

Amerigo Resources Ltd.

**Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2020 and 2019
Unaudited – Prepared by Management**

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

		September 30, 2020	December 31, 2019
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents	14	10,471	7,164
Trade and settlement receivables		13,612	7,741
Taxes receivable		167	1,491
Prepaid expenses		670	969
Inventories	5	8,303	10,317
		<u>33,223</u>	<u>27,682</u>
Non-current assets			
Property, plant and equipment	6	187,262	198,582
Intangible assets		3,854	4,022
Investments		2,681	2,534
Other non-current assets		814	841
Deferred income tax asset		8	1
Total assets		<u>227,842</u>	<u>233,662</u>
Liabilities			
Current liabilities			
Trade and other payables		21,544	19,837
Current portion of borrowings	7	14,215	10,108
DET royalties	3	10,223	9,284
Interest rate swap	7	2,110	665
Current portion of related party derivative liability	9,15	1,777	1,219
Current portion of leases	8	1,522	1,631
Current income tax liabilities		6	55
		<u>51,397</u>	<u>42,799</u>
Non-current liabilities			
Borrowings	7	39,046	45,789
Deferred income tax liability		22,553	25,060
Related party derivative liability	9,15	8,832	10,962
Leases	8	4,040	5,447
Severance provisions		1,033	973
Total liabilities		<u>126,901</u>	<u>131,030</u>
Equity			
Share capital	10	80,461	80,300
Other reserves		10,205	10,179
Accumulated other comprehensive loss		(862)	(1,227)
Retained earnings		11,137	13,380
Total equity		<u>100,941</u>	<u>102,632</u>
Total equity and liabilities		<u>227,842</u>	<u>233,662</u>
Commitments	16		
Subsequent Events	17		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

- Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue	12	37,555	33,900	79,239	84,328
Tolling and production costs	13 (a)	(28,572)	(32,891)	(79,582)	(87,449)
Gross profit (loss)		8,983	1,009	(343)	(3,121)
Other (expenses) gains					
General and administration	13 (b)	(604)	(826)	(1,739)	(3,121)
Derivative to related parties including changes in fair value	13 (c)	(303)	(55)	1,339	(717)
Other (losses) gains	13 (d)	(15)	761	598	801
		(922)	(120)	198	(3,037)
Operating profit (loss)		8,061	889	(145)	(6,158)
Finance expense	13 (e)	(784)	(3,596)	(4,521)	(6,894)
		(784)	(3,596)	(4,521)	(6,894)
Income (loss) before income tax		7,277	(2,707)	(4,666)	(13,052)
Income tax (expense) recovery		(1,889)	624	2,423	3,006
Net income (loss)		5,388	(2,083)	(2,243)	(10,046)
Other comprehensive income					
Items that may be reclassified subsequently to net loss:					
Unrealized gains on investments, net of tax		563	223	223	1,091
Realized gains (losses) on investments, net of tax		-	6	(1)	6
Cumulative translation adjustment		(204)	36	86	(203)
Actuarial gains (losses) on severance provision		85	(22)	57	(9)
Other comprehensive income		444	243	365	885
Comprehensive income (loss)		5,832	(1,840)	(1,878)	(9,161)
Weighted average number of shares outstanding, basic		180,769,351	180,169,351	180,756,212	178,732,586
Weighted average number of shares outstanding, diluted		182,329,728	180,169,351	180,997,212	178,732,586
Earnings (loss) per share					
Basic		0.03	(0.01)	(0.01)	(0.06)
Diluted		0.03	(0.01)	(0.01)	(0.06)

