,488 (December 31, 2019—$7,635,296) to settle current liabilities of $1,499,830 (December 31, 2019—$1,602,688).

Market risk

Market risk is the risk of loss from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company regularly monitors its cash management policy of investing excess cash in high yield savings accounts. Interest rate risk is remote, as the Company's cash is relatively unaffected by changes in short-term interest rates and the interest rate.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. It transacts major purchases in Canadian dollars and Brazilian Reais (BRL). It maintains a Brazilian Real-denominated bank account to fund exploration expenses with enough funds to support monthly forecasted cash outflows.

(c) Commodity price risk

Commodity price risk, specifically relating to the price of gold, could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated significantly in recent years.

As at December 31, 2020, the Company was not a gold producer. However, gold price risk affects the completion of future equity transactions like equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are *reasonably possible* over a three-month period.

(a) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the years ended December 31, 2020 and 2019.

(b) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable, receivable from WPC, and accounts payable denominated in Brazilian Reais, and cash denominated in U.S. dollars.

A plus or minus 5% change in foreign exchange rate of the Brazilian Real against the Canadian dollar would affect net loss for year ended December 31, 2020 by approximately $111,100 (December 31, 2019—$3,400).

A plus or minus 5% change in foreign exchange rate of the U.S. dollar against the Canadian dollar would affect net loss for the year ended December 31, 2020 by approximately $441,100 (December 31, 2019—$5,200).

6 Categories of financial instruments

	As at December 31	
	2020	2019
	($)	
Financial assets		
Fair value through profit and loss		
Cash and cash equivalents	52,423,488	7,635,296
Amortized cost		
Accounts receivable, excludes HST/GST receivable	11,460	12,881
Receivable from WPC	1,083,706	—
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	1,224,012	1,014,594
Due to related parties	—	224,500
Concession fees payable	780,086	1,365,191

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The fair value hierarchy has the following levels:

- Level 1—valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2—valuation techniques using either direct observable inputs (i.e., prices) or indirect observable inputs (i.e., derived from prices) for the asset or liability, other than the quoted prices in Level 1
- Level 3—valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents, accounts receivable, receivable from WPC and payables approximate their carrying amounts due to their short-term nature. The fair value of the accounts payable and accrued liabilities, and concession fees payable approximates their carrying values due to current market rates and consistency of credit spread.

As at December 31, 2020 and December 31, 2019, cash and cash equivalents were measured at fair value and are classified within Level 1 of the fair value hierarchy.

7 Resource properties and deferred exploration expenditures

	Mara Rosa	Lavras do Sul	December 31, 2020	December 31, 2019
		($)		
Resource properties				
Balance, beginning of year	1,067,278	2,968,088	4,035,366	4,035,366
Additions during the year	74,153	—	74,153	—
Balance, end of year	1,141,431	2,968,088	4,109,519	4,035,366
Deferred evaluation and exploration expenditures				
Balance, beginning of year	13,410,650	13,164,897	26,575,547	22,208,788
Expenditures during the year				
Engineering and consulting	1,896,848	188,573	2,085,421	1,957,876
Drilling and related costs	450,768	347,651	798,419	780,183
Assays and metallurgy	340,797	97,388	438,185	319,156
Aeromagnetic survey	—	—	—	125,249
Exploration	—	144,297	144,297	14,475
Transportation	24,186	12,919	37,105	21,414
Concession taxes	91,836	13,598	105,434	106,020
Travel	23,435	989	24,424	71,781
Depreciation	97,448	408	97,856	91,096
Salaries	425,607	144,384	569,991	615,526
Other evaluation and exploration expenses	173,040	136,796	309,836	263,983
ANM concession fees recoverable from WPC (Note 16)	(1,640,000)	—	(1,640,000)	—
	1,883,965	1,087,003	2,970,968	4,366,759
Balance, end of year	15,294,615	14,251,900	29,546,515	26,575,547
Total	16,436,046	17,219,988	33,656,034	30,610,913

Mara Rosa

The Mara Rosa Property, which includes Amarillo's flagship Posse Gold Project, is located near the town of Mara Rosa in Goiás State in central Brazil, 335 kilometres northwest of the national capital of Brasilia, Brazil.

Mara Rosa consists of exploration tenements covering an area totalling 68,974 hectares, including the 6,940 hectares described below, and the mining concessions (the Posse Gold Project) that cover an area totalling 2,553 hectares.

This property is 100% controlled by Amarillo, although the ground is subject to a:

- 1% Net Smelter Return (NSR) royalty to Franco Nevada Corporation, and
- 1.0% NSR royalty to Royal Gold, Inc. that was increased to 2.75% as of June 29, 2018.

On June 29, 2018 the Company entered into an agreement to sell a 1.75% NSR royalty on the Posse Gold Project (the Royalty Agreement) to RG Royalties, LLC, for US$10,800,000 (CDN$14,221,440).

RG Royalties is a wholly-owned subsidiary of Royal Gold, Inc. (Royal Gold).

