

Amerigo Resources Ltd.

Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in thousands of U.S. dollars)



Independent auditor's report

To the Shareholders of Amerigo Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Amerigo Resources Ltd. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment of indicators on property, plant and equipment (PP&E)</p> <p><i>Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgements and note 9 – Property, plant and equipment to the consolidated financial statements.</i></p> <p>The net book value of PP&E amounted to \$159 million as at December 31, 2022. Management evaluates each asset or cash generating unit at each reporting date to determine whether there are any indications of impairment. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in forecasted copper and molybdenum prices; (iii) changes in projected capital and operating costs; (iv) changes in the grade of resources recovered from tailings; and (v) changes in relevant foreign exchange rates, are evaluated by management in determining whether there are any indicators of impairment. If any such indicator exists, an estimate of the recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management as at December 31, 2022.</p>	<p>Our approach to addressing the matter involved the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated management's assessment of indicators of impairment, which included the following:<ul style="list-style-type: none">– Assessed the completeness of internal and external factors that could be considered as indicators of impairment of the Company's PP&E, including consideration of evidence obtained in other areas of the audit.– Assessed whether significant declines in the market value of the Company's share price have occurred, which may indicate a decline in value of the Company's net assets.– Assessed the reasonableness of forecasted copper and molybdenum prices by considering whether they are consistent with external market data.– Assessed the reasonableness of changes in projected capital and operating costs and the grade of resources recovered from tailings by comparing them to historical data and also considered whether these factors were consistent with evidence obtained in other areas of the audit.– Assessed the reasonableness of changes in forecasted exchange rates by considering external market data.



Key audit matter	How our audit addressed the key audit matter
<p>We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.</p>	

Other information

Management is responsible for the other information. The other information comprises the 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 IFRS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 21, 2023

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

	Notes	December 31, 2022 \$	December 31, 2021 \$
Assets			
Current assets			
Cash and cash equivalents	6	37,821	59,792
Restricted cash	11	715	721
Trade and settlement receivables	7	13,913	12,776
Taxes receivable	7	487	1,509
Prepaid expenses		543	703
Inventories	8	10,373	7,728
Interest rate swap	11	1,143	-
		<u>64,995</u>	<u>83,229</u>
Non-current assets			
Property, plant and equipment	9	158,591	178,083
Restricted cash	11	3,500	3,500
Intangible assets		3,351	3,575
Other non-current assets		742	765
Deferred income tax asset	15	-	193
Total assets		<u>231,179</u>	<u>269,345</u>
Liabilities			
Current liabilities			
Trade and other payables	10	26,346	17,983
DET royalties	5	16,807	22,846
Current portion of borrowings	11	7,006	7,004
Current income tax liabilities	15	1,593	8,311
Current portion of leases	12	2,256	1,202
Current portion of related party derivative liability	13	1,017	1,031
Interest rate swap	11	-	220
		<u>55,025</u>	<u>58,597</u>
Non-current liabilities			
Deferred income tax liability	15	33,962	35,834
Borrowings	11	16,644	23,400
Related party derivative liability	13	6,135	9,873
Severance provisions	10	710	607
Leases	12	-	2,241
Total liabilities		<u>112,476</u>	<u>130,552</u>
Equity			
Share capital	14	73,437	76,795
Other reserves		11,233	10,752
Accumulated other comprehensive income (loss)		2,295	(75)
Retained earnings		31,738	51,321
Total equity		<u>118,703</u>	<u>138,793</u>
Total equity and liabilities		<u>231,179</u>	<u>269,345</u>
Commitments	23		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

Consolidated Statements of Income and Comprehensive Income

(expressed in thousands of U.S. dollars)

		Years ended December 31,	
	Notes	2022	2021
		\$	\$
Revenue	17	168,052	199,551
Tolling and production costs	18 (a)	(139,729)	(127,463)
Gross profit		28,323	72,088
Other expenses			
General and administration	18 (b)	(5,364)	(4,830)
Other losses	18 (c)	(791)	(2,169)
Derivative to related parties including changes in fair value		2,716	(821)
Impairment of obsolete power generators		(11,497)	-
		(14,936)	(7,820)
Operating profit		13,387	64,268
Finance expense	18 (d)	(957)	(3,769)
		(957)	(3,769)
Income before income tax		12,430	60,499
Income tax expense	15	(8,056)	(20,680)
Net income		4,374	39,819
Other comprehensive income (loss)			
Items that may not be reclassified subsequently to net income:			
Unrealized losses on investments, net of tax		-	(276)
Realized losses on investments, net of tax		-	(238)
Actuarial losses on severance provision		(43)	(45)
Items that may be reclassified subsequently to net income:			
Cumulative translation adjustment		2,413	(45)
Other comprehensive income (loss)		2,370	(604)
Comprehensive income		6,744	39,215
Weighted average number of shares outstanding, basic		169,292,965	180,864,877
Weighted average number of shares outstanding, diluted		171,950,068	183,847,607
Earnings per share			
Basic		0.03	0.22
Diluted		0.03	0.22

