

Amerigo Announces Q3-2022 Results & Quarterly Dividend



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Net loss of \$4.4 million, Free Cash Flow to Equity¹ of \$0.6 million

EBITDA¹ of \$1.6 million, ending quarter cash & restricted cash of \$48.2 million

Quarterly dividend of Cdn\$0.03 per share declared, representing 12.4% yield²

Amerigo Resources Ltd. (TSX: ARG; OTCQX: ARREF) (“Amerigo” or the “Company”) is pleased to announce financial results for the three months ended September 30, 2022 (“Q3-2022”). Dollar amounts in this news release are in U.S. dollars unless indicated otherwise.

Quarterly results included a net loss of \$4.4 million, loss per share (“LPS”) of \$0.03 (Cdn\$0.03) and EBITDA of \$1.6 million. Following year-to-date return of capital to shareholders of \$24.3 million and debt repayments of \$3.5 million, cash and restricted cash on September 30, 2022 were \$48.2 million, compared to starting 2022 cash and restricted cash of \$64.0 million.

Amerigo’s quarterly financial results were impacted by \$8.6 million in negative price settlement adjustments to prior quarter copper sales.

“We are pleased to report another strong operational quarter where we continued to meet production and cost objectives. We also successfully negotiated a three-year collective labour agreement that will lend further visibility to our forward costs. However, Amerigo’s financial results were negatively affected by copper prices that appeared to be bottoming towards the end of the quarter,” said Aurora Davidson, Amerigo’s President and CEO. “Despite the lower copper prices, Amerigo generated positive free cash flow to equity¹. We remain committed to our policy of returning capital to shareholders while we wait for global sentiment to stabilize and copper prices to re-establish their positive historical correlation with inflation,” she added.

On October 31, 2022, Amerigo’s Board of Directors declared a quarterly dividend of Cdn\$0.03 per share, payable on December 20, 2022, to shareholders of record as of November 30, 2022. Amerigo designates the entire amount of this taxable dividend to be an “eligible dividend” for purposes of the Income Tax Act (Canada), as amended from time to time. Based on the September 30, 2022, share closing price of Cdn\$0.97, this represents an annual dividend yield 12.4%².

This news release should be read in conjunction with Amerigo’s interim consolidated financial statements and Management’s Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2022, available at the Company’s website at www.amerigoresources.com and at www.sedar.com.

	30-Sep-22	31-Dec-21	Q3-2022	Q3-2021
MVC's copper price (\$/lb) ³			3.50	4.23
Revenue (\$ millions)			30.9	48.1
Net (loss) income (\$ millions)			(4.4)	8.4
(LPS) EPS (\$)			(0.03)	0.05
(LPS) EPS (Cdn)			(0.03)	0.06
EBITDA ¹ (\$ millions)			1.6	18.5
Operating cash flow before changes in non-cash working capital ¹ (\$ millions)			2.6	14.1
FCFE ¹ (\$ millions)			0.6	5.9

Cash (\$ millions)	41.8	59.8		
Restricted cash (\$ millions)	6.4	4.2		
Borrowings (\$ millions)	27.6	30.4		
Share outstanding at end of period (millions)	166.0	173.7		

Highlights and Significant Items

- In Q3-2022, market copper prices continued to decline, affecting Amerigo's financial performance through lower current quarterly revenue which is marked-to-market at a lower provisional price (Q3-2022: \$3.50 per pound ("lb"); Q3-2021: \$4.23/lb) and through negative final price settlement adjustments to prior-quarter production (Q3-2022: \$8.6 million in negative adjustments to Q2-2022 production; Q3-2021: \$2.4 million in negative adjustments to Q2-2021 production).
- As a result, Amerigo posted a net loss in Q3-2022 of \$4.4 million (Q3-2021: net income of \$8.4 million). LPS during Q3-2022 was \$0.03 (Cdn\$0.03) (Q3-2021: EPS of \$0.05 (Cdn\$0.06)).
- Q3-2022 production was 16.0 million pounds of copper (Q3-2021: 16.0 million pounds) including 8.6 million pounds from fresh tailings (Q3-2021: 8.6 million pounds) and 7.4 million pounds from Cauquenes (Q3-2021: 7.4 million pounds).
- Molybdenum production in Q3-2022 was 0.3 million pounds (Q3-2021: 0.3 million pounds).
- Revenue during Q3-2022 was \$30.9 million (Q3-2021: \$48.1 million), including copper tolling revenue of \$27.4 million (Q3-2021: \$42.5 million) and molybdenum revenue of \$3.5 million (Q3-2021: \$5.6 million).
- Copper tolling revenue is calculated from MVC's gross value of copper produced during Q3-2022 of \$56.8 million (Q3-2021: \$72.0 million) and negative fair value adjustments to settlement receivables of \$8.8 million (Q3-2021: \$2.9 million), less notional items including DET royalties of \$14.3 million (Q3-2021: \$20.6 million), smelting and refining of \$5.9 million (Q3-2021: \$5.5 million) and transportation of \$0.4 million (Q3-2021: \$0.5 million). The Q3-2022 settlement adjustments included

\$8.6 million in negative settlement adjustments in respect of Q2-2022 production, which are final adjustments.

