Marine Building Suite 1260-355 Burrard Street Vancouver, B.C. Canada V6C 2G8 P+1.604.681.2802 F+1.604.682.2802

Amerigo Resources Ltd.
Management's Discussion and Analysis
For the Year Ended December 31, 2019

T A B L E of C O N T E N T S

This Management's Discussion & Analysis ("MD&A") has the following sections:

THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS. REFER TO THE CAUTIONARY LANGUAGE UNDER THE HEADING "CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION" (PAGE 24).

AMOUNTS REPORTED IN U.S. DOLLARS, EXCEPT WHERE INDICATED OTHERWISE.

ABOUT AMERIGO

Amerigo Resources Ltd. (“Amerigo””) owns a 100% interest in Minera Valle Central S.A. ("MVC"), a producer of copper and molybdenum concentrates. MVC, located in Chile, has a long-term contract with Codelco’s DET to process fresh and historic tailings from El Teniente. El Teniente, in production since 1905, is the world’s largest underground copper mine.

MVC currently operates under a tolling agreement with DET and title to the copper concentrates produced by MVC remains with DET. MVC earns copper tolling revenue, calculated as the gross value of copper produced at applicable market prices net of notional items, which include treatment and refining charges, DET copper royalties and transportation costs. Refer to Agreements with Codelco’s DET (page 19).

In 2019, molybdenum concentrates produced at MVC were predominantly sold under a molybdenum sales agreement with Chile’s Molibdenos y Metales S.A. (“Molymet”).

During the months of August to December 2019, MVC processed high-grade slag material from DET’s smelter stockpile at its plant.

MVC has completed a phased expansion to extract and process high grade historic tailings (the "Cauquenes tailings") which extended MVC’s economic life to at least 2037.

Amerigo’s shares are listed for trading on the Toronto Stock Exchange (“TSX”) and traded in the United States on the OTCQX.

PURPOSE OF MD&A and IDENTIFICATION OF NON-GAAP MEASURES

This MD&A of the results of operations and financial position of Amerigo together with its subsidiaries (collectively, the “Company”), is prepared as of February 18, 2020.

It should be read in conjunction with Amerigo’s audited consolidated financial statements and related notes for the year ended December 31, 2019.

Amerigo’s financial statements are reported in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial data in this MD&A is derived from Amerigo’s financial statements, except non-GAAP measures which are indicated as such.

Our objective in preparing this MD&A’s is to help the reader understand the factors affecting the Company’s current and future financial performance.

Non-GAAP measures

References are made in this MD&A to cash cost and total cost, two non-GAAP financial measures with no standardized meaning under IFRS and which may not be comparable to similar measures presented by other issuers.

Cash cost and total cost are commonly used as performance indicators in the mining industry and are an important performance metric for the Company.

A tabular reconciliation of cash and total costs to tolling and production costs in 2019 and 2018 is available on page 13.

ANNUAL HEADLINES

ANNUAL KEY PERFORMANCE METRICS	Years ended December 31,			
	2019	2018	Change	%
Copper produced (million pounds)[1]	69.8	65.0	4.8	7%
Copper delivered (million pounds)[1]	69.9	63.9	6.0	9%
Percentage of production from historic tailings	56%	68%	(12%)	
Revenue ($ thousands) [2]	119,803	136,833	(17,030)	(12%)
DET notional copper royalties ($ thousands)	33,828	41,088	(7,260)	(18%)
Tolling and production costs ($ thousands)	119,400	111,855	7,545	7%
Gross profit ($ thousands)	403	24,978	(24,575)	-
Net (loss) income ($ thousands)	(9,413)	10,495	(19,908)	-
(Loss) earnings per share	(0.05)	0.06	(0.11)	(183%)
Cash flow from operating activities before changes in working capital ($ thousands)	9,845	27,794	(17,949)	(65%)
Cash flow paid for purchase of plant and equipment ($ thousands)	(10,016)	(35,309)	(25,293)	(72%)
Cash and cash equivalents ($ thousands)	7,164	21,338	(14,174)	(66%)
Borrowings ($ thousands)[3]	55,897	66,212	(10,315)	(16%)
MVC's copper price ($/lb) [4]	2.73	2.92	(0.19)	(7%)
MVC's molybdenum price ($/lb) [5]	10.64	11.84	(1.20)	(10%)

1 Copper production conducted under tolling and slag processing agreements with DET.
2 Revenue reported net of notional items (smelting and refining charges, DET notional copper royalties and transportation costs).
3 At December 31, 2019, comprised of short and long-term portions of $10.1 and $45.8 million respectively.
4 MVC’s copper price is the average notional copper price for the period, before smelting and refining, DET notional copper royalties, transportation costs and settlement adjustments to prior quarter sales.
5 MVC’s molybdenum price is the average realized molybdenum price in the period, before roasting charges and settlement adjustments to prior quarter sales.

Amerigo reported annual net loss of $9.4 million in 2019 and net income of $0.6 million in Q4-2019

- 2019 net loss was $9.4 million (2018: net income of $10.5 million) due to lower metal prices, lower production from fresh and Cauquenes tailings and higher tolling and production costs.
- Annual loss per share (“LPS”) was $0.05 (2018: earnings per share (“EPS”) of $0.06).
- The Company generated annual operating cash flow of $9.8 million before changes in non-cash working capital (2018: $27.8 million). Annual net operating cash flow was $9.7 million (2018: $27.2 million).
- In Q4-2019 Amerigo returned to profitability with net income of $0.6 million (Q4-2018: $5.1 million), $nil EPS (Q4-2018: $0.03) and net operating cash flow of $6.9 million (Q4-2018: $7.8 million). Tolling and production costs in Q4-2019 included $2.3 million in collective agreement signing bonuses to MVC workers. Normalized net income in Q4-2019 excluding signing bonuses was $2.9 million.

MVC produced 69.8 million pounds of copper (2018: 65.0 million pounds) at a cash cost of $1.82lb ($1.56/lb)

- 2019 production was 69.8 million pounds of copper (2018: 65.0 million pounds), including 38.9 million pounds from Cauquenes (2018: 43.7 million pounds), 19.3 million pounds from fresh tailings (2018: 21.3 million pounds) and 11.6 million pounds from slag processing (2018: nil).
- Molybdenum production was 1.4 million pounds (2018: 1.9 million pounds).

