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## Amerigo Reports 2019 Production Results and Provides 2020 Guidance

Vancouver, British Columbia – January 20, 2020/CNW/ - Amerigo Resources Ltd. ("Amerigo" or the "Company") (TSX: ARG) announces 2019 production results from Minera Valle Central ("MVC"), the Company's 100% owned operation located near Rancagua, Chile.

Amounts are reported in U.S. dollars.

### **Amerigo's MVC produced 69.8 million pounds copper in 2019**

In 2019, MVC produced 69.8 million pounds of copper at a cash cost of \$1.82 per pound, including production from fresh tailings (19.3 million pounds), Cauquenes historic tailings (38.9 million pounds) and production from slag processing for Division El Teniente ("DET") (11.7 million pounds). MVC also produced 1.4 million pounds of molybdenum.

Production was affected by MVC's mine plan in H1-2019 when MVC processed lower grade and high fines material from Cauquenes. In July 2019 MVC completed a deeper sump that is providing access to better quality material, but production has been affected by low plant recoveries.

Low recoveries are partially due to an increase in density -or said differently, a decrease in water content- of fresh tailings as a result of DET's water preservation programs in response to severe drought conditions in the region where DET and MVC operate. Higher densities negatively impact plant recoveries and contribute to a stressed process.

In November 2019 MVC completed a comprehensive plant performance assessment and identified other areas of opportunity to improve recoveries, on which MVC continues to work.

	2019	Q4-2019	Q3-2019	Q2-2019	Q1-2019
<b>Fresh tailings</b>					
Tonnes processed	42,309,069	10,529,332	10,883,200	10,940,468	9,956,069
Copper grade	0.111%	0.112%	0.110%	0.111%	0.110%
Copper recovery	18.6%	17.5%	18.8%	19.1%	19.0%
Copper produced (millions of pounds)	19.269	4.571	4.985	5.121	4.593
<b>Cauquenes tailings</b>					
Tonnes processed	20,685,058	5,365,311	5,226,443	5,094,589	4,941,816
Copper grade	0.254%	0.273%	0.270%	0.232%	0.237%
Copper recovery	33.6%	34.5%	35.7%	31.6%	32.6%
Copper produced (millions of pounds)	38.892	11.154	11.103	8.223	8.411
<b>Slag Processing</b>					
Tonnes processed	127,133	93,248	33,885	-	-
Copper grade	5.2%	5.3%	5.0%	-	-
Copper recovery	79.6%	79.3%	80.5%	-	-
Copper produced (millions of pounds)	11.616	8.617	2.999	-	-
<b>Total copper produced (millions of pounds)</b>	<b>69.777</b>	<b>24.342</b>	<b>19.087</b>	<b>13.344</b>	<b>13.005</b>
<b>Total copper delivered (millions of pounds)</b>	<b>69.960</b>	<b>24,067</b>	<b>19.549</b>	<b>13.865</b>	<b>12.920</b>
<b>Cash cost (\$/pound copper)</b>	<b>1.82</b>	<b>1.79</b>	<b>1.56</b>	<b>1.97</b>	<b>2.03</b>

## ***MVC is taking precautionary measures amidst severe drought conditions to ensure continuity of operations***

MVC's sources of water are, in order of importance, water contained in fresh tailings, fresh rainfall water (stored in the Colihues dam) and water rights to local rivers, all of which have been affected by severe drought conditions.

As water sourcing is not within its control, MVC is conducting various projects to improve water recirculation at the plant which are expected to be completed by April 30, 2020. Together with ongoing plant debottlenecking initiatives, these projects should improve recoveries if rainfall in 2020 returns to normal levels.

MVC's 2020 Budget was prepared assuming average 2020 recoveries of 20% for fresh tailings and 37% for Cauquenes tailings, which would result in annual production of 19.6 million pounds of copper from fresh tailings, 46.2 million pounds of copper for Cauquenes tailings and approximately 6.9 million pounds of copper from slag processing for 2020 annual production of 72.7 million pounds of copper.

However, in order to prevent operational shutdowns should severe drought conditions continue in 2020, MVC has taken the precautionary approach to reduce Cauquenes tonnage processing and currently expects to continue to do so through Q1-2020. YTD Cauquenes tonnage processing has averaged approximately 50,000 tonnes per day ("TPD"), compared to Budget 62,500 TPD. MVC is continually monitoring the levels of water stored in the Colihues dam to determine if Cauquenes processing can be maintained at 50,000 TPD or needs to be further reduced.

Based on recent information, MVC may not continue to receive slag material from DET past January 2020, as DET may be able to start operating its own slag processing plant in Q1-2020.

Recoveries YTD have been slightly over Budget.

