

Amerigo Resources Ltd.

**Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2021 and 2020
Unaudited – Prepared by Management**

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	March 31, 2021 \$	December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents	14	38,643	14,085
Trade and settlement receivables		16,051	21,157
Taxes receivable		257	230
Prepaid expenses		50	869
Inventories	5	8,693	7,271
		<u>63,694</u>	<u>43,612</u>
Non-current assets			
Property, plant and equipment	6	181,090	184,805
Intangible assets		3,742	3,798
Other non-current assets		797	806
Deferred income tax asset		161	153
Investments		-	4,401
Total assets		<u>249,484</u>	<u>237,575</u>
Liabilities			
Current liabilities			
DET royalties	3	16,794	13,010
Trade and other payables		15,912	14,579
Current portion of borrowings	7	14,894	17,059
Interest rate swap	7	1,949	2,171
Current portion of leases	8	1,559	1,643
Current portion of related party derivative liability	9,15	1,086	1,196
Current income tax liabilities		12	97
		<u>52,206</u>	<u>49,755</u>
Non-current liabilities			
Borrowings	7	32,095	36,709
Deferred income tax liability		29,855	25,590
Related party derivative liability	9,15	10,151	10,099
Leases	8	3,672	4,091
Severance provisions		685	649
Total liabilities		<u>128,664</u>	<u>126,893</u>
Equity			
Share capital	10	80,357	80,461
Other reserves		10,264	10,248
Accumulated other comprehensive (loss) income		(170)	529
Retained earnings		30,369	19,444
Total equity		<u>120,820</u>	<u>110,682</u>
Total equity and liabilities		<u>249,484</u>	<u>237,575</u>
Commitments	16		

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

Approved by the Board of Directors

"Robert Gayton"

Director

"George Ireland"

Director

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31,	
		2021	2020
		\$	\$
Revenue	12	48,907	15,638
Tolling and production costs	13 (a)	(30,029)	(24,569)
Gross profit (loss)		18,878	(8,931)
Other expenses			
General and administration	13 (b)	(1,248)	(701)
Other (losses) gains	13 (d)	(1,212)	995
Derivative to related parties including changes in fair value	13 (c)	(377)	3,742
		(2,837)	4,036
Operating profit (loss)		16,041	(4,895)
Finance expense	13 (e)	(856)	(2,833)
		(856)	(2,833)
Income (loss) before income tax		15,185	(7,728)
Income tax (expense) recovery		(4,260)	3,699
Net income (loss)		10,925	(4,029)
Other comprehensive (loss) income			
Items that may not be reclassified subsequently to net income (loss):			
Unrealized losses on investments, net of tax		(276)	(1,103)
Realized losses on investments, net of tax		(324)	(1)
Items that may be reclassified subsequently to net income (loss):			
Cumulative translation adjustment		(62)	448
Actuarial (losses) gains on severance provision		(37)	33
Other comprehensive loss		(699)	(623)
Comprehensive income (loss)		10,226	(4,652)
Weighted average number of shares outstanding, basic		181,169,693	180,729,791
Weighted average number of shares outstanding, diluted		183,068,907	180,729,791
Earnings (loss) per share			
Basic		0.06	(0.02)
Diluted		0.06	(0.02)