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

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Years ended December 31,	
	2022	2021
	\$	\$
Cash flows from operating activities		
Net income	4,374	39,819
Adjustment for items not affecting cash:		
Depreciation and amortization	20,370	18,014
Unrealized foreign exchange loss	2,549	1,444
Share-based payments	1,023	660
Impairment charges	12,016	844
Other	85	(107)
Changes in fair value of derivative	(2,716)	(213)
Deferred income tax expense	(1,679)	10,262
Finance gain	(1,116)	(1,270)
	34,906	69,453
Changes in non-cash working capital		
Restricted cash	-	(3,500)
Trade, other receivables and taxes receivable	(418)	7,250
Inventories	(3,132)	(967)
Trade and other payables	(1,686)	11,774
DET royalties	(6,039)	9,836
Net cash from operating activities	23,631	93,846
Cash flows used in investing activities		
Purchase of plant and equipment	(9,807)	(11,956)
Proceeds from the sale of investments	-	3,852
Net cash used in investing activities	(9,807)	(8,104)
Cash flows used in financing activities		
Dividends paid	(15,741)	(2,829)
Repurchase of shares	(12,261)	(8,839)
Repayment of borrowings	(7,000)	(57,823)
Lease repayments	(1,041)	(1,192)
Restricted cash	6	(721)
Exercise of options	145	84
Proceeds of borrowings net of transaction costs	-	33,778
Net cash used in financing activities	(35,892)	(37,542)
Net (decrease) increase in cash and cash equivalents	(22,068)	48,200
Effect of exchange rate changes on cash	97	(2,493)
Cash and cash equivalents - Beginning of year	59,792	14,085
Cash and cash equivalents - End of year	37,821	59,792

Supplementary cash flow information (Note 22)

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

Amerigo Resources Ltd.

Consolidated Statements of Equity

(expressed in thousands of U.S. dollars)

	Share capital		Other reserves	Accumulated other comprehensive (loss) income	Retained earnings	Total equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance - January 1, 2021	180,769,351	80,461	10,248	529	19,444	110,682
Share-based payments	-	-	660	-	-	660
Exercise of share purchase options	1,407,543	60	(156)	-	-	(96)
Shares repurchased in substantial issuer bid	(7,116,345)	(3,127)	-	-	(4,264)	(7,391)
Shares repurchased in normal course issuer bid	(1,376,425)	(599)	-	-	(849)	(1,448)
Cumulative translation adjustment	-	-	-	(45)	-	(45)
Unrealized losses on investments	-	-	-	(276)	-	(276)
Realized loss on investments	-	-	-	(238)	-	(238)
Actuarial losses on severance provision	-	-	-	(45)	-	(45)
Net income	-	-	-	-	39,819	39,819
Dividends declared	-	-	-	-	(2,829)	(2,829)
Balance - December 31, 2021	173,684,124	76,795	10,752	(75)	51,321	138,793
Balance - January 1, 2022	173,684,124	76,795	10,752	(75)	51,321	138,793
Share-based payments	-	-	1,023	-	-	1,023
Exercise of share purchase options	1,722,109	687	(542)	-	-	145
Shares repurchased in normal course issuer bid	(9,373,575)	(4,045)	-	-	(8,216)	(12,261)
Cumulative translation adjustment	-	-	-	2,413	-	2,413
Actuarial losses on severance provision	-	-	-	(43)	-	(43)
Net income	-	-	-	-	4,374	4,374
Dividends declared	-	-	-	-	(15,741)	(15,741)
Balance - December 31, 2022	166,032,658	73,437	11,233	2,295	31,738	118,703

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2022

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

1) GENERAL INFORMATION

Amerigo Resources Ltd. (“Amerigo”) is a company domiciled in Canada and its shares are listed for trading on the Toronto Stock Exchange (“TSX”) and traded in the United States on the OTCQX. Amerigo’s principal office is located at 1021 West Hastings Street, 9th Floor, Vancouver, British Columbia. These consolidated financial statements (“financial statements”) include the accounts of Amerigo and its subsidiaries (collectively the “Company”).

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 5).

These financial statements were authorized for issue by the board of directors on February 21, 2023 and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

These financial statements have been prepared in accordance with IFRS on a historical cost basis, except for certain financial instruments which have been measured at fair value. The financial statements are presented in U.S. dollars except when otherwise indicated.

Consolidation

These financial statements incorporate the financial statements of Amerigo and the entities controlled by Amerigo (Note 19). The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated. Amerigo’s principal operating subsidiary is MVC (100% owned, Chile).

Segment Reporting

The Company operates in one segment, the production of copper concentrates under a tolling agreement with DET (Note 5), with the production of molybdenum concentrates as a by-product.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

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

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of the parent entity is the Canadian dollar ("Cdn \$"), the functional currency of MVC and other subsidiaries (Note 19) is the United States Dollar ("\$\$") other than Colihues Energia S.A. which has a functional currency of the Chilean peso.

Amerigo's financial statements are presented in U. S. dollars. These financial statements have been translated to the U.S. dollar in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" which requires that when translating financial statements of companies that have functional currencies other than the presentation currency, assets and liabilities be translated using the exchange rate at period end; income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period) and resulting gains and losses on translation are included as a component of equity.

Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of foreign currency transactions within entities are included in profit or loss.

Property, Plant and Equipment

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads. The costs of day-to-day servicing are recognized in profit or loss as incurred. Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Amerigo Resources Ltd.

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MVC depreciates its property, plant and equipment using the straight-line method as follows:

- Plant and infrastructure: Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Machinery, equipment and other assets (except vehicles and mobile equipment): Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Vehicles and mobile equipment: 7 years.

The depreciation method, useful life and residual values are assessed annually.

Asset Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach when an active market or binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mine plan estimates, and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible Assets

Intangible assets reflect the value assigned to the DET contracts. This contractual right is amortized on a straight-line basis over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired.

Amerigo Resources Ltd.

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Financial Assets and other Financial Liabilities

Classification

a) Financial Assets at Amortized Cost

Cash and cash equivalents and other receivables with fixed or determinable payments that are not quoted in an active market are classified as held at amortized cost. Such assets are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss relating to receivables, if any, is based on a review of all outstanding amounts at period end. Trade receivables are recorded net of lifetime expected credit losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

b) Financial Assets at fair value through profit and loss (“FVTPL”)

Copper tolling and molybdenum concentrate sales contract receivables are classified as FVTPL. The amounts receivable vary based on the underlying commodity prices. Accordingly, they are recorded at each reporting period based on quoted commodity prices up to the date of final pricing. Changes in fair value are recorded through profit and loss and shown as a separate component of revenue.

c) Financial Assets at Fair Value through Other Comprehensive Income (“FVOCI”)

Financial assets at FVOCI are equity securities that are not held for trading and which the Company has irrevocably elected at initial recognition to recognize in this category. Gains and losses arising from changes in fair value are recorded in other comprehensive income (“OCI”). When equity securities are disposed of, any related balance within FVOCI is reclassified to retained earnings.

d) Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost unless they are required to be measured at fair value through profit and loss (“FVTPL”), such as instruments held for trading or derivatives, or where the Company has opted to measure such liabilities at FVTPL.