The Company's obligations under the royalty will be secured by Posse Gold Project assets; however, the Royalty Agreement contemplates and permits a potential future first ranking project financier.

On January 8, 2020, the Company acquired from an unrelated party nine exploration tenements comprising 6,940 hectares approximately four kilometres north east of the Posse Gold Project. The Company paid US$50,000 upon signing the agreement and paid an additional US$50,000 on January 8, 2021.

In addition, the Company will be required to pay US$500,000 upon the successful conversion of any of these exploration tenements into a mining concession before November 19, 2021. These tenements are also subject to a 1% net smelter royalty payable to the acquiree that can be purchased for US$500,000.

Lavras do Sul Property

Rio Tinto Agreement

The Company acquired an option on the Lavras do Sul property (the Lavras Project) from Rio Tinto Desenvolvimentos Ltda. (Rio Tinto) in October 2006.

The Lavras project area covers 220 square kilometres and is located in the state of Rio Grande do Sul, approximately 320 kilometres by paved road southwest of the state capital Porto Alegre.

Amarillo's requirements under the option terms were to:

- pay US$1,265,000 through various instalments up to January 31, 2008, to acquire an initial 60% interest in the property—payments made
- issue 2,000,000 warrants exercisable at $0.50 to Rio Tinto within 60 days of signing the final agreement—these warrants were issued and expired on January 22, 2010
- spend US$2,550,000 by January 31, 2008 exploring the property—spent.

Having met these terms, Amarillo can form a joint venture with the underlying owners. If the underlying owners elect not to contribute, then Amarillo will earn a 100% interest in the property and have to pay a 1.5% net smelter royalty (NSR) on production. The Company has not entered into a joint venture, but continues to negotiate this agreement with prospective partners. Amarillo may withdraw from this agreement at any time by giving 30 days written notice.

If Amarillo forms a joint venture with the underlying owners as set out in the option agreement, Amarillo must also make the following payments to Rio Tinto:

- US$1,806,000 upon receipt of the Installation License covering the Lavras Project, and
- Pay a 0.5% NSR on production from the Lavras Project.

IAMGOLD Agreement

On May 23, 2008, a Heads of Agreement was signed between IAMGOLD Corporation (IAMGOLD) and Amarillo. This agreement gave Amarillo the right to acquire an 80% interest in eight license areas with a cumulative net area of approximately 7,000 hectares (the Property) that are contiguous to the Lavras Project.

Under the agreement, Amarillo can earn a 51% interest by spending US$800,000 on exploration over three years that includes at least 2,000 metres of drilling. At least US$200,000 must be spent in the first 12-month period. If IAMGOLD does not contribute pro-rata funding after the first earn-in period, then Amarillo may earn a further 29% interest (for a total of 80%) by funding any mineral resource discovered on the Property through to feasibility study.

Once a feasibility study is completed on the Property, IAMGOLD has 60 days to choose one of the following three options:

- Contribute its pro rata share to future funding.
- Dilute its interest to a 2.0% NSR; Amarillo can buy back 1.0% of this NSR for US$1,000,000 any time before production starts.
- If Amarillo has identified a gold mineral reserve that's at least 2.5 million ounces on the Property, IAMGOLD can exercise a one-time back-in right to increase its participating interest to 60% and become the operator by paying three times Amarillo's exploration costs up to the date that IAMGOLD exercised this right.

Amarillo met its commitments in the IAMGOLD agreement as of December 31, 2012, earning a 51% interest in the license areas.

8 Property and equipment

	Property	Deposits on equipment	Software	Furniture equipment and vehicles	Computer hardware	Total
				($)		
Cost						
Balance as at December 31, 2018 .	482,567	—	142,584	178,918	65,918	869,987
Additions for the year	1,329,504	—	29,079	3,674	2,478	1,364,735
Balance as at December 31, 2019 .	1,812,071	—	171,663	182,592	68,396	2,234,722
Additions for the year	2,026,794	714,054	39,608	83,166	34,845	2,898,468
Balance as at December 31, 2020	3,838,865	714,054	211,271	247,781	103,241	3,638,334
Accumulated depreciation						
Balance as at December 31, 2018 .	—	—	35,646	84,883	39,340	159,869
Depreciation for the year	—	—	72,666	12,544	2,972	88,182
Balance as at December 31, 2019 .	—	—	108,312	97,427	42,312	248,051
Depreciation for the year	—	—	72,940	22,413	5,380	100,733
Balance as at December 31, 2020	—	—	181,252	119,840	47,692	348,784
Carrying amounts						
At December 31, 2019	1,812,071	—	63,351	85,165	26,084	1,986,671
At December 31, 2020	3,838,865	714,054	30,019	145,919	55,549	4,784,406

Depreciation for the year ended December 31, 2020 amounting to $97,856 (December 31, 2019: $91,096) has been included as a deferred exploration cost of the Mara Rosa property.

9 Capital stock

(a) Authorized

Unlimited number of common shares.

