November 22, 2021 | Company Sponsored Research Report
Initiation of Coverage

Sidoti & Company, LLC
Member FINRA & SIPC

Amerigo Resources Ltd. (ARREF)

Initiate Coverage Of Amerigo Resources With A $2 Price Target And A Moderately Risky Rating

	2020	2021E	2022E	2023E
Mar.	($0.02)	$0.06A	$0.04	$0.04
June	(0.02)	0.06A	0.05	0.05
Sep.	0.03	0.05A	0.05	0.05
Dec.	0.04	0.05	0.03	0.04
EPS	**$0.03**	**$0.22**	**$0.18**	**$0.18**
P/E			**5.8x**	**5.8x**
FCF per share	**$0.09**	**$0.36**	**$0.25**	**$0.23**
P / FCF			4.2x	4.6x

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. Sum of quarterly EPS may not equal full-year total due to rounding and/or changes in share count. Amerigo's shares trade on the Toronto Stock Exchange under the ticker "ARG" and also trade in the United States on the OTCQX. Results are reported in US dollars.

Year	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	$119.6	$52.6	$91.4	$134.0	$136.8	$119.8	$126.4	$195.2	$184.5	$177.9
GAAP EPS	($0.06)	($0.10)	($0.04)	$0.04	$0.06	($0.05)	$0.03	$0.22	$0.18	$0.18

Description: Amerigo Resources Ltd. (amerigoresources.com), through its 100% ownership of Minera Valle Central (MVC) operation, provides exclusive processing at fresh and historic copper tailings at state-owned Codelco's El Teniente mine in Chile, based on a long-term royalty agreement running through 2037.

Amerigo Resources Ltd. (ARREF) is generating stronger cash flow as it benefits from higher copper prices and increased processing of tailings at the El Teniente mine in Chile. Amerigo operates a copper "factory" in Chile, processing fresh and historic tailings (the "waste" after a mining company extracts the easily separated copper) at state-owned Codelco's El Teniente mine, estimated to be the world's largest underground copper mine, under a long-term royalty agreement that runs through 2037. Amerigo, which currently does not hedge its copper production, has benefited from 50% improvement in copper prices since the end of 2019 and improving throughput resulting from the company's plant efficiency efforts.

Amerigo has more than doubled annual production at its facility since its acquisition in 2003. Amerigo expects to process more than 61 million pounds of tailings at El Teniente in 2021, up from only 26 million pounds when the facilities were purchased, after investing more than $300 million over the last 18 years. With significant historic tailings remaining and strong El Teniente production, we think Amerigo has ample runway to potentially further increase annual processing and lower cash costs per pound over several years.

Given the healthier balance sheet and strengthening cash flow, Amerigo has recently begun returning cash to shareholders. We would expect a positive reaction to these shareholder-friendly initiatives. In November 2021, Amerigo announced a quarterly dividend of C$0.02 (US$0.016; current yield 6.1%) and repurchased C$9.3 million in shares (US$7.3 million). Amerigo had a net cash balance of nearly $35 million at the end of 3Q:21 and we project cash conversion rates exceeding 100% given limited annual maintenance cap-ex of only about $6 million (3% of estimated 2021 sales). We expect an additional buyback in the near future and Amerigo could potentially raise the dividend, supported by relatively healthy cash flow.

As a result of its long-term success at El Teniente, we think Amerigo could consider tailings processing opportunities at other Codelco or Chilean mines. Given higher metals prices and growing environmental concerns regarding large deposits of tailings, interest in tailings processing may grow. However, few companies have actively pursued the processing of tailings. Amerigo has proven tailings processing can be successful financially and could

NR

Price Target: $2
Price: $1.05
Risk Rating: M

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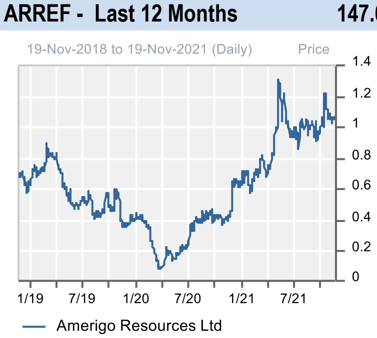
Key Statistics