- Cash cost (a non-GAAP measure equal to the aggregate of smelting and refining charges, tolling/production costs net of inventory adjustments and administration costs, net of by-product credits, page 13) increased to $1.82 per pound ("/lb") (2018: $1.56/lb). In the computation of cash cost, by-product credits include molybdenum and slag processing revenue.

- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET notional copper royalties and DET molybdenum royalties of $0.62/lb and depreciation of $0.30/lb, page 13) increased to $2.74/lb (2018: $2.47/lb).

MVC's average copper price in 2019 was $2.73/lb (2018: $2.92/lb)

- MVC's copper price was $2.73/lb (2018: $2.92/lb) and MVC's molybdenum price was $10.64/lb (2018: $11.84/lb).

- Revenue was $119.8 million (2018: $136.8 million), including copper tolling revenue of $103.6 million (2018: $118.4 million), molybdenum revenue of $10.6 million (2018: $18.4 million) and slag processing revenue of $5.5 million (2018: $nil).

- Copper tolling revenue is calculated from MVC's gross value of copper produced of $158.7 million (2018: $188.6 million) and fair value adjustments to settlement receivables of ($0.3 million) (2018: $5.3 million), less notional items including DET royalties of $33.8 million (2018: $41.1 million), smelting and refining of $19.8 million (Q4-2018: $21.5 million) and transportation of $1.8 million (2018: $2.2 million).

- MVC's financial performance is very sensitive to changes in copper prices. At December 31, 2019, MVC's provisional copper price was $2.76/lb and final prices will be the average London Metal Exchange ("LME") prices for January ($2.74/lb), February and March 2020. A 10% increase or decrease from the $2.76/lb provisional price would result in a $4.3 million change in copper revenue in 2020 in respect of 2019 production.

- Amerigo remains fully leveraged to the price of copper.

MVC refinanced its debt facilities in 2019, debt repayments in the year were $11.3 million

- In Q3- 2019, MVC refinanced its debt facilities which included amending principal payments from five remaining semi-annual payments of $11.3 million each to 7 new semi-annual payments of $4.7 million each (payable on March and September) and a final payment of $23.5 million in September 2023. The new debt structure provides additional flexibility to MVC in the current low copper price environment.

- In 2019, MVC made debt repayments of $11.3 million, reducing total debt at year end to $55.9 million (December 31, 2018: $66.2 million).

- At December 31, 2019, the Company's cash balance was $7.2 million (December 31, 2018: $21.3 million).

- The Company had a $15.1 million working capital deficiency (December 31, 2018: $16.9 million).

- 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 average at least $2.60/lb and the Company's 2020 production and cost outlook is met. (page 9).

Refer to Cautionary Statement on Forward Looking Information (page 24).

SUMMARY OF FINANCIAL RESULTS Q4-2018 TO Q4-2019

	Q4-2019 $	Q3-2019 $	Q2-2019 $	Q1-2019 $	Q4-2018 $
Copper production, million pounds [1]	24.320	19.086	13.344	13.005	18.531
Copper deliveries, million pounds [1]	24.046	19.549	13.424	12.920	17.593
MVC's copper price ($/lb)	2.76	2.62	2.67	2.92	2.77
Financial results ($ thousands)					
Revenue					
Gross value of copper produced	41,435	43,618	37,278	36,413	49,168
Adjustments to fair value of settlement receivables	2,208	(875)	(3,182)	2,147	408
	43,643	42,743	34,096	38,560	49,576
Notional items deducted from gross value of copper produced:					
DET royalties - copper	(8,584)	(8,786)	(8,322)	(8,136)	(10,412)
Smelting and refining	(5,061)	(5,391)	(4,830)	(4,473)	(5,920)
Transportation	(434)	(512)	(447)	(444)	(587)
Copper tolling revenue	29,564	28,054	20,497	25,507	32,657
Slag revenue	4,091	1,443	-	-	-
Molybdenum and other revenue	1,819	4,403	2,195	2,229	4,925
	35,474	33,900	22,692	27,736	37,582
Tolling and production costs					
Tolling and production costs	(25,748)	(26,583)	(22,772)	(19,376)	(21,334)
Depreciation and amortization	(4,352)	(4,372)	(4,398)	(4,364)	(3,883)
Administration	(1,390)	(1,191)	(1,221)	(1,597)	(1,432)
DET royalties - molybdenum	(461)	(745)	(403)	(427)	(854)
	(31,951)	(32,891)	(28,794)	(25,764)	(27,503)
Gross profit (loss)	3,523	1,009	(6,102)	1,972	10,079
Other expenses					
Derivative to related parties including changes in fair value	(1,314)	(55)	256	(918)	349
Salaries, management and professional fees	(1,088)	(359)	(527)	(352)	(1,037)
Office and general expenses	(85)	(191)	(69)	(280)	(145)
Share-based payment compensation	(112)	(276)	(576)	(491)	(95)
	(1,285)	(826)	(1,172)	(1,123)	(1,277)
Foreign exchange gain (loss)	303	708	(385)	331	(570)
Other gains (losses)	30	53	89	5	(31)
	333	761	(296)	336	(601)
	(2,266)	(120)	(1,212)	(1,705)	(1,529)
Operating profit (loss)	1,257	889	(7,314)	267	8,550
Finance expense	(951)	(3,596)	(1,501)	(1,797)	(1,420)
Income (loss) before income tax	306	(2,707)	(8,815)	(1,530)	7,130
Income tax recovery (expense)	327	624	2,251	131	(2,010)
Net income (loss)	633	(2,083)	(6,564)	(1,399)	5,120
Earnings (loss) per share - basic	-	(0.01)	(0.04)	(0.01)	0.03
Earnings (loss) per share - diluted	-	(0.01)	(0.04)	(0.01)	0.03
Unit tolling and production costs	2.07	1.99	2.08	1.99	1.56
Cash cost ($/lb) [2]	1.79	1.56	1.97	2.03	1.45
Total cost ($/lb) [2]	2.64	2.43	2.95	3.02	2.27
Uses and sources of cash ($thousands)					
Operating cash flow before working capital changes	6,412	3,016	(4,754)	5,170	9,228
Net cash from operating activities	6,901	1,307	2,951	(1,448)	7,811
Cash used in investing activities	(991)	(3,875)	(2,486)	(3,233)	(4,574)
Cash (used in) received from financing activities	(223)	(4,121)	(8,596)	(233)	(5,367)
Ending cash balance	7,164	1,617	8,415	16,597	21,338

1 Includes production from fresh tailings, Cauquenes tailings and DET slag processing.

2 Cash and total costs are non-GAAP measures. Refer to page 13 for the basis of reconciliation of these measures to tolling and production costs.