(b) Issued

	Shares	Amount
		($)
Balance, December 31, 2018	114,455,208	53,594,862
Private placement, net issuance cost (i)	26,382,950	5,204,966
Fair value of warrants issued under private placement (i) . . .	—	(1,554,131
Private placements, net of issuance cost (ii)	50,025,000	9,224,268
Fair value of warrants issued under private placement (ii) . . .	—	(3,738,969
Issued to settle payables (iii)	541,656	108,331
Balance, December 31, 2019	191,404,814	62,839,327
Private placement and prospectus offerings, net of issuance cost (iv)	190,666,000	55,061,041
Balance, December 31, 2020	382,070,814	117,900,368

(i) On June 14, 2019, the Company closed a non-brokered private placement (the Private Placement) through the issuance of 26,382,950 units (Units) at a subscription price of $0.20 per Unit for aggregate gross proceeds to the Company of $5,276,590.

Management and directors of the Company subscribed for Units in an aggregate amount of $1,100,000. Each Unit has one common share (each, a Common Share) and one Common Share purchase warrant (each, a Warrant).

Each Warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.30 for a period of 24 months following the date of issue, subject to customary adjustment provisions. Cost of issue of $71,624 include legal and filing fees.

The 26,382,950 whole warrants were ascribed a total fair value of $1,554,131 at a price of approximately $0.06 per warrant on the date of grant using the Black-Scholes pricing model with assumptions of volatility of 75.5%, risk free interest rate of 1.60%, expected life of two years, forfeiture rate of 0%, and dividend yield of 0%.

(ii) On August 29, 2019, the Company closed Private Placements through the issuance of 50,025,000 Units at a subscription price of $0.20 per Unit for aggregate gross proceeds to the Company of $10,005,000.

Through the brokered portion of the Private Placements, which was underwritten on a bought-deal basis by Mackie Research Capital Corporation as sole underwriter and bookrunner (the Underwriter), the Company issued 47,599,000 Units. Through the non-brokered portion of the Private Placements, the Company issued 2,426,000 Units. Management and directors of the Company subscribed for 1,101,000 Units in an aggregate amount of $220,200.

Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 per warrant share until August 29, 2021.

The 50,025,000 whole warrants were ascribed a total fair value of $3,738,969 at a price of approximately $0.07 per warrant on the date of grant using the Black-Scholes pricing model with assumptions of volatility of 74.3%, risk free interest rate of 1.34%, expected life of two years, forfeiture rate of 0%, and dividend yield of 0%.

The Underwriter received an aggregate cash fee of $471,188 from the brokered portion of the Private Placements (the Commission). In addition, the Company granted the Underwriter 1,355,940 non-transferable options (the Compensation Options). Each Compensation Option will entitle the holder thereof to purchase one Unit (a Compensation Option Unit) at a price of $0.20, for a period of 24 months.

The 1,355,940 Compensation Options were ascribed a total fair value of approximately $0.10 per Unit on the date of grant using the Black-Scholes pricing model with assumptions of volatility of 74.3%, risk free interest rate of 1.34%, expected life of 2 years, forfeiture rate of 0%, and dividend yield of 0%.

The total cost of the issue was $780,732 including cash Commission of $471,188, Compensation Options valued at $139,831, plus legal and filing fees of $169,713.

(iii) On December 24, 2019, the Company issued 541,656 common shares to a non-arm's length party at an agreed price of $0.21 per common share to settle a payable of $113,748. The Company's closing price per share at settlement was $0.20 for a total ascribed share value of $108,331, which resulted in a gain of $5,417 on settlement of this payable.

(iv) On August 13, 2020, the Company closed a combined private placement and short form prospectus offering (the Offerings) through the issuance of 190,666,000 common shares of the Company at a subscription price of $0.30 per common share for aggregate gross proceeds to the Company of $57,199,800. The Company paid total commissions of $1,710,696, plus legal, filing and other related costs of $428,063 for aggregate cost of issue of $2,138,759 and net proceeds of $55,061,041.

Management and directors of the Company subscribed for 1,940,000 common shares for an aggregate amount of $582,000.

Mackie Research Capital Corporation (Mackie) offered the private placement, purchasing 118,967,000 common shares for $35,690,100 on an underwritten basis as sole underwriter and bookrunner. Mackie also led the public offering as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters including Sprott Capital Partners LP (the Underwriters). The Underwriters purchased 71,699,000 common shares for $21,509,700 for the bought deal short form prospectus offering.

As consideration for the services rendered in connection with the Offerings:

- Mackie received a cash commission of up to 4.0% of the gross proceeds from the private placement
- the Underwriters received a cash commission of up to 6.0% of the gross proceeds from the public offering.