Financial liabilities at amortized cost include trade and other payables, DET royalties and borrowings. Trade payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. DET royalties are recognized at the amount required under the agreements with DET. Borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

d) Derivatives

The Company uses derivatives in the form of interest rate swaps to manage risks related to variable rate debt. Gains and losses on re-measurement are included in finance income (expense).

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The Company has a derivative liability in respect of a related party (Note 13(a)), which is classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in other expenses.

Recognition and Measurement

De-recognition of Financial Assets and Liabilities

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Share-Based Payments

Amerigo grants stock options to buy its common shares to directors, officers, employees, and MVC employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the holders earn the options.

The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

Inventories

Inventories comprising work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates are valued at the lower of cost and net realizable value. Consumables are valued at the lower of average cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Tolling and production cost is determined primarily on a weighted-average cost basis and includes direct tolling and production costs, direct labour costs and an allocation of variable and fixed tolling and production overhead including depreciation. Net realizable value is the estimated selling price net of any estimated selling costs in the ordinary course of business.

When inventories have been written down to net realizable value, the Company makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

Cash and Cash Equivalents

Cash and cash equivalents are unrestricted as to use and consist of cash on hand, demand deposits and short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition and which can be readily liquidated to known amounts of cash.

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Redeemable interest-bearing investments with maturities of up to one year are considered cash equivalents if they can readily be liquidated at any point in time to known amounts of cash, the initial period subject to an interest penalty on redemption is less than 90 days, and they are redeemable thereafter until maturity for invested value plus accrued interest.

Restricted cash includes a debt service reserve account related to the Company's borrowings funded monthly with 1/6 of the next debt payment (principal and interest) such that semi-annual debt payments are fully funded a month prior to the payment date, and a second reserve account of \$3.5 million to be released on January 1, 2025 that is held in case of early termination by DET of the MVC contract.

Current and Deferred Income Tax

Income tax expense consists of current and deferred tax. Current and deferred taxes are recognized in the statement of comprehensive income except to the extent they relate to items recognized directly in equity or in OCI, in which case the related taxes are recognized in equity or OCI.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry-forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable future taxable profits will be available against which the asset can be utilized. The amount of a deferred tax asset is reduced to the extent that Amerigo does not consider it probable the deferred tax asset will be recovered.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities that relate to income taxes levied by the same taxation authority, and Amerigo intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When

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some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

At December 31, 2022, MVC has an obligation with some of its managers for severance payments based on their employee contracts upon the manager leaving the employ of MVC under any circumstance. This obligation has been recorded as a liability at present value in Amerigo's statement of financial position. The value of the severance provision is evaluated on an annual basis or as additional information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The increase or decrease over time in the present value of the liability is recorded each period in cost of sales, except for actuarial gains (losses), which are recorded as other comprehensive income (loss).

Earnings per Share

Basic earnings per share is computed by dividing the net income attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed like basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Revenue Recognition

MVC produces copper concentrates under a tolling agreement with DET. Title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices, net of notional items (DET copper royalties, smelting and refining charges and transportation costs) (Note 5 and Note 17). Revenue is billed weekly based on the tolling activity of the preceding week, which is measured by the production of copper concentrates. Additional billings are done on a monthly basis based on the tolling activity for the full month, less weekly billings, and to bill for pricing term differences, as disclosed in the following paragraph.

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges. In 2022, it was based on the average London Metal Exchange ("LME") copper price for the third month following delivery of copper concentrates produced under the tolling agreement ("M+3"). Accordingly, final pricing for copper produced by MVC in 2022 is being determined based on the average LME copper price of the third month following delivery of copper, which for December 2022 deliveries will be the average LME copper price for March 2023. This variable difference gives rise to an embedded derivative which is recorded at FVTPL, in revenue as settlement receivables.

Molybdenum produced by MVC is sold under written sales agreement with Chile's Molibdenos y Metales S.A. ("Molydet") and with Glencore Chile SpA ("Glencore"), under which revenue is billed monthly based on the amount of concentrates delivered during the preceding month. Molydet and Glencore can elect different pricing terms on a monthly basis. In 2022, pricing terms varied from M+1 to M+6 in respect of the average Platts molybdenum dealer oxide price of the month of sale. This variable difference also gives rise to an embedded derivative.

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Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right of use asset is measured at cost, where cost comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

3) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

As at December 31, 2022 there are no IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

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4) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 consolidated financial statements, Amerigo makes judgments in applying the Company's accounting policies and makes estimates and assumptions concerning future events which may vary from actual results.

Estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Useful Lives of Long-Lived Assets

MVC estimates the economic life of most of property, plant and equipment based on their useful life, not to exceed the term of MVC's contractual relationship with DET (December 31, 2037). This estimate of useful life used by management in arriving at the recoverable amount is subject to risk and uncertainty, and as such there is the possibility that changes in circumstances may alter these projections and impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced, with the impact recorded in profit or loss.

b) Related Party Derivative Liability

The Company has an obligation to make payments to a related party, based on a fixed payment for each pound of copper equivalent produced from DET tailings by MVC (Note 13(a)). This constitutes a derivative financial instrument measured at fair value. As required under IFRS, Amerigo reassesses its estimate for the derivative on each reporting date (Note 13(a)).