A discussion on key quarterly variances (revenue and tolling and production costs) can be found on page 16.

OVERALL PERFORMANCE

The Company posted a net loss of $9.4 million in 2019 (2018: net income of $10.5 million), due to lower metal prices and higher tolling and production costs.

MVC's copper price in 2019 was $2.73/lb (2018: $2.92/lb) and MVC's molybdenum price in 2019 was $10.64/lb (2018: $11.84/lb).

Tolling and production costs increased from $111.9 million in 2018 to $119.4 million in 2019 (page 11).

The Company continued to generate cash flow from operations. Operating cash before changes in non-cash working capital accounts was $9.8 million (2018: $27.8 million) and net cash from operating activities was $9.7 million (2018: $27.2 million).

At December 31, 2019, the Company had cash and cash equivalents of $7.2 million (2018: $21.4 million) and a working capital deficiency of $15.1 million (2018: working capital deficiency of $16.9 million).

SELECTED ANNUAL FINANCIAL INFORMATION

The following information has been extracted from the Company's audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31, 2019 $	Year ended December 31, 2018 $	Year ended December 31, 2017 $
Revenue (thousands)	119,803	136,833	134,027
Net (loss) income (thousands)	(9,413)	10,495	7,989
(Loss) earnings per share	(0.05)	0.06	0.05
Diluted (loss) earnings per share	(0.05)	0.06	0.04

	At December 31, 2019 $	At December 31, 2018 $	At December 31, 2017 $
Total assets	233,662	257,613	230,549
Total long-term financial liabilities	63,171	60,711	54,936

Long term financial liabilities at December 31, 2019 were comprised of: long-term portion of borrowings of $45.8 million (2018: $42.7 million, 2017: $42.3 million), long-term portion of leases of $5.4 million (2018: $7.4 million, 2017: $0.7 million), related party derivative liability of $11.0 million (2018: $9.7 million, 2017: $11.0 million) and severance provisions of $1.0 million (2018: $1.0 million, 2017: $1.0 million).

OPERATING RESULTS

2019 Production Results

Copper production in 2019 was 69.8 million pounds of copper (2018: 65.0 million pounds) and copper deliveries were 69.9 million pounds (2018: 63.9 million pounds).

Production included 38.9 million pounds from Cauquenes (2018: 43.7 million pounds), 19.3 million pounds from fresh tailings (2018: 21.3 million pounds) and 11.6 million pounds from slag processing (2018: nil).

Production was affected by MVC's mine plan in H1-2019 when MVC processed lower grade and high fines material from Cauquenes. In July 2019, MVC completed a deeper sump that is providing access to better quality material, but production has been affected by low plant recoveries, partially due to an increase in density of fresh tailings as a result of DET's water preservation programs in response to severe drought conditions in the region where DET and MVC operate. Higher densities negatively impact plant recoveries and contribute to a stressed process.

In November 2019, MVC completed a plant performance assessment to identify other areas of opportunity to improve recoveries. Further, a detailed plant audit was completed in February 2020 to identify additional areas of opportunity to improve operational performance.

In August 2019, MVC started to process high-grade slag material from DET's smelter stockpile which contributed 11.6 million pounds of copper to MVC's 2019 production. MVC charged DET a flat processing fee per tonne processed, therefore the slag processing revenue was not exposed to changes in copper price. In 2019, revenue from slag processing was $5.5 million and direct slag processing costs were $1.7 million. MVC dedicated one of its eight mills to process slag material therefore foregoing some copper production from fresh tailings. Processing of slag material ended in January 2020.

Molybdenum production was 1.4 million pounds (2018: 1.9 million pounds).

Annual production results for 2019 and 2018 are included below:

PRODUCTION	2019	2018
DET FRESH TAILINGS		
Tonnes processed	42,309,069	43,403,906
Copper grade (%)	0.111%	0.118%
Copper recovery	18.6%	18.9%
Copper produced (lbs)	19,269,133	21,271,855
CAUQUENES HISTORIC TAILINGS		
Tonnes processed	20,685,058	22,279,089
Copper grade (%)	0.254%	0.249%
Copper recovery	33.6%	35.7%
Copper produced (lbs)	38,892,009	43,682,923
FRESH TAILINGS + CAUQUENES (lbs)	58,161,142	64,954,778
DET SLAG PROCESSING		
Tonnes processed	127,133	-
Copper grade (%)	5.2%	-
Copper recovery	79.6%	-
Copper produced (lbs)	11,593,656	-
COPPER		
Total copper produced (lbs)	69,754,798	64,954,778
Total copper delivered to DET (lbs)	69,939,354	62,926,330
MOLYBDENUM		
Total molybdenum produced (lbs)	1,417,327	1,887,814
Total molybdenum sold (lbs)	1,397,683	1,796,529

2019 quarterly production results were the following:

	2019	Q4-2019	Q3-2019	Q2-2019	Q1-2019
DET fresh tailings					
Tonnes processed	42,309,069	10,529,332	10,883,200	10,940,468	9,956,069
Copper grade	0.111%	0.112%	0.110%	0.111%	0.110%
Copper recovery	18.6%	17.5%	18.8%	19.1%	19.0%
Copper produced (million lbs)	19.27	4.57	4.99	5.12	4.59
Cauquenes historic tailings					
Tonnes processed	20,685,058	5,365,311	5,270,852	5,139172	4,909,723
Copper grade	0.254%	0.273%	0.270%	0.232%	0.237%
Copper recovery	33.6%	34.5%	35.7%	31.6%	32.6%
Copper produced (million lbs)	38.89	11.16	11.10	8.22	8.41
Fresh tailings + Cauquenes (million lbs)	58.16	15.73	16.09	13.34	13.00
DET slag processing					
Tonnes processed	127,133	93,248	33,885	-	-
Copper grade	5.2%	5.3%	5.0%	-	-
Copper recovery	79.6%	79.3%	80.5%	-	-
Copper produced (millions lbs)	11.59	8.60	2.99	-	-
Total copper produced (million lbs)	69.75	24.33	19.08	13.34	13.00

2020 Production Outlook

MVC's production results in 2020 will be heavily influenced by water supply to MVC and by the timing and success rate of MVC's programs to improve plant performance.

