

Amerigo Resources Ltd.

Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(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, 2021 and 2020, 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, 2021 and 2020;
- the consolidated statements of 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.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"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, 2021. 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 data-bbox="254 703 876 766">Assessment of impairment of indicators on property, plant and equipment (PP&E)</p> <p data-bbox="254 798 876 924"><i>Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgements and note 10 – Property, plant and equipment to the consolidated financial statements.</i></p> <p data-bbox="254 955 876 1659">The net book value of PP&E amounted to \$178 million as at December 31, 2021. 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, 2021.</p> | <p data-bbox="876 703 1520 766">Our approach to addressing the matter involved the following procedures, among others:</p> <ul data-bbox="876 798 1520 1732" style="list-style-type: none"><li data-bbox="876 798 1520 892">• Evaluated management’s assessment of indicators of impairment, which included the following:<ul data-bbox="876 913 1520 1732" style="list-style-type: none"><li data-bbox="876 913 1520 1071">– 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.<li data-bbox="876 1092 1520 1249">– 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.<li data-bbox="876 1270 1520 1386">– Assessed the reasonableness of forecasted copper and molybdenum prices by considering whether they are consistent with external market data.<li data-bbox="876 1407 1520 1627">– 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.<li data-bbox="876 1648 1520 1732">– 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

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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

The engagement partner on the audit resulting in this independent auditor's report is Craig McMillan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 22, 2022

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

| | Notes | December 31, 2021 \$ | December 31, 2020 \$ |
|---|-------|----------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 59,792 | 14,085 |
| Restricted cash | 12 | 721 | - |
| Trade and settlement receivables | 7 | 12,776 | 21,157 |
| Taxes receivable | 7 | 1,509 | 230 |
| Prepaid expenses | | 703 | 869 |
| Inventories | 8 | 7,728 | 7,271 |
| | | <u>83,229</u> | <u>43,612</u> |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 178,083 | 184,805 |
| Intangible assets | | 3,575 | 3,798 |
| Restricted cash | 12 | 3,500 | - |
| Other non-current assets | | 765 | 806 |
| Deferred income tax asset | 16 | 193 | 153 |
| Investments | 9 | - | 4,401 |
| Total assets | | <u>269,345</u> | <u>237,575</u> |
| Liabilities | | | |
| Current liabilities | | | |
| DET royalties | 5 | 22,846 | 13,010 |
| Trade and other payables | 11 | 17,983 | 14,579 |
| Current income tax liabilities | 16 | 8,311 | 97 |
| Current portion of borrowings | 12 | 7,004 | 17,059 |
| Current portion of leases | 13 | 1,202 | 1,643 |
| Current portion of related party derivative liability | 14 | 1,031 | 1,196 |
| Interest rate swap | 12 | 220 | 2,171 |
| | | <u>58,597</u> | <u>49,755</u> |
| Non-current liabilities | | | |
| Deferred income tax liability | 16 | 35,834 | 25,590 |
| Borrowings | 12 | 23,400 | 36,709 |
| Related party derivative liability | 14 | 9,873 | 10,099 |
| Leases | 13 | 2,241 | 4,091 |
| Severance provisions | 11 | 607 | 649 |
| Total liabilities | | <u>130,552</u> | <u>126,893</u> |
| Equity | | | |
| Share capital | 15 | 76,795 | 80,461 |
| Other reserves | | 10,752 | 10,248 |
| Accumulated other comprehensive (loss) income | | (75) | 529 |
| Retained earnings | | 51,321 | 19,444 |
| Total equity | | <u>138,793</u> | <u>110,682</u> |
| Total equity and liabilities | | <u>269,345</u> | <u>237,575</u> |
| Commitments | 24 | | |
| Subsequent events | 25 | | |