Management makes judgments in the process of applying the Company's accounting policies with the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

a) Impairment of Property, Plant and Equipment

Management evaluates each asset or cash generating unit at each reporting date to determine whether there are any indications of impairment. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in forecasted copper and molybdenum prices; (iii) changes in projected capital and operating costs; (iv) changes in the grade of resources recovered from tailings, and (v) changes in relevant foreign exchange rates, are evaluated by management in determining whether there are any indicators of impairment. If any such indicator exists, an estimate of the recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. As at December 31, 2022, management identified no impairment indicators and consequently, impairment testing was not required.

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5) 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 LME 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 \$4.27/lb (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 2022 (not exercised) and every three years thereafter only in the event of changes unforeseen at the time the Agreement was entered into. Amerigo has currently assessed the probabilities of DET exercising any of these early exit options as remote.

At December 31, 2022, the payable and/or accrual for DET notional copper royalties and DET molybdenum royalties, was \$16.8 million (2021: \$22.8 million).

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6) CASH AND CASH EQUIVALENTS

	December 31, 2022 \$	December 31, 2021 \$
Cash at bank and on hand	37,678	59,648
Short-term bank deposits	143	144
	37,821	59,792

MVC is required to have a debt service reserve account to be funded monthly with 1/6 of the next debt payment (principal and interest) such that semi-annual debt payments are fully funded a month prior to the payment date, and a second reserve account of \$3.5 million to be released on January 1, 2025. On December 31, 2022, MVC held the required reserve funds in the amount of \$0.7 million and \$3.5 million, respectively, shown as restricted cash on Amerigo's statement of financial position (2021 - \$0.7 million and \$3.5 million).

Short-term bank deposits are redeemable on demand.

7) RECEIVABLES

a) Trade and other receivables

	December 31, 2022 \$	December 31, 2021 \$
Current		
Trade and other receivables	13,913	12,776
Non-current		
Other non-current receivables	32	56

The Company has reviewed the collectability of its current and non-current receivables and has determined that a provision for doubtful accounts is not required.

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The aging analysis of current receivables, which are dominated in Chilean Pesos, is as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Up to 3 months	12,846	10,434
3 to 6 months	1,058	1,841
Greater than 6 months	9	501
	<u>13,913</u>	<u>12,776</u>

The fair values of the Company's current receivables approximate their carrying value of \$13.9 million (2021: \$12.8 million).

Trade and other receivables included \$7.9 million of receivables for sale of copper concentrates under a tolling agreement with DET that were provisionally priced at December 31, 2022 (2021: \$9.7 million) and \$4.5 million of receivables for sale of molybdenum concentrates that were also provisionally priced (2021: \$2.2 million).

b) Taxes receivable

The components of the Company's taxes receivable are:

	December 31, 2022	December 31, 2021
	\$	\$
Income tax receivable	254	1,214
Other taxes receivable	153	166
Value added tax receivable	80	129
	<u>487</u>	<u>1,509</u>

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8) INVENTORIES

	December 31, 2022	December 31, 2021
	\$	\$
Plant supplies and consumables	7,588	4,870
Work-in-progress	1,434	1,773
Molybdenum concentrates	1,351	1,085
	<u>10,373</u>	<u>7,728</u>

At December 31, 2022 and 2021, work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates were valued at cost.

In 2022 the Company recorded a charge of \$0.4 million in obsolete plant supplies and consumables (2021 - \$0.4 million).

9) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure	Machinery and equipment and other assets	Total
	\$	\$	\$
Year ended December 31, 2021			
Opening net book amount	156,543	28,262	184,805
Exchange differences	-	(6)	(6)
Impairment of obsolete equipment	-	(433)	(433)
Additions	10,776	761	11,537
Disposals	-	(30)	(30)
Depreciation charge	(9,080)	(8,710)	(17,790)
Closing net book amount	<u>158,239</u>	<u>19,844</u>	<u>178,083</u>
Year ended December 31, 2022			
Opening net book amount	158,239	19,844	178,083
Exchange differences	-	(5)	(5)
Impairment of obsolete equipment	(11,090)	-	(11,090)
Additions	11,648	103	11,751
Depreciation charge	(14,397)	(5,751)	(20,148)
Closing net book amount	<u>144,400</u>	<u>14,191</u>	<u>158,591</u>
At December 31, 2022			
Cost	281,686	88,643	370,329
Accumulated depreciation	(137,286)	(74,452)	(211,738)
Net book amount	<u>144,400</u>	<u>14,191</u>	<u>158,591</u>

During the year ended December 31, 2022, an impairment of two generators that the Company determined to be obsolete during the year was made including an impairment of equipment in the amount of \$11,090.

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10) TRADE AND OTHER PAYABLES

	December 31, 2022	December 31, 2021
	\$	\$
Current		
Trade and other payables	26,346	17,983
	26,346	17,983
Non-current		
Severance provisions	710	607
	710	607

Amerigo has accrued for severance provisions in respect of estimated statutory severance payments to certain MVC managers based on their employment agreements. The estimate of severance provisions is calculated through an actuarial model that considers variables such as retirement age, salary adjustments and discount rates.

11) BORROWINGS

	December 31, 2022	December 31, 2021
	\$	\$
Term loan	23,650	30,404
	23,650	30,404
Comprising:		
Short-term debt and current portion of long-term debt	7,006	7,004
Long-term debt	16,644	23,400
	23,650	30,404

On March 25, 2015, MVC obtained a \$64.4 million loan facility to finance the Cauquenes Phase One expansion and on August 3, 2017, MVC obtained a \$35.3 million facility to finance the Cauquenes Phase Two expansion. On September 26, 2019, MVC completed a refinance of the Cauquenes Phase One and Phase Two loans. Under the refinance provisions, the principal outstanding on the Cauquenes loans was structured as a senior secured term loan facility (the "Consolidated Bank Loan") of \$56.3 million, with a repayment term of 4 years to September 26, 2023.