Analysts Covering	1
Market Cap (Mil)	$190
Enterprise Value	$169
52-Week Range (US OTC)	1-0
5-Year EPS CAGR	25%
Avg. Daily Trading Volume	135,000
Shares Out (Mil)	185.415
Float Shares (Mil)	150.175
Insider Ownership	17%
Institutional Holdings	38%
Annualized Dividend	$0.06
Dividend Yield	6.1%
FCF Per Share (2023E)	$0.23
FCF Yield (2023E)	21.9%
Net Cash Per Share (2023E)	$0.42
Price to Book Value	1.4x
Return on Equity (2023E)	18,7%
Total Debt to Capital	22%
Interest Coverage Ratio	32.87
Short Interest %	0.2%
Short Interest Days To Cover	0.6
Russell 2000	2,343
Russell 2000 - Last 12 Months	31.3%
ARREF - Last 12 Months	147.0%



Source: FactSet Prices

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consider agreements with other Codelco or Chilean mines to construct “factories” near large-scale mines with significant tailings deposits.

We initiate coverage of Amerigo Resources with a $2 price target and Moderately Risky rating. Our $2 price target is based on 11x our 2022 EPS estimate of $0.18. The multiple is in line with other metals processors and recyclers (see Exhibit 3). The price target implies a multiple of only 8x to our 2022 free cash flow per share estimate of $0.25. Our Moderately Risky rating is supported by a growing net cash balance and the company’s stable long-term agreement with Codelco.

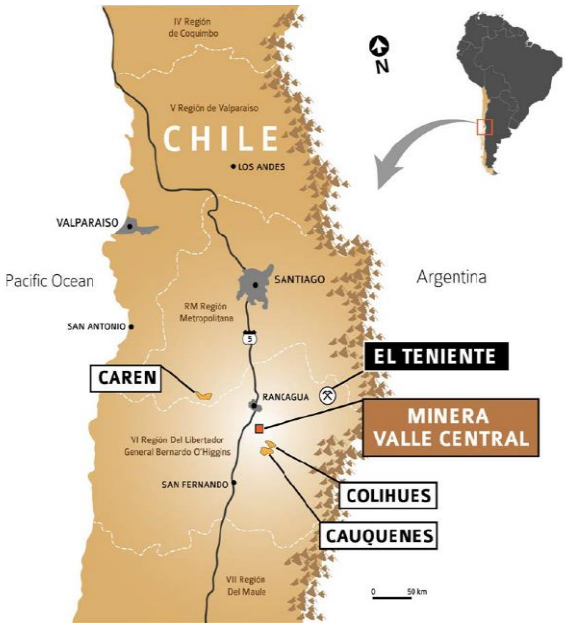
Company Overview

Amerigo produces more than 60 million pounds of copper annually from the processing of tailings at Codelco’s El Teniente mine in Chile, through its 100% owned Minera Valle Central (MVC) operation. Tailings are the “waste” containing limited copper content that remains after a mining company extracts the easier-to-process minerals from the ore. A group of Chilean businessmen identified the potential benefit from further processing this waste, established MVC and began processing copper in 1992. Amerigo purchased MVC in 2003 and since then has invested $300 million to more than double annual copper production (from 26 million pounds in 2003 to an expected 61 million pounds or more in 2021) from both historic and fresh tailings at El Teniente, the world’s largest underground mine. MVC is not a mine; management refers to it as a “copper factory”.

Amerigo was listed on the Toronto Stock Exchange in early 2004. The company was founded by Dr. Klaus Zeitler, who continues as Executive Chairman, and was previously the founder and first CEO of Inmet Mining.

President and CEO Aurora Davidson was named CFO in 2003 and was appointed to her current roles in December 2019. Carmen Amezquita was appointed CFO in August 2020. Ms. Amezquita has previous experience as a CFO and comptroller for other companies in the mining industry. Both she and Ms. Davidson are Chartered Professional Accountants.