While without any question MVC's sources of water, most significantly water contained in the DET fresh tailings) have been affected by current severe local drought conditions, there is a changed environment with respect to water usage in Chile. Most mining organizations, including DET, are implementing aggressive plant initiatives to permanently reduce water consumption. In addition to continuing to implement its own projects to improve water recirculation, MVC will also need to adjust its own plant to efficiently operate with higher density tailings on an ongoing basis.

MVC's 2020 Budget was prepared assuming average 2020 recoveries of 20% for fresh tailings and 37% for Cauquenes tailings and daily processing rates of 112,500 tonnes per day ("TPD") for fresh tailings and 62,500 TPD for Cauquenes, which would result in annual production of 19.6 million pounds of copper from fresh tailings and 46.2 million pounds of copper for Cauquenes tailings.

However, in response to drought conditions and to prevent operational shutdowns should these continue in 2020, MVC has reduced Cauquenes tonnage processing and currently forecasts to continue to do so through H1-2020. In January Cauquenes tonnage processing averaged 48,267 TPD and fresh tailings processing averaged 119,618 TPD. For the balance of H1-2020, MVC is forecasting processing rates of 125,000 TPD for fresh tailings and 40,000 TPD for Cauquenes (going up to 50,000 TPD for Cauquenes in June if rain levels normalize in April and May, the start of the local rain season). MVC has also faced various stoppages at its plant and at Cauquenes YTD in connection with downtime of one or more of its water thickeners in connection with work carried out to improve water recovery and to adjust mechanisms to deal with higher density contents.

Under these conditions, annual production from fresh tailings and Cauquenes would be approximately 55 to 60 million pounds, excluding any effect from plant optimization initiatives. Cash cost would be $1.87/lb in Q1, $1.65/lb in Q2, $1.51/lb in Q3 and $1.57/lb in Q4, for an annual average of $1.63/lb.

Slag processing was suspended in January 2020 as DET started commissioning its own slag processing plant. Slag production in January was 1.2 million pounds.

FINANCIAL RESULTS – 2019

The Company posted a net loss of $9.4 million in 2019 ($0.05 basic and diluted LPS) (2018: net income of $10.5 million; $0.06 basic and diluted EPS) due to lower metal prices and higher tolling and production costs.

Revenue

Revenue in 2019 was $119.8 million (2018: $136.8 million).

(Expressed in thousands)	2019 $	2018 $
Average LME copper price per pound	2.72	2.96
Gross value of copper produced	158,744	188,593
Adjustments to fair value of settlement receivables	299	(5,298)
	159,043	183,295
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(33,828)	(41,088)
Smelting and refining charges	(19,755)	(21,520)
Transportation	(1,838)	(2,239)
Copper tolling revenue	103,622	118,448
Slag revenue	5,534	-
Molybdenum revenue	10,647	18,385
Revenue	119,803	136,833
MVC's copper price ($/lb)	2.73	2.92
MVC's molybdenum price ($/lb)	10.64	11.84

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, plus or minus adjustments to the fair value of settlement receivables, net of notional items (DET copper royalties, treatment and refining charges and transportation costs).

Copper 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 2019, it was based on the average 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 was determined based on the average LME copper price of the third month following delivery of copper, which for December 2019 deliveries will be the average LME copper price for March 2020. This variable difference gives rise to a derivative, changes in the fair value of which are recognized in revenue as settlement receivables.

The average LME copper price in 2019 was $2.72/lb (2018: $2.96/lb) and MVC's copper price was $2.73/lb (2018: $2.92/lb). Differences between the average LME copper price and MVC's copper price result from the pricing terms that applied in the period.

Financial performance is very sensitive to changes in copper prices. At December 31, 2019, the provisional copper price used by MVC was $2.76/lb and a 10% increase or decrease from the $2.76/lb price would result in a $4.3 million change in copper tolling revenue in Q1-2020.

DET royalties on copper production are a notional item deducted from MVC's gross value of copper produced. In 2019, DET notional copper royalties were $33.8 million, $7.3 million lower than in 2018, due to lower copper prices and lower production subject to DET royalties.

We disclose the terms for DET notional copper royalties and molybdenum royalties under Agreement with Codelco's DET (page 19).

In 2019, molybdenum produced by MVC was predominantly sold under a written sales agreement with Molymet. Revenue was billed monthly based on the amount of concentrates delivered during the preceding month. Molymet could elect different pricing terms on a monthly basis. In 2019, pricing terms elected included M+1, M+2 and M+3 in respect of the average Platt's molybdenum dealer oxide price of the month of sale. This variable difference also gives rise to a derivative, valued at fair value through profit or loss.

In 2019, MVC's molybdenum sales price was $10.64/lb (2018: $11.84/lb). At December 31, 2019, molybdenum sales were provisionally priced at $9.18/lb, on an M+3 basis. A 10% increase or decrease in this price would result in price-driven revenue settlement adjustments of $0.4 million.

Tolling and Production Costs

(Expressed in thousands)	2019 $	2018 $
Direct tolling and production costs		
Power costs	32,421	32,225
Direct labour costs	12,418	10,431
Grinding media	8,974	8,156
Lime costs	8,206	8,762
Other direct tolling / production costs	32,459	28,586
	94,478	88,160
Depreciation and amortization	17,487	14,759
Administration	5,400	5,895
DET royalties - molybdenum	2,035	3,041
Tolling and production costs	119,400	111,855

Power costs increased by $0.2 million compared to 2018. Costs in 2019 were $0.0987/kWh (2018: $0.1036/kWh).

Direct labour cost of $12.4 million (2018: $10.4 million) included $2.1 million associated with signing bonuses paid to MVC's plant union workers on renewal of a three-year collective agreement (to October 21, 2022). The full cost of the bonuses was recognized as a direct labour cost on signing of the collective agreement in October 2019. 50% of the signing bonuses to plant workers were paid on signing and the balance is payable in March 2020.

Lime cost decreased to $8.2 million in 2019 from $8.7 million in 2018 as a result of lower Cauquenes production.