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 Comprehensive Income

(expressed in thousands of U.S. dollars)

| | Notes | Years ended December 31, | |
|---|--------|--------------------------|-------------|
| | | 2021 | 2020 |
| | | \$ | \$ |
| Revenue | 18 | 199,551 | 126,427 |
| Tolling and production costs | 19 (a) | (127,463) | (111,041) |
| Gross profit | | 72,088 | 15,386 |
| Other expenses | | | |
| General and administration | 19 (c) | (4,830) | (2,820) |
| Other losses | 19 (d) | (2,169) | (766) |
| Derivative to related parties including changes in fair value | 19 (b) | (821) | (20) |
| | | (7,820) | (3,606) |
| Operating profit | | 64,268 | 11,780 |
| Finance expense | 19 (e) | (3,769) | (5,240) |
| | | (3,769) | (5,240) |
| Income before income tax | | 60,499 | 6,540 |
| Income tax expense | 16 | (20,680) | (476) |
| Net income | | 39,819 | 6,064 |
| Other comprehensive income | | | |
| Items that may not be reclassified subsequently to net income: | | | |
| Unrealized (losses) gains on investments, net of tax | | (276) | 1,857 |
| Realized losses on investments, net of tax | | (238) | (1) |
| Actuarial (losses) gains on severance provision | | (45) | 14 |
| Items that may be reclassified subsequently to net income: | | | |
| Cumulative translation adjustment | | (45) | (114) |
| | | (604) | 1,756 |
| Other comprehensive (loss) income | | | |
| Comprehensive income | | 39,215 | 7,820 |
| Weighted average number of shares outstanding, basic | | 180,864,877 | 180,759,515 |
| Weighted average number of shares outstanding, diluted | | 183,847,607 | 181,672,993 |
| Earnings per share | | | |
| Basic | | 0.22 | 0.03 |
| Diluted | | 0.22 | 0.03 |

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, | |
|--|--------------------------|----------|
| | 2021 | 2020 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net income | 39,819 | 6,064 |
| Adjustment for items not affecting cash: | | |
| Depreciation and amortization | 18,014 | 17,694 |
| Deferred income tax expense | 10,262 | 384 |
| Unrealized foreign exchange loss (gain) | 1,444 | (694) |
| Impairment charges | 844 | 4,857 |
| Share-based payments | 660 | 114 |
| Finance (gain) expense | (1,270) | 1,519 |
| Changes in fair value of derivative | (213) | (986) |
| Other | (107) | 196 |
| | 69,453 | 29,148 |
| Changes in non-cash working capital | | |
| Restricted cash | (4,221) | - |
| Trade, other receivables and taxes receivable | 7,250 | (7,197) |
| Inventories | (967) | 589 |
| Trade and other payables | 11,774 | (6,020) |
| DET royalties | 9,836 | 3,727 |
| Payment of severance | - | (470) |
| Net cash fom operating activities | 93,125 | 19,777 |
| Cash flows used in investing activities | | |
| Purchase of plant and equipment | (11,956) | (2,794) |
| Proceeds from the sale of investments | 3,852 | 74 |
| Net cash used in investing activities | (8,104) | (2,720) |
| Cash flows used in from financing activities | | |
| Repayment of borrowings | (57,823) | (9,371) |
| Repurchase of shares | (8,839) | - |
| Dividends paid | (2,829) | - |
| Lease repayments | (1,192) | (1,403) |
| Proceeds of borrowings net of transaction costs | 33,778 | - |
| Exercise of options | 84 | - |
| Issuance of shares | - | 116 |
| Net cash used in financing activities | (36,821) | (10,658) |
| Net increase in cash and cash equivalents | 48,200 | 6,399 |
| Effect of exchange rate changes on cash | (2,493) | 522 |
| Cash and cash equivalents - Beginning of year | 14,085 | 7,164 |
| Cash and cash equivalents - End of year | 59,792 | 14,085 |

Supplementary cash flow information (Note 23)

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 | Retained earnings | Total equity |
|--|------------------|---------|----------------|--------------------------------------|-------------------|--------------|
| | Number of shares | Amount | | | | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance - January 1, 2020 | 180,169,351 | 80,300 | 10,179 | (1,227) | 13,380 | 102,632 |
| Share-based payments | - | - | 114 | - | - | 114 |
| Exercise of share purchase options | 600,000 | 161 | (45) | - | - | 116 |
| Cumulative translation adjustment | - | - | - | (114) | - | (114) |
| Unrealized gains on investments | - | - | - | 1,857 | - | 1,857 |
| Realized loss on investments | - | - | - | (1) | - | (1) |
| Actuarial gains on severance provision | - | - | - | 14 | - | 14 |
| Net income | - | - | - | - | 6,064 | 6,064 |
| Balance - December 31, 2020 | 180,769,351 | 80,461 | 10,248 | 529 | 19,444 | 110,682 |
| Balance - January 1, 2021 | 180,769,351 | 80,461 | 10,248 | 529 | 19,444 | 110,682 |
| Share-based payments | - | - | 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 |

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

(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). El Teniente, in production since 1905, is the world's largest underground copper mine.