Exhbiit 1: El Teniente Map



Source: Company reports

Mining at El Teniente started in the early 1900s. State-owned Codelco was formed in 1971 and acquired full control of the mine. El Teniente is Codelco’s largest mine, which at one time had more than 300 miles of passageways. The mine is located on a mountain 90 miles southeast of Santiago. Recent expansion plans aim to increase annual production at El Teniente to 500,000 tonnes of copper, which would rank it among the five largest producing mines in the world.

Amerigo produces copper and molybdenum (as a byproduct) by processing fresh and historic tailings from the Colihues and Cauquenes tailings deposits at a facility in close proximity to the mine. In 3Q:21, fresh tailings generated 8.6 million of the 16 million pounds Amerigo produced (54%). On a quarterly basis, the mix of fresh and historic tailings may shift.

Quarterly results may be impacted by this mix. The cost to produce fresh tailings can be lower as tailings are essentially dropped down by Codelco to the facility ready for processing while historic tailings require additional efforts to extract, including blasting dried deposits with high pressured water to create a slurry to transport for processing. The copper grade being processed (the percentage of copper in the tailings) may also shift modestly on a quarter-to-quarter basis affecting copper production. For our model, we assume Amerigo will process around 62 million pounds of copper annually and the mix is roughly 50-50 historic and fresh tailings. Annual processing could increase based on efficiency efforts at the facility.

MVC operates under a long-term tolling agreement with Codelco (referred to as the DET agreement) that runs through 2037. The previous deal was renewed and updated in 2014. Codelco does have exit options based on unforeseen circumstances (conditions that could not have been anticipated when the agreement was reached), which Amerigo views as remote, given the specific language of the agreement as interpreted under Chilean law.

Under the current agreement, the title of the copper produced by Amerigo remains with Codelco ownership. Amerigo is compensated under a tolling arrangement based on LME prices, Codelco is paid royalties utilizing a sliding scale calculated based on the gross value of copper produced minus notional items. Notional items include smelting and refining costs, which are set annually on industry benchmarks, transportation costs and Codelco copper royalties, which range from 3% to 40% of London Metal Exchange (LME) copper prices. For example, the sliding scale on fresh tailings provides a range of 13.5%

royalties if copper is $1.95 per pound up to 28.4% if copper prices rise to $4.80 per pound. The scale varies modestly for historic tailings at Cauquenes and Colihues. (Presently, Amerigo is processing tailings from Cauquenes but will restart Colihues when the Cauquenes deposits are depleted.) If copper prices were to move outside the price range of $1.95 to $4.80, Amerigo and Codelco would meet to reset royalties that would fit within the current agreement. (Given previous negotiations, we would expect the royalties to be relatively in line with the present sliding scale.)

Exhibit 2: Codelco Royalties by Copper Price

Price (per lb.)	Royalty
$3.00	$0.68
3.20	0.76
3.40	0.85
3.50	0.9
3.60	0.94
3.80	1.04
4.00	1.14
4.20	1.24
4.40	1.35
4.60	1.44
4.80	1.53

Source: Company reports

The value of Amerigo's copper concentrates is based on the average LME price on the third month following delivery (M+3). As a result, prices are adjusted each quarter to reflect the change in prices on the previous quarter's production. Sharper changes in price over the three-month period will result in increased adjustments. In the first three quarters of 2021, quarterly adjustments to prior period sales have ranged from negative $2.4 million to positive $5.3 million.

Amerigo also produces molybdenum as a byproduct of copper tailings processing. Amerigo sells the molybdenum to third parties, including Molibdenos y Metales S.A. (Molymet) and Glencore Chile SpA. Amerigo also pays Codelco a royalty on a sliding scale on molybdenum production, which ranges between $6.00 per pound (3%) and $40.00 (19.7%). Molymet can elect different pricing terms (M to M+6). Pricing is based on the Platts Dealer Molybdenum Oxide Price. Management expects 1.3 million pounds of moly production in 2021.

Amerigo generates revenue and reports results in US dollars. Most costs are also based in dollars. The one large exception is labor (lime purchases are also paid in pesos), so changes in the dollar-peso exchange rate will affect costs. The company's workforce is represented by two unions, which negotiate contracts on a three-year basis. Typically, new contracts include a bonus. One union concluded negotiations in January 2021. The other union is due to enter discussions in October 2022. (The last signing bonuses with this union totaled $2.3 million in 4Q:19.) Other direct production costs include power, water, grinding media and reagents.