(c) Warrants

	Warrants	Weighted average exercise price	Value of warrants
	(#)		*($)*
Balance, December 31, 2018	9,832,636	0.38	1,234,202
Issued under private placement	26,382,950	0.30	1,554,131
Issued under private placements	50,025,000	0.30	3,738,969
Expired	(618,750)	0.32	(127,614)
Balance, December 31, 2019	85,621,836	0.31	6,399,688
Expired	(9,213,886)	0.38	(1,106,588)
Balance, December 31, 2020	76,407,950	0.30	5,293,100

Details of the warrants outstanding are as follows:

Expiry date	Warrants	Weighted average exercise price
	(#)	*($)*
May 31, 2021	25,424,435	0.30
June 14, 2021	958,515	0.30
August 29, 2021	50,025,000	0.30
	76,407,950	0.30

(d) Broker compensation options

As described in Note 9(b)(ii), the Company granted the Underwriter 1,355,940 compensation options which entitle the holder thereof to purchase one compensation option unit (CPU) at a price of $0.20, expiring on August 29, 2021.

Each CPU is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 per warrant share until August 29, 2021.

The grant date fair value of the CPUs granted was estimated at approximately $0.1031 per CPU for a total of $139,831 using the Black-Scholes option pricing model with the following estimates: risk free interest rate—1.24%, expected life—2 years; volatility—74%, and dividend yield—0%.

(e) Stock options

The Company has a stock option plan (the Plan) for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company.

Options are granted for a term not exceeding five years and vest at the discretion of the board when granted to directors, senior officers, employees, and consultants (other than those performing investor relations).

Options granted to consultants performing investor relations activities vest at a minimum over a period of 12 months.

	Options	Weighted average exercise price
	(#)	($)
Balance, December 31, 2018	8,765,000	0.29
Granted	5,000,000	0.25
Expired	(270,000)	(0.35)
Balance, December 31, 2019	13,495,000	0.28
Granted	7,980,000	0.33
Expired	(415,000)	(0.29)
Balance, December 31, 2020	21,060,000	0.29

Details of the stock options outstanding and exercisable are as follows:

Number of options	Exercisable at December 31, 2020	Exercise price	Fair value at date of grant	Remaining contractual life
			($)	(Years)
440,000	440,000	0.25	90,521	0.34
1,000,000	1,000,000	0.28	308,132	0.49
200,000	200,000	0.37	64,671	1.12
500,000	500,000	0.36	156,472	1.44
4,390,000	4,390,000	0.31	1,237,464	2.01
200,000	200,000	0.23	40,000	2.39
50,000	50,000	0.22	10,000	2.44
1,400,000	1,400,000	0.23	318,640	2.71
300,000	300,000	0.21	50,580	3.50
4,200,000	4,200,000	0.25	751,402	3.74
400,000	—	0.25	69,898	3.74
7,930,000	5,282,500	0.33	1,930,162	4.75
50,000	12,500	0.30	10,900	4.90
21,060,000	17,975,000	0.29	5,038,842	3.37

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model using the following estimates:

	Years ended December 31	
	2020	2019
Weighted average fair value per options ($)	0.24	0.17
Weighted average risk-free interest rate (%)	0.35	1.41
Expected life (years)	5.0	5.0
Weighted average expected volatility (%)	100	108
Expected rate of forfeiture	nil	nil
Expected dividend yield	nil	nil

The fair value compensation and contributed surplus relating to stock options vested for the year ended December 31, 2020 was $1,342,867 (2017: $1,004,270).

10 Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2020 was based on the loss attributable to common shareholders of $3,869,834 (December 31, 2019—$4,055,175) divided by the weighted average number of common shares outstanding of 264,858,109 (December 31, 2019—147,102,806).

11 Related party loan

	As at December 31	
	2020	2019
	($)	
Balance, beginning of year	—	—
Advances	—	1,000,000
Interest accrual	—	—
Repayment	—	(1,000,000)
Balance, end of year	—	—

On March 29, 2019, the Executive Chairman of the Company agreed to provide a $1,000,000 facility (the Facility) to be drawn down from time to time. The Facility was unsecured, due and payable on demand and bore interest at 6% per annum.

On August 22, 2019 the total of $1,000,000 drawn under this Facility was repaid and accrued interest of $12,740 was waived.

12 Related party transactions and balances

As at December 31, 2020 and December 31, 2019, the balance due to related parties is comprised of the following:

	As at December 31	
	2020	2019
	($)	
Due to corporations controlled by directors	—	28,750
Due to directors	—	195,750
	—	224,500

These amounts are non-interest bearing, unsecured, and subject to normal trade payment terms.

During the years ended December 31, 2020 and 2019, the Company incurred charges with directors, officers, and companies with a common director as follows:

	Years ended December 31	
	2020	2019
	($)	
Salaries paid to officers	500,000	500,000
Directors' fees	210,000	172,500
Exploration costs and consulting fees charged by directors' corporations	37,950	113,748
	747,950	786,248

During the year ended December 31, 2020, the Company granted to directors and officers 6,600,000 (2019: 4,050,000) options at a weighted average exercise price of $0.33 (2019: $0.25) expiring up to October 1, 2025 (2019: September 25, 2024).

These transactions were in the normal course of business and are measured at amounts representing normal commercial terms.