On June 29, 2021, MVC repaid the remaining outstanding principal amount of \$42.2 million on the Consolidated Bank Loan, along with accrued interest of \$0.3 million and an interest rate swap ("IRS") break fee of \$2.3 million equal to the value of the IRS on June 29, 2021. For accounting purposes, this was treated as an extinguishment of debt within finance expense.

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On June 30, 2021, MVC entered into a new finance agreement (the “Finance Agreement”) with a syndicate of two banks domiciled in Chile, for a replacement term loan (the “Term Loan”) in the amount of \$35.0 million and a working capital line of credit (the “Line of Credit”) of up to \$15.0 million.

The Term Loan has a 5-year term to June 30, 2026, with ten semi-annual installments of \$3.5 million each commencing on December 31, 2021, together with accrued interest. MVC may make early repayments without penalty in accordance with the provisions of the Finance Agreement. Interest on the Term Loan is synthetically fixed through an IRS, accounted for at fair value through profit or loss, at a rate of 5.48% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor six-month rate, which on December 31, 2022 was 5.15% per annum plus a margin of 3.90%. At the date that US Libor is discontinued, the interest rate will be based on the ISDA 2020 IBOR Fallbacks Protocol. The IRS has a term to June 30, 2026. On December 31, 2022, the balance of the Term Loan was \$23.7 million and the IRS was in an asset position of \$1.1 million.

The Line of Credit can be drawn in multiple disbursements and has an availability period until June 30, 2023. The repayment terms are of up to two years for each disbursement, counted from each disbursement date, and would consist of 4 equal semi-annual payments, with the first payments due six months from each disbursement date. The interest rate will be based on the US Libor six-month rate plus a margin to be defined on each disbursement date. At the date that US Libor is discontinued, the interest rate will be based on the ISDA 2020 IBOR Fallbacks Protocol. As of December 31, 2022, MVC has not drawn funds from the Line of Credit.

MVC is required to have a debt service reserve account to be funded monthly with 1/6 of the next debt payment (principal and interest) such that semi-annual debt payments are fully funded a month prior to the payment date, and a second reserve account of \$3.5 million to be released on January 1, 2025. On December 31, 2022, MVC held the required reserve funds in the amount of \$0.7 million and \$3.5 million, respectively, shown as restricted cash on Amerigo’s statement of financial position.

MVC is required to meet two bank covenants semi-annually on June 30 and December 31: debt/EBITDA ratio (requirement ≤ 3) and net worth (requirement \geq \$100.0 million) which were met on December 31, 2022.

MVC has provided security on the Finance Agreement in the form of a charge on all MVC’s assets.

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12) LEASES

	December 31, 2022 \$	December 31, 2021 \$
Molybdenum plant lease	2,256	3,443
	2,256	3,443
Comprising:		
Current portion of long-term leases	2,256	1,202
Long-term leases	-	2,241
	2,256	3,443

In 2018, MVC entered into a lease of 201,903 Chilean Unidades de Fomento (“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 \$1.1 million and interest at a rate of 0.45% per month. The lease can be prepaid without penalty.

13) RELATED PARTY TRANSACTIONS

a) Derivative Liability

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 changes in the derivative’s fair value.

In 2022, the derivative liability decreased \$3.7 million (2021: decreased \$0.2 million), with \$1.0 million paid or accrued to the Class A shareholder (2021: \$1.0 million) and a change in derivative fair value recovery of \$2.7 million (2021: expense of \$0.8 million).

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At December 31, 2022, the derivative liability totalled \$7.2 million (2021: \$10.9 million), with a current portion of \$1.0 million (2021: \$1.0 million) and a long-term portion of \$6.2 million (2021: \$9.9 million).

Payments outstanding at December 31, 2022 were \$0.1 million (2021: \$0.1 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	
Amezquita Management Inc.	Management	
	2022	2021
	\$	\$
Salaries and management fees	1,611	1,804

c) Key Management Compensation

The remuneration of directors and other members of key management during 2022 and 2021 was as follows:

	2022	2021
	\$	\$
Salaries and management fees	1,611	1,804
Directors' fees	325	319
Share-based payments	683	139
	2,619	2,262

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

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14) EQUITY

a) Share Capital

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

In 2022, Amerigo issued 938,776 shares in connection with cashless share option exercises and 783,333 cash shares option exercises by officers, directors, and MVC employees. A value of \$0.5 million was transferred from other reserves to share capital as a result. In 2021, Amerigo issued 1,207,543 shares in connection with cashless share option exercises and 200,000 cash shares option exercises by officers, directors, and MVC employees. A value of \$0.2 million was transferred from other reserves to share capital as a result.

In 2022, Amerigo completed a Normal Course Issuer Bid (“NCIB”) to purchase for cancellation from Amerigo shareholders who chose to participate a total of 10,750,000 common shares over a period of twelve months which began on December 2, 2021. In 2022, 9,373,575 shares were repurchased at an average price of Cdn\$1.67 per share (2021: 1,376,425 shares repurchased at an average price of Cdn\$1.35 per share).

In 2021, Amerigo completed a substantial issuer bid to purchase for cancellation from Amerigo shareholders who chose to participate a total of 7,116,345 common shares, repurchased at a price of Cdn\$1.30 per share.

b) Share Options

A total of 2,645,000 options were granted in 2022 (2021: 2,860,000) with a weighted average fair value estimated at Cdn\$0.65 (2021: Cdn\$0.53) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2022	2021
	\$	\$
Weighted average share price	Cdn\$1.62	Cdn\$0.95
Weighted average exercise price	Cdn\$1.62	Cdn\$0.95
Dividend yield	4.85%	0%
Risk free interest rate	1.59%	0.56%
Pre-vest forfeiture rate	1.98%	0.95%
Expected life (years)	4.33	4.31
Expected volatility	68.93%	73.39%

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Outstanding share options:

	December 31, 2022		December 31, 2021	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the year	10,725,005	0.85	10,070,000	0.70
Granted	2,645,000	1.62	2,860,000	0.95
Exercised	(1,722,109)	0.54	(1,407,543)	0.22
Repurchased pursuant to cashless exercise	(762,883)	0.54	(577,452)	0.22
Forfeited	(90,001)	1.23	(220,000)	0.82
At end of the year	10,795,012	1.11	10,725,005	0.85
Vested and exercisable	5,823,332	1.00	6,784,998	0.89

The weighted average trading price of the Company's stock on the dates in which options were exercised in 2022 was Cdn\$1.67 per share (2021: Cdn\$0.98 per share).