These financial statements were authorized for issue by the board of directors on February 22, 2022 and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 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 20). 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

December 31, 2021

(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 20) 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.

Notes to Consolidated Financial Statements

December 31, 2021

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

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.

Notes to Consolidated Financial Statements

December 31, 2021

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

Financial Assets and other Financial Liabilities

Classification

a) Financial Assets at Amortized Cost

Cash and cash equivalents, trade, settlement 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 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.

c) 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

Settlement derivatives arise from copper tolling and molybdenum concentrate sales contracts where amounts receivable vary based on the underlying commodity prices. Accordingly, settlement receivables contain embedded derivatives and are classified as FVTPL and 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.

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).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

The Company has a derivative liability in respect of a related party (Note 14(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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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, 2021, 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 18). 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 2021, 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 2021 is being determined based on the average LME copper price of the third month following delivery of copper, which for December 2021 deliveries will be the average LME copper price for March 2022. 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. ("Molymet") and with Glencore Chile SpA ("Glencore"), under which revenue is billed monthly based on the amount of concentrates delivered during the preceding month. Molymet and Glencore can elect different pricing terms on a monthly basis. In 2021, 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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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

On August 27, 2020, the IASB issued '*Interest Rate Benchmark Reform — Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The Company has reviewed the amendments and has disclosed that the 25% of its Term Loan with interest rate subject to a variable rate based on the US Libor six-month rate will, at the date that US Libor is discontinued, will be based on the ISDA 2020 IBOR Fallbacks Protocol (see Note 12(b)).

On May 7, 2021, the IASB issued amendments to IAS 12, *Income Taxes*. The amendments will require companies to recognize deferred tax on some transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments help to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. We do not expect these amendments to have a material effect on our consolidated financial statements.

As at December 31, 2021 there are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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).

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 14(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 14(a)).

Critical judgments that the Company's management has made 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, 2021, management identified no impairment indicators and consequently, impairment testing was not required.

These estimates and assumptions are 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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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 \$4.27lb (30%).

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

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

The DET Agreement also contains three early exit options exercisable by DET within 2021 (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, 2021, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$22.8 million (2020: \$13.0 million).

During 2020, MVC reached an agreement with DET to defer payment of \$7.3 million in copper settlements (the “Deferred Payments”). The Deferred Payments, which were immediately due to DET, were paid between January and December 2021 in 12 equal monthly installments and bore interest at a rate of Libor 12 months plus 3 %. At December 31, 2021, the Deferred Payments had no balance remaining (2020: \$7.3 million was included in current liabilities).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

6) CASH AND CASH EQUIVALENTS

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Cash at bank and on hand | 59,648 | 7,841 |
| Short-term bank deposits | 144 | 144 |
| | 59,792 | 7,985 |
| Cash held in a debt service reserve account (Note 12) | - | 6,100 |
| | 59,792 | 14,085 |

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, 2021, MVC held the required reserved funds in the amount of \$0.7 million and \$3.5 million, respectively, shown as restricted cash on Amerigo's statement of financial position. In 2020, MVC had a debt service reserve account with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal and interest pursuant to the loans and IRS payable in the following six months. At December 31, 2020, MVC held DSRA funds in the required amount of \$6.1 million which was included in cash and cash equivalents.

Short-term bank deposits are redeemable on demand.

7) RECEIVABLES

a) Trade and other receivables

| | December 31, 2021 | December 31, 2020 |
|-------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Current | | |
| Trade and other receivables | 12,776 | 21,157 |
| Non-current | | |
| Other non-current receivables | 56 | 96 |

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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

| | December 31, 2021 | December 31, 2020 |
|-----------------------|------------------------------|------------------------------|
| | \$ | \$ |
| Up to 3 months | 10,434 | 20,521 |
| 3 to 6 months | 1,841 | 24 |
| Greater than 6 months | 501 | 612 |
| | 12,776 | 21,157 |

The fair values of the Company's current receivables approximate their carrying value of \$12.8 million (2020: \$21.2 million).