13 General and administrative expenses

General and administrative expenses consist of the following:

	Notes	Years ended December 31 2020	2019
		($)	
Consulting fees		371,223	323,434
Professional fees		713,288	856,267
Salaries and benefits	12	667,522	698,986
Directors' fees	12	207,656	172,500
Marketing and promotion		107,417	314,507
Filing and transfer agent fees		135,904	78,509
Travel		9,688	41,304
Other general and administrative		194,610	260,285
		2,407,308	2,745,792

14 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% for the year ended December 31, 2020 (2019: 26.5%) to the effective tax rate is as follows:

	Years ended December 31 2020	2019
	($)	
Net loss before income tax expense (recovery)	(3,869,834)	(4,055,175)
Expected income tax recovery	(1,025,510)	(1,074,620)
Difference in foreign tax rates	(14,710)	(90,180)
Share issuance costs charged to equity	(566,770)	(230,140)
Permanent differences	356,110	267,550
Resource properties not deductible for tax	62,890	475,610
Change in tax benefits not recognized	1,187,990	651,780
Income tax expense (recovery)	—	—

The following table summarizes the components of deferred tax:

	As at December 31 2020	2019
	($)	
Deferred tax assets		
Non-capital losses carried forward	2,145,520	2,239,990
Deferred tax liabilities		
Mineral properties	—	(15,660)
Note payable/receivable	(2,145,520)	(2,224,330)
	(2,145,520)	(2,239,990)
Net deferred tax liability	—	—

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax value and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31	
	2020	2019
	($)	
Non-capital losses—Canada	9,775,860	7,319,180
Non-capital losses—Brazil	1,266,990	769,660
Share issue costs and financing fees	2,373,020	794,950
Mineral properties	14,960	—
	13,430,830	8,883,790

The Company's Canadian total non-capital income tax losses of $17,857,230 expire as noted in the table below. These include losses of $8,081,370 that are recognized as deferred tax assets, and $9,775,860, which are not. Share issue and financing costs will be fully amortized in 2024. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian total non-capital income tax losses expire as follows:

	$
2026	382,000
2027	1,029,630
2028	129,220
2029	652,160
2030	774,720
2031	1,641,060
2032	1,198,160
2033	637,550
2034	419,480
2035	672,050
2036	1,967,250
2037	2,265,380
2038	1,124,840
2039	2,073,160
2040	2,890,570
	17,857,230

15 Segmented information

The Company operates in one reportable operating segment—mineral exploration. The Company's resource properties are located in Brazil and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues.

Total assets by geographic region are as follows:

	Canada	Brazil ($)	Total
December 31, 2020			
Current assets	48,585,379	4,608,362	53,193,741
Receivable from Western Potash—long-term portion	573,268	—	573,268
Resource properties and deferred exploration expenditures	—	33,656,034	33,656,034
Property and equipment	—	4,784,406	4,784,406
	49,158,647	43,048,802	92,207,449
December 31, 2019			
Current assets	6,834,606	841,372	7,675,978
Resource properties and deferred exploration expenditures	—	30,610,913	30,610,913
Property and equipment	—	1,986,671	1,986,671
	6,834,606	33,438,956	40,273,562

16 Concession fees payable and receivable from WPC

The Company entered into a services agreement (the Services Agreement) dated April 28, 2008 with Western Potash Corporation (WPC), a British Columbia Company. This replaced a letter agreement pursuant to which the Company staked exploration permits (the Exploration Permits) in Brazil's Amazon Basin for WPC. Once the Company's Brazilian subsidiary received the exploration permits from the Brazilian Departamento Nacional de Producao Mineral (DNPM and now renamed ANM), it was to transfer them to a Brazilian subsidiary of WPC.

Under the Services Agreement, WPC was responsible for all direct and indirect costs incurred by the Company in connection with the staking of the Exploration Permits. The Services Agreement provided that the Company would not be liable for any losses, claims, expenses or other liabilities relating to the Services Agreement.

The Company, through its Brazilian subsidiary AMB, performed the following services for WPC: staked mineral claims in the Amazon Basin, formed a subsidiary of WPC called Potassio Occidental Mineracao Ltda (POML) in Brazil, set up bank accounts, provided an office, and did other things necessary for POML to commence business in Brazil.

On September 12, 2011, AMB received the Exploration Permits that it had staked for WPC. The Company submitted applications to assign the Exploration Permits to POML. The Exploration Permits, which had a three-year life, obligated the owner of the Permits to pay the Taxa Annual pro Hectare (TAH) on January 31, 2012, 2013, and 2014.

The Exploration Permits should, according to Brazilian law, have been transferred to POML within 60 days. However, the applications were not processed in a timely way as Brazil instituted a moratorium on all transfers of Exploration Permits pending the approval of a new Mining Code.

As a consequence, the transfer of the Exploration Permits was not processed. AMB remained the registered owner of the Exploration Permits and liable for the TAH thereon.

In recognition of its obligation under the Services Agreement to pay the TAH, on January 31, 2012, WPC paid the TAH due on the Exploration Permits.