- The Company generated operating cash flow before changes in non-cash working capital¹ of \$2.6 million in Q3-2022 (Q3-2021: \$14.1 million). Quarterly net operating cash flow used in operating activities was \$6.3 million (Q3-2021: cash generated of \$25.4 million). There was free cash flow to equity¹ of \$0.6 million in Q3-2022 (Q3-2021: \$5.9 million).
- Q3-2022 cash cost¹ increased 19% to \$1.93/lb (Q3-2021: \$1.62/lb), driven mostly by a decrease of \$0.13/lb in molybdenum by-product credits from a lower molybdenum price, an increase of \$0.05/lb in grinding media and an increase of \$0.07/lb in other direct costs.
- Amerigo's financial performance is very sensitive to changes in copper prices. MVC's Q3-2022 provisional copper price was \$3.50/lb³, and final prices for July, August, and September sales will be the average London Metal Exchange ("LME") prices for October, November, and December, respectively. A 10% increase or decrease from the \$3.50/lb³ provisional price used on September 30, 2022 would result in a \$5.7 million change in revenue in Q4-2022 in respect of Q3-2022 production.
- In Q3-2022, Amerigo returned \$3.8 million to shareholders through Amerigo's regular quarterly dividend of Cdn\$0.03 per share. YTD-2022, Amerigo returned \$24.3 million to shareholders, with \$12.0 million paid out in dividends and \$12.3 million returned through the purchase of 9.4 million common shares for cancellation through a Normal Course Issuer Bid.
- On September 30, 2022, the Company held cash and cash equivalents of \$41.8 million (December 31, 2021: \$59.8 million), restricted cash of \$6.4 million (December 31, 2021: \$4.2 million) and had working capital of \$6.9 million (December 31, 2021: \$24.6 million).

Investor Conference Call on November 3, 2022

Amerigo's quarterly investor conference call will take place on Thursday, November 3, 2022 at 11:00 am Pacific Daylight Time/2:00 pm Eastern Daylight Time. To join the call, please dial **1-888-664-6392** (Toll-Free North America) and enter **confirmation number 99826991**.

About Amerigo and Minera Valle Central ("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; Web: www.amerigoresources.com; ARG:TSX; OTCQX: ARREF.

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Summary Consolidated Statements of Financial Position		
	September 30,	December 31,
	2022	2021
	\$ thousands	\$ thousands
Cash and cash equivalents	41,813	59,792
Restricted cash	6,384	4,221
Property plant and equipment	171,534	178,083

Other assets	20,797	27,249
Total assets	240,528	269,345
Total liabilities	116,202	130,552
Shareholders' equity	124,326	138,793
Total liabilities and shareholders' equity	240,528	269,345

Summary Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

	Three months ended September 30,	
	2022	2021
	\$ thousands	\$ thousands
Revenue	30,858	48,132
Tolling and production costs	(34,414)	(33,940)
Other expenses	(1,587)	(1,546)
Finance expense	(204)	(1,102)

Income tax recovery (expense)	905	(3,124)
Net (loss) income	(4,442)	8,420
Other comprehensive income	2,353	55
Comprehensive (loss) income	(2,089)	8,475
(Loss) earnings per share - basic & diluted	(0.03)	0.05

Summary Consolidated Statements of Cash Flows

	Three months ended September 30,	
	2022	2021
	\$ thousands	\$ thousands
Cash flows from operating activities	2,617	14,067
Changes in non-cash working capital	(8,926)	11,315
Net cash (used in) from operating activities	(6,309)	25,382
Net cash used in investing activities	(1,814)	(6,022)

Net cash used in financing activities	(4,003)	(2,156)
Net (decrease) increase in cash	(12,126)	17,204
Effect of foreign exchange rates on cash	919	(1,168)
Cash and cash equivalents, beginning of period	53,020	48,909
Cash and cash equivalents, end of period	41,813	64,945

¹ Non-IFRS Measures

This news release includes five non-IFRS measures: (i) EBITDA, (ii) operating cash flow before changes in non-cash working capital, (iii) free cash flow to equity (“FCFE”), (iv) free cash flow (“FCF”) and (v) cash cost.