Information relating to share options outstanding at December 31, 2022 is as follows:

Outstanding share options	Vested share options	Price range Cdn\$	Average exercise price on outstanding options Cdn\$	Weighted average exercise price on vested options Cdn\$	Remaining life of outstanding options (years)
1,073,342	533,336	0.40	\$0.40	\$0.40	2.17
176,668	100,000	0.52-0.53	0.52	0.52	2.63
6,630,002	5,083,330	0.91-1.11	1.03	1.07	1.48
320,000	106,666	1.29	1.29	1.29	3.43
2,595,000	-	1.62	1.62	-	4.16
10,795,012	5,823,332		1.11	1.00	2.27

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c) Earnings per Share

i) Basic

Basic earnings per share is calculated by dividing the income attributable to equity owners of the Company by the weighted average number of shares in issue during the period.

	2022	2021
	\$	\$
Net income for the year	4,374	39,819
Weighted average number of shares	169,292,965	180,864,877
Basic earnings per share	0.03	0.22

ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Potentially dilutive shares relate to the exercise of outstanding share purchase options.

	2022	2021
	\$	\$
Net income for the year	4,374	39,819
Weighted average number of shares	169,292,965	180,864,877
Effect of dilutive securities:		
Share options	2,657,103	2,982,730
Weighted average diluted shares outstanding	171,950,068	183,847,607
Diluted earnings per share	0.03	0.22

d) Dividends

Amerigo views common share dividends as an important part of a shareholder's return on investment. The Board of Directors of Amerigo reinstated the declaration and payment of dividends in the fourth quarter of 2021 and is currently paying a sustainable quarterly dividend of Cdn\$0.03 per share. In 2022, Amerigo paid \$15.7 million in dividends to shareholders (2020: \$2.8 million).

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15) INCOME TAXES

- a) The income tax expense charged to income during the year is as follows:

	2022	2021
	\$	\$
Current		
Canadian income tax	36	-
Foreign income, resource, and withholding tax	(9,771)	(10,418)
Total current tax expense	(9,735)	(10,418)
Deferred		
Canadian income tax	-	(87)
Foreign income, resource, and withholding tax	1,679	(10,175)
Total deferred tax expense	1,679	(10,262)
Income tax expense	(8,056)	(20,680)

- b) The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses or profits of the consolidated entities as follows:

	2022	2021
	\$	\$
Income before tax	12,430	60,499
Statutory tax rate	27.00%	27.00%
Expected income tax expense	(3,356)	(16,335)
Tax effect of:		
Non-taxable accounting revaluation adjustment	1,014	58
Prior year adjustments	(297)	(372)
Difference in tax rates in foreign jurisdictions	(69)	152
Non-deductible expenses	(357)	(489)
Change in benefits not recognized	(438)	126
Withholding tax and other foreign taxes	(4,017)	(3,803)
Other	(536)	(17)
	(8,056)	(20,680)

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- c) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Deferred tax assets		
- Deferred tax assets to be recovered within 12 months	-	193
- Deferred tax assets to be recovered after more than 12 months	485	557
	485	750
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	(34,447)	(36,391)
Deferred tax liabilities/asset- net	(33,962)	(35,641)

- d) The movement in the net deferred income tax position is as follows:

At start of the year	(35,641)	(25,437)
Charged to income	1,681	(10,262)
Tax charged directly to equity	-	87
Exchange differences	(2)	(29)
At end of the year	(33,962)	(35,641)

- e) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment \$	Intangible assets \$	Other \$	Total \$
At December 31, 2020	(28,796)	(1,025)	(763)	(30,584)
Credited to income	(3,700)	(1,700)	(407)	(5,807)
At December 31, 2021	(32,496)	(2,725)	(1,170)	(36,391)
Credited to income	3,035	1,820	(2,911)	1,944
At December 31, 2022	(29,461)	(905)	(4,081)	(34,447)

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Deferred tax assets	Other deferred tax assets
	\$
At December 31, 2020	5,147
Charged to income	(4,397)
At December 31, 2021	750
Charged to income	(265)
At December 31, 2022	485

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

f) Unrecognized deductible temporary differences

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

	2022	2021
	\$	\$
Non-capital losses	11,149	11,219
Capital losses	5,371	5,043
Other temporary deductible differences	3,278	2,263
	19,798	18,525

g) Loss carry-forwards

At December 31, 2022, Amerigo had \$10.1 million (2021: \$11.2 million) of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2027 and 2040. Net operating loss carry-forwards have not been recognized, as it is not probable that taxable profit will be available against which they can be utilized in the legal entity in which they arose.

At December 31, 2022, Amerigo had \$1.0 million (2021: \$0.4 million) of Chilean federal net operating loss carry-forwards. These loss carry-forwards can be carried forward indefinitely. Net operating loss carry-forwards have not been recognized, as it is not probable that taxable profit will be available against which they can be utilized in the legal entity in which they arose.

At December 31, 2022, Amerigo had \$5.4 million (2021: 5.0 million) of Canadian federal net capital losses. These losses could be carried back 3 years and forward indefinitely against future taxable capital gains. Net capital loss carry-forwards have not been recognized, as it is not probable that taxable capital gains will be available against which they can be utilized in the legal entity in which they arose.