On April 19, 2013, WPC sold its shares of POML to Pacific Potash Corporation (PPC). On October 7, 2013, PPC reached a settlement with ANM for a total gross amount of TAH payments, penalties, and interest of BRL4,660,707. ANM agreed to allow PPC to make the outstanding TAH payments, related penalties and interest owed over a five-year payment period. However, PPC made only one monthly payment and then went into default and has not made any further payments.

As the Exploration Permits had not been transferred to POML due to the moratorium, AMB continued to be liable to the ANM for the TAH due on January 31, 2013, and 2014 as well as penalties for non-payment and interest on the amount due. Neither WPC nor POML paid the TAH due on January 31, 2013 or 2014.

Although WPC did not pay the TAH, penalties for non-payment and interest on the amount due, WPC continued to acknowledge to the Company its liability for these obligations.

In 2015, AMB appealed its liability for the TAH. The Company believed that, if its appeal was not successful, WPC would make good on its obligation to the Company to pay the accumulated TAH, penalties, and interest. It also expected its appeal would be successful as the Exploration Permits should have been transferred to POML according to Brazilian law.

In January 2017, ANM advised AMB that its appeal had not been allowed. ANM brought proceedings against AMB for the unpaid TAH on the Exploration Permits for 2013 and 2014 in the amount of BRL4,790,407. The ANM has also levied penalties in the amount of BRL600,769. The combined total of the unpaid TAH and penalties was BRL5,391,176 as at August 4, 2017.

In order to avoid enforcement proceedings by the ANM and to satisfy one of the conditions underlying the sale of a royalty to Royal Gold as described in Note 7, AMB entered into an agreement with the ANM to pay an estimated monthly amount of BRL93,778 or a total of BRL5,626,642 plus monthly accrued interest over a five year period commencing on June 29, 2018.

Prior to entering into the plan, the Company advised WPC of the plan, and that it was done under protest and without any waiver of its claims against WPC. The Company recorded the initial liability of BRL5,626,642 (CAD$1,982,266) and along with a foreign exchange adjustment of BRL171,687 (CAD$60,415) a total of BRL5,798,785 (CAD$2,042,681) was capitalized at the Mara Rosa properties.

The following table provides the continuity of this payable in Canadian dollars:

	As at December 31	
	2020	2019
	($)	
Balance, beginning of year	1,365,191	1,802,910
Accrued interest	21,231	71,158
Repayment	(295,314)	(379,175)
Foreign exchange adjustment	(311,022)	(129,702)
Balance, end of year	780,086	1,365,191
Less: current portion	275,818	363,594
Long-term portion	504,268	1,001,597

The following table shows the continuity of this payable in Brazilian Reais (BRL):

	As at December 31	
	2020	2019
	(BRL)	
Balance, beginning of year	4,225,288	5,128,732
Accrued interest	82,767	221,884
Repayment	(1,125,328)	(1,125,328)
Balance, end of year	3,182,727	4,225,288
Less: current portion	1,125,328	1,125,328
Long-term portion	2,057,399	3,099,960

Total future principal payments under this installment arrangement for the remaining four years are as follows:

	$	BRL
2021	271,767	1,125,328
2022	271,767	1,125,328
2023	113,236	468,887

On October 19, 2018 the Company filed a Domestic Commercial Arbitration Notice and a Statement of Claim with the British Columbia International Commercial Arbitration Centre regarding its claim against WPC for the TAH, penalties, and interest.

On December 21, 2018, WPC filed a petition (the Petition) seeking an order that certain communications that were sent or received by a former director of the Company and of WPC, were subject to solicitor-client privilege in favour of WPC, had to be returned to WPC, and could not be used in the Arbitration. The Arbitration was paused pending the determination of the Petition.

On January 8, 2020, the Supreme Court of British Columbia rendered judgment in favour of the Company with respect to the Petition filed by WPC and two related applications. The court awarded ordinary costs of the proceedings up to May 10, 2019, and special costs after that date (together the Award) to the Company.

On April 15, 2020, the Company and WPC agreed to settle this dispute (the Agreement). Under the Agreement, WPC will pay Amarillo $426,000 for a portion of payments made by the Company from June 2018 until February 2020. This amount will be repaid in 24 monthly instalments of $17,000 starting on April 28, 2020 and ending March 28, 2022. A final instalment of $18,000 will be paid on April 28, 2022.

WPC has the right to pay any balance owing in a lump sum at any time.

WPC has also assumed full responsibility for the outstanding taxes payable to ANM. This amount was BRL4,540,748 (CDN$1,383,742) at February 29, 2020.

WPC will pay Amarillo $33,000 every month, starting with March 2020. The March payment was made on April 21, 2020. Every payment thereafter will be made on the 28th day of every month, up to and including May 28, 2023, as AMB continues to pay the outstanding taxes to ANM. The monthly payments are subject to quarterly adjustments to account for the fluctuations in the exchange rate between the Canadian dollar and Brazilian real. These adjustments began on July 15, 2020.