Grinding media costs increased to $9.0 million from $8.2 million in 2018 due to higher steel costs.

In aggregate, other direct tolling costs increased by $3.9 million or 14% in 2019, of which $1.7 million was for direct slag processing costs ($nil in 2018 as the slag processing contract was not in place). The normalized increase in other direct tolling costs was therefore $2.2 million, of which $1.4 million comes from higher production costs inventoried in 2018 to account for lower shipments compared to production in that year and $0.8 million come from actual industrial water cost increases in 2019, in response to drought conditions.

(Expressed in thousands)	2019 $	2018 $
Other direct production costs		
Maintenance, excluding labour	7,691	7,901
Molybdenum production costs	6,624	6,490
Historic tailings extraction	5,562	5,846
Industrial water	3,308	2,503
Process control, environmental and safety	2,278	2,152
Copper reagents	2,500	2,435
Subcontractors and support services	2,605	2,397
Direct slag processing costs	1,709	-
Filtration and all other direct tolling costs	843	929
Inventory adjustments	(661)	(2,067)
	32,459	28,586

($/lb Cu)	2019	2018
Other direct production costs		
Maintenance, excluding labour	0.13	0.12
Molybdenum production costs	0.11	0.10
Historic tailings extraction	0.10	0.09
Industrial water	0.06	0.04
Process control, environmental and safety	0.04	0.03
Copper reagents	0.04	0.04
Subcontractors and support services	0.04	0.04
Direct slag processing costs	0.03	-
Filtration and all other direct copper tolling costs	0.01	0.01
Inventory adjustments	(0.01)	(0.03)
	0.56	0.44

Depreciation and amortization increased to $17.5 million (2018: $14.8 million), from a higher asset base.

Administration expenses were $5.4 million in 2019 (2018: $5.9 million). In 2019, administration expense includes $0.2 million associated with signing bonuses accrued or paid to administrative personnel.

Expenses

Other expenses of $5.3 million (2018: $5.2million) are costs not related to MVC's production operations and include:

- General and administration expenses of $4.4 million (2018: $4.7 million) which include salaries, management and professional fees of $2.3 million (2018: $2.5 million), share-based payments of $1.5 million (2018: $1.3 million) and office and general expenses of $0.6 million (2018: $0.8 million).

- Other gains of $1.1 million (2018: other losses of $0.6 million) are comprised of a foreign exchange gain of $1.0 million (2018: loss of $0.7 million) and other gains of $0.2 million (2018: $0.1 million).

- A $2.0 million expense associated with the related party derivative liability (2018: gain of $0.1 million), which includes actual amounts paid or accrued to a related party of $1.0 million (2018: $1.1 million) and a $1.1 million increase in fair value (2018: decrease in fair value of $1.2 million). In 2019, the derivative's increase in fair value was caused by lower estimated interest rates during the derivative's term.

The Company's finance expense was $7.8 million (2018: $4.3 million) which includes finance fees, commitment fees, interest charges and changes in value on interest rate swaps ("IRS"). The $3.5 million increase in finance expense in 2019 was mostly associated with refinancing MVC's debt facilities: The Company booked a non-cash financial loss on modification of debt of $1.6 million, paid $1.2 million in fees to MVC's lenders and paid an IRS break fee of $0.3 million. In 2019, there was also an increase of $1.4 million in mark to market adjustments to the IRS.

Income tax recovery in 2019 was $3.3 million in 2019 (2018: income tax expense of $4.9 million), including current income tax expense of $0.1 million (2018: $3.3 million) and deferred tax recovery of $3.4 million (2018: deferred tax expense of $1.6 million).

Deferred income tax recovery or expense results from the changes to deferred income tax liabilities, arising predominantly from the differences between the book and tax values of MVC's property, plant and equipment. Deferred tax liabilities do not represent income tax payable.

Cash Cost and Total Cost

Cash cost and total cost are non-GAAP measures prepared on a basis consistent with the industry standard Brook Hunt definitions.

The Company believes that these measures provide additional information to evaluate corporate performance. Management also uses these measures to monitor internal performance.

In 2019 cash cost was $1.82/lb (2018: $1.56/lb) and total cost was $2.74/lb (2018: $2.47/lb).

A reconciliation of tolling and production costs to cash cost and total cost is presented below:

(Expressed in thousands)	2019 $	2018 $
Tolling and production costs	119,400	111,855
Add (deduct):		
DET notional royalties - copper	33,828	41,088
Smelting and refining charges	19,755	21,520
Transportation costs	1,838	2,239
Inventory adjustments	661	2,067
By-product credits	(16,181)	(18,385)
Total cost (thousands)	159,301	160,384
Deduct:		
DET notional royalties - copper	(33,828)	(41,088)
DET royalties - molybdenum	(2,035)	(3,041)
	(35,863)	(44,129)
Depreciation and amortization	(17,487)	(14,759)
Cash cost (thousands)	105,951	101,496
Pounds of copper tolled (fresh and Cauquenes)	58.2M	65.0M
Cash cost ($/lb)	**1.82**	**1.56**
Total cost ($/lb)	**2.74**	**2.47**

The Company's trailing annual and quarterly cash costs ($/lb of copper produced) were:

($/lb of copper produced)	2019	Q4-2019	Q3-2019	Q2-2019	Q1-2019
Power costs	0.56	0.52	0.52	0.60	0.60
Smelting & refining	0.34	0.32	0.33	0.36	0.34
Grinding media	0.16	0.15	0.16	0.17	0.14
Lime	0.14	0.15	0.13	0.13	0.15
Administration	0.09	0.09	0.07	0.09	0.12
Transportation	0.03	0.03	0.03	0.03	0.04
Other direct costs [1, 2]	0.78	0.91	0.68	0.75	0.81
By-product credits	(0.28)	(0.38)	(0.36)	(0.16)	(0.17)
Cash Cost	**$1.82**	**$1.79**	**$1.56**	**$1.97**	**$2.03**

[1] For the year 2019, cash cost includes $.04/lb in respect of MVC's union signing bonuses. Normalized annual cash cost without union signing bonuses would have been $1.78/lb.

[2] In Q4-2019, cash cost includes $0.15/lb in respect of MVC's union signing bonuses. Normalized Q4-2019 cash cost without union signing bonuses would have been $1.64/lb.