Amerigo has a long-term agreement through 2037 for 100% of its power requirement. Beginning in 2020, all electricity used at the facility was being supplied from renewable sources. The company has attempted to maintain higher water reserves through storage of rainwater so production would not be impacted during Chile's notorious droughts. At the end of 3Q:21, Amerigo held 7.7 million cubic meters of water in reserve, which management estimates provides enough water to maintain operations through 2022.

Amerigo processes the copper tailings through a series of steps, including grinding the ore into powder and flotation, which involves mixing the ore with water and reagents, including lime, to create a froth allowing the powder to attach to the bubbles while the other materials sink to the bottom, enabling separation.

Amerigo's plant closes 8-10 days annually in conjunction with the Codelco maintenance shutdown. The shutdown is typically conducted in the first quarter of each year; however, due in part to COVID, we note the closure was moved to the third quarter in 2021. This year, Amerigo's optimization efforts were focused on increasing throughput of fresh tailings while not reducing recovery. Part of the 1Q:22 shutdown will include efforts to increase water utilization with the replacement of certain water thickeners in the plant. The thickeners are utilized to remove excess water from the final copper concentrate. Increased removal will provide more water for reusage.

Growth Opportunities

Given the recent rise of commodity prices and the growing concern of the potential long-term environmental impact of large-scale tailings deposits, a variety of industries have been considering ways to process tailings. However, the economic viability of tailings processing has thus far limited progress. Amerigo management notes that the profitability of MVC is based on the close proximity of its plant to El Teniente and its large volume of fresh and historic tailings. As a point of reference, Amerigo's historic tailings had a copper grade of 0.251% and fresh tailings' copper grade was 0.134% in 2020. Grade measures copper weight as a percentage of ore. Given those grades, a miner would have to transport massive tonnage of ore for processing, which would be cost prohibitive if a plant were not located close to the mine. For instance, Amerigo processed nearly 16 million tonnes of tailings in 3Q:21 to produce 16 million pounds of copper. Copper recovery was 22.3% in fresh tailings and 33% in historic tailings.

Amerigo may consider expansion through the processing of tailings at other mines. But the company would require investment in new plants located in close proximity to mines with significant production and tailings deposits. We would expect Amerigo would most likely seek agreements with Codelco or with other mines in Chile given Amerigo's history and knowledge of the market, as well as the size of the mines and volume of the deposits. As of September 2021, Cauquenes deposits had only been depleted 43% after nearly 30-years of processing at El Teniente so Amerigo does not need to make any quick decisions about expanding to other mines to maintain annual production goals.

Recent Results

Amerigo reported improving results in recent quarters due to the strength of copper and molybdenum prices as well as greater throughput, in part from increased efficiency. In the first nine months of 2021, revenue expanded 86% year over year to nearly $148 million while gross profit rose to $52 million from the year-earlier loss of $0.3 million. EPS of $0.17 compared to the loss of a penny in the first three quarters of 2020. Copper deliveries totaled about 47.1 million year to date 2021, compared to 40.5 million in 2020 when water preservation efforts (particularly in 1Q) limited production, while the average copper price of about $4.23 per pound in 2021 was higher than the average $2.67 in the first nine months of 2020.

Cash cost totaled $1.62 per pound in 3Q:21, compared to the year-earlier $1.80 and was below quarterly cash costs of more than $1.80 in the first two quarters of 2021. Cash costs are calculated by subtracting royalties and depreciation and amortization from tolling and production costs, smelting and refining costs, transportation costs, and inventory adjustments net of byproduct credits. (Molybdenum revenue is considered a credit and reduces cash costs.) Cash costs are measured on a per pound basis and reflect the actual operating costs of producing copper at the facility (administrative costs not tied to production are excluded). In 3Q:21, the lower cash cost per pound was the result of higher production (which may spread certain fixed costs over a larger amount of volume) and higher molybdenum production and price, which reduced cash cost by $0.35, compared to a $0.14 reduction in the year-ago quarter. Management has guided for cash cost of $1.79 per pound in 2021. Over the long term, increased throughput from greater plant efficiency may reduce cash cost per pound, in our view.