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Cash flows from operating activities				
Net income (loss)	5,388	(2,083)	(2,243)	(10,046)
Adjustment for items not affecting cash:				
Depreciation and amortization	4,271	4,372	13,345	13,134
Deferred income tax expense (recovery)	1,886	(633)	(2,513)	(3,058)
Other	151	(69)	144	71
Changes in fair value of derivative	43	(224)	(2,076)	10
Share-based payments	32	276	71	1,344
Unrealized foreign exchange gain	(213)	(513)	(592)	(874)
Finance (gain) expense	(820)	1,890	952	2,851
Impairment charges	-	-	2,303	-
	10,738	3,016	9,391	3,432
Changes in non-cash working capital				
Trade, other receivables and taxes receivable	(428)	(9,548)	2,976	(1,415)
Inventories	143	3,364	(298)	(113)
Trade and other payables	1,250	3,760	2,129	2,764
DET royalties	3,681	715	940	(1,858)
Net cash fom operating activities	15,384	1,307	15,138	2,810
Cash flows used in investing activities				
Purchase of plant and equipment	(540)	(3,922)	(1,818)	(9,641)
Proceeds from the sale of investments	-	47	75	47
Net cash used in investing activities	(540)	(3,875)	(1,743)	(9,594)
Cash flows used in from financing activities				
Repayment of borrowings	(4,685)	(2,683)	(9,371)	(11,250)
Proceeds from borrowings, net of transaction costs	-	(1,143)	-	(1,143)
Lease repayments	(345)	(295)	(957)	(1,021)
Issuance of shares	-	-	116	465
Net cash used in financing activities	(5,030)	(4,121)	(10,212)	(12,949)
Net increase (decrease) in cash and cash equivalents	9,814	(6,689)	3,183	(19,733)
Effect of exchange rate changes on cash	168	(109)	124	12
Cash and cash equivalents - Beginning of period	489	8,415	7,164	21,338
Cash and cash equivalents - End of period	10,471	1,617	10,471	1,617

Supplementary cash flow information (Note 14)

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Equity - Unaudited

(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, 2019	177,280,740	79,296	9,202	(2,081)	22,793	109,210
Share-based payments	-	-	1,344	-	-	1,344
Expenses settled with shares	82,770	62	-	-	-	62
Exercise of share purchase options	2,805,841	942	(479)	-	-	463
Cumulative translation adjustment	-	-	-	(203)	-	(203)
Unrealized gains on investments	-	-	-	1,091	-	1,091
Realized gains on investments	-	-	-	6	-	6
Actuarial losses on severance provision	-	-	-	(9)	-	(9)
Net loss	-	-	-	-	(10,046)	(10,046)
Balance - September 30, 2019	180,169,351	80,300	10,067	(1,196)	12,747	101,918
Share-based payments	-	-	112	-	-	112
Cumulative translation adjustment	-	-	-	(112)	-	(112)
Unrealized gains on investments	-	-	-	102	-	102
Realized gains on investments	-	-	-	13	-	13
Actuarial losses on severance provision	-	-	-	(34)	-	(34)
Net income	-	-	-	-	633	633
Balance - December 31, 2019	180,169,351	80,300	10,179	(1,227)	13,380	102,632
Balance - January 1, 2020	180,169,351	80,300	10,179	(1,227)	13,380	102,632
Share-based payments	-	-	71	-	-	71
Exercise of share purchase options	600,000	161	(45)	-	-	116
Cumulative translation adjustment	-	-	-	86	-	86
Unrealized gains on investments	-	-	-	223	-	223
Realized loss on investments	-	-	-	(1)	-	(1)
Actuarial gains on severance provision	-	-	-	57	-	57
Net loss	-	-	-	-	(2,243)	(2,243)
Balance - September 30, 2020	180,769,351	80,461	10,205	(862)	11,137	100,941

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

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2020

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

1) REPORTING ENTITY AND LIQUIDITY RISK

a) Reporting entity

Amerigo Resources Ltd. (“Amerigo”) is a company domiciled in Canada. Its shares are listed for trading on the Toronto Stock Exchange and traded in the United States on the OTCQX.

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

These condensed interim consolidated financial statements (“interim financial statements”) as at and for the three and nine months ended September 30, 2020 include the accounts of Amerigo and its subsidiaries (collectively the “Company”).

b) 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.