WPC also agreed to pay the costs awarded by the Court within 14 days of agreeing to the amount. On April 29, 2020, it was agreed that WPC would pay $187,000 to satisfy the Award. This amount was recorded as a recovery of legal expenses in the Company's statement of loss and comprehensive loss for the year ended June 30, 2020.

As security for its obligation to pay the settlement amounts described above (the Settlement Amounts), both Amarillo and WPC have jointly instructed the Arbitrator to make a consent award pursuant to Rule 37 of the Arbitral Rules that records WPC's obligations of WPC under the terms of the Agreement (the Consent Award). This Consent Award terminated the Arbitration without costs to any party.

If WPC defaults on any payment of the Settlement Amounts, and does not remedy this default within 15 days of the payment due date, then the entire amount remaining to be paid by WPC shall become immediately due and payable. Amarillo will be at liberty to file and/or register the Consent Award in the Supreme Court of British Columbia, or in any other court of competent jurisdiction, and be entitled to proceed against WPC to collect the outstanding amount.

The Settlement Amounts were recorded as a reduction in the carrying value of the Mara Rosa properties. The Settlement Amounts total $1,640,000 and include:

- $426,000 in payments previously made by the Company
- $1,214,000 (BRL4,061,559) liability to ANM at the end of February 2020.

The following table shows the continuity of the receivable from WPC:

	As at December 31	
	2020	**2019**
	($)	
Settlement for previous payments		
Balance, beginning of year	—	—
Settlement amount	426,000	—
Amount received	(136,000)	—
Balance, end of year	290,000	—
Less: current portion	221,000	—
Long-term portion	69,000	—
Receivable for ANM concession fees payable		
Balance, beginning of year	—	—
ANM fees payable at end of February 2020 (BRL4,061,559)	1,214,000	—
Amount received	(254,457)	—
Foreign exchange adjustment	(165,837)	—
Balance, end of year	793,706	—
Less: current portion	289,438	—
Long-term portion	504,268	—
Total receivable from WPC		
Total current portion	510,438	—
Total long-term portion	573,268	—
Total	1,083,706	—

17 Commitments and contingency

The Company has entered into agreements with certain landowners for surface rights at the Mara Rosa property. In addition, the Company has signed contracts for engineering and certain long lead time equipment in anticipation of construction of the mine at Mara Rosa. As at December 31, 2020, the aggregate commitment for these items amounted to $7.3 million (BRL29.9 million).

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated.

18 Authorization

These consolidated financial statements for the year ended December 31, 2020 and 2019 were reviewed and adopted by the Company's Audit Committee and Board of Directors on February 25, 2021, and subsequently certified by the Company's Chief Executive Officer and Chief Financial Officer.

ANNEX 2

COMPETENT PERSONS' REPORT

Hochschild Mining PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Hochschild Mining PLC (the "**Company**") will be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 2 p.m. on Tuesday 22 March 2022 to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. All references to times in this Notice of Extraordinary General Meeting are to London time.

Capitalised terms used in this Notice of Extraordinary General Meeting shall have the same meaning as is given to them in the Circular of which this notice forms part.

Ordinary resolution

THAT the Acquisition, the Transaction Agreements and all other agreements and ancillary arrangements contemplated by the Transaction Agreements be and are hereby approved and the Directors (or a committee of the Directors) be and are hereby authorised to agree such modifications, variations, revisions, waivers, extensions, additions or amendments (not being modifications, variations, revisions, waivers, extensions, additions or amendments of a material nature) as the Directors (or any committee of the Directors) consider necessary, expedient or desirable in connection with, or to implement, the Acquisition and/or the Transaction Agreements and to do (or procure to be done) all such things as they may consider to be necessary, expedient or desirable to implement and give effect to, or otherwise in connection with, the Acquisition and any matters incidental to the Acquisition.

By order of the Board,
Raj Bhasin
Company Secretary

4 March 2022

Registered office:

17 Cavendish Square
London, W1G 0PH
United Kingdom

Registered in England and Wales No. 05777693

Notes

1. A member is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf at the Hochschild General Meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Hochschild General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated Persons should contact the registered member by whom they were nominated in respect of such arrangements.
3. A member can appoint a proxy (a "**Proxy Vote**"):
   (a) by logging on to www.signalshares.com and following the instructions;
   (b) by requesting a hard copy form of proxy from the Company's Registrars, Link Group, by:
      (i) sending a letter addressed to Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom; or

(ii) contacting Link Group on +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the helpline operators cannot provide advice on the merits of the Acquisition or give any financial, legal or tax advice),

and completing, signing and returning such hard copy form of proxy in accordance with the instructions set out thereon; or

(c) in the case of CREST Members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 6 below.

In order for a proxy appointment to be valid, a form of proxy must be completed in accordance with one of the methods above. In each case, the form of proxy and any power of attorney or other authority under which it is signed (or a duly certified copy of any such authority) must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom by 2 p.m. on Friday 18 March 2022 or, if the Hochschild General Meeting is adjourned, not less than 48 hours (excluding non-business days) before the time of the holding of such adjourned Hochschild General Meeting.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2 p.m on Friday 18 March 2022 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

4. Completion and return of a Proxy Vote does not prevent a member from subsequently attending the Hochschild General Meeting and voting in person.