($/lb of copper produced)	2018	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Power costs	0.50	0.45	0.44	0.56	0.56
Smelting & refining	0.33	0.32	0.33	0.32	0.35
Lime	0.13	0.12	0.11	0.16	0.16
Grinding media	0.13	0.14	0.11	0.12	0.13
Administration	0.09	0.08	0.08	0.10	0.12
Transportation	0.03	0.03	0.03	0.03	0.04
Other direct costs	0.63	0.58	0.58	0.68	0.72
By-product credits	(0.28)	(0.27)	(0.30)	(0.26)	(0.31)
Cash Cost	**$1.56**	**$1.45**	**$1.38**	**$1.71**	**$1.77**

MVC's components of cash cost, except for administration and transportation, increased in 2019 as a result of higher costs and lower production. By-product credits of $0.28/lb remained unchanged from 2018's level despite lower molybdenum production and prices due to the incorporation of DET slag processing.

The Company's trailing annual and quarterly total costs ($/lb of copper produced) were:

($/lb of copper produced)	2019	Q4-2019	Q3-2019	Q2-2019	Q1-2019
Cash cost	1.82	1.79	1.56	1.97	2.03
DET notional royalites/royalties	0.62	0.57	0.60	0.65	0.66
Amortization/depreciation	0.30	0.28	0.27	0.33	0.33
Total Cost	**$2.74**	**$2.64**	**$2.43**	**$2.95**	**$3.02**

($/lb of copper produced)	2018	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Cash cost	1.56	1.45	1.38	1.71	1.77
DET notional royalites/royalties	0.68	0.61	0.58	0.77	0.81
Amortization/depreciation	0.23	0.21	0.21	0.26	0.25
Total Cost	**$2.47**	**$2.27**	**$2.17**	**$2.74**	**$2.83**

Total cost was $2.74/lb (2018: $2.47/lb) due to higher cash cost and depreciation.

FINANCIAL RESULTS – QUARTER ENDED DECEMBER 31, 2019

In Q4-2019, the Company posted net income of $0.6 million ($nil EPS) (Q4-2018: $5.1 million and $0.03 EPS).

The Company generated operating cash flow before working capital changes of $6.4 million (Q4-2018: $9.2 million), and net cash from operating cash flow of $6.9 million (Q4-2018: $7.8 million).

Revenue

Revenue in Q4-2019 was $35.5 million (2018: $37.6 million) due to lower production from fresh tailings, Cauquenes tailings and molybdenum.

Expenses

(Expressed in thousands)		Q4-2019 $		Q4-2018 $
Direct tolling and production costs				
Power costs	$	8,216	$	8,400
Direct labour costs		4,757		2,512
Lime costs		2,342		2,226
Grinding media		2,432		2,556
Other direct tolling / production costs		8,001		5,640
		25,748		21,334
Depreciation and amortization		4,353		3,883
Administration		1,390		1,432
DET royalties - molybdenum		460		854
Tolling and production costs	$	31,951	$	27,503
Unit tolling and production costs ($/lb)		2.07		1.56

Direct tolling and production costs were $25.7 million (2018: $21.3 million), due to an increase of $2.2 million in direct labour costs ($2.1 million associated with MVC's union signing bonuses) and an increase of $2.4 million in other direct tolling and production costs, including $1.0 million in direct slag processing costs ($nil in Q4-2018) and a variance of $1.2 million in inventory adjustments between the two comparative quarters.

Depreciation and amortization were $4.4 million (Q4-2018: $3.9 million) due to a higher MVC asset base, administration expense remained at $1.4 million and the DET molybdenum royalties decreased to $0.5 million from $0.9 million due to lower molybdenum production prices.

Unit tolling and production costs increased from $1.56/lb in Q4-2018 to $2.07/lb in Q4-2019.

COMPARATIVE PERIODS

Amerigo's quarterly financial statements are reported under IFRS applicable to interim financial reporting.

The following tables provide highlights from Amerigo's financial statements of quarterly results for the past eight quarters.

	Q4-2019 $	Q3-2019 $	Q2-2019 $	Q1-2019 $
Total revenue (thousands)	35,474	33,900	22,692	27,736
Net income (loss) (thousands)	633	(2,083)	(6,564)	(1,399)
Earnings (loss) per share	-	(0.01)	(0.04)	(0.01)
Diluted earnings (loss) per share	-	(0.01)	(0.04)	(0.01)

	Q4-2018	Q3-2018	Q2-2018	Q1-2018
	$	$	$	$
Total revenue (thousands)	37,582	32,370	32,999	33,881
Net income (thousands)	5,120	1,438	2,720	1,217
Earnings per share	0.03	0.01	0.02	0.01
Diluted earnings per share	0.03	0.01	0.02	0.01

Quarterly revenue variances result mostly from higher or lower copper deliveries (a factor of quarterly production), MVC's copper price (a factor of market prices) and adjustments to fair value of settlement receivables.

The Company's revenues are highly sensitive to these variables, as summarized below:

	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Copper sales/deliveries [1]	15.5	16.6	13.4	12.9	17.6	17.6	14.22	14.52
MVC's copper price	2.76	2.62	2.67	2.92	2.77	2.74	3.16	3.09
Settlement adjustments [2]	1.04	(0.55)	(1.72)	0.85	0.41	(6.08)	0.56	(0.18)

1 Million pounds of copper sold under tolling agreements with DET.
2 Adjustments to fair value of prior quarter copper settlement receivables, expressed in millions of dollars.

Q3-2018 was positively affected by then record copper deliveries, but negatively impacted by lower copper prices and $6.1 million in negative settlement adjustments. In Q4-2018, copper deliveries remained at record level and MVC's copper price improved slightly to $2.77/lb with positive settlement adjustments of $0.4 million. In Q1-2019 and Q2-2019, copper deliveries were substantially lower than in recent quarters as a result of low plant recoveries, resulting from MVC's mining plan sequence. Copper prices in Q1-2019 were stronger than in the second half of 2018, but in Q2-2019 declined again resulting in $1.7 million in negative price adjustments. In Q3-2019 copper prices continued to decline but the quarter to quarter decline was substantially lower than in the preceding quarter, resulting in lower negative settlement adjustments. Deliveries improved due to higher production. In Q4-2019 copper price recovered and the Company had positive settlement adjustments. Deliveries were lower than in Q3-2019.