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended March 31,	
	2021	2020
	\$	\$
Cash flows from operating activities		
Net income (loss)	10,925	(4,029)
Adjustment for items not affecting cash:		
Depreciation and amortization	4,376	4,736
Deferred income tax expense (recovery)	4,254	(3,785)
Impairment charges	749	2,303
Changes in fair value of derivative	377	(3,945)
Share-based payments	89	10
Finance expense	(454)	1,088
Unrealized foreign exchange loss	(233)	(493)
Other	(43)	(17)
	<u>20,040</u>	<u>(4,132)</u>
Changes in non-cash working capital		
Trade, other receivables and taxes receivable	5,896	7,491
Inventories	(1,862)	(2,312)
Trade and other payables	279	(1,754)
DET royalties	3,783	(671)
Net cash from (used in) operating activities	<u>28,136</u>	<u>(1,378)</u>
Cash flows from (used in) investing activities		
Purchase of plant and equipment	(563)	(468)
Proceeds from the sale of investments	3,852	75
Net cash from (used in) investing activities	<u>3,289</u>	<u>(393)</u>
Cash flows (used in) from financing activities		
Repayment of borrowings	(6,547)	(4,686)
Lease repayments	(345)	(209)
Issuance of shares	-	116
Net cash used in financing activities	<u>(6,892)</u>	<u>(4,779)</u>
Net increase (decrease) in cash and cash equivalents	24,533	(6,550)
Effect of exchange rate changes on cash	25	(42)
Cash and cash equivalents - Beginning of period	14,085	7,164
Cash and cash equivalents - End of period	<u>38,643</u>	<u>572</u>
Supplementary cash flow information (Note 14)		

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Equity - Unaudited

(expressed in thousands of U.S. dollars)

	Share capital		Other reserves	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance - January 1, 2020	180,169,351	80,300	10,179	(1,227)	13,380	102,632
Share-based payments	-	-	10	-	-	10
Exercise of share purchase options	600,000	161	(45)	-	-	116
Cumulative translation adjustment	-	-	-	448	-	448
Unrealized losses on investments	-	-	-	(1,103)	-	(1,103)
Realized losses on investments	-	-	-	(1)	-	(1)
Actuarial gains on severance provision	-	-	-	33	-	33
Net loss	-	-	-	-	(4,029)	(4,029)
Balance - March 31, 2020	180,769,351	80,461	10,144	(1,850)	9,351	98,106
Share-based payments	-	-	104	-	-	104
Cumulative translation adjustment	-	-	-	(562)	-	(562)
Unrealized gains on investments	-	-	-	2,960	-	2,960
Actuarial losses on severance provision	-	-	-	(19)	-	(19)
Net income	-	-	-	-	10,093	10,093
Balance - December 31, 2020	180,769,351	80,461	10,248	529	19,444	110,682
Balance - January 1, 2021	180,769,351	80,461	10,248	529	19,444	110,682
Share-based payments	-	-	89	-	-	89
Exercise of share purchase options	1,021,027	(104)	(73)	-	-	(177)
Cumulative translation adjustment	-	-	-	(62)	-	(62)
Unrealized losses on investments	-	-	-	(276)	-	(276)
Realized losses on investments	-	-	-	(324)	-	(324)
Actuarial losses on severance provision	-	-	-	(37)	-	(37)
Net income	-	-	-	-	10,925	10,925
Balance - March 31, 2021	181,790,378	80,357	10,264	(170)	30,369	120,820

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

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
March 31, 2021

(tabular information expressed in thousands of U.S. dollars)

1) REPORTING ENTITY

Amerigo Resources Ltd. (“Amerigo”) is a company domiciled in Canada. Its shares are listed for trading on the Toronto Stock Exchange and traded in the United States on the OTCQX.

Amerigo owns a 100% interest in Minera Valle Central S.A. (“MVC”), a producer of copper concentrates. MVC, located in Chile, has a long-term contract with the El Teniente Division (“DET”) of Corporación Nacional del Cobre de Chile (“Codelco”) to process fresh and historic tailings from El Teniente (Note 3). El Teniente, in production since 1905, is the world’s largest underground copper mine.

These condensed interim consolidated financial statements (“interim financial statements”) as at and for the three months ended March 31, 2021 (“Q1-2021”) include the accounts of Amerigo and its subsidiaries (collectively the “Company”).

2) BASIS OF PRESENTATION

a) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim financial statements do not include all the information required for a complete set of IFRS statements and should be read in conjunction with Amerigo’s audited consolidated financial statements as at and for the year ended December 31, 2020, which have been prepared in accordance with IFRS. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in Amerigo’s financial position and performance since the last annual consolidated financial statements.