Trade and other receivables included \$9.7 million of receivables for sale of copper concentrates under a tolling agreement with DET that were provisionally priced at December 31, 2021 (2020: \$17.4 million) and \$2.2 million of receivables for sale of molybdenum concentrates that were also provisionally priced (2020: \$2.9 million).

b) Taxes receivable

The components of the Company's taxes receivable are:

| | December 31, 2021 | December 31, 2020 |
|----------------------------|------------------------------|------------------------------|
| | \$ | \$ |
| Income tax receivable | 1,214 | 126 |
| Value added tax receivable | 129 | 74 |
| Other taxes receivable | 166 | 30 |
| | 1,509 | 230 |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

8) INVENTORIES

| | December 31, 2021 | December 31, 2020 |
|--------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Plant supplies and consumables | 4,870 | 4,190 |
| Work-in-progress | 1,773 | 2,660 |
| Molybdenum concentrates | 1085 | 421 |
| | <u>7,728</u> | <u>7,271</u> |

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

In 2021, the Company recorded a charge of \$0.4 million in obsolete plant supplies and consumables. In 2020, the Company recorded inventory impairment charges of \$4.9 million. This includes a charge of \$2.5 million in tolling and production costs as a result of net realizable value (“NRV”) adjustments in the months in which NRV was lower than cost as well as a \$2.4 million impairment charge related to the physical settlement adjustments included in the DET deferred settlements loan.

9) INVESTMENTS

| | December 31, 2021 | December 31, 2020 |
|-----------------------|----------------------|----------------------|
| | \$ | \$ |
| Start of year | 4,401 | 2,534 |
| Changes in fair value | (549) | 1,941 |
| Sale of investments | (3,852) | (74) |
| End of year | <u>-</u> | <u>4,401</u> |

Financial assets at FVOCI are in shares of publicly listed entities and consist of the following:

| | December 31, 2021 | December 31, 2020 |
|-----------------------|----------------------|----------------------|
| | \$ | \$ |
| Los Andes Copper Ltd. | - | 4,401 |
| | <u>-</u> | <u>4,401</u> |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

10) PROPERTY, PLANT AND EQUIPMENT

| | Plant and infrastructure \$ | Machinery and equipment and other assets \$ | Total \$ |
|-------------------------------------|-----------------------------------|--|----------------|
| Year ended December 31, 2020 | | | |
| Opening net book amount | 162,534 | 36,048 | 198,582 |
| Exchange differences | - | 5 | 5 |
| Additions | 2,552 | 1,162 | 3,714 |
| Disposals | - | (26) | (26) |
| Depreciation charge | (8,543) | (8,927) | (17,470) |
| Closing net book amount | 156,543 | 28,262 | 184,805 |
| At December 31, 2020 | | | |
| Cost | 286,660 | 90,356 | 377,016 |
| Accumulated depreciation | (130,117) | (62,094) | (192,211) |
| Net book amount | 156,543 | 28,262 | 184,805 |
| 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 | 158,239 | 19,844 | 178,083 |
| At December 31, 2021 | | | |
| Cost | 297,877 | 89,087 | 386,964 |
| Accumulated depreciation | (139,638) | (69,243) | (208,881) |
| Net book amount | 158,239 | 19,844 | 178,083 |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

11) TRADE AND OTHER PAYABLES

| | December 31, 2021 | December 31, 2020 |
|--------------------------|----------------------|----------------------|
| | \$ | \$ |
| Current | | |
| Trade and other payables | 17,983 | 14,579 |
| | 17,983 | 14,579 |
| Non-current | | |
| Severance provisions | 607 | 649 |
| | 607 | 649 |

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.

12) BORROWINGS

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Consolidated bank loan (a) | - | 46,463 |
| Term loan (b) | 30,404 | - |
| DET deferred settlements loan (Note 5) | - | 7,305 |
| | 30,404 | 53,768 |
| Comprising: | | |
| Short-term debt and current portion of long-term debt | 7,004 | 17,059 |
| Long-term debt | 23,400 | 36,709 |
| | 30,404 | 53,768 |

- a) 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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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.