The Company’s liquidity position in the first half of 2020 was adversely impacted by lower copper prices and by reduced production output as a result of a shortage of available water for processing purposes. As at June 30, 2020, the Company was in breach of certain debt covenants but obtained the appropriate waivers from its lenders.

In the third quarter of 2020, the supply of available water has increased significantly such that this is no longer a production constraint. In addition, average copper prices have increased significantly in the third quarter compared to the first half of the year. The Company has also reached an agreement to defer certain payments to DET (Note 3).

As at September 30, 2020, the Company had a working capital deficiency of \$18.2 million. In the nine months ended September 30, 2020 (“YTD-2020”), the Company generated \$9.4 million of operating cash flow before changes in non-cash working capital (YTD 2019: \$3.4 million), and \$15.1 million in operating cash flow (YTD 2019: \$2.8 million) and was able to meet its obligations as they became due. The Company expects that it will continue to be able to meet obligations for the next 12 months from operating cash flows, assuming copper prices in 2020 and 2021 average at least \$ 2.85 per pound (“/lb”), the Company’s 2020 production and cost outlooks are met and production and cost results in 2021 remain consistent.

2) BASIS OF PRESENTATION

a) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2020

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

These interim financial statements do not include all the information required for a complete set of IFRS statements and should be read in conjunction with Amerigo's audited consolidated financial statements as at and for the year ended December 31, 2019, which have been prepared in accordance with IFRS. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in Amerigo's financial position and performance since the last annual consolidated financial statements.

These interim financial statements were authorised for issuance by Amerigo's board of directors on November 2, 2020.

b) Significant accounting policies

These interim financial statements follow the same accounting policies and methods of application as Amerigo's most recent annual financial statements.

The interim financial statements should be read in conjunction with Amerigo's most recent annual financial statements.

3) 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 DET 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 which are payable by MVC to DET, calculated using the average London Metal Exchange copper price for the month of concentrates production.

The DET Agreement currently operates as a tolling contract under which title to the copper concentrates produced by MVC remains with DET. MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices net of notional items. Notional items include treatment and refining charges, DET copper royalties and transportation costs.

Notional royalties for copper concentrates produced from fresh tailings are determined through a sliding scale formula tied to copper prices ranging from \$1.95/lb (13.5%) to \$4.80/lb (28.4%).

Notional royalties for copper concentrates produced from Cauquenes are determined through a sliding scale for copper prices ranging from \$1.95/lb (16%) to \$5.50/lb (39%).

Notional royalties for copper concentrates produced from Colihues are determined through a sliding scale for copper prices ranging from \$0.80/lb (3%) to \$4.27/lb (30%).

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

The DET Agreement anticipates that in the event monthly average prices fall below \$1.95/lb in the case of fresh tailings and Cauquenes tailings and projections indicate the permanence of such prices over time, the parties will meet to review cost and notional royalty/royalty structures to maintain the DET Agreement's viability and the equilibrium of the benefits between the parties.

Amerigo Resources Ltd.

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

The DET Agreement also contains three early exit options exercisable by DET within 2021 and every three years thereafter only in the event of changes unforeseen at the time the Agreement was entered into. Amerigo has currently judged the probabilities of DET exercising any of these early exit options as remote.

At September 30, 2020, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$10.2 million (December 31, 2019: \$9.3 million).

In the quarter ended June 20, 2020 (“Q3-2020”), 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, will commence to be paid on January 5, 2021 in 12 equal installments and will bear interest at a rate of Libor 12 months plus 3 %. At September 30, 2020, the current portion of Deferred Payments was \$4.8 million, with a long-term portion of \$2.4 million (Note 7).

4) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 interim financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results. Sources of estimation uncertainty include estimates used to determine the recoverable amounts of long-lived assets, the provision for income taxes and related deferred tax liabilities and the valuation of other assets and liabilities including inventory.