5. Pursuant to Regulation 41(1) of the CREST Regulations, the Company specifies that only those members registered on the register of members of the Company at 2 p.m. on Friday 18 March 2022 or, in the event of an adjournment, at 2 p.m. on the date which is 48 hours (excluding non-business days) before the day of the adjourned meeting, shall be entitled to attend and vote at the Hochschild General Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to the register of members after 2 p.m. on Friday 18 March 2022 shall be disregarded in determining the rights of any person to attend or vote at the Hochschild General Meeting.

6. CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Hochschild General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Members who are CREST personal members or other CREST sponsored members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for those instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message must, in order to be valid (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to him or her by other means. CREST Members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service

provider(s) take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

8. Members wishing to appoint more than one proxy can request additional forms of proxy by contacting Link Group on +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales). The helpline operators cannot provide advice on the merits of the Acquisition or give any financial, legal or tax advice.

9. To change a proxy instruction, a member needs to submit a new Proxy Vote using the methods set out in the notes above. Note that the deadline for receipt of Proxy Votes (2 p.m. on Friday 18 March 2022) also applies in relation to amended instructions and any amended proxy appointment received after the relevant deadline will be disregarded. Where a member has appointed a proxy using a hard copy form of proxy and would like to change the instructions using another such form, that member should contact the Company's Registrars, Link Group, on +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales). If more than one valid proxy appointment is submitted, the appointment received last before the deadline for the receipt of proxies will take precedence.

10. In the event that a member is a joint holder and the joint holder purports to appoint a proxy, only the appointment submitted by the member whose name appears first on the register of members will be accepted.

11. The total number of Ordinary Shares in issue as at the Latest Practicable Date was 513,875,563 Ordinary Shares carrying one vote each. There were no shares held in treasury. The total number of voting rights in the Company as at this date was, therefore, 513,875,563.

12. Any member attending the Hochschild General Meeting has the right to ask questions. It would be helpful if members could state their name before asking a question. The Company must cause to be answered any question relating to the business to be dealt with at the Hochschild General Meeting put by a member attending the Hochschild General Meeting. However, members should note that no answer need be given in the following circumstances: (i) if to do so would interfere unduly with the preparation of the Hochschild General Meeting or would involve a disclosure of confidential information; (ii) if the answer has already been given on a website in the form of an answer to a question; and/or (iii) if it is undesirable, in the interests of the Company or the good order of the Hochschild General Meeting, that the question be answered.

13. Members may not use any electronic address provided in this notice (or in the accompanying circular of which this Notice of Extraordinary General Meeting forms part or any related documents, including the Chairman's Letter in Part I (*Letter from the Chairman of Hochschild Mining PLC*) of this Circular) to communicate with the Company for any purposes other than those expressly stated.

14. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at: www.hochschildmining.com.

15. The Resolution will be voted on by poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. The results of the poll will be published on the Company's website and notified to the FCA once the votes have been counted and verified.

16. The Hochschild General Meeting will be held at the offices of Linklaters LLP, One Silk Street, London, EC2Y 8HQ, United Kingdom at 2 p.m. on Tuesday 22 March 2022.

17. COVID-19: The Company has taken a number of precautionary measures to help prevent the spread of COVID-19 at the Hochschild General Meeting. As an alternative to attending the meeting in person, members are encouraged to complete and return a hard copy form of proxy to the Company's Registrars, or to submit their proxies online.

18. Shareholders who wish to attend the Hochschild General Meeting in person must register their intention to attend by contacting info@hocplc.com as soon as possible, and, in any event, by no later than 2 p.m. on Friday 18 March 2022 so that appropriate arrangements may be made.

19. Information relating to any changes to the Hochschild General Meeting as a result of COVID-19, including any changes made in response to government advice on travel and social distancing, will be communicated to Shareholders before the Hochschild General Meeting through the Company's website at www.hochschildmining.com/en/investors/shareholder_information/agm__egm_information.

20. Further, for the safety of others, the Company is following the COVID-19 secure guidance to help reduce the risk of COVID-19 transmission. A member or proxy will only be permitted to attend the Hochschild General Meeting in person if he or she: (i) is not experiencing any of the symptoms connected with COVID-19 and has not recently tested positive and continues to have COVID-19; (ii) has not been advised to self-quarantine in line with government guidance; and (iii) can provide evidence of a negative result of a lateral flow test (or nucleic acid test, LAMP test or other antigen test) taken no more than 48 hours prior to the Hochschild General Meeting (or, in the case of any adjournment of the Hochschild General Meeting, no more than 48 hours before the time fixed for the holding of the adjourned meeting). A member or proxy should also bring official photo ID (such as a driving licence, national identity card or passport) to attend the Hochschild General Meeting in person as he or she will be asked to show it to the reception team on arrival. All attendees are also requested to wear a face covering when attending the Hochschild General Meeting.

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Toppan Merrill, London
22-4767-1