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Amerigo Reports Q3-2019 Financial Results

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Amerigo Reports Q3-2019 Financial Results

• Net loss of $2.1 million

• Cash of $3.0 million generated from operations

• Refinanced debt reduces liquidity risk in low copper price environment

VANCOUVER, BRITISH COLUMBIA – November 6, 2019/Amerigo Resources Ltd. (TSX: ARG) (“Amerigo” or the “Company”) announced financial results for Q3- 2019.

Amerigo’s financial results in Q3-2019 were affected by low copper prices at Minera Valle Central ("MVC"), the Company’s 100% owned operation located near Rancagua, Chile.

Rob Henderson, Amerigo’s President and CEO, stated “We are pleased to report continued support from our stakeholders. The union at MVC has signed a three-year labour contract, our lenders have restructured MVC’s debt and El Teniente is delivering smelter slag to MVC for toll processing. Low copper prices remain the single largest negative factor affecting financial performance.”

Amounts in this news release are reported in U.S. dollars except where indicated otherwise.

Amerigo reported a financial loss of $2.1 million in Q3-2019

• Net loss was $2.1 million (Q3-2018: net income of $1.4 million), due to lower copper prices and a $1.6 million loss on modification of debt (a non-cash item).

• Loss per share was $0.01 (Q3-2018: earnings per share of $0.01).

• The Company generated cash flow of $3.0 million from operations, before changes in non-cash working capital (Q3-2018: $6.2 million). Net cash from operating activities in Q3-2019 was $1.3 million (Q3-2018: $8.1 million).

MVC’s Q3-2019 production increased to 19.1 million pounds of copper including slag processing

• Q3-2019 production was 19.1 million pounds of copper (Q3-2018: 17.6 million pounds), due in part as a result of MVC starting in mid-August 2019 to process high-grade slag material from Codelco’s Division El Teniente (“DET”) smelter stockpile at its plant. Slag processing is currently estimated to continue into February 2020.

• Copper production is comprised of 11.1 million pounds from Cauquenes (Q3-2018: 11.9

million pounds), 5.0 million pounds from fresh tailings (Q3-2018: 5.7 million pounds) and 3.0 million pounds from slag processing (Q3-2018: nil).

- Molybdenum production during the quarter was 0.5 million pounds (Q3-2018: 0.6 million pounds).

- Cash cost (a non-GAAP measure equal to the aggregate of smelting and refining charges, tolling/production costs net of inventory adjustments and administration costs, net of by-product credits) increased to $1.56/lb (Q3-2018: $1.38/lb).

- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET notional copper royalties and DET molybdenum royalties of $0.60/lb and depreciation of $0.27/lb) increased to $2.43/lb (Q3-2018: $2.17/lb), due to higher cash cost and depreciation, mitigated by lower DET notional royalties from lower metal prices.

Production at MVC improved following completion of the new Cauquenes extraction sump

- MVC completed the construction of a new, deeper Cauquenes extraction sump which became operational on July 6, 2019. The sump has a depth of 48 meters and has enabled MVC to regain access to coarser material with better grades and better recoveries. Further plant optimization is still in progress to improve recoveries.

- MVC expects its 2019 annual production to be 70 – 75 million pounds of copper and 1.5 million pounds of molybdenum at a cash cost of $1.60 to $1.75/lb.

- In 2019, MVC continues to expect to incur $5.8 million in sustaining Capex, in addition to $3.1 million in Capex payments arising from the Phase Two expansion.

MVC's average copper price in Q3-2019 was $2.62/lb

- MVC's copper price was $2.62 per pound ("/lb") (Q3-2018: $2.74/lb) and MVC's molybdenum price was $11.77/lb, the same as in Q3-2018.

- Revenue was $33.9 million (Q3-2018: $32.4 million), including copper tolling revenue of $28.1 million (Q3-2018: $27.2 million), molybdenum revenue of $4.4 million (Q3-2018: $5.2 million) and slag processing revenue of $1.4 million (Q3-2018: $nil).

- Copper tolling revenue is calculated from MVC's gross value of copper produced of $43.6 million (Q3-2018: $48.9 million) and negative fair value adjustments to settlement receivables of $0.9 million (Q3-2018: negative adjustments of $6.1 million), less notional items including DET royalties of $8.8 million (Q3-2018: $9.2 million), smelting and refining of $5.4 million (Q3-2018: $5.8 million) and transportation of $0.5 million (Q3-2018: $0.6 million).

- MVC's financial performance is very sensitive to changes in copper prices. MVC's Q3-2019 provisional copper price was $2.62/lb, and final prices will be the average London Metal Exchange ("LME") prices for October, November and December 2019. A 10% increase or decrease from the $2.62/lb provisional price used at September 30, 2019 would result in a $4.3 million change in revenue in Q4-2019 in respect of Q3-2019 production.

- Amerigo remains fully leveraged to the price of copper.

Debt refinance completed in Q3-2019

- On September 26, 2019, MVC completed a refinance of its debt facilities which included amending principal payments from the former five remaining semi-annual payments of $11.3 million each to 7 new semi-annual payments of $4.7 million each and a final payment of $23.5 million in September 2023. The new debt structure provides additional flexibility to MVC in the current low copper price environment.

- On closing of the refinance, MVC paid $0.8 million in interest accrued on its debt facilities, an interest rate swap break fee of $0.3 million and bank commissions of $1.1 million.
- Also on closing, MVC recognized a loss on modification of debt of $1.6 million, included as finance expense in the period. The loss on modification of debt is a non-cash item arising from the application of IFRS 9 - Financial Instruments, under which the present value of the cash flows of the original and renegotiated debt were compared using the Company's effective interest rate, with a resulting loss and an adjustment to the carrying value of the debt.
- At September 30, 2019 the Company's cash balance was $1.6 million (December 31, 2018: $21.3 million) and the Company had a $20.3 million working capital deficiency (December 31, 2018: $16.9 million).

- Amerigo does not consider that its working capital deficiency constitutes a significant liquidity risk, as it anticipates generating operating cash flow to meet current liabilities as they come due, assuming production targets are met, and copper prices remain at levels above $2.50/lb.

Investor Conference Call on November 7, 2019

Amerigo's quarterly investor conference call will take place on Thursday November 7, 2019 at 11:00 am Pacific Standard Time/2:00 pm Eastern Standard Time.

To join the call, please dial 1-800-273-9672 (Toll-Free North America) and let the operator know you wish to participate in the Amerigo Resources conference call.

The analyst and investment community are welcome to ask questions to management. Media can attend on a listen-only basis.

About Amerigo and MVC

Amerigo Resources Ltd. is an innovative copper producer with a long-term relationship with Corporación Nacional del Cobre de Chile ("Codelco"), the world's largest copper producer.

Amerigo produces copper concentrate at the MVC operation in Chile by processing fresh and historic tailings from Codelco's El Teniente mine, the world's largest underground copper mine.
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For further information, please contact:

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The information and data contained in this news release should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements (Unaudited) and Management's Discussion and Analysis ("MD&A) for the three and nine months ended September 30, 2019 and the Audited Consolidated Financial Statements and MD&A for the year ended December 31, 2018, available at the Company's website www.amerigoresources.com and at www.sedar.com.

Key performance metrics for the current and comparative quarter

1 Copper production conducted under tolling and slag processing agreements with DET.
2 Revenue reported net of notional items (smelting and refining charges, DET notional copper royalties and transportation costs).
3 At September 30, 2019, comprised of short and long-term portions of $9.4 and $45.7 million respectively.
4 MVC's copper price is the average notional copper price for the period, before smelting and refining, DET notional copper royalties, transportation costs and settlement adjustments to prior period sales.
5 MVC's molybdenum price is the average realized molybdenum price in the period, before roasting charges and settlement adjustments to prior period sales

Cautionary Statement on Forward Looking Information

This news release contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These forward-looking statements include but are not limited to, statements concerning:

- a forecasted increase in production and a reduction in operating costs;
- our strategies and objectives;
- the expected improvement of flotation recovery efficiency from the Phase Two expansion;
- our estimates of the availability, quantity and grade of tailings (including, but not limited to, the estimated higher grades and recoveries from the Cauquenes deposit), and the quality of our mine plan estimates;
- prices and price volatility for copper and other commodities and of materials we use in our operations;
- the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources and our expected ability to meet our obligations as they come due;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- the timing and costs of tolling/production;
- our ability to procure or have access to financing and to comply with our loan covenants;
- the probability of DET exercising any of its early exit options under its agreement with MVC to process the fresh tailings from El Teniente and the tailings from the Cauquenes and Colihues historic tailings deposits;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- our planned capital expenditures (including our plan to upgrade our existing plant and operations) including the timing and cost of completion of our capital projects;

- estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning metal sales, treatment charges and royalties;
- disruptions to the Company's information technology systems, including those related to cybersecurity;
- our dividend policy; and
- general business and economic conditions.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this news release.

The forward-looking statements involve known and unknown risks, uncertainties and other factors beyond our ability to predict or control that may cause actual results or events to differ materially from those anticipated in such statements, such as risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, negotiations with government and other third parties, unanticipated metallurgical difficulties, delays associated with permits, approvals and permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of and our ability to obtain both tailings from DET's current production and historic tailings from tailings deposits; the availability of and ability of the Company to obtain adequate funding on reasonable terms for expansions and acquisitions; mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; hazards inherent in the mining industry causing personal injury or loss of life, severe damages to or destruction of property and equipment, pollution or environmental damage claims by third parties and suspension of operations; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties and the risk of repudiation, nullification, modification or renegotiation of contracts; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings. Many of these risks and uncertainties apply not only to the Company and its operations, but also to Codelco and its operations. Codelco's ongoing mining operations provide a significant portion of the materials the Company processes and its resulting metals production, therefore these risks and uncertainties may also affect their operations and in turn have a material effect on the Company.

In addition, forward-looking statements included in this news release are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:
- general business and economic conditions;
- interest rates;
- changes in commodity (and in particular, copper) and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;

• the ability of the Company to profitably extract and process material from the Cauquenes tailings deposit;
• the timing of the receipt of and retention of permits and other regulatory and governmental approvals;
• the availability of and ability of the Company to obtain adequate funding on reasonable terms for expansions and acquisitions;
• our costs of production and our production and productivity levels, as well as those of our competitors;
• changes in credit market conditions and conditions in financial markets generally;
• our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
• the availability of qualified employees and contractors for our operations;
• our ability to attract and retain skilled staff;
• the satisfactory negotiation of collective agreements with unionized employees;
• the impact of changes in foreign exchange rates and capital repatriation on our costs and results;
• engineering and construction timetables and capital costs for our expansion projects;
• costs of closure of various operations;
• market competition;
• the accuracy of our preliminary economic assessment (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
• tax benefits and tax rates;
• the outcome of our copper concentrate sales and treatment and refining charge negotiations;
• the resolution of environmental and other proceedings or disputes;
• the future supply of reasonably priced power;
• our ability to obtain, comply with and renew permits and licenses in a timely manner; and
• our ongoing relations with our employees and entities with which we do business.

Future production levels and cost estimates assume there are no adverse mining or other events which significantly affect budgeted production levels.

Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company's control, the Company cannot assure that it will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. Except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.

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