The Company’s critical accounting estimates and judgements applied in the preparation of these interim financial statements are consistent with those reported in our 2019 annual consolidated financial statements, except for those arising as a result of the COVID-19 pandemic which are discussed below.

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts from the pandemic on the global economy could be far reaching. To date, there has been significant volatility in stock markets, commodity and foreign exchange markets and the global movement of people and some goods has become restricted.

There is continued ongoing uncertainty surrounding COVID-19 and the extent and duration of the impact that it may have on the global economy and on global financial markets.

The Company’s financial results were substantially impacted during Q1-2020 and Q2-2020 as a result of lower copper prices. Commodity market volatility resulting from COVID-19 may continue to impact the Company’s financial results and liquidity for some time

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
September 30, 2020

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

5) INVENTORIES

	September 30, 2020	December 31, 2019
	\$	\$
Plant supplies and consumables	3,968	3,855
Work in progress	3,975	5,717
Molybdenum concentrates	360	745
	8,303	10,317

During the YTD-2020, the Company recorded a charge of \$2.3 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.

At September 30, 2020 and December 31, 2019, work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates were valued at cost.

6) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure	Machinery and Equipment and other assets	Total
	\$	\$	\$
Nine months ended September 30, 2020			
Opening net book amount	162,534	36,048	198,582
Exchange differences	-	(6)	(6)
Additions	1,581	281	1,862
Depreciation charge	(6,422)	(6,754)	(13,176)
Closing net book amount	157,693	29,569	187,262
At September 30, 2020			
Cost	285,854	89,133	374,987
Accumulated depreciation	(128,161)	(59,564)	(187,725)
Net book amount	157,693	29,569	187,262

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2020

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

7) BORROWINGS

	September 30, 2020	December 31, 2019
	\$	\$
Consolidated bank loan	46,015	55,897
DET deferred settlements loan	7,246	-
	53,261	55,897
Comprise:		
Short-term debt and current portion of long-term debt	14,215	10,108
Long-term debt	39,046	45,789
	53,261	55,897

On March 25, 2015, MVC obtained a \$64.4 million loan facility from Scotiabank Chile (“Scotiabank”) and Export Development Canada (“EDC”) to finance the Cauquenes Phase One expansion (the “Cauquenes Phase One Loan”). The Cauquenes Phase One Loan had a maximum repayment term of six years consisting of twelve equal semi-annual principal payments of \$5.4 million which commenced on June 30, 2016.

On August 3, 2017, MVC obtained a \$35.3 million facility (the “Cauquenes Phase Two Loan”) from Scotiabank and EDC to finance the Cauquenes Phase Two expansion. The Cauquenes Phase Two Loan had a maximum repayment term of three years consisting of six equal semi-annual principal payments of \$5.9 million which commenced on June 30, 2019.

On September 26, 2019, MVC completed a refinance of the Cauquenes Phase One and Phase Two loans, which at the time of refinance had an outstanding principal of \$56.3 million and accrued interest of \$0.8 million. Under the refinance provisions, the principal outstanding on the Cauquenes loans was structured as a four-year senior secured term loan facility (the “Consolidated Bank Loan”) of \$56.3 million, provided jointly by Scotiabank and EDC.

The Consolidated Bank Loan has a maximum repayment term of 4 years to September 26, 2023 that may be shortened without penalty in accordance with the provisions of the debt agreement. Seven semi-annual installments of \$4.7 million are to be made together with accrued interest. The first scheduled installment was paid on March 26, 2020. A final installment of \$23.5 million plus accrued interest is to be made on September 26, 2023. Any prepayments made during the term of the loan will reduce the amount due on the final installment.

On closing of the refinance, MVC paid \$0.8 million in interest accrued on the Cauquenes loans, an interest rate swap (“IRS”) break fee of \$0.3 million and bank commissions of \$1.1 million. MVC also recognized a loss on modification of debt of \$1.6 million, included as finance expense in 2019. The loss on modification of debt was a non-cash item arising from the application of *IFRS 9 - Financial Instruments*, under which the present value of the cash flows of the original and renegotiated debt were compared using the Company’s effective interest rate, with a resulting loss and an adjustment to the carrying value of the Consolidated Bank Loan.