These interim financial statements were authorised for issuance by Amerigo’s board of directors on May 3, 2021.

b) Significant accounting policies

These interim financial statements follow the same accounting policies and methods of application as Amerigo’s most recent annual financial statements.

The interim financial statements should be read in conjunction with Amerigo’s most recent annual financial statements.

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3) AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

MVC has a contract with DET ("the DET Agreement") to process the fresh tailings from El Teniente and the tailings from the Cauquenes and Colihues historic tailings deposits. The Agreement has a term to the earlier of 2033 or deposit depletion for Cauquenes, the earlier of 2037 or deposit depletion for Colihues and 2037 for fresh tailings.

The DET Agreement establishes a series of royalties payable by MVC to DET, calculated using the average London Metal Exchange copper price for the month of concentrate production.

The DET Agreement currently operates as a tolling contract under which title to the copper concentrates produced by MVC remains with DET. MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices net of notional items. Notional items include treatment and refining charges, DET copper royalties and transportation costs.

Notional royalties for copper concentrates produced from fresh tailings are determined through a sliding scale formula tied to copper prices ranging from \$1.95/lb (13.5%) to \$4.80/lb (28.4%).

Notional royalties for copper concentrates produced from Cauquenes are determined through a sliding scale for copper prices ranging from \$1.95/lb (16%) to \$5.50/lb (39%).

Notional royalties for copper concentrates produced from Colihues are determined through a sliding scale for copper prices ranging from \$0.80/lb (3%) to \$4.27lb (30%).

MVC pays a sliding scale global molybdenum royalty for molybdenum prices between \$6.00/lb (3%) and \$40.00/lb (19.7%).

The DET Agreement anticipates that in the event monthly average prices fall below certain ranges and projections which indicate the permanence of such prices over time, the parties will meet to review cost and notional royalty/royalty structures to maintain the Agreement's viability and the equilibrium of the benefits between the parties.

The DET Agreement also contains three early exit options exercisable by DET within 2021 and every three years thereafter only in the event of changes unforeseen at the time the Agreement was entered into. Amerigo has currently judged the probabilities of DET exercising any of these early exit options as remote.

At March 31, 2021, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$16.8 million (December 31, 2020: \$13.0 million).

During 2020, MVC reached an agreement with DET to defer payment of \$7.3 million in copper settlements (the "Deferred Payments"). The Deferred Payments, which were immediately due to DET, commenced to be paid on January 5, 2021 in 12 equal monthly installments and bear interest at a rate of LIBOR 12 months plus 3 %. At March 31, 2021, the Deferred Payments balance of \$5.5 million was included in borrowings within current liabilities.

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

4) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these interim financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results. Sources of estimation uncertainty include estimates used to determine the recoverable amounts of long-lived assets, the provision for income taxes and related deferred tax liabilities and the valuation of other assets and liabilities including inventory.

The Company's critical accounting estimates and judgements applied in the preparation of these interim financial statements are consistent with those reported in our 2020 annual consolidated financial statements.

5) INVENTORIES

	March 31,	December 31,
	2021	2020
	\$	\$
Plant supplies and consumables	3,304	4,190
Work in progress	4,475	2,660
Molybdenum concentrates	914	421
	8,693	7,271

At March 31, 2021 and December 31, 2020, work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates were valued at cost.

During Q1-2021, the Company recorded a charge of \$0.4 million in obsolete plant supplies and consumables. During the three months ended March 31, 2020 ("Q1-2020"), the Company recorded a charge of \$2.3 million in tolling and production costs as a result of NRV adjustments in the months in which NRV was lower than cost.