Annual 2020 production under the Budget ("Base Case") and the various adjusted Cauquenes processing scenarios that could take place in Q1-2020, along with the suspension of slag processing as of February 2020, would be as follows:

	<b>Budget (62,500 TPD)</b>	<b>50,000 TPD</b>	<b>40,000 TPD</b>	<b>30,000 TPD</b>
<b>Production (million lbs)</b>				
Fresh tailings	19.6	20.2	20.5	20.8
Cauquenes	46.2	43.8	42.1	40.3
	65.8	64.0	62.6	61.1
Slag processing	6.9	1.8	1.8	1.8
<b>Total copper</b>	<b>72.7</b>	<b>65.8</b>	<b>64.4</b>	<b>62.9</b>
<b>Total molybdenum</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>
<b>Cash cost (\$/pound copper)</b>	<b>\$1.45 - \$1.50</b>	<b>\$1.50 - \$1.55</b>	<b>\$1.51 - \$1.56</b>	<b>1.52 - \$1.57</b>

Aurora Davidson, Amerigo's President and CEO, stated "Our focus in 2020 is to ensure production continuity at MVC under the challenges of severe drought conditions in Chile. We are closely managing the economics of reduced tonnage, improvements to our historical cost structure and additional cost reductions at MVC to yield a margin that allows us to generate free cash flow at lower metal prices than currently seen. Amerigo's financial model is as closely leveraged to copper price as it can be. If copper prices continue to rise, so will our cash-generating ability."

### ***MVC's lower power costs and treatment and refinery charges will reduce cash cost in 2020***

MVC's treatment and refinery charges in 2020, based on industry benchmarks, are expected to decrease to \$0.29/lb from 2019's \$0.35/lb. The revised terms are expected to represent annual cost reductions of approximately \$3.2 million (Base Case).

In 2020, MVC's power supply contract has been modified to extend its term from December 31, 2032 to December 31, 2037 and to modify contractual supply rates. The changes are expected to reduce MVC's power cost from 2019's \$0.0987/kWh to approximately \$0.0892/kWh (Base Case), a power cost reduction of approximately \$5.8 million in 2020 (Base Case).

### ***Annual 2020 sustaining capital expenditures ("Capex") is expected to be \$3.8 million, which could increase to \$5.0 million if copper prices remain over \$2.80/lb in H1-2020***

In 2020, MVC will not need to build a new sump at Cauquenes and has budgeted \$3.8 million in Capex that includes projects to improve water recirculation (\$2.2 million) and various Capex to improve plant efficiency (\$1.6 million).

If copper prices remain at levels over \$2.80/lb during Q1-2020 and other liquidity tests are met, MVC would incur additional Capex of \$1.2 million in the year for a total of \$5.0 million. Additional Capex would include the supply and installation of automated sampling and reagent supply equipment, electrical improvements and purchase of additional equipment for the water thickeners.

### ***MVC's expects to meet obligations as they come due in 2020***

In its 2020 Budget MVC has assumed a copper price of \$2.65/lb and a molybdenum price of \$9.80/lb. Under these conditions, MVC's semi-annual debt payments of \$4.7 million plus interest due at the end of March and September 2020 are expected to be met from operating cash flow, under the Base Case and any of the three adjusted tonnage scenarios.

MVC funded its debt reserve account with \$6.1 million dollars in December 2019 (\$4.7 million principal and projected interest payments of \$1.4 million) and currently expects to maintain the reserve account funded until the loans are repaid on September 2023 (in absence of advance payments as permitted under the loan agreement).

### ***Release of 2019 results on February 20, 2020***

The Company will release its 2019 financial results at market open on Thursday February 20, 2020.

### ***Investor conference call on February 21, 2020***

Amerigo's quarterly investor conference call will take place on Friday February 21, 2020 at 11:00 am Pacific Standard Time/2:00 pm Eastern Standard Time.

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

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

## ***About Amerigo and MVC***

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

Amerigo produces copper concentrate at the MVC operation in Chile by processing fresh and historic tailings from Codelco’s El Teniente mine, the world's largest underground copper mine. Tel: (604) 681-2802; Fax: (604) 682-2802; Web: [www.amerigoresources.com](http://www.amerigoresources.com); Listing: ARG:TSX.

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## Cautionary Note Regarding Forward-Looking Information

This news release contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company's control, the Company cannot assure that it will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. These forward-looking statements include but are not limited to, statements concerning:

- forecasted production, reductions in operating costs and an increase in recoveries;
- water supply risk to MVC as a result of extreme drought conditions in Chile;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- our estimates in respect of annual 2020 sustaining capital expenditures;
- the timing of completion of MVC's projects to improve water recirculation;
- prices and price volatility for copper and other commodities and of materials we use in our operations;
- the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources and our expected ability to meet our obligations for the next 12 months;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- our ability to comply with our loan covenants;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- hazards inherent in the mining industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties and suspension of operations
- estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- repudiation, nullification, modification or renegotiation of contracts;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning metal sales, treatment charges and royalties;
- disruptions to the Company's information technology systems, including those related to cybersecurity;
- our dividend policy; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, negotiations with government and other third parties, unanticipated metallurgical difficulties, delays associated with permits, approvals and permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of and our ability to obtain both tailings from Codelco's Division El Teniente's current production and historic tailings from tailings deposit; risks with respect to completion of all phases of the Cauquenes expansion, the ability of the Company to draw down funds from bank facilities and lines of credit, the availability of and ability of the Company to obtain adequate funding on reasonable terms for expansions and acquisitions, including all phases of the Cauquenes expansion; mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings. Many of these risks and uncertainties apply not only to the Company and its operations, but also to Codelco and its operations. Codelco's ongoing mining operations provide a significant portion of the materials the Company processes and its resulting metals production, therefore these risks and uncertainties may also affect their operations and in turn have a material effect on the Company.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this news release. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- the ability of the Company to profitably extract and process material from the Cauquenes tailings deposit;

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

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

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