Interest on the Consolidated Bank Loan is synthetically fixed through an 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 is subject to a variable

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2020

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

rate based on the US Libor six-month rate and is currently 3.124% per annum. The IRS has a term to September 26, 2023.

The balance of the Consolidated Bank Loan (net of transaction costs) at September 30, 2020 was \$46.0 million (December 31, 2019: \$55.9 million).

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

MVC is required to meet four bank covenants: current ratio (requirement of 1.2), tangible net worth (requirement of \$125.0 million), debt service coverage ratio (requirement of 1.2) and debt/EBITDA ratio (requirement < 3), measured semi-annually on June 30 and December 31. At June 30, 2020, MVC did not meet these covenants, however it received waivers from Scotiabank and EDC in respect of covenant compliance.

MVC is also required to have a debt service reserve account ("DSRA") which must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the IRS if MVC has insufficient funds to make these payments and /ii/ fund MVC's operating expenses. If it becomes necessary to fund MVC's operations with funds from the DSRA, MVC will need to replenish the DSRA at each month's end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal, interest and IRS that are payable in the following six months. On September 28, 2020, the totality of funds in the DSRA were used to make scheduled principal and interest payments. Subsequent to September 30, 2020, MVC funded the debt reserve account with \$6.1 million (Note 17).

In Q3-2020, MVC reached an agreement with DET to defer payment of \$7.3 million in copper settlements. The Deferred Payments, which were immediately due to DET, will commence to be paid on January 5, 2021 in 12 equal monthly installments and will bear interest at a rate of Libor 12 months plus 3 %. At September 30, 2020, the current portion of Deferred Payments was \$4.8 million, with a long-term portion of \$2.4 million (Note 3).

8) LEASES

	September 30, 2020	December 31, 2019
	\$	\$
Molybdenum plant lease	5,387	6,787
Other leases	175	291
	5,562	7,078
Comprise:		
Current portion of long-term leases	1,522	1,631
Long-term leases	4,040	5,447
	5,562	7,078

In 2018, MVC entered into a lease of 201,903 Chilean Unidades de Fomento 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. At September 30, 2020, the lease obligation was \$5.4 million (December 31, 2019: \$6.8 million).

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
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(tabular information expressed in thousands of U.S. dollars)

9) RELATED PARTY TRANSACTIONS

a) Derivative

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 derivatives' fair value.

In YTD-2020, \$0.7 million was paid or accrued to the Class A shareholders (YTD-2019: \$0.7 million) and the derivative's fair value decreased by \$2.0 million (YTD-2019: did not change), for a total derivative recovery of \$1.3 million (YTD-2019: expense of \$0.7 million) (Note 13(c)).

At September 30, 2020, the derivative totalled \$10.6 million (December 31, 2019: \$12.1 million), with a current portion of \$1.8 million (December 31, 2019: \$1.2 million) and a long-term portion of \$8.8 million (December 31, 2019: \$10.9 million).

Monthly payments outstanding at September 30, 2020 were \$0.7 million (December 31, 2019: \$0.2 million) and included the payments from December 2019 to September 2020.

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2020

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

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	

	YTD-2020	YTD-2019
	\$	\$
Salaries and management fees	562	728

c) Key Management Compensation

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

	YTD-2020	YTD-2019
	\$	\$
Salaries and management fees	562	552
Directors' fees	199	176
Share-based payments	40	1,344
	801	2,072

Amerigo has deferred payment of directors' fees from Q4-2019 to Q3-2020 and a portion of the payment of management's 2019 performance bonuses, in the aggregate amount of \$0.5 million.

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

10) EQUITY

a) Share Capital

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

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

In 2019, Amerigo issued 2,805,841 shares valued at \$0.5 million in connection with various share option exercises by officers, directors and former officers and directors. The Company also issued 82,770 shares valued at \$0.1 million to settle an amount payable for services rendered.

