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Amerigo Reports Strong 2020 and Q4-2020 Financial Results

(Amounts in U.S. dollars except indicated otherwise)

VANCOUVER, BRITISH COLUMBIA – February 18, 2021/Amerigo Resources Ltd. (TSX: ARG; ARREF:OTC) (“Amerigo” or the “Company”) is pleased to announce financial results for the three months (“Q4-2020”) and year ended December 31, 2020.

Amerigo posted annual net income of \$6.1 million, earnings per share (“EPS”) of \$0.03, EBITDA¹ of \$33.1 million and annual operating cash flow before changes in working capital of \$29.1 million.

In Q4-2020, the Company’s net income was \$8.3 million, with EPS of \$0.05, EBITDA¹ of \$20.1 million and quarterly operating cash flow before changes in working capital of \$19.8 million.

“We are pleased to report a strong operational and financial close of the year. Financial results in Q4-2020 reversed the financial losses posted during a challenging first semester and represented 61% of annual EBITDA. Amerigo’s liquidity and financial position were substantially improved, positioning us for a sound start in 2021. We are fully focused on delivering production and cost guidance, which under current strong copper prices should continue to re-establish shareholder value”, said Aurora Davidson, Amerigo’s President and CEO.

The information and data contained in this news release should be read in conjunction with Amerigo’s audited consolidated financial statements and Management’s Discussion and Analysis (“MD&A”) for the years ended December 31, 2020 and 2019, available at the Company’s website at www.amerigoresources.com and at www.sedar.com.

	Annual 2020	Annual 2019	Q4-2020	Q4-2019
Revenue (\$ millions)	126.4	119.8	47.2	35.5
Net income (loss) (\$ millions)	6.1	(9.4)	8.3	0.6
Earnings (loss) per share (\$)	0.03	(0.05)	0.05	-
EBITDA ¹ (\$ millions)	33.1	17.9	20.1	7.9
Operating cash flow before changes in working capital (\$ millions)	29.1	9.8	19.8	6.4
Cash and cash equivalents (\$ millions)	14.1	7.2		
Bank debt (\$ thousands)	46.5	55.9		

¹ This is a non-GAAP financial performance measure. Refer to “Alternative Performance Measures” at the end of this press release.



Highlights and Significant Items

- 2020 net income was \$6.1 million (2019: net loss of \$9.4 million) due to higher copper prices in the second half of the year, lower tolling and production costs and lower expenses.
- Annual EPS was \$0.03 (2019: loss per share (“LPS”) of \$0.05).
- The Company generated annual operating cash flow of \$29.1 million before changes in non-cash working capital (2019: \$9.8 million). Annual net operating cash flow was \$19.8 million (2019: \$9.7 million).
- 2020 production from Amerigo’s Minera Valle Central (“MVC”) tailings processing facility in Chile was 56.2 million pounds (“M lbs”) of copper (2019: 69.8 M lbs), including 29.3 M lbs from Cauquenes (2019: 38.9 M lbs), 25.6 M lbs from fresh tailings (2019: 19.3 M lbs) and 1.2 M lbs from slag processing (2019: 11.6 M lbs). Excluding slag processing, 2020 copper production was 55.0 M lbs (2019: 58.2 M lbs) mostly due to reduced Cauquenes processing rates in H1-2020 in response to drought conditions then present at MVC.
- Molybdenum production was 1.4 M lbs in 2020 and 2019.
- Cash cost² a non-GAAP measure equal to the aggregate of smelting and refining charges, tolling/production costs net of inventory adjustments and administration costs, net of by-product credits, decreased to \$1.76 per pound (“/lb”) (2019: \$1.82/lb). In the computation of cash cost, by-product credits include molybdenum and slag processing revenue.
- MVC’s copper price was \$2.94/lb (2019: \$2.73/lb) and MVC’s molybdenum price was \$8.19/lb (2019: \$10.64/lb). Amerigo remains fully leveraged to the price of copper.
- Revenue was \$126.4 million (2019: \$119.8 million), including copper tolling revenue of \$116.3 million (2019: \$103.6 million), molybdenum revenue of \$9.5 million (2019: \$10.6 million) and slag processing revenue of \$0.7 million (2019: \$5.5 million).
- Copper tolling revenue is calculated from MVC’s gross value of copper tolled of \$156.6 million (2019: \$158.7 million) and fair value adjustments to settlement receivables of \$11.6 million (2019: \$0.3 million), less notional items including DET royalties of \$33.5 million (2019: \$33.8 million), smelting and refining of \$16.7 million (2019: \$19.8 million) and transportation of \$1.8 million (2019: \$1.8 million).
- MVC’s financial performance is very sensitive to changes in copper prices. At December 31, 2020, MVC’s provisional copper price was \$3.53/lb and final prices for October, November, and December 2020 sales will be the average London Metal Exchange prices for January, February and March 2021 respectively. A 10% increase or decrease from the \$3.53/lb provisional price would result in a \$5.6 million change in copper revenue in 2021 in respect of 2020 production.
- At December 31, 2020, the Company’s cash balance was \$14.1 million (December 31, 2019: \$7.2 million) and the Company’s working capital deficiency was down to \$6.1 million from \$15.1 million at December 31, 2019.
- Although the Company’s working capital deficiency continues to be a liquidity risk indicator, Amerigo expects to continue to meet obligations for at least the next 12 months from operating cash flows, assuming 2021 copper prices average at least \$2.85/lb and the Company’s 2021 production and cost outlook is met.