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h) Non-resident subsidiaries

Amerigo has non-resident subsidiaries that have undistributed earnings. At December 31, 2022, the Company recognized a deferred income tax liability and associated deferred income tax expense charged to income of \$1.7 million (2021: \$1.8) in respect of the estimated taxes associated with repatriation of earnings in the foreseeable future. Taxable temporary differences in relation to undistributed earnings for which deferred tax liabilities have not been recognized are \$102.5 million at December 31, 2022 (2021: \$107.6 million).

16) 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 5).

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

	Property, plant and equipment		Other	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Chile	158,514	177,995	4,093	4,340
Canada	77	88	-	-
	158,591	178,083	4,093	4,340

17) REVENUE

a) Revenue composition:

	2022	2021
	\$	\$
Gross value of copper produced	255,360	269,408
Adjustments to fair value of settlement receivables	(6,228)	13,062
	249,132	282,470
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(70,473)	(78,374)
Smelting and refining	(23,965)	(20,631)
Transportation	(1,702)	(2,021)
Copper tolling revenue	152,992	181,444
Molybdenum	15,060	18,107
	168,052	199,551

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- b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 16).

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

	2022	2021
	\$	\$
Copper	152,992	181,444
Molybdenum	15,060	18,107
	168,052	199,551

- c) Total revenue by region:

All of the Company's revenue originates in Chile.

In 2022, the Company's revenue from one customer represented 91% of reported revenue (2021: 91%).

18) EXPENSES BY NATURE

- a) Tolling and production costs consist of the following:

	2022	2021
	\$	\$
Tolling and production costs	(110,793)	(101,220)
Depreciation and amortization	(20,370)	(18,014)
Administration	(5,692)	(5,070)
DET royalties - molybdenum	(2,874)	(3,159)
	(139,729)	(127,463)

- b) General and administration expenses consist of the following:

	2022	2021
	\$	\$
Salaries, management and professional fees	(2,878)	(3,174)
Office and general expenses	(1,463)	(996)
Share-based payment compensation	(1,023)	(660)
	(5,364)	(4,830)

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c) Other losses consist of the following:

	2022	2021
	\$	\$
Writedown of obsolete equipment and supplies	(519)	(844)
Foreign exchange losses	(216)	(1,445)
Other (losses) gains	(56)	120
	(791)	(2,169)

d) Finance expense consists of the following:

	2022	2021
	\$	\$
Finance, commitment and interest charges	(2,312)	(3,450)
Fair value adjustments to interest rate swaps	1,355	(319)
	(957)	(3,769)

19) DISCLOSURE OF INTEREST IN OTHER ENTITIES

Amerigo has eight subsidiaries, all of which are wholly-owned with the exception of Amerigo International. Amerigo International is wholly-owned by Amerigo except for certain outstanding Class A shares, as disclosed in Note 13(a).

	Jurisdiction of incorporation
Amerigo International Holdings Corp.	Canada
Amerigo Investments Ltd.	Barbados
Amerigo Banking Corpoartion	St. Lucia
Amerigo Resources Ltd. I Chile Limitada	Chile
Amerigo Resources Ltd. II Chile SPA	Chile
Minera Valle Central S.A.	Chile
Colihues Energia S.A.	Chile
Servicios y Procesos Industriales S&PI SPA	Chile

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20) 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 embedded derivatives in circumstances when 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 assesses 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 13(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 values of IRS were determined with the assistance of third parties who performed a discounted cash flow valuation based on forward interest rate curves.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2022				
Trade receivables	-	12,360	-	12,360
Interest rate swap	-	-	1,143	1,143
Related party derivative liability	-	-	(7,152)	(7,152)
	-	12,360	(6,009)	6,351
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2021				
Trade receivables	-	11,825	-	11,825
Interest rate swap	-	-	(220)	(220)
Related party derivative liability	-	-	(10,904)	(10,904)
	-	11,825	(11,124)	701

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The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and DET royalties approximate their fair value due to their short-term maturity.

The following table reconciles the starting to the ending balances for Level 3 fair value measurements:

	Related party derivative liability
	\$
Balance at January 1, 2022	10,904
Paid	(1,036)
Change in fair value	(2,716)
Balance at December 31, 2022	7,152

	Consolidated bank loan Interest rate swap
	\$
Balance at January 1, 2022	(220)
Paid	8
Change in fair value	1,355
Balance at December 31, 2022	1,143

The valuation technique used in the determination of fair values within Level 2 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The fair values of the Company's copper and molybdenum trade receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue.

Key observable inputs: For copper: average LME spot and 3-month copper prices assessed monthly. For molybdenum: average Platt's molybdenum dealer oxide molybdenum price assessed monthly.

Inter-relationship between key observable inputs and fair value measurement: The estimated fair value increases as copper and molybdenum prices increase.

The calculation of the fair value of trade and other receivables is performed monthly by MVC's Finance Manager.

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The fair value is calculated by applying the discounted cash flow approach. The valuation model considers the present value of the net cash flows expected to be paid to a related party (Note 13(a)) and in respect of the IRS (Note 11).

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Key unobservable inputs: For the related party derivative liability: estimated copper equivalent tolling/production to 2037, assumed copper and molybdenum prices and discount rate. For the IRS, the valuation model considers a forward interest rate curve.

Inter-relationship between key unobservable inputs and fair value measurement: For the related party derivative liability: the estimated fair value increases the lower the discount rate, the higher the estimated tolling/production and the higher the copper equivalent for molybdenum production calculated from the relationship of molybdenum to copper prices. In the case of the IRS, the contract's fair value fluctuates with changes in market interest rates.

Valuation processes: Amerigo's finance department is responsible for valuation of fair value measurements included in the financial statements, including Level 3 fair values. In the case of the IRS, Amerigo relies on the valuation performed by Scotiabank Chile, the bank with which MVC entered into the swap. The valuation processes and results for recurring measurements are reviewed and approved by the Chief Financial Officer (CFO) at least once every quarter, in line with Amerigo's quarterly reporting dates. The valuation processes and results for non-recurring measurements are reviewed and approved by the CFO in the quarter in which the measurement occurs. All Level 3 valuation results are discussed with the Audit Committee as part of its quarterly review of Amerigo's financial statements.

Key unobservable inputs for valuation of the related party derivative liability correspond to:

- Estimated copper equivalent tolling/production as provided by MVC's mining plan. Based on the estimates as at December 31, 2022, a 1% increase (decrease) in estimated copper equivalent tolling/production would have no significant impact in the related party derivative liability.
- Assumed copper and molybdenum prices for the calculation of copper equivalent from molybdenum production, as provided by consensus long-term copper and molybdenum price market data. The copper prices used in the December 31, 2022 calculation were; 2023: \$3.59/lb; 2024: \$3.80/lb; 2025: \$3.97/lb; 2026: \$4.09 and 2027 to 2037: \$3.64/lb. Molybdenum prices used were 2023: \$17.19/lb; 2024: \$15.45/lb; 2025: \$13.25/lb; 2026: \$12.47/lb and 2027 to 2037: \$11.00/lb.
- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 10.76% in 2032 with gradual decreases down to 9.74% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately \$0.4 million in the related party derivative liability.

In the case of the IRS, key inputs for valuation correspond to a forward interest rate curve, term of the IRS, loan amortization schedule and MVC's credit spread.

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21) FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, foreign exchange risk, interest rate risk, commodity price risk and credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company operates in a cyclical industry where levels of cash flow are closely correlated to the market prices for copper.

In 2022, the Company generated \$34.9 million of operating cash flow before changes in non-cash working capital (2021: \$69.5 million), and \$23.6 million in operating cash flow including changes in non-cash working capital (2021: \$93.0 million).

The Company expects that it will continue to be able to meet obligations for the next 12 months from operating cash flow. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections.

The Company's liabilities fall due as indicated in the following tables:

At December 31, 2022	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	26,346	26,346	-	-	-
DET royalties	16,807	16,807	-	-	-
Leases	2,256	2,256	-	-	-
Borrowings	27,985	8,901	8,109	10,975	-
Related party derivative liability	7,152	1,017	855	1,964	3,316
Severance provisions	710	-	-	-	710
	81,256	55,327	8,964	12,939	4,026

At December 31, 2021	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	17,983	17,983	-	-	-
DET royalties	22,846	22,846	-	-	-
Leases	3,443	1,202	2,241	-	-
Borrowings	30,404	6,759	6,756	16,889	-
Related party derivative liability	10,904	1,030	1,214	3,155	5,505
Severance provisions	607	-	-	-	607
	86,187	49,820	10,211	20,044	6,112

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Foreign Exchange Risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Company's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. Amerigo has elected not to actively manage this exposure at this time. Notwithstanding, Amerigo continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2022, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately \$nil and \$nil on income and comprehensive income, respectively.

Interest Rate Risk

At December 31, 2022, the Company's interest rate risk mainly arises from the interest rate impact on borrowings and is mitigated by an IRS (Note 11).

As at December 31, 2022, with other variables unchanged, a 1% change in prime rates on borrowings not protected by the IRS would have had no impact on income and no effect on OCI.

Commodity Price Risk

MVC faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of performance of tolling services or delivery of concentrates to the time of final price settlement. This risk is affected by the quotational periods in place. In 2022, the quotational periods were "M+3" for copper tolling services and a range from "M+1" to "M+6" for molybdenum sales.

The following represents the effect of financial instruments on after-tax net income from a 10% increase to the December 2022 average commodity prices:

	Price		Increase on after-tax net earnings	
	2022	2021	2022	2021
	\$/lb	\$/lb	\$	\$
Copper	3.80	4.30	6,378	7,227
Molybdenum	26.13	18.60	949	556

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade receivable. The Company has an investment policy which requires that cash and cash equivalents can only be deposited in investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions in Canada and Chile and are redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. In 2022, MVC processed copper concentrates under a tolling agreement with DET and does not consider it has any significant credit risk exposure on its accounts receivable.

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Capital Risk Management

Amerigo considers that its capital consists of the items included in shareholders' equity, borrowings when applicable, net of cash and cash equivalents, and investments. Amerigo manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of Amerigo's assets.

Amerigo's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis.

To effectively manage its capital requirements, Amerigo has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating objectives. Amerigo's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

22) SUPPLEMENTARY CASH FLOW INFORMATION

	2022	2021
	\$	\$
(a) Interest and taxes paid		
Income taxes paid	11,299	3,138
Interest paid	872	4,788
(b) Other		
Increase (decrease) in accounts payable related to the acquisition of plant and equipment	2,346	(482)
Cash paid during the year in connection with the derivative to related parties	1,040	1,211

Consistency of Presentation

On the Statement of Cash Flows for the year ended December 31, 2021, the \$721 in cash paid into the debt service reserve account to be held as restricted cash to fund future payments on borrowings has been reclassified from operating activities to financing activities. This reclassification was done in order to better align the nature of the transaction with its presentation on the Statement of Cash Flows.

23) COMMITMENTS

- a) At December 31, 2022 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 \$0.9 million to \$1.4 million per month.
- b) 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.

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24) SUBSEQUENT EVENTS

- a) Subsequent to year end, the Company purchased 317,535 common shares under its NCIB.
- b) Subsequent to year end, 100,000 options of the Company were exercised for gross proceeds of \$106,000 and 300,000 options were exercised on a cashless basis.
- c) On February 21, 2023, Amerigo's Board of Directors declared a quarterly dividend of Cdn\$0.03 per share, payable on March 20, 2023 to shareholders of record as of March 6, 2023.