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

6) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure \$	Machinery and Equipment and other assets \$	Total \$
Three months ended March 31, 2021			
Opening net book amount	156,543	28,262	184,805
Exchange differences	-	2	2
Additions	735	182	917
Impairment of obsolete equipment	-	(315)	(315)
Depreciation charge	(2,105)	(2,214)	(4,319)
Closing net book amount	155,173	25,917	181,090
At March 31, 2021			
Cost	287,671	89,119	376,790
Accumulated depreciation	(132,498)	(63,202)	(195,700)
Net book amount	155,173	25,917	181,090

During Q1-2021, the Company recorded a charge of \$0.3 million in obsolete property, plant, and equipment.

7) BORROWINGS

	March 31, 2021 \$	December 31, 2020 \$
Consolidated bank loan	41,484	46,463
DET deferred settlements loan	5,505	7,305
	46,989	53,768
Comprise:		
Short-term debt and current portion of long-term debt	14,894	17,059
Long-term debt	32,095	36,709
	46,989	53,768

On August 3, 2017, MVC obtained a \$35.3 million facility (the "Cauquenes Phase Two Loan") from Scotiabank and Export Development Canada ("EDC") to finance the Cauquenes Phase Two expansion. The Cauquenes Phase Two Loan had an original repayment term of three years consisting of six equal semi-annual principal payments of \$5.9 million which commenced on June 30, 2019. Interest on the Phase Two Loan was synthetically fixed through an interest rate swap ("IRS"), accounted for at fair value through profit or loss, at a rate of 6.02% per annum for 75% of the facility. The IRS had a term to January 3, 2022. The remaining 25% of the facility was subject to a variable rate based on the US Libor six-month rate per annum.

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited March 31, 2021

(tabular information expressed in thousands of U.S. dollars)

On September 26, 2019, MVC completed a refinance of the Cauquenes Phase One and Phase Two loans, which at the time of refinance had an outstanding principal of \$56.3 million and accrued interest of \$0.8 million. Under the refinance provisions, the principal outstanding on the Cauquenes loans was structured as a four-year senior secured term loan facility (the “Consolidated Bank Loan”) of \$56.3 million, provided jointly by Scotiabank and EDC.

The Consolidated Bank Loan has a repayment term of 4 years to September 26, 2023. MVC may make early repayments without penalty in accordance with the provisions of the debt agreement. Seven semi-annual installments of \$4.7 million must be made together with accrued interest. The first, second and third installments have been paid on March 26, 2020, September 28, 2020 and March 26, 2021. A final installment of \$23.5 million plus accrued interest is to be made on September 26, 2023. Any prepayments made during the term of the loan will reduce the amount due on the final installment.

On closing of the refinance, MVC paid \$0.8 million in interest accrued on the Cauquenes loans, an interest rate swap (“IRS”) break fee of \$0.3 million and bank commissions of \$1.1 million.

Interest on the Consolidated Bank Loan is synthetically fixed through an IRS, accounted for at fair value through profit or loss, at a rate of 5.70% per annum for 80% of the facility. The remaining 20% of the facility is subject to a variable rate based on the US Libor six-month rate, which on March 31, 2021 was 3.0595% per annum. The IRS has a term to September 26, 2023.

The balance of the Consolidated Bank Loan (net of transaction costs) at March 31, 2021 was \$41.5 million (December 31, 2020: \$46.5 million).

MVC has provided security on the Consolidated Bank Loan in the form of a charge on all of MVC’s assets.

MVC is required to meet four bank covenants: current ratio (requirement of 1.25), tangible net worth (requirement of \$125.0 million), debt service coverage ratio (requirement of 1.2) and debt/EBITDA ratio (requirement < 3), measured semi-annually on March 31 and September 30. On March 31, 2021, MVC did not meet the current ratio bank covenant, however, prior to March 31, 2021 MVC received waivers from Scotiabank and EDC in respect of the current ratio covenant compliance.

