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Amerigo Announces 2015 Financial Results

- Revenues of \$52.6 million
- \$5.0 million in operating cash outflow, net loss of \$16.9 million

VANCOUVER, BRITISH COLUMBIA – February 25, 2016/Amerigo Resources Ltd. (TSX: ARG) (“Amerigo” or the “Company”) reported today financial results for the year ended December 31, 2015. The Company posted revenue of \$52.6 million¹, operating cash outflow before changes in non-cash working capital of \$5.0 million and a net loss of \$16.9 million.

Rob Henderson, Amerigo’s President and CEO, stated “In 2015, MVC invested in the development of the historic Cauquenes tailings deposit, and is now well-positioned to continue operations in today’s challenging copper price environment. Our outlook for 2016 is to generate record copper production and lower cash cost. We remain focused on reducing unit costs, improving liquidity and delivering against our targets to build value.”

Financial results

- Revenue was \$52.6 million compared to \$92.9 million in 2014, a 43% decrease due to lower copper prices, lower production under the tolling agreement with DET and the suspension of molybdenum production in April 2015 in response to low market prices. Pre-operating revenue of \$5.1 million from Cauquenes was excluded from 2015 revenue. The Group’s gross copper tolling fee was \$2.47/lb (2014: gross copper selling price: \$3.14/lb).
- Tolling and production costs were \$65.7 million, a decrease of 24% from \$86.3 million in 2014, driven by the suspension of Colihues and molybdenum operations in 2015, capitalization of Cauquenes costs, a weaker Chilean peso (“CLP”) compared to the U.S. dollar and cost reduction initiatives at MVC. Pre-operating costs of \$5.9 million from Cauquenes were excluded from 2015 tolling and production costs.
- 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) before DET royalties increased to \$2.18/lb (2014: \$2.08/lb) due to higher unit power cost (including a lower contribution from the MVC generators) and lower by-product credits.

¹ Effective January 1, 2015, all copper concentrates produced by the Company’s wholly-owned subsidiary Minera Valle Central S.A. (“MVC”) are delivered to the El Teniente Division of Codelco (“DET”) under a tolling agreement. Revenue is recognized as a tolling fee which is calculated as gross revenue for copper delivered under the tolling agreement, net of notional items (smelting and refining charges, DET royalties and transportation costs). In prior years the nature of MVC’s agreements required that DET royalties and transportation costs be reported as components of production costs. To facilitate comparative analysis, 2014 revenue and production cost figures are presented in this news release on a pro-forma basis, such that they are adjusted to the results that would have been generated if the tolling agreement with DET had been in place on January 1, 2014. The reconciliation of revenue and production costs, from amounts reported in Amerigo’s 2014 public disclosure documents, to the pro-forma presentation is presented in page 4.



- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET royalties and depreciation) decreased to \$2.85/lb (2014: \$3.02/lb), due to lower DET royalties and depreciation charges.
- Gross loss was \$13.0 million (2014: gross profit of \$6.6 million) and net loss was \$16.9 million (2014: \$10.7 million).
- In 2015, the Group had operating cash outflow before changes in non-cash working capital of \$5.0 million, compared to operating cash inflow of \$14.8 million in 2014

Production

- 2015 production was 37.3 million pounds of copper, 9% lower than the 41.0 million pounds produced in 2014. Copper production includes 4.3 million pounds of copper produced from Cauquenes.
- Molybdenum production was 0.1 million pounds (2014: 0.6 million pounds). Molybdenum production was suspended on April 1, 2015 in response to ongoing low molybdenum prices.
- Production of fresh tailings was affected by a fire experienced at El Teniente in Q1-2015. Copper production was further impacted by MVC's decision to stop processing Colihues tailings on July 20, 2015 in response to low copper prices.
- Processing of Cauquenes tailings at MVC commenced on September 19, 2015, with low initial tonnage, recovery and grade. Tonnage consistently improved and approached design values towards the end of Q4-2015. Initial copper grade in the top layers of the deposit was lower than expected and the increase in copper recovery was slow. Production is expected to ramp up over H1-2016.