In addition to revenue variances, the Company's quarterly results in the most recent eight quarters were also affected by variations in cost of sales:

	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Tolling and production costs [1]	31.95	32.89	28.79	25.76	27.50	28.43	27.21	28.72
Unit tolling and production cost [2]	2.07	1.99	2.08	1.99	1.56	1.62	1.91	1.98

1 Million of dollars.
2 Tolling and production costs divided over number of pounds of copper delivered.

Tolling and production costs are affected by production levels, input costs (particularly power, lime and grinding media costs) and the depreciation or appreciation of the CLP to the U.S. dollar. Q1-2018 costs included higher power, lime and other direct costs. Total Q3-2018 costs increased due to higher production but decreased on a unit basis, and in Q4-2018 decreased both in respect of total and unit cost. In Q1-2019 total tolling and production costs decreased due to lower production, but the lower production drove unit costs higher. In Q2-2019, inventory variations increased tolling and production costs by $3.5 million compared to the preceding quarter. In Q3-2019 total tolling and production costs increased due to higher deliveries which in turn resulted in lower unit costs. In Q4-2019, tolling and production costs included $2.3 million in signing bonuses paid to MVC workers, increasing unit costs as there was no higher output associated with this cost.

LIQUIDITY and FINANCIAL POSITION

Cash Flow from Operations

In 2019, the Company generated net cash from operating activities of $9.7 million (2018: $27.2 million). Excluding the effect of changes in working capital accounts, the Company generated cash of $9.8 million in the year (2018: $27.8 million).

The Company operates in a cyclical industry with cash flow generating capacity closely correlated to market copper prices. The decrease in cash generated from operations in the year was due to lower copper and molybdenum prices and higher operating costs.

At December 31, 2019, the provisional copper price used by MVC was $2.76/lb and final prices will be the average LME prices for January ($2.74/lb), February and March 2020. A 10% increase or decrease from the $2.76/lb provisional price used at December 31, 2019 would result in a $4.3 million change in revenue in Q1-2020 in respect of Q4-2019 production.

Cash Flow from Financing Activities

In 2019, the Company made debt repayments of $11.3 million (2018: $14.4 million), paid $1.2 million in transaction costs associated with MVC's debt refinance (2018: received $23.3 million in debt proceeds, net of transaction costs) and made lease repayments of $1.2 million.

In 2019 the Company received $0.5 million in proceeds from various exercises of stock options (2018: $0.1 million).

Cash Flow used in Investing Activities

In 2019, the Company used cash of $10.0 million for payments of Capex (2018: $35.3 million) and paid $0.7 million in capitalized interest (2018: $0.6 million). In 2019 the Company received $0.1 million from the sale of investments (2018 $nil). Capex payments in 2019 included final payments for the Phase II expansion and sustaining Capex. The most substantial item within 2019 sustaining Capex was the construction of a new Cauquenes sump ($3.6 million).

Liquidity Analysis

At December 31, 2019, the Company's cash and cash equivalents were $7.2 million (2018: $21.3 million) and the Company had a working capital deficiency of $15.1 million (December 31, 2018: $16.9 million).

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 average at least $2.60/lb and the Company's 2020 production and cost outlook is met (page 9).

MVC expects treatment and refinery charges in 2020 (which are based on industry benchmarks) to decrease to $0.29/lb (2019: $0.35/lb), representing annual cost reductions of approximately $3.2 million. Based on rates effective as of January 1, 2020, power costs are also to come down from 2019's $0.0987/kWh to approximately $0.0892/kWh, an annual cost reduction of approximately $5.8 million. MVC continues to reduce other costs in order to maximize its cash-generating capacity.

In 2020, MVC will not need to build a new sump at Cauquenes and has budgeted $3.8 million in Capex that includes projects to improve water recirculation ($2.2 million) and various Capex to improve plant efficiency ($1.6 million). If copper prices average $2.80/lb during Q1-2020 and other liquidity tests are met, MVC would incur additional Capex of $1.2 million in the year for a total of $5.0 million. Additional Capex would include the supply and installation of automated sampling and reagent supply equipment, electrical improvements and purchase of additional equipment for the water thickeners.

Borrowings

(Expressed in thousands)	December 31, 2019 $	December 31, 2018 $
Cauquenes Phase One Loan	-	31,317
Cauquenes Phase Two Loan	-	34,895
Consolidated bank loan	55,897	-
	55,897	66,212
Comprise:		
Short-term debt and current portion of long-term debt	10,108	23,521
Long-term debt	45,789	42,691
	55,897	66,212

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. Interest was subject to a variable rate based on the US Libor six-month rate and most recently 5.70% per annum.

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. Interest on the Phase Two Loan was synthetically fixed through an IRS, accounted for at fair value through profit or loss, at a rate of 6.02% per annum for 75% of the facility. The IRS had a term to January 3, 2022. The remaining 25% of the facility was subject to a variable rate based on the US Libor six-month rate and most recently 5.70% per annum.

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 starting on March 26, 2020, together with accrued interest. 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.

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 rate based on the US Libor six-month rate, currently 4.91% per annum. The IRS has a term to September 26, 2023.

On closing of the refinance, MVC paid $0.8 million in interest accrued on the Cauquenes loans, an IRS break fee of $0.3 million and bank commissions of $1.2 million.

Also, on closing MVC recognized a loss on modification of debt of $1.6 million, included as finance expense in the period. The loss on modification of debt is 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.

The balance of the Consolidated Bank Loan (net of transaction costs) at December 31, 2019 was $55.9 million (December 31, 2018: $nil).

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, tangible net worth, debt service coverage ratio, and debt/EBITDA ratio, measured semi-annually on June 30 and December 31. At December 31, 2019, MVC met the tangible net worth requirement of $125.0 million and the debt/EBITDA ratio (requirement of less than 3). MVC received waivers from Scotiabank and EDC in respect of the current ratio (requirement of 1.05) and debt service coverage ratio (requirement of 1.2).

MVC also continues to be required to have a 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 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. At December 31, 2019, MVC held DSRA funds in the required amount of $6.1 million.

Molybdenum Plant Expansion Lease

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. At December 31, 2019, the lease obligation was $6.8 million (December 31, 2018: $9.0 million).