MVC is also required to have a debt service reserve account (“DSRA”) which must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the IRS if MVC has insufficient funds to make these payments and /ii/ fund MVC’s operating expenses. If it becomes necessary to fund MVC’s operations with funds from the DSRA, MVC will need to replenish the DSRA at each month’s end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal, interest and IRS that are payable in the following six months. At March 31, 2021, MVC held DSRA funds in the required amount of \$6.1 million.

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

8) LEASES

	March 31, 2021	December 31, 2020
	\$	\$
Molybdenum plant lease	5,128	5,587
Other leases	103	147
	5,231	5,734
Comprise:		
Current portion of long-term leases	1,559	1,643
Long-term leases	3,672	4,091
	5,231	5,734

In 2018, MVC entered into a lease of 201,903 Chilean Unidades de Foment ("UF") to finance the expansion of MVC's molybdenum plant. Terms of the lease include a term to November 2023, monthly capital payments of approximately \$0.1 million, a balloon payment at the end of the lease term of approximately \$1.5 million and interest at a rate of 0.45% per month. The lease can be prepaid without penalty.

9) RELATED PARTY TRANSACTIONS

a) Derivative

Amerigo holds its interest in MVC through Amerigo International Holdings Corp. ("Amerigo International"), wholly-owned by Amerigo except for certain outstanding Class A shares which are owned indirectly by Amerigo's founders (including Amerigo's current Executive Chairman). The Class A shares were issued in 2003 as part of a tax-efficient structure for payments granted as consideration to the founders transferring to Amerigo their option to purchase MVC

The Class A shareholders are not entitled to any participation in the profits of Amerigo International, except for monthly payments, calculated as follows:

- \$0.01 for each pound of copper equivalent produced from DET tailings by MVC or any successor entity to MVC if the price of copper is under \$0.80/lb, or
- \$0.015 for each pound of copper equivalent produced from DET tailings by MVC or any successor entity to MVC if the price of copper is \$0.80/lb or more.

Under IFRS, the payments constitute a derivative financial instrument which needs to be measured at fair value at each reporting date. Changes in fair value are recorded in profit for the period.

The derivative expense includes the actual monthly payments described above and changes in the derivatives' fair value.

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In Q1-2021 \$0.3 million was paid or accrued to the Class A shareholders (Q1-2020: \$0.2 million) and the derivative's fair value increased by \$0.1 million (Q1-2020: decreased by \$3.9 million), for a total derivative expense of \$0.4 million (Q1-2020: recovery of \$3.7 million) (Note 13(c)).

At March 31, 2021, the derivative totalled \$11.2 million (December 31, 2020: \$11.3 million), with a current portion of \$1.1 million (December 31, 2020: \$1.2 million) and a long-term portion of \$10.1 million (December 31, 2020: \$10.1 million).

Actual monthly payments outstanding at March 31, 2021 were \$0.1 million (December 31, 2020: \$0.3 million).

b) Purchases of Goods and Services

Amerigo incurred the following fees in connection with companies owned by executive officers and directors and in respect of salaries paid to officers. Transactions have been measured at market rates determined on a cost recovery basis.

<u>Entity</u>	<u>Nature of Transactions</u>
Zeitler Holdings Corp.	Management
Delphis Financial Strategies Inc.	Management
Malaspina Consultants Inc.	Management

	Q1-2021	Q1-2020
	\$	\$
Salaries and management fees	510	247

c) Key Management Compensation

The remuneration of directors and other members of key management during Q1-2021 and Q1-2020 was as follows:

	Q1-2021	Q1-2020
	\$	\$
Salaries and management fees	510	247
Directors' fees	73	65
Share-based payments	59	5
	642	317

Share-based payments are the grant date fair value of options vested to directors and officers.

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

10) EQUITY

a) Share Capital

Authorised share capital consists of an unlimited number of common shares without par value.

In Q1-2021 Amerigo issued 1,021,027 shares valued at \$0.1 million in connection with share option exercises by officers and directors.

b) Share Options

A total of 2,540,000 options were granted in Q1-2021 (2020: 2,080,000) with a weighted average fair value estimated at Cdn\$0.51 (2020: Cdn\$0.16) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2021	2020
Weighted average share price	Cdn\$0.91	Cdn\$0.33
Weighted average exercise price	Cdn\$0.91	Cdn\$0.41
Dividend yield	0%	0%
Risk free interest rate	0.54%	1.01%
Pre-vest forfeiture rate	0.95%	0%
Expected life (years)	4.30	4.20
Expected volatility	73.56%	69.71%

Outstanding share options:

	March 31, 2021		December 31, 2020	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the period	10,070,000	0.7	12,520,000	0.72
Granted	2,540,000	0.91	2,080,000	0.41
Exercised	(1,021,027)	0.14	(600,000)	0.26
Repurchased pursuant to cashless exercise	(478,973)	0.14	-	-
Cancelled/forfeited	-	-	(2,400,000)	0.90
Expired	-	-	(1,530,000)	0.37
At end of the period	11,110,000	0.82	10,070,000	0.70
Vested and exercisable	7,193,327	0.87	8,120,000	0.77

The weighted average trading price of the Company's stock on the dates in which options were exercised in Q1-2021 was Cdn\$0.89 per share (2020: Cdn\$0.54 per share).

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Information relating to share options outstanding at March 31, 2021 is as follows:

Outstanding share options	Vested share options	Price range Cdn\$	Weighted average exercise price on outstanding options Cdn\$	Weighted average exercise price on vested options Cdn\$	Weighted Average remaining life of outstanding options (years)
1,720,000	573,327	0.4	\$0.40	\$0.40	3.92
2,350,000	2,120,000	0.52-0.53	0.53	0.53	1.25
7,040,000	4,500,000	0.91-1.11	1.02	1.09	3.33
11,110,000	7,193,327		0.82	0.87	2.98

11) SEGMENT INFORMATION

Operating segments are determined based on the management reports reviewed by the board of directors to make strategic decisions.

The Company has one operating segment: the production of copper concentrates under a tolling agreement with DET, with the production of molybdenum concentrates as a by-product (Note 3).

The geographic distribution of non-current assets is as follows:

	Property, plant and equipment		Other	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Chile	180,907	184,589	4,539	4,604
Canada	183	216	-	-
	181,090	184,805	4,539	4,604

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

12) REVENUE

a) Revenue composition:

	Q1-2021	Q1-2020
	\$	\$
Gross value of copper produced	58,143	27,180
Adjustments to fair value of settlement receivables	8,530	(5,332)
	66,673	21,848
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(15,991)	(5,192)
Smelting and refining	(4,762)	(3,023)
Transportation	(519)	(318)
Copper tolling revenue	45,401	13,315
Molybdenum revenue	3,506	1,655
Slag processing revenue	-	668
	48,907	15,638

b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 11).

The following table presents the Company's revenue composition by product type.

	Q1-2021	Q1-2020
	\$	\$
Copper	45,401	13,983
Molybdenum	3,506	1,655
	48,907	15,638

c) Total revenue by region:

All the Company's revenue originates in Chile.

In Q1-2021, the Group's revenue from one customer represented 93% of reported revenue (Q1-2020: 89%).