Also worth noting, Amerigo has Class A shares that were issued in 2003 as part of a tax-efficient effort to pay the founders of MVC when Amerigo purchased the operations. As part of the agreement, those shareholders are entitled to monthly payments of $0.01 for each pound of copper produced at MVC if copper is under $0.80 per pound or $0.015 when copper exceeds that price. Changes in fair value may also affect the quarterly income statement. For the first three quarters of 2021, those costs totaled about $450,000.

Copper Outlook

Amerigo's results are highly levered to copper prices. The company has benefited from record prices in 2021. In recent years, Amerigo has not hedged its copper production but with the reinstatement of a dividend, management notes the company will consider a hedging policy to protect cash flows that support the dividend. No final decision on future hedging has been made.

Copper prices have increased nearly 50% since year-end 2019 on improved demand in the post-COVID economic recovery and lack of investment in new mines in recent years. For additional investment in new production sources, prices likely would have to remain above $4 per pound.

While global production of copper is projected to rise 2.1% in 2021 and 3.9% next year, according to the International Copper Study Group, to meet unprecedented demand, disruption in certain markets (notably China) may affect supply well into 2022. Inventories remain at decades low levels. After a pullback in prices in 3Q:21, copper prices have been rising again. We model $4.25 per pound in 4Q:21 and 1Q:22 on inventory concerns and disruptions. We estimate copper prices will decline modestly to $4 a pound in 2Q:22 on a modest increase in supply and stabilization in demand.

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Earnings Outlook

Based on estimated $4.25 per pound copper prices through 1Q:22 and $4 thereafter, we model revenue of $185 million in 2022 and $178 million in 2023. We project modest improvement to annual copper production of 61 million pounds, with lower quarterly production in 1Q due to the 8-10 day maintenance shutdown. We model higher costs in 4Q:22 based on signing bonuses related to contract negotiations with one of its labor unions. We also assume average full year share count declines by 12.3 million (nearly 7%) in 2022 based on completion of the November 2021 substantial issuer bid and the subsequent normal course issuer bid. Share count could be reduced further based on the timing of full completion of the normal course issuer bid. We project EPS of $0.18 in 2022 and $0.18 in 2023 (compared to $0.03 in 2020 and our estimate of $0.22 in 2021).

Our modest EPS estimate decline in 2022 (from 2021) reflects slightly lower (but still historically high copper prices) and an expected worker signing bonus in 4Q, offset by a reduced share count and lower interest expense due to the recent debt refinancing. Upside to our estimates could result from increased throughput or lower cash costs as the company continues to focus on increased efficiency within the plant. We note our 2022 EBITDA estimate of $61 million matches Amerigo's 2021 initial guidance of $61 million, which was based on a $4 per pound copper price. Downside risks include lower copper prices and extreme drought conditions, although management notes ample water reserves to meet 2022 production.

Balance Sheet And Cash Flow

Amerigo's balance sheet has improved due in part to rising cash flow generated by higher copper prices and increased throughput, as well as low annual cap-ex of only $6 million or less (about 3% of estimated 2021 revenue). At the end of 3Q:21, Amerigo had net cash of nearly $35 million ($0.19 per share), compared to net debt of $43 million ($0.23 per share) at the end of the year-ago quarter. The company generated about $68 million in free cash flow ($0.36 per share), also benefiting from lower working capital, through the first three quarters of 2021. We model free cash flow per share of $0.25 in 2022 and $0.23 in 2023.

In June 2021, Amerigo refinanced its debt. The company paid down the $42 million remaining under its previous credit facility and entered into a new agreement with two banks based in Chile with Itau Corpbanca as lead arranger. The new $35 million loan for a term of up to five years includes semi-annual payments of $3.5 million.

Interest rates for 75% of the facility are set at 5.48%, fixed through an interest rate swap, with the remainder floating. Given the improved balance sheet and new financing, Amerigo announced in November that it was initiating a "steady" dividend. The initial dividend of C$0.02 (US $0.016) is payable on December 20, 2021, to shareholders of record as of November 30. The company, which has not hedged copper production in recent years, may consider instituting hedging measures to secure cash flows to support the dividend. No final decision has been reached. Based on recent share prices, the initial dividend yield is slightly above 6%.

The company also commenced a substantial issuer bid to repurchase as much as C$25 million (US$20 million) in shares through a Dutch auction with a price range of C$1.18-C$1.30. The bid was completed in mid November with 7.1 million shares (3.9% of shares outstanding) being tendered at C$1.30 for a total cost of C$9.3 million (US $7.3 million). Upon completion, Amerigo intends to file an application with the Toronto Stock Exchange for a normal course issuer bid to repurchase the greater of up to 10% of the public float or 5% of shares issued and outstanding.

Risks

Chilean government policies. Given the recent rise in copper prices, Chilean legislators have been discussing changes to tax and royalty polices directed at the mining industry; these policies are a key driver of the Chilean economy as the world's largest copper producer. It is important to note that Amerigo is not categorized as a miner and would not be subject to mining royalties at present. Chile has maintained one of the most stable governments in South America and at this point, we would view the potential risk of significant changes to government policy as relatively low. Changes in the value of the peso would primarily impact Amerigo on the cost side, including costs of labor, lime and some equipment. All revenue is generated in US dollars and Amerigo reports its results in US dollars.

Droughts. Chile has historically been susceptible to droughts. In recent years, the conditions have worsened, resulting in water shortages. In 1H:20, Amerigo was forced to lower processing rates of historic tailings due to the drought conditions. The situation was resolved following heavy rains in June 2020. To avoid a recurrence, Amerigo has increased water reserves. At the end of 3Q:21, the company had reserves of 7.7 million cubic feet estimates to be sufficient for production through 2022.

Codelco agreement. The current royalty agreement runs through 2037 but Codelco has three early exit options. The termination would require changes unforeseen at the time of the agreement. Amerigo views the probability of Codelco exercising the option as remote given the wording of the agreement under Chilean law.

Copper prices. Amerigo's cash flows are tied closely to copper prices. A significant decline in prices would result in lower revenue and profits (the revenue impact would be partially offset by reduced royalties to Codelco). We note the expected cash cost for production at MVC in 2021 is about $1.79 per pound.

Valuation

Valuing ARREF presents certain challenges. Given limited research coverage, applying a historical multiple to forward earnings is not possible. Amerigo is not a miner and does not have the inherent exploration risks undertaken by traditional mining companies. Valuing on assets is also not practical as Codelco maintains ownership of the copper produced under the royalty agreement. Instead, we consider forward multiples to other companies with processing capabilities within the metals industry. Like Codelco, these companies share commodity price and production risks. Although in some cases, as in refiners and smelters, production volume may be a greater risk than the actual commodity price. Acknowledging those concerns, we examined a variety of potential comparables.

DRDGold Ltd. (NYSE: DRD, NC) is arguably the closest comparable given its activities in processing surface gold tailings in South Africa. But current research coverage only provides a forward P/E multiple. The remaining mix of metals recyclers, smelters, refiners and processors, some with large mining operations, trade at an average forward EV/EBITDA multiple of around 5.5x and average P/E approaching 11x. The average free cash flow multiple is nearly 12x. (All comparisons are to the forward calendar year, which is 2022).

Applying an 11x multiple to our 2022 EPS estimate of $0.18 results in a $2 price target, while applying about a 5.5x multiple to our 2022 EBITDA estimate of $61 million, we derive a slightly higher than $2 valuation. Finally, a 12x multiple to our 2022 free cash flow projection of $0.25, Americo's valuation would be $3 per share. As a result, we initiate coverage on Amerigo Resources with a $2 price target, which we derive by applying an 11x multiple to our 2022 EPS estimate of $0.18. The price target implies a 5.5x multiple to our $61 million EBITDA estimate and only an 8x multiple to our 2022 free cash flow per share estimate of $0.25. Our Moderately Risky rating is supported by the company's growing net cash balance and its stable long term agreement with Codelco,

Exhