



# Amerigo Reports Q3-2020 Financial Results

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## Amerigo Reports Q3-2020 Financial Results

- \$10.7 million cash generated from operations in the quarter
- Quarterly net income of \$5.4 million (\$0.03 EPS)
- Ending cash of \$10.5 million after debt service of \$6.1 million in the quarter

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

VANCOUVER, BRITISH COLUMBIA – November 4, 2020/Amerigo Resources Ltd. (TSX: ARG) (“Amerigo” or the “Company”) is pleased to announce financial results for the quarter ended September 30, 2020 (“Q3-2020”).

During Q3-2020, net income was \$5.4 million (Q3-2019: net loss of \$2.1 million) due to stronger revenue from higher copper prices and \$5.9 million in positive revenue settlement adjustments, and from reduced tolling and production costs at MVC (Minera Valle Central, the Company’s 100% owned operation located near Rancagua, Chile). Earnings per share in Q3-2020 were \$0.03 (Q3-2019: loss per share of \$0.01).

The Company generated \$10.7 million in operating cash flow before changes in non-cash working capital (Q3-2019: \$3.0 million). Quarterly net operating cash flow was \$15.4 million (Q3-2019: \$1.3 million).

MVC produced 14.7 million pounds of copper during Q3-2020 (Q3-2019: 19.1 million pounds) at a cash cost of \$1.80 /lb (Q3-2019: \$1.56/lb)

• Q3-2020 production of 14.7 million pounds of copper (Q3-2019: 19.1 million pounds) included 8.0 million pounds from historical tailings (“Cauquenes”) (Q3-2019: 11.1 million pounds) and 6.7 million pounds from fresh tailings (Q3-2019: 5.0 million pounds). In Q3-2019 the Company also produced 3.0 million pounds from slag processing. The main factors affecting production in Q3-2020 compared to Q3-2019 were the absence of slag processing and 13 Cauquenes lost days of production in July due to strong rainfall.

- Molybdenum production during the quarter was 0.4 million pounds (Q3-2019: 0.5 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) was \$1.80/lb (Q3-2019: \$1.56/lb) an increase of \$0.24/lb coming mostly from a decrease of \$0.22/lb in by-product credits. By-product credits were higher in Q3-2019 due to stronger molybdenum prices and production, and from slag processing.
- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET notional copper royalties and DET molybdenum royalties of \$0.69/lb and depreciation of \$0.29/lb) was \$2.78/lb (Q3-2019: \$2.43/lb), due to an increase in cash cost from lower by-product credits, and an increase of \$0.09/lb in DET royalties from stronger copper prices.

MVC's average copper price in Q3-2020 was \$3.04/lb

- During Q3-2020, MVC's average copper price was \$3.04/lb (Q3-2019: \$2.62/lb) and MVC's average molybdenum price was \$7.37/lb (Q3-2019: \$11.24/lb).
- Revenue during Q3-2020 was \$37.6 million (Q3-2019: \$33.9 million), including copper tolling revenue of \$35.4 million (Q3-2019: \$28.1 million) and molybdenum revenue of \$2.1 million (Q3-2019: \$4.4 million) In Q3-2019, MVC also had slag processing revenue of \$1.4 million.
- Copper tolling revenue is calculated from MVC's gross value of copper produced during Q3-2020 of \$44.3 million (Q3-2019: \$43.6 million) and positive fair value adjustments to settlement receivables of \$5.9 million (Q3-2019: negative fair value adjustments of \$0.9 million), less notional items including DET royalties of \$9.8 million (Q3-2019: \$8.8 million), smelting and refining of \$4.5 million (Q3-2019: \$5.4 million) and transportation of \$0.5 million (Q3-2019: \$0.5 million).
- MVC's financial performance is very sensitive to changes in copper prices. MVC's Q3-2020 provisional copper price was \$3.04/lb, and final prices will be the average London Metal Exchange ("LME") prices for each of October, November and December 2020. A 10% increase or decrease in copper prices from the \$3.04/lb provisional price used at September 30, 2020 would result in a \$4.5 million change in the expected revenue in Q4-2020 in respect of Q3-2020 production.

At September 30, 2020, cash balance was \$10.5 million, with a working capital deficiency of \$18.2

million

- At September 30, 2020, the Company's cash balance was \$10.5 million (December 31, 2019: \$7.2 million) with a \$18.2 million working capital deficiency (December 31, 2019: \$15.1 million).

- The Company's working capital deficiency is a significant liquidity risk indicator, particularly given the volatility in copper prices experienced in Q1-2020 and in Q2-2020 in response to the uncertainty surrounding COVID-19 and its impact on the global economy.

- YTD-2020, the Company has made principal debt payments of \$9.4 million (YTD-2019 \$11.3 million) and paid \$1.8 million for plant and equipment (YTD-2019: \$9.6 million).

- The Company expects to meet its obligations for the next 12 months from operating cash flow, assuming copper prices in the period average at least \$2.85/lb and the Company's production and cost results are consistent with the Company's expected Q4-2020 results.

Investor Conference Call on November 5, 2020

Amerigo's quarterly investor conference call will take place on Thursday, November 5, 2020 at 11:00 am Pacific Time/2:00 pm Eastern Time.

To join the call, please dial 1-800-806-5484 (Toll-Free North America) and enter passcode 8944713# to participate in the Amerigo Resources conference call.

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

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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. Tel: (604) 681-2802; Fax: (604) 682-2802; Web: [www.amerigoresources.com](http://www.amerigoresources.com); Listing: ARG:TSX.

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, 2020 and the Audited Consolidated Financial Statements and MD&A for the year ended December 31, 2019, available at the Company's website at [www.amerigoresources.com](http://www.amerigoresources.com)

and at [www.sedar.com](http://www.sedar.com). □

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### 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:

- forecasted production, reductions in operating costs and an increase in recoveries;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, 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 for the next 12 months;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- our ability to comply with our loan covenants;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- hazards inherent in the mining industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties and suspension of operations
- 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;

- Repudiation, nullification, modification or renegotiation of contracts;
- 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.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including 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; risks related to the potential impact of global or national health concerns, including COVID-19, and the inability of employees to access sufficient healthcare; government or regulatory actions or inactions; 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 Codelco's Division El Teniente's current production and historic tailings from tailings deposit; risks with respect to the ability of the Company to draw down funds from bank facilities and lines of credit and 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; 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; 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. Notwithstanding the efforts of the Company and MVC, there can be no guarantee that the Company's or MVC's staff will not contract COVID-19 or that the Company's and MVC's measures to protect staff from COVID-19 will be effective. 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.

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. Such statements are based on several 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 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;
- 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;
- rainfall in the vicinity of MVC continuing to trend towards normal levels;
- average recoveries for fresh tailings and Cauquenes tailings;
- 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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