² This is a non-GAAP financial performance measure. Refer to “Alternative Performance Measures” at the end of this press release.



- In 2020, MVC made debt repayments of \$9.4 million (2019: \$12.4 million) and obtained a \$7.3 million loan from Codelco's El Teniente to finance settlement adjustments. The Company's debt balance at year end was \$53.8 million (December 31, 2019: \$55.9 million).

Summary Consolidated Statements of Financial Position		
	December 31, 2020	December 31, 2019
	\$ thousands	\$ thousands
Cash and cash equivalents	14,085	7,164
Property plant and equipment	184,805	198,582
Other assets	38,685	27,916
Total assets	237,575	233,662
Total liabilities	126,893	131,030
Shareholders' equity	110,682	102,632
Total liabilities and shareholders' equity	237,575	233,662
Summary Consolidated Statements of Income and Comprehensive Income		
	Year ended December 31, 2020	2019
	\$ thousands	\$ thousands
Revenue	126,427	119,803
Tolling and production costs	(111,041)	(119,400)
Other expenses	(3,606)	(5,303)
Finance expense	(5,240)	(7,846)
Income tax (expense) recovery	(476)	3,333
Net income (loss)	6,064	(9,413)
Other comprehensive income	1,756	854
Comprehensive income (loss)	7,820	(8,559)
Earnings (loss) per share - basic & diluted	0.03	(0.05)
Summary Consolidated Statements of Cash Flows		
	Year ended December 31, 2020	2019
	\$ thousands	\$ thousands
Cash flows from operating activities	29,148	9,845
Changes in non-cash working capital	(9,371)	(133)
Net cash from operating activities	19,777	9,712
Net cash used in investing activities	(2,720)	(10,585)
Net cash (used in) from financing activities	(10,658)	(13,173)
Net increase (decrease) in cash	6,399	(14,046)
Effect of foreign exchange rates on cash	522	(128)
Cash and cash equivalents, beginning of year	7,164	21,338
Cash and cash equivalents, end of year	14,085	7,164

Investor Conference Call on February 19, 2021

Amerigo's quarterly investor conference call will take place on Friday February 19, 2021 at 11:00 am Pacific Standard Time/2:00 pm Eastern Standard Time.



To join the call, please dial 1-800-806-5484 (Toll-Free North America) and enter passcode 1259759# 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 and molybdenum concentrate as a by-product 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; Listing: ARG:TSX.

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Alternative Performance Measures

Alternative performance measures are furnished to provide additional information. These non-GAAP performance measures are included in this news release because they provide key performance measures used by management to monitor performance, assess corporate performance, and to plan and assess the overall effectiveness and efficiency of Amerigo’s operations. These performance measures do not have any standardized meaning within IFRS and, therefore, amounts presented may not be comparable to similar measures presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Cautionary Statement on Forward Looking Information

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

- forecasted production, reductions in operating costs and an increase in recoveries;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- prices and price volatility for copper and other commodities and of materials we use in our operations;
- the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources and our expected ability to meet our obligations for the next 12 months;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- our ability to comply with our loan covenants;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;



- hazards inherent in the mining industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties and suspension of operations
- estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- repudiation, nullification, modification or renegotiation of contracts;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning metal sales, treatment charges and royalties;
- disruptions to the Company's information technology systems, including those related to cybersecurity;
- our dividend policy; and
- general business and economic conditions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, negotiations with government and other third parties, unanticipated metallurgical difficulties, delays associated with permits, approvals and permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; risks related to the potential impact of global or national health concerns, including COVID-19, and the inability of employees to access sufficient healthcare; government or regulatory actions or inactions; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of and our ability to obtain both tailings from Codelco's Division El Teniente's current production and historic tailings from tailings deposit; risks with respect to the ability of the Company to draw down funds from bank facilities and lines of credit and the availability of and ability of the Company to obtain adequate funding on reasonable terms for expansions and acquisitions; mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings. Notwithstanding the efforts of the Company and MVC, there can be no guarantee that the Company's or MVC's staff will not contract COVID-19 or that the Company's and MVC's measures to protect staff from COVID-19 will be effective. Many of these risks and uncertainties apply not only to the Company and its operations, but also to Codelco and its operations. Codelco's ongoing mining operations provide a significant portion of the materials the Company processes and its resulting metals production, therefore these risks and uncertainties may also affect their operations and in turn have a material effect on the Company.

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

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- the ability of the Company to profitably extract and process material from the Cauquenes tailings deposit;
- the timing of the receipt of and retention of permits and other regulatory and governmental approvals;
- our costs of production and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- the satisfactory negotiation of collective agreements with unionized employees;
- the impact of changes in foreign exchange rates and capital repatriation on our costs and results;



- engineering and construction timetables and capital costs for our expansion projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our preliminary economic assessment (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the outcome of our copper concentrate sales and treatment and refining charge negotiations;
- the resolution of environmental and other proceedings or disputes;
- the future supply of reasonably priced power;
- rainfall in the vicinity of MVC continuing to trend towards normal levels;
- average recoveries for fresh tailings and Cauquenes tailings;
- our ability to obtain, comply with and renew permits and licenses in a timely manner; and
- our ongoing relations with our employees and entities with which we do business.

Future production levels and cost estimates assume there are no adverse mining or other events which significantly affect budgeted production levels. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company's control, the Company cannot assure that it will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. You should also carefully consider the matters discussed under Risk Factors in the Company's Annual Information Form. The forward-looking statements contained herein speak only as of the date of this news release and 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.