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

13) (EXPENSES) GAINS BY NATURE

a) Tolling and production costs consist of the following:

	Q1-2021	Q1-2020
	\$	\$
Tolling and production costs	(23,834)	(18,459)
Depreciation and amortization	(4,376)	(4,736)
Administration	(1,262)	(1,112)
DET royalties - molybdenum	(557)	(262)
	<u>(30,029)</u>	<u>(24,569)</u>

b) General and administration expenses consist of the following:

	Q1-2021	Q1-2020
	\$	\$
Salaries, management and professional fees	(758)	(436)
Office and general expenses	(401)	(255)
Share-based payment compensation	(89)	(10)
	<u>(1,248)</u>	<u>(701)</u>

c) Derivative to related parties (Note (9(a))) consist of the following:

	Q1-2021	Q1-2020
	\$	\$
Fair value adjustments to derivative	(126)	3,945
Royalty payments to related parties	(251)	(203)
	<u>(377)</u>	<u>3,742</u>

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d) Other gains consist of the following:

	Q1-2021	Q1-2020
	\$	\$
Writedown of obsolete equipment and supplies	(749)	-
Foreign exchange (losses) gains	(489)	960
Other gains	26	35
	(1,212)	995

e) Finance expense consists of the following:

	Q1-2021	Q1-2020
	\$	\$
Finance and interest charges	(1,078)	(1,108)
Fair value adjustments to interest rate swaps	222	(1,725)
	(856)	(2,833)

14) SUPPLEMENTARY CASH FLOW INFORMATION

a) Cash and cash equivalents

	March 31, 2021	December 31, 2020
	\$	\$
Cash at bank and on hand	32,399	7,841
Short-term bank deposits	144	144
	32,543	7,985
Cash held in a debt service reserve account (Note 7)	6,100	6,100
	38,643	14,085

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b) Cash payments of interest and taxes

	Q1-2021	Q1-2020
	\$	\$
Interest and taxes paid		
Interest paid	1,224	1,580
Income taxes paid	27	-
Other		
Increase in accounts payable related to the acquisition of plant and equipment	355	152
Cash paid during the quarter in connection with the derivative to related parties	435	84

15) FAIR VALUE MEASUREMENT

Certain of Amerigo's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy has three levels that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and valuation techniques used to value Amerigo's financial assets and liabilities are the following:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that Amerigo can access at the measurement date. Amerigo values its investments using quoted market prices in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Copper and molybdenum trade and settlement receivables are derivatives because the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a separate component of revenue.
- Level 3 – Significant unobservable inputs that are not based on observable market data. Amerigo includes the related party derivative liability in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis based on management's best estimates, which are unobservable inputs. Fair value is calculated by applying the discounted cash flow approach on a valuation model that considers the present value of the net cash flows expected to be paid to a related party (Note 9(a)). Amerigo has also included the IRS in Level 3 of the fair value hierarchy due to the lack of observable market quotes on these instruments. The fair value of the IRS was determined with the assistance of third parties who performed a discounted cash flow valuation based on forward interest rate curves.

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	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
March 31, 2021				
Trade and settlement receivables	-	16,051	-	16,051
Interest rate swap	-	-	(1,949)	(1,949)
Derivative to related parties	-	-	(11,237)	(11,237)
	-	16,051	(13,186)	2,865

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2020				
Investments	4,401	-	-	4,401
Trade and settlement receivables	-	19,933	-	19,933
Interest rate swap	-	-	(2,171)	(2,171)
Derivative to related parties	-	-	(11,295)	(11,295)
	4,401	19,933	(13,466)	10,868

16) COMMITMENTS

- a) At March 31, 2021 MVC has a long-term agreement for the supply of 100% of MVC's power requirements to December 31, 2032. The agreement established minimum stand-by charges based on peak hour power supply calculations, estimated to range from \$1.1 million to \$1.4 million per month.
- b) Amerigo has an agreement for the lease of office premises in Vancouver to December 1, 2021. Rent commitments under the agreement are approximately \$0.1 million.
- c) The DET Agreement has a Closure Plan clause requiring MVC and DET to jointly assess the revision of the closure plan for Cauquenes and compare it to the current DET plan. In the case of any variation in the interests of DET due to MVC's activities in the Cauquenes deposit, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until the estimation of the new closure plan is available, and the parties agree on the terms of compensation resulting from the revised plan, it is Amerigo's view there is no obligation to record a provision because the amount, if any, is not possible to determine.