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

b) Share Options

A total of 2,000,000 options were granted YTD-2020 (2019: 3,150,000) with a weighted average fair value estimated at Cdn\$0.15 (2019: Cdn\$0.61) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2020	2019
	\$	\$
Weighted average share price	0.41	1.11
Weighted average exercise price	0.33	1.11
Dividend yield	0%	0%
Risk free interest rate	1.03%	1.64%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.19	4.31
Expected volatility	69.61%	70.20%

Outstanding share options:

	September 30, 2020		December 31, 2019	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the period	12,520,000	0.72	13,370,000	0.53
Granted	2,000,000	0.41	3,150,000	1.11
Exercised	(600,000)	0.26	(2,805,841)	0.38
Repurchased pursuant to cashless exercise	-	-	(1,194,159)	0.38
Cancelled/forfeited	(2,400,000)	0.90	-	-
Expired	(1,400,000)	0.37	-	-
At end of the period	10,120,000	0.70	12,520,000	0.72
Vested and exercisable	8,120,000	0.77	12,520,000	0.72

The weighted average trading price of the Company's stock on the dates in which options were exercised in YTD-2020 was Cdn\$0.54 per share (2019: Cdn\$0.80 per share).

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Information relating to share options outstanding at September 30, 2020 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)
1,500,000	1,500,000	0.14 - 0.27	0.14	0.14	0.42
2,000,000	-	0.28 - 0.52	0.41	-	4.45
2,120,000	2,120,000	0.53 - 0.80	0.53	0.53	1.40
2,150,000	2,150,000	0.81 - 1.09	1.06	1.06	2.40
2,350,000	2,350,000	1.10 - 1.11	1.11	1.11	3.44
10,120,000	8,120,000		0.70	0.77	2.54

11) 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 3).

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

	Property, plant and equipment		Other	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Chile	187,021	198,236	4,676	4,862
Canada	241	346	-	-
	187,262	198,582	4,676	4,862

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12) REVENUE

a) Revenue composition:

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Gross value of copper produced	44,306	43,618	104,819	117,309
Adjustments to fair value of settlement receivables	5,937	(875)	2,031	(1,909)
	50,243	42,743	106,850	115,400
Notional items deducted from gross value of copper produced:				
DET royalties - copper	(9,839)	(8,786)	(21,181)	(25,245)
Smelting and refining	(4,480)	(5,391)	(11,760)	(14,693)
Transportation	(478)	(512)	(1,240)	(1,404)
Copper tolling revenue	35,446	28,054	72,669	74,058
Molybdenum revenue	2,109	4,403	5,902	8,827
Slag revenue	-	1,443	668	1,443
	37,555	33,900	79,239	84,328

b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 11).

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

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Copper	35,446	29,497	73,337	75,501
Molybdenum	2,109	4,403	5,902	8,827
	37,555	33,900	79,239	84,328

c) Total revenue by region:

All the Company's revenue originates in Chile.

In YTD-2020, the Group's revenue from one customer represented 93% of reported revenue (YTD-2019: 90%).

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13) (EXPENSES) GAINS BY NATURE

a) Tolling and production costs consist of the following:

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Tolling and production costs	(22,587)	(26,583)	(61,786)	(68,731)
Depreciation and amortization	(4,270)	(4,372)	(13,344)	(13,134)
Administration	(1,448)	(1,191)	(3,613)	(4,010)
DET royalties - molybdenum	(267)	(745)	(839)	(1,574)
	<u>(28,572)</u>	<u>(32,891)</u>	<u>(79,582)</u>	<u>(87,449)</u>

b) General and administration expenses consist of the following:

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Salaries, management and professional fees	(457)	(359)	(1,247)	(1,238)
Office and general expenses	(115)	(191)	(421)	(540)
Share-based payment compensation	(32)	(276)	(71)	(1,343)
	<u>(604)</u>	<u>(826)</u>	<u>(1,739)</u>	<u>(3,121)</u>

c) Derivative to related parties (Note (8(a))) consist of the following:

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Royalties to related parties	(260)	(279)	(737)	(708)
Fair value adjustments to royalty derivative	(43)	224	2,076	(9)
	<u>(303)</u>	<u>(55)</u>	<u>1,339</u>	<u>(717)</u>

d) Other (losses) gains consist of the following:

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Foreign exchange (expense) gain	(86)	708	478	653
Other gains	71	53	120	148
	<u>(15)</u>	<u>761</u>	<u>598</u>	<u>801</u>

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e) Finance expense consists of the following:

	Q3-2020	Q3-2019	YTD-2020	YTD-2019
	\$	\$	\$	\$
Finance, commitment and interest charges	(1,176)	(1,202)	(3,076)	(4,195)
Fair value adjustments to interest rate swaps	392	(836)	(1,445)	(1,141)
Loss on modification of debt	-	(1,558)	-	(1,558)
	(784)	(3,596)	(4,521)	(6,894)

14) SUPPLEMENTARY CASH FLOW INFORMATION

a) Cash and cash equivalents

	September 30, 2020	December 31, 2019
	\$	\$
Cash at bank and on hand	10,328	921
Short-term bank deposits	143	143
	10,471	1,064
Cash held in a debt service reserve account (Note 7)	-	6,100
	10,471	7,164

b) Cash payments of interest and taxes

	YTD-2020	YTD-2019
	\$	\$
Interest and taxes paid		
Interest paid	2,626	3,743
Income taxes paid	25	3,337
Other		
Decrease in accounts payable related to the acquisition of plant and equipment	(46)	(2,394)
Cash paid during the year in connection with the derivative to related parties	233	605

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15) 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 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 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 reviews 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 9(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 value of the IRS was determined with the assistance of third parties who performed a discounted cash flow valuation based on forward interest rate curves.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2020				
Investments	2,681	-	-	2,681
Trade and settlement receivables	-	13,612	-	13,612
Interest rate swap	-	-	(2,110)	(2,110)
Derivative to related parties	-	-	(10,609)	(10,609)
	2,681	13,612	(12,719)	3,574

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2020

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	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2019				
Investments	2,534	-	-	2,534
Trade and settlement receivables	-	7,436	-	7,436
Interest rate swap	-	-	(665)	(665)
Derivative to related parties	-	-	(12,181)	(12,181)
	2,534	7,436	(12,846)	(2,876)

16) COMMITMENTS AND CONTINGENCIES

- MVC has a long-term agreement for the supply of 100% of MVC's power requirements to December 31, 2032. The agreement establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to range from \$1.1 million to \$1.5 million per month.
- 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.
- Amerigo has an agreement for the lease of office premises in Vancouver to December 1, 2021. Rent commitments under the agreement are approximately \$0.1 million.

17) SUBSEQUENT EVENTS

- On June 25, 2020, MVC received a notification from Chile's Environmental Supervisory Unit (Superintendencia del Medio Ambiente, ("SMA")) under which MVC was charged with three counts of non-compliance in respect of certain of its environmental obligations. Two of the charges were in respect of deficiencies in MVC's environmental compliance reports and the third count was associated with a delay in the application of dust suppressing polymers on certain areas of the Cauquenes deposit. None of the charges caused environmental or safety damages. On July 20, 2020, MVC filed with the SMA a Compliance Plan (Plan de Cumplimiento ("PDC")) which includes MVC's proposal to fully remedy the reporting and operational charges presented by the SMA. On October 6, 2020, the SMA approved the PDC. MVC is in the process of carrying out the actions outlined in the PDC within the various agreed timeframes. On completion of all actions, charges would be dropped without any sanctions to MVC.
- Subsequent to September 30, 2020, MVC funded the debt reserve account with \$6.1 million (Note 7).