

Amarillo Gold files Management Information Circular for Meeting to approve acquisition by Hochschild Mining

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[Amarillo Gold Corporation](#) ("Amarillo" or the "Company") (TSXV: AGC, OTCQB: AGCBF) has mailed and filed a management information circular (the "Circular") and related materials (the "Meeting Materials") for its special meeting (the "Meeting") of shareholders (collectively, "Shareholders") to be held at 11:00 a.m. (Eastern time) on March 1, 2022, in connection with the proposed acquisition (the "Transaction") of Amarillo by [Hochschild Mining plc](#) ("Hochschild").

About the Meeting

Due to the ongoing public health concerns related to the COVID-19 pandemic, and to ensure the health and well-being of our Shareholders, employees, communities, and other stakeholders, the Meeting will be conducted virtually via live webcast online at <https://meetnow.global/MJ6JNWH>.

Registered Shareholders and *duly appointed proxyholders* will be able to vote in real time and ask questions at the Meeting by following the instructions set out in the Circular.

Beneficial Shareholders who have not duly appointed themselves as proxyholders may attend the Meeting as guests. Guests may listen but cannot vote at the Meeting or ask questions.

Shareholders should closely review the Meeting Materials to ensure that they are able to cast their vote at and participate in the Meeting.

The Meeting Materials contain important information regarding the Transaction, how Shareholders can participate and vote at the Meeting, the background that led to the Transaction and the reasons for the unanimous determinations of the special committee of independent directors of the Company (the "Special Committee") as well as the board of directors of the Company (the "Board") that the Transaction is in the best interests of the Company and is fair to Shareholders.

Shareholders should carefully review all the Meeting Materials as they contain important information concerning the Transaction and the rights and entitlements of Shareholders thereunder. The Meeting Materials have been filed by the Company on SEDAR and are available under the Company's profile at www.sedar.com.

Receipt of Interim Court Order

On January 27, 2022, Amarillo obtained an interim order (the "Interim Order") from the Supreme Court of British Columbia (the "Court") authorizing the holding of the Meeting and matters relating to the conduct of the Meeting. At the Meeting, Shareholders will be asked to consider and, if deemed advisable, pass a special resolution (the "Arrangement Resolution") to approve an arrangement (the "Arrangement"), in accordance with the terms of an arrangement agreement (the "Arrangement Agreement") entered into by the Company and Hochschild on November 29, 2021, pursuant to which Hochschild, through its subsidiary 1334940 B.C. Ltd. (the "Purchaser"), agreed to acquire all of the issued and outstanding Amarillo common shares ("Amarillo Shares") that it does not already own by way of a statutory plan of arrangement (the "Plan of Arrangement") under section 288 of the *Business Corporations Act* (British Columbia). Shareholders will also be asked to approve an omnibus equity incentive plan (the "Omnibus Plan") for [Lavras](#) SpinCo (defined below).

Transaction details

Under the terms of the Transaction, each share of Amarillo will be exchanged for cash consideration of C\$0.40 and one share of a new Brazil-focused exploration company, Lavras Gold Corp. ("Lavras SpinCo"), based in Toronto, Ontario. Lavras SpinCo will be capitalized with C\$10 million cash and will hold all assets

and rights with respect the Lavras do Sul gold project (the "Lavras Project") located in southern Brazil in the state of Rio Grande do Sul, and a 2.0% net smelter revenue royalty on certain exploration properties outside the current Posse resource at the Mara Rosa Project (the "SpinCo Royalty").

The Arrangement Agreement contemplates a reciprocal expense reimbursement/non-completion fee of C\$2.5 million payable if the required shareholder approval is not obtained or on the occurrence of certain other circumstances. In addition, the Arrangement Agreement provides for a termination fee of C\$5 million payable by Amarillo to Hochschild if the Arrangement is not completed or is terminated by Amarillo or Hochschild in certain circumstances, including if Amarillo enters into an agreement with respect to a superior proposal or if the Board, in certain circumstances, withdraws or modifies its recommendation with respect to the Arrangement. The Arrangement Agreement also provides for customary non-solicitation covenants, subject to customary "fiduciary out" provisions entitling Amarillo to consider and accept a superior proposal and a right in favor of Hochschild to match any superior proposal.

A copy of the Arrangement Agreement has been filed by Amarillo on SEDAR and is reviewable under Amarillo's profile at www.sedar.com.

Reasons for the Arrangement

In evaluating and unanimously approving the Arrangement, the Board consulted its legal and financial advisors and the Special Committee. The Special Committee and the Board carefully considered a number of factors and reasons, including, among others, the following:

- **Significant Premium to Unaffected Market Price.** The consideration offered to Shareholders under the Arrangement represents a premium of approximately 74% to the closing price of the Amarillo Shares of \$0.23 on the TSXV on November 29, 2021, the last trading day prior to the announcement of the Arrangement, and a premium of approximately 66% to the volume weighted average price of the Amarillo Shares on the TSXV over the 20-trading day period ended November 29, 2021, of \$0.24. The Special Committee was of the view that the opportunity for Shareholders to realize this premium outweighed Amarillo maintaining the status quo.
- **Continued Exposure to Other Amarillo Assets.** Shareholders, through their ownership of Lavras SpinCo shares, will have continued exposure to the other Amarillo assets being transferred to Lavras SpinCo, including the Butiá Prospect, which forms part of the Lavras do Sul Project, and the SpinCo Royalty.
- **Significant Shareholder Support.** All the directors and senior officers of Amarillo and the two largest shareholders of Amarillo, Baccarat Trade Investments Limited and 2176423 Ontario Ltd., have entered into support agreements with Hochschild, in each case, pursuant to which they have, subject to the terms and conditions of such agreements, agreed, among other things, to vote all their Amarillo Shares in favour of the Arrangement Resolution. In the aggregate, the parties to these agreements collectively own or control approximately 44% of the issued and outstanding Amarillo Shares, on a non-diluted basis, as of the record date for the Meeting.
- **Fairness Opinion.** Research Capital Corporation was engaged by Amarillo as financial advisor to Amarillo and the Special Committee and provided its opinion to the Board and the Special Committee to the effect that, as of November 29, 2021, and subject to the assumptions, limitations and qualifications set out in the fairness opinion, the consideration to be received by Shareholders under the Arrangement is fair, from a financial point of view, to Shareholders other than Hochschild.
- **No Financing or Due Diligence Condition.** The consideration to be paid pursuant to the Arrangement will be in cash and shares of Lavras SpinCo and is not subject to financing or due diligence conditions.
- **Credibility of Hochschild.** Hochschild's commitment, creditworthiness, and anticipated ability to complete the Arrangement.
- **Guarantee by Hochschild.** The Purchaser's obligations under the Arrangement Agreement are unconditionally guaranteed by Hochschild.
- **Alternatives to the Arrangement.** The Board assessed the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance, and condition of Amarillo should it continue as a standalone entity, including the challenges faced by Amarillo in sourcing the capital required for its business and development objectives on reasonable commercial terms, the lack of potential sources of such capital, and the costs and expected significant dilution to Shareholders that would likely result from obtaining such capital. The Board and the Special Committee assessed the alternatives reasonably available to Amarillo and determined that the Arrangement represents the best current prospect for maximizing value for Shareholders.

Board recommendation

The Board unanimously recommends that the Shareholders vote FOR the Arrangement Resolution and FOR

the approval of the Omnibus Plan.

Pursuant to the Interim Order, the record date for the Meeting is January 19, 2022, for determining Shareholders who are entitled to receive notice of and to vote at the Meeting. Only registered Shareholders as of January 19, 2022, are entitled to receive the notice of the Meeting and to attend and vote at the Meeting. In order to become effective, the Arrangement must be approved by at least 66⅔% of the votes cast by Shareholders present or represented by proxy at the Meeting.

Subject to obtaining approval of the Transaction at the Meeting, and the satisfaction of the other customary conditions to completion of the Transaction contained in the Arrangement Agreement, including final approval of the Court and certain regulatory approvals, all as more particular described in the Meeting Materials, the Transaction is expected to close around the end of March 2022.