These non-IFRS performance measures are included in this news release because they provide key performance measures used by management to monitor operating performance, assess corporate performance, and to plan and assess the overall effectiveness and efficiency of Amerigo’s operations. These performance measures are not standardized financial measures under IFRS and, therefore, amounts presented may not be comparable to similar financial measures disclosed by other companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

(i) EBITDA refers to earnings before interest, taxes, depreciation, and administration and is calculated by adding back depreciation expense to the Company’s gross profit or loss.

(Expressed in thousands)	Q3-2022	Q3-2021

	\$	\$
Gross (loss) profit	(3,556)	14,192
Add		
Depreciation and amortization	5,125	4,325
EBITDA	1,569	18,517

(ii) Operating cash flow before changes in non-cash working capital is calculated by adding back the decrease or subtracting the increase in changes in non-cash working capital to or from cash provided by operating activities.

(Expressed in thousands)	Q3-2022	Q3-2021
	\$	\$
Net cash (used in) from operating activities	(6,309)	25,382
Add (deduct):		
Changes in non-cash working capital	8,926	(11,315)
Operating cash flow before changes in non-cash working capital	2,617	14,067

(iii) Free cash flow to equity (“FCFE”) refers to operating cash flow before changes in non-cash working capital less capital expenditures plus new debt issued less debt and lease repayments. FCFE represents the amount of cash generated by the Company in a reporting period that can be used to pay for:

a) potential distributions to the Company’s shareholders, and

b) any additional taxes triggered by the repatriation of funds from Chile to Canada to fund these distributions.

Free cash flow (“FCF”) refers to FCFE plus repayments of borrowings and lease repayments.

(Expressed in thousands)	Q3-2022	Q3-2021
	\$	\$
Operating cash flow before changes in non-cash working capital	2,617	14,067
Deduct:		
Cash used to purchase plant and equipment	(1,814)	(6,022)
Repayment of borrowings net of new debt issued	-	(1,904)
Lease repayments	(218)	(252)
Free cash flow to equity	585	5,889

Add:		
Repayment of borrowings net of new debt issued	-	1,904
Lease repayments	218	252
Free cash flow	803	8,045

(iv) Cash cost is a performance measure commonly used in the mining industry that is not defined under IFRS. Cash cost is the aggregate of smelting and refining charges, tolling/production costs net of inventory adjustments and administration costs, net of by-product credits. Cash cost per pound produced is based on pounds of copper produced and is calculated by dividing cash cost over the number of pounds of copper produced.

(Expressed in thousands)		Q3- 2022	Q3- 2021
		\$	\$
Tolling and production costs		34,414	33,940
Add (deduct):			
Smelting and refining charges		5,926	5,499
Transportation costs		410	520

Inventory adjustments		(614)	(3,101)
By-product credits		(3,492)	(5,611)
DET royalties-molybdenum		(691)	(1,115)
Depreciation and amortization		(5,125)	(4,325)
		30,828	25,807
Copper tolled (M lbs)		16.00	15.99
Cash cost (\$/lb)		1.93	1.62

² Dividend yield

The disclosed annual yield of 12.4% is based on four quarterly dividends of Cdn\$0.03 per share each, divided over Amerigo's September 30, 2022 share price of Cdn\$0.97.

³ MVC's copper price

MVC's copper price is the average notional copper price for the period, before smelting and refining, DET notional copper royalties, transportation costs and excluding settlement adjustments to prior period sales.

MVC's pricing terms are based on the average LME copper price for the third month following delivery of copper concentrates produced under the tolling agreement with DET ("M+3"). This means that when final copper prices are not yet known, they are provisionally marked-to-market at the end of each month based on the progression of the LME published average monthly M and M+3 prices. Provisional prices are adjusted monthly using this consistent methodology, until they are settled.

Q2-2022 copper deliveries were marked-to-market at June 30, 2022 at \$4.10/lb and were settled in Q3-2022 as follows:

- April 2022 sales settled at the July 2022 LME average price of \$3.41/lb

- May 2022 sales settled at the August 2022 LME average price of \$3.61/lb
- June 2022 sales settled at the September 2022 LME average price of \$3.51/lb

Q3-2022 copper deliveries were marked-to-market at September 30, 2022 at \$3.50/lb and will be settled at the LME average prices for October, November and December 2022.

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 and operating costs;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- the sufficiency of MVC's water reserves to maintain projected Cauquenes tonnage processing for a period of at least 18 months;
- prices and price volatility for copper, molybdenum and other commodities and of materials we use in our operations;
- the demand for and supply of copper, molybdenum 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 financial condition and our expected ability to redeploy other tools of our capital return strategy;
- 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, including, but not limited to, our assessment of strong market fundamentals supporting copper prices.

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; 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; risks associated with supply chain disruptions; 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 and currency exchange 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, molybdenum and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- the grade and projected recoveries of tailings processed by MVC;
- 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;
- 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.

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