Interest on the Consolidated Bank Loan was synthetically fixed through an interest rate swap (“IRS”), accounted for at fair value through profit or loss, at a rate of 5.70% per annum for 80% of the facility. The remaining 20% of the facility was subject to a variable rate based on the US Libor six-month rate plus a margin of 2.85% per annum. The IRS had a term to September 26, 2023.

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

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 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.

- b) On June 30, 2021, MVC entered into a new finance agreement (the “Finance Agreement”) with a syndicate of two banks domiciled in Chile, pursuant to which MVC has been provided with 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, 2021 was 0.35438% per annum plus a margin of 3.90%. The IRS has a term to June 30, 2026. On December 31, 2021, the balance of the Term Loan was \$30.4 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, 2021, 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, 2021, MVC held the required reserved 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, 2021.

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

13) LEASES

| | December 31, 2021 \$ | December 31, 2020 \$ |
|-------------------------------------|----------------------------|----------------------------|
| Molybdenum plant lease | 3,443 | 5,587 |
| Other leases | - | 147 |
| | 3,443 | 5,734 |
| Comprising: | | |
| Current portion of long-term leases | 1,202 | 1,643 |
| Long-term leases | 2,241 | 4,091 |
| | 3,443 | 5,734 |

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 \$1.5 million and interest at a rate of 0.45% per month. The lease can be prepaid without penalty.

14) 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 actual monthly payments described above and changes in the derivative’s fair value.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

In 2021, \$1.0 million was paid or accrued to the Class A shareholder (2020: \$1.0 million) and the derivative's fair value decreased \$0.2 million (2020: decreased \$1.0 million), for a total derivative expense of \$0.8 million (2020: expense of \$nil) (Note 19(b)).

At December 31, 2021, the derivative liability totalled \$10.9 million (2020: \$11.3 million), with a current portion of \$1.0 million (2020: \$1.2 million) and a long-term portion of \$9.9 million (2020: \$10.1 million).

Payments outstanding at December 31, 2021 were \$0.1 million (2020: \$0.3 million).

b) Purchases of Goods and Services

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

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

| | 2021 | 2020 |
|------------------------------|-------------|-------------|
| | \$ | \$ |
| Salaries and management fees | 1,804 | 1,246 |

c) Key Management Compensation

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

| | 2021 | 2020 |
|------------------------------|--------------|--------------|
| | \$ | \$ |
| Salaries and management fees | 1,804 | 1,246 |
| Directors' fees | 319 | 272 |
| Share-based payments | 139 | 67 |
| | 2,262 | 1,585 |

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

15) EQUITY

a) Share Capital

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

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 2020, Amerigo issued 600,000 shares for the exercise of options for cash proceeds of \$0.1 million. A value of \$nil was transferred from other reserves to share capital as a result.

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.

In 2021, Amerigo commenced a normal course issuer bid to purchase up to 10,750,000 common shares over a period of twelve months commencing on December 2, 2021. During the year ended December 31, 2021, 1,376,425 shares were repurchased at an average price of Cdn\$1.35 per share.

b) Share Options

A total of 2,860,600 options were granted in 2021 (2020: 2,080,000) with a weighted average fair value estimated at Cdn\$0.53 (2020: Cdn\$0.16) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

| | 2021 | 2020 |
|---------------------------------|-----------|-----------|
| | \$ | \$ |
| Weighted average share price | Cdn\$0.95 | Cdn\$0.33 |
| Weighted average exercise price | Cdn\$0.95 | Cdn\$0.41 |
| Dividend yield | 0% | 0% |
| Risk free interest rate | 0.56% | 1.01% |
| Pre-vest forfeiture rate | 0.95% | 0% |
| Expected life (years) | 4.31 | 4.20 |
| Expected volatility | 73.39% | 69.71% |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

Outstanding share options:

| | December 31, 2021 | | December 31, 2020 | |
|---|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Share options | Weighted average exercise price Cdn\$ | Share options | Weighted average exercise price Cdn\$ |
| At start of the year | 10,070,000 | 0.70 | 12,520,000 | 0.72 |
| Granted | 2,860,000 | 0.95 | 2,080,000 | 0.41 |
| Exercised | (1,407,543) | 0.22 | (600,000) | 0.26 |
| Repurchased pursuant to cashless exercise | (577,452) | 0.22 | - | - |
| Forfeited | (220,000) | 0.82 | (2,400,000) | 0.90 |
| Expired | - | - | (1,530,000) | 0.37 |
| At end of the year | 10,725,005 | 0.85 | 10,070,000 | 0.70 |
| Vested and exercisable | 6,784,998 | 0.89 | 8,120,000 | 0.77 |

The weighted average trading price of the Company's stock on the dates in which options were exercised in 2020 was Cdn\$0.98 per share (2020: Cdn\$0.54 per share).