The TSX Venture Exchange has confirmed acceptance of the notice of the Transaction by Amarillo.

Advisors and counsel

Research Capital Corporation acted as advisor to the Special Committee and Amarillo engaged Osler, Hoskin & Harcourt LLP and Irwin Lowy LLP as its legal counsel in connection with the Transaction.

Hochschild has engaged RBC Capital Markets as its financial advisor, sole sponsor and corporate broker, Stikeman Elliott LLP as its Canadian legal counsel, Pinheiro Neto Advogados as its Brazilian legal counsel, and Linklaters LLP as its UK legal counsel in connection with the Transaction.

ABOUT AMARILLO

Amarillo is advancing two gold projects located near excellent infrastructure in mining-friendly states in Brazil. The development stage Posse Gold Project is on the Company's Mara Rosa Property in Goiás State. It has a positive definitive feasibility study that shows it can be built into a profitable operation with low costs and a strong financial return. Mara Rosa also shows the potential for discovering additional near-surface deposits that will extend Posse's mine life beyond its initial 10 years. The exploration stage Lavras do Sul Project in Rio Grande do Sul State has more than 23 prospects centered on historic gold workings.

Amarillo trades on the TSXV under the symbol AGC and the OTCQB under the symbol AGCBF. Visit www.amarillogold.com to learn more about the Company's focus on becoming a mid-tier Brazilian gold producer.

Follow us on LinkedIn, Twitter, and YouTube.

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FORWARD-LOOKING STATEMENTS AND CAUTIONARY LANGUAGE

Certain information provided in this news release constitutes forward-looking statements.

Specifically, this news release contains forward-looking statements relating to: (i) the anticipated timing of the Amarillo shareholder meeting to approve the Arrangement, (ii) the anticipated timing of the closing of the Arrangement, the exploration and development prospects of Lavras SpinCo, and (iv) planned exploration and development activities of Lavras SpinCo.

The forward-looking statements are based on certain key expectations and assumptions. With respect to the anticipated timing of the Amarillo shareholder meeting, these include expectations and assumptions concerning the time required to convene the meeting and complete and mail the related information circular. With respect to the anticipated timing of the closing of the Arrangement, these include expectations and assumptions with respect to the timely receipt of all required court, shareholder and regulatory approvals and the satisfaction of all other conditions to the closing of the Arrangement. With respect to the remaining forward-looking statements, these include expectations and assumptions concerning the availability of capital, the success of future drilling and development activities, Lavras SpinCo's contractual rights, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations.

Although Amarillo believes that the expectations and assumptions on which the forward-looking statements are based are reasonable at the time of preparation, undue reliance should not be placed on the forward-looking statements as Amarillo can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. With respect to the timing of the completion of the Arrangement, these include risks that the required court, shareholder and regulatory approvals are not obtained on a timely basis, on terms acceptable to the parties or at all and risks that other conditions to the completion of the Arrangement are not satisfied. There is no guarantee that the Arrangement will close at the anticipated time or at all. With respect to the exploration and development prospects of Lavras SpinCo, the planned exploration and development activities of Lavras SpinCo and such factors and risks include, but are not limited to: general economic, market and business conditions; fluctuations in commodity prices; the test results and performance of exploration and development drilling, fluctuation in foreign currency exchange rates; the uncertainty of historic resource estimates and estimates of the value of undeveloped land; changes in environmental and other regulations; risks associated with mineral operations; and other factors, many of which are beyond the control of Amarillo. These and other risks are described further in Amarillo's most recently filed management discussion and analysis and its annual information form for the year ended December 31, 2019, which have been filed on SEDAR and may be reviewed under Amarillo's profile at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof. Except as may be required by applicable securities laws, Amarillo assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise.

This news release shall not constitute an offer to sell or a solicitation of an offer to buy any securities and shall not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities to be distributed pursuant to the Arrangement have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The securities to be distributed pursuant to the Arrangement will be offered and sold in the United States pursuant to the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act and similar exemptions under applicable state securities laws.

PDF available:

<http://ml.globenewswire.com/Resource/Download/c1208aca-b72b-45a4-923c-69fc77d30198>

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