Cash and Financing Activities

- At December 31, 2015, MVC has received cash net of transaction costs of \$72.9 million including drawdowns of \$59.6 million from the \$64.4 million bank syndicate financing, for construction of phase one of the Cauquenes expansion.
- The Group's cash balance was \$9.0 million at December 31, 2015, compared to \$18.3 million at December 31, 2014

Capital Expenditures

- Cash payments in 2015 for capital expenditures ("Capex") were \$52.4 million compared to \$11.8 million in 2014. Capex incurred in 2015 totaled \$56.1 million (2014: \$13.2 million), incurred substantially in connection with phase one of the Cauquenes expansion project.

Safety

- Construction of the Cauquenes phase one project was completed with zero injuries. In 2015, MVC's lost time injury frequency rate was 0.8 (per 200,000 hours), including all contractors at site. Chile's Institute for Labour Safety, IST, awarded MVC with the Company of Excellence recognition.



Outlook

- MVC estimates 2016 production of 55.0 to 60.0 million pounds of copper at an annual cash cost of \$1.65 to \$1.85/lb, driven by higher expected production levels.
- No molybdenum production is expected in 2016 due to prevailing low molybdenum prices.
- Copper production is expected to improve in the second half of the year when Cauquenes material is extracted from deeper zones.
- MVC is expected to incur sustaining Capex of \$5.0 million in 2016, mostly in connection with extraction sumps at Cauquenes.

The information in this news release and the Selected Financial Information contained in the following page should be read in conjunction with the Audited Consolidated Financial Statements and Management's Discussion and Analysis for the years ended December 31, 2015 and 2014, which will be available at the Company's website at www.amerigoresources.com and at www.sedar.com.

Amerigo Resources Ltd. produces copper and molybdenum under a long term partnership with the world's largest copper producer, Codelco, by means of processing fresh and old tailings from the world's largest underground copper mine, El Teniente near Santiago, Chile. Tel: (604) 681-2802; Fax: (604) 682-2802; Web: www.amerigoresources.com; Listing: ARG:TSX

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Comparative Annual Overview

	Years ended December 31,			
	2015	2014 ⁶	Change	%
Copper produced ^{1,2} , million pounds	37.3	41.0	(3.7)	(9%)
Molybdenum produced, million pounds	0.1	0.6	(0.5)	(83%)
Percentage of production from old tailings	29%	40%	(11%)	(28%)
Revenue (\$ thousands) ^{3,6}	52,623	92,864	(40,241)	(43%)
DET royalties (\$ thousands)	13,674	25,345	(11,671)	(46%)
Tolling and production costs (\$ thousands) ⁶	65,656	86,289	(20,633)	(24%)
Gross (loss) profit (\$ thousands)	(13,033)	6,575	(19,608)	(298%)
Net loss (\$ thousands)	(16,933)	(10,702)	(6,231)	58%
Operating cash flow (\$ thousands) ⁴	(4,998)	14,786	(19,784)	(134%)
Cash flow paid for plant expansion (\$ thousands)	(52,391)	(11,739)	(40,652)	(346%)
Cash and cash equivalents (\$ thousands)	9,032	18,308	(9,276)	(51%)
Borrowings (\$ thousands)	72,645	-	72,645	0%
Gross copper tolling fee/selling price (\$/lb)	2.47	3.14	(1)	(21%)
Cash cost per pound ⁵	2.18	2.08	0.10	4.81%
Total cost per pound ⁵	2.85	3.02	(0.17)	(6%)

¹ Copper production in 2015 is conducted under a tolling agreement with DET.

² Includes 4.3 million pounds produced from Cauquenes in 2015. For accounting purposes revenue of \$5.1 million and costs of \$5.9 million associated with the Cauquenes production were excluded from loss, cash cost and total cost calculations and accounted for as a \$820,000 pre-operating charge to capital expenditures ("Capex") as management has determined that Cauquenes entered the production phase on January 1, 2016.

³ Revenue is reported net of notional items (smelting and refining charges, DET royalties and transportation costs).

⁴ Operating cash flow before changes in non-cash working capital.