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

| Outstanding share options | Vested share options | Price range Cdn\$ | Weighted average exercise price on outstanding options Cdn\$ | Weighted average exercise price on vested options Cdn\$ | Weighted Average remaining life of outstanding options (years) |
|---------------------------|----------------------|-------------------|--|---|--|
| 1,456,671 | 349,998 | 0.40 | \$0.40 | \$0.40 | 3.17 |
| 2,088,334 | 1,935,000 | 0.52-0.53 | 0.53 | 0.53 | 0.49 |
| 6,860,000 | 4,500,000 | 0.91-1.11 | 1.03 | 1.09 | 2.54 |
| 320,000 | - | 1.29 | 1.29 | - | 4.43 |
| 10,725,005 | 6,784,998 | | 0.85 | 0.89 | 2.28 |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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.

| | 2021 | 2020 |
|-----------------------------------|-------------|-------------|
| | \$ | \$ |
| Net income for the year | 39,819 | 6,064 |
| Weighted average number of shares | 180,864,877 | 180,759,515 |
| Basic earnings per share | 0.22 | 0.03 |

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.

| | 2021 | 2020 |
|---|-------------|-------------|
| | \$ | \$ |
| Net income for the year | 39,819 | 6,064 |
| Weighted average number of shares | 180,864,877 | 180,759,515 |
| Effect of dilutive securities: | | |
| Share options | 2,982,730 | 913,478 |
| Weighted average diluted shares outstanding | 183,847,607 | 181,672,993 |
| Diluted earnings per share | 0.22 | 0.03 |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

16) INCOME TAXES

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

| | 2021 | 2020 |
|---|----------|-------|
| | \$ | \$ |
| Current | | |
| Canadian income tax | - | (26) |
| Foreign income, resource, and withholding tax | (10,418) | (151) |
| Total current tax expense | (10,418) | (177) |
| Deferred | | |
| Canadian income tax | (87) | 85 |
| Foreign income, resource, and withholding tax | (10,175) | (384) |
| Total deferred tax expense | (10,262) | (299) |
| Income tax expense | (20,680) | (476) |

- 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:

| | 2021 | 2020 |
|--|----------|---------|
| | \$ | \$ |
| Income before tax | 60,499 | 6,540 |
| Statutory tax rate | 27.00% | 27.00% |
| Expected income tax expense | (16,335) | (1,766) |
| Tax effect of: | | |
| Recognition of deferred tax assets to offset liabilities booked in OCI | - | 85 |
| Prior year adjustments | (372) | 249 |
| Difference in tax rates in foreign jurisdictions | 152 | (135) |
| Non-deductible expenses | (431) | 1,107 |
| Change in benefits not recognized | 126 | 80 |
| Withholding tax and other foreign taxes | (3,803) | (66) |
| Other | (17) | (30) |
| | (20,680) | (476) |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

- 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, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Deferred tax assets | | |
| - Deferred tax assets to be recovered within 12 months | 193 | 153 |
| - Deferred tax assets to be recovered after more than 12 months | 557 | 4,994 |
| | 750 | 5,147 |
| Deferred tax liabilities | | |
| - Deferred tax liabilities to be recovered after more than 12 months | (36,391) | (30,584) |
| Deferred tax liabilities/asset- net | (35,641) | (25,437) |

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

| | 2021 | 2020 |
|--------------------------------|-----------------|-----------------|
| | \$ | \$ |
| At start of the year | (25,437) | (25,059) |
| Charged to income | (10,262) | (299) |
| Tax charged directly to equity | 87 | (85) |
| Exchange differences | (29) | 6 |
| At end of the year | (35,641) | (25,437) |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