AGREEMENTS WITH CODELCO'S DET

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 2037 for fresh tailings, the earlier of 2033 or deposit depletion for Cauquenes, and the earlier of 2037 or deposit depletion for Colihues.

The DET Agreement establishes a series of royalties payable by MVC to DET, calculated using the average LME 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 $4.27lb (30%). MVC intends to restart processing tailings from Colihues once the Cauquenes deposit is depleted.

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

The Agreement anticipates that in the event monthly average prices fall below certain ranges 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 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 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.

SUMMARY OF OBLIGATIONS (Expressed in thousands)

	Total	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	19,837	19,837	-	-	-
Current income tax payable	55	55	-	-	-
DET royalties	9,284	9,284	-	-	-
Derivative to related parties	12,181	1,219	1,216	3,152	6,594
Severance provisions	973	-	-	-	973
Minimum power payments [1]	298,561	21,129	21,374	63,979	192,079
Borrowings	55,897	9,818	9,081	36,998	-
Leases	7,078	1,631	1,562	3,885	0
Total contractual obligations	403,866	62,973	33,233	108,014	199,646

[1] At December 31, 2019, MVC had an agreement for the supply of MVC's annual power requirements from 2018 to 2032. The agreement established minimum charges based on peak hour power supply calculations, estimated to range from $1.4 to $1.8 million per month.

TRANSACTIONS WITH RELATED PARTIES

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.

In 2019, $1.0 million was paid or accrued to the Class A shareholder (2018: $1.1 million) and the derivative's fair value increased $1.0 million (2018: decreased $1.2 million), for a total derivative expense of $2.0 million (2018: gain of $0.1 million) (Note 19(b)).

At December 31, 2019, the derivative liability totalled $12.1 million (2018: $11.1 million), with a current portion of $1.2 million (2018: $1.4 million) and a long-term portion of $10.9 million (2018: $9.7 million).

b) Directors' fees and remuneration to officers

In 2019, the Company paid or accrued $1.4 million in salaries and fees to companies associated with certain officers (2018: $1.6 million). In the same period, Amerigo paid or accrued $0.2 million in directors' fees (2018: $0.3 million). These transactions were in the ordinary course of business and measured at market rates determined on a cost recovery basis.

In 2019, 3,150,000 options were granted to Amerigo directors and officers (2018: 2,950,000 options).

OTHER MD&A REQUIREMENTS

Critical Accounting Estimates and Judgments

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 consolidated financial statements, the Company makes judgments, estimates and assumptions concerning the future which may vary from actual results. Judgments 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 addressed below.

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. This constitutes a derivative financial instrument measured at fair value. As required under IFRS, the Company reassesses its estimate for the derivative on each reporting date.

c) Impairment of Property, Plant and Equipment

In accordance with Amerigo's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of its fair value less costs to sell and its value in use.

Disclosure Controls and Procedures

Amerigo designs disclosure controls and procedures to provide reasonable assurance that all relevant information is communicated to senior management and to allow timely decisions regarding required disclosure.

Amerigo has a formal corporate disclosure policy and a Disclosure Policy Committee ("DPC"). Amerigo's directors and Aurora Davidson (President and CEO) are members of the DPC.

Management has reasonable confidence that the Company's material information is made known to them in a timely manner, and that Amerigo's disclosure controls and procedures are effective on an ongoing basis.

Internal Controls over Financial Reporting ("ICFR")

ICFR is a process designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes under IFRS.

Amerigo's ICFR includes policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect the additions to and dispositions of Company assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements under IFRS;

- Provide reasonable assurance that the Company's receipts and expenditures have the proper authorization of Amerigo's management and directors; and

- Provide reasonable assurance on the prevention or timely detection of unauthorized acquisition, use or disposition of Company assets that could have a material effect on the financial statements.

Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations.

Even those systems determined to be effective can provide only reasonable assurance on preparation and presentation of financial statements.

An evaluation of the design and operating effectiveness of the Company's ICFR was conducted as of December 31, 2019 by the Company's management, including the CEO/CFO. Based on this evaluation, management has concluded that the design and operation of the Company's ICFR was effective.

There were no changes in the year that materially affected, or are reasonably likely to affect, Amerigo's ICFR

Commitments

- At December 31, 2019, MVC had 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 $1.4 to $1.8 million per month.

- Amerigo has an agreement for the lease of office premises in Vancouver to December 1, 2021. Rent commitments under the agreement are approximately $0.2 million.

- 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.

Securities Outstanding

On February 18, 2020 Amerigo had 180,769,351 common shares outstanding and 9,520,000 options (exercisable at prices ranging from Cdn$0.14 to Cdn$1.11 per share).

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at www.sedar.com.

Cautionary Statement on Forward Looking Information

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

- a forecasted increase in production and a reduction in operating costs;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- prices and price volatility for copper and other commodities and of materials we use in our operations;
  the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources and our expected ability to meet our obligations for the next 12 months;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- the timing and costs of construction and tolling/production of, and the issuance and maintenance of the necessary permits and other authorizations required for, our expansion projects, including the expansion for the Cauquenes deposit and the timing of ramp-up to full production from Cauquenes;
- our ability to procure or have access to financing and to comply with our loan covenants;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- hazards inherent in the mining industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties and suspension of operations
- our planned capital expenditures (including our plan to upgrade our existing plant and operations) including the timing and cost of completion of our capital projects;
- estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- repudiation, nullification, modification or renegotiation of contracts;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning metal sales, treatment charges and royalties;
  disruptions to the Company's information technology systems, including those related to cybersecurity;
- our dividend policy; and
- general business and economic conditions.

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

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

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- the ability of the Company to profitably extract and process material from the Cauquenes tailings deposit;
- the timing of the receipt of and retention of permits and other regulatory and governmental approvals;
- our costs of production and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- the satisfactory negotiation of collective agreements with unionized employees;
- the impact of changes in foreign exchange rates and capital repatriation on our costs and results;
- engineering and construction timetables and capital costs for our expansion projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our preliminary economic assessment (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the outcome of our copper concentrate sales and treatment and refining charge negotiations;
- the resolution of environmental and other proceedings or disputes;
- the future supply of reasonably priced power;
- our ability to obtain, comply with and renew permits and licenses in a timely manner; and
- our ongoing relations with our employees and entities with which we do business.

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

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