⁵ Cash and total costs are non-GAAP measures.

⁶ 2014 amounts are reported on a pro-forma basis.

Reconciliation of 2014 Revenue and Production Costs to Pro-Forma Presentation

	2014	
	As reported	Pro-forma
Revenue		
Copper net revenue	122,594	122,594
Smelting and refining charges	(14,548)	(14,548)
DET royalties	-	(25,345)
Transportation	-	(1,413)
	108,046	81,288
Molybdenum and other tolling revenue	11,576	11,576
	119,622	92,864
Tolling and production costs		
Production costs	(70,295)	(70,295)
DET royalties	(25,345)	-
Depreciation and amortization	(11,065)	(11,065)
Transportation costs	(1,413)	-
Administration	(4,929)	(4,929)
	(113,047)	(86,289)
Gross profit	6,575	6,575



**AMERIGO RESOURCES LTD.
SELECTED FINANCIAL INFORMATION**

YEARS ENDED DECEMBER 31, 2015 AND 2014
All figures expressed in thousands of US Dollars and presented under IFRS

Consolidated Statements of Financial Position

	December 31, 2015 \$	December 31, 2014 \$
Cash and cash equivalents	9,032	18,308
Property, plant and equipment	181,494	133,359
Other assets	29,684	28,488
Total assets	220,210	180,155
Total liabilities	125,316	68,662
Shareholders' equity	94,894	111,493
Total liabilities and shareholders' equity	220,210	180,155

Consolidated Statements of Comprehensive Loss

	Year ended December 31, 2015 \$	Year ended December 31, 2014 \$
Revenue	52,623	119,622
Tolling and production costs	(65,656)	(113,047)
Other expenses	(4,836)	(10,396)
Finance expense	(1,023)	(237)
Income tax recovery (expense)	1,959	(6,644)
Net loss	(16,933)	(10,702)
Other comprehensive income (loss)	133	(598)
Comprehensive loss	(16,800)	(11,300)
LPS - Basic and Diluted	(0.10)	(0.06)

Consolidated Statements of Cash Flows

	Year ended December 31, 2015 \$	Year ended December 31, 2014 \$
Net cash (used in) provided by operating activities	(26,464)	18,090
Net cash used in investing activities	(54,082)	(11,739)
Net cash provided by financing activities	72,904	255
Net cash (outflow) inflow	(7,642)	6,606



This news release contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or our 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 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 forward-looking statements. These statements speak only as of the date of this news release. These forward-looking statements include but are not limited to, statements concerning:

- forecast production and operating costs;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- the extension of El Teniente's useful life and the extent of its remaining ore reserves;
- 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;
- 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, 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 (including the full funding for Phase one of the Cauquenes project) 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 after phase one of Cauquenes is complete) and estimates of asset retirement, royalty, severance and other obligations;
- 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;
- our capital expenditures, including the timing and cost of completion of capital projects;
- disruptions to the information technology systems of the Company and its subsidiaries (collectively, the "Group"), including those related to cyber-security;
- 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 associated with the availability and pricing of materials used in our operations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of tailings and 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. All of these risks and uncertainties apply not only the Group and its operations, but also to Codelco and its operations. Codelco's ongoing mining operations provide a significant portion of the materials the Group processes and its resulting production and therefore these risks and uncertainties may also affect their operations and in turn have a material effect on the Group.



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

- general business and economic conditions;
- interest rates;
- levels of and 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 of the products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- MVC's ability to profitably extract and process material from the Colihues and Cauquenes tailings deposits;
- the timing of the receipt and ongoing retention of permits and other regulatory and governmental approvals;
- the availability of and ability of the Company to obtain adequate financing for expansions and acquisitions, including the Cauquenes expansion;
- our tolling/production costs and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- the availability of funding on reasonable terms, including financing for the Group's expansions and acquisitions;
- 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 mine plan estimates (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, 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 in a timely manner;
- our ability to meet production and cost budgets and plans; 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.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. You should also carefully consider the matters discussed under "Risk Factors" in our Annual Information Form. 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.