- 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, 2019 | (27,794) | (1,085) | (758) | (29,637) |
| Credited to income | (1,002) | 60 | (5) | (947) |
| 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) |

| Deferred tax assets | Other deferred tax assets \$ |
|----------------------|------------------------------------|
| At December 31, 2019 | 4,578 |
| Credited to income | 569 |
| At December 31, 2020 | 5,147 |
| Charged to income | (4,397) |
| At December 31, 2021 | 750 |

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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:

| | 2021 | 2020 |
|--|--------|--------|
| | \$ | \$ |
| Non-capital losses | 11,219 | 11,414 |
| Capital losses | 5,043 | 1,417 |
| Other temporary deductible differences | 2,263 | 7,046 |
| | 18,525 | 19,877 |

g) Loss carry-forwards

At December 31, 2021, Amerigo had \$11.2 million (2020: \$11.0 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, 2021, Amerigo had \$5.0 million (2020: \$1.4 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.

h) Non-resident subsidiaries

Amerigo has non-resident subsidiaries that have undistributed earnings. At December 31, 2021, the Company recognized a deferred income tax liability and associated deferred income tax expense charged to income of \$1.8 million (2020: \$nil) 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 \$107.6 million at December 31, 2021 (2020: \$95.0 million).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

17) 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, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Chile | 177,995 | 184,589 | 4,340 | 4,604 |
| Canada | 88 | 216 | - | - |
| | 178,083 | 184,805 | 4,340 | 4,604 |

18) REVENUE

a) Revenue composition:

| | 2021 | 2020 |
|--|----------|----------|
| | \$ | \$ |
| Gross value of copper produced | 269,408 | 156,584 |
| Adjustments to fair value of settlement receivables | 13,062 | 11,627 |
| | 282,470 | 168,211 |
| Notional items deducted from gross value of copper produced: | | |
| DET royalties - copper | (78,374) | (33,536) |
| Smelting and refining | (20,631) | (16,665) |
| Transportation | (2,021) | (1,751) |
| Copper tolling revenue | 181,444 | 116,259 |
| Molybdenum | 18,107 | 9,500 |
| Slag processing revenue | - | 668 |
| | 199,551 | 126,427 |

b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 17).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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

| | 2021 | 2020 |
|------------|---------|---------|
| | \$ | \$ |
| Copper | 181,444 | 116,927 |
| Molybdenum | 18,107 | 9,500 |
| | 199,551 | 126,427 |

c) Total revenue by region:

All of the Company's revenue originates in Chile.

In 2021, the Company's revenue from one customer represented 91% of reported revenue (2020: 92%).

19) EXPENSES BY NATURE

a) Tolling and production costs consist of the following:

| | 2021 | 2020 |
|-------------------------------|-----------|-----------|
| | \$ | \$ |
| Tolling and production costs | (101,220) | (87,162) |
| Depreciation and amortization | (18,014) | (17,694) |
| Administration | (5,070) | (4,840) |
| DET royalties - molybdenum | (3,159) | (1,345) |
| | (127,463) | (111,041) |

b) Related party derivative (Note (14(a))) consists of the following:

| | 2021 | 2020 |
|--------------------------------------|---------|---------|
| | \$ | \$ |
| Royalty payments to related parties | (1,034) | (1,006) |
| Fair value adjustments to derivative | 213 | 986 |
| | (821) | (20) |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

c) General and administration expenses consist of the following:

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| Salaries, management and professional fees | (3,174) | (2,197) |
| Office and general expenses | (996) | (509) |
| Share-based payment compensation | (660) | (114) |
| | (4,830) | (2,820) |

d) Other losses consist of the following:

| | 2021 | 2020 |
|--|----------------|--------------|
| | \$ | \$ |
| Foreign exchange (losses) gains | (1,445) | 1,491 |
| Writedown of obsolete equipment and supplies | (844) | - |
| Other gains | 120 | 119 |
| Loss on inventory adjustments | - | (2,376) |
| | (2,169) | (766) |

e) Finance expense consists of the following:

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Finance, commitment and interest charges | (3,450) | (3,734) |
| Fair value adjustments to interest rate swaps | (319) | (1,506) |
| | (3,769) | (5,240) |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

20) 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 14(a).

| | Jurisdiction of incorporation |
|--|--|
| Amerigo International Holdings Corp. | Canada |
| Amerigo Investments Ltd. | Barbados |
| Amerigo Banking Corp | 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 |

21) 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 14(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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

| | 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 |

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|---------|---------|----------|----------|
| | \$ | \$ | \$ | \$ |
| December 31, 2020 | | | | |
| Investments | 4,401 | - | - | 4,401 |
| Trade receivables | - | 19,933 | - | 19,933 |
| Interest rate swap | - | - | (2,171) | (2,171) |
| Related party derivative liability | - | - | (11,295) | (11,295) |
| | 4,401 | 19,933 | (13,466) | 10,868 |

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, 2021 | 11,295 |
| Paid | (1,211) |
| Change in fair value | 820 |
| Balance at December 31, 2021 | 10,904 |

| | Consolidated bank loan Interest rate swap \$ | Term loan Interest rate swap \$ |
|-------------------------------------|--|--|
| Balance at January 1, 2021 | - | 2,171 |
| Paid | - | (2,270) |
| Change in fair value | 220 | 99 |
| Balance at December 31, 2021 | 220 | - |

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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 Company's copper and molybdenum trade receivables contain embedded derivatives because the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a 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 14(a)) and in respect of the IRS (Note 12).

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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, 2021, 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, 2021 calculation were; 2022: \$4.03/lb; 2023: \$3.79/lb; 2024: \$3.83/lb; 2025: \$3.92 and 2026 to 2037: \$3.43/lb. Molybdenum prices used were 2022: \$15.15/lb; 2023: \$12.73/lb; 2024: \$11.73/lb; 2025: \$10.34/lb and 2026 to 2037: \$9.47/lb.
- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 7.20% in 2022 with gradual increases up to 7.826% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately \$0.6 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.

22) 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 2021, the Company generated \$69.4 million of operating cash flow before changes in non-cash working capital (2020: \$29.1 million), and \$93.0 million in operating cash flow including changes in non-cash working capital (2020: \$19.8 million).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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, 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 |

| At December 31, 2020 | Total | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|------------------------------------|---------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|
| Trade and other payables | 14,579 | 14,579 | - | - | - |
| DET royalties | 13,010 | 13,010 | - | - | - |
| Leases | 5,734 | 1,643 | 1,428 | 2,663 | - |
| Borrowings | 53,768 | 16,768 | 9,081 | 27,919 | - |
| Related party derivative liability | 11,295 | 1,196 | 1,209 | 3,129 | 5,761 |
| Severance provisions | 649 | - | - | - | 649 |
| | 99,035 | 47,196 | 11,718 | 33,711 | 6,410 |

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, 2021, 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, 2021, the Company's interest rate risk mainly arises from the interest rate impact on borrowings and is mitigated by an IRS (Note 12).

As at December 31, 2021, 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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

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 2021, 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 2021 average commodity prices:

| | Price | | Increase on after-tax net earnings | |
|------------|---------------|---------------|---------------------------------------|------------|
| | 2021 \$/lb | 2020 \$/lb | 2021 \$ | 2020 \$ |
| Copper | 4.3 | 3.5 | 7,227 | 5,598 |
| Molybdenum | 18.6 | 9.3 | 556 | 469 |

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 2021, 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.

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2021

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

23) SUPPLEMENTARY CASH FLOW INFORMATION

| | 2021 | 2020 |
|--|-------|-------|
| | \$ | \$ |
| (a) Interest and taxes paid | | |
| Interest paid | 4,788 | 3,046 |
| Income taxes paid | 3,138 | 29 |
| (b) Other | | |
| Decrease in accounts payable related to the acquisition of plant and equipment | (482) | (533) |
| Cash paid during the year in connection with the derivative to related parties | 1,211 | 906 |

24) COMMITMENTS

- a) At December 31, 2021 MVC has a long-term agreement for the supply of 100% of MVC's power requirements to December 31, 2032. The agreement established minimum stand-by charges based on peak hour power supply calculations, estimated to range from \$0.8 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.

25) SUBSEQUENT EVENTS

- a) Subsequent to year end, the Company purchased 822,500 common shares under its normal course issuer bid.
- b) Subsequent to year end, 650,000 options of the Company were exercised for gross proceeds of \$344,500 and 1,235,000 options were exercised on a cashless basis.
- c) On February 22, 2022, Amerigo's Board of Directors declared a quarterly dividend of Cdn\$0.03 per share, payable on March 21, 2022 to shareholders of record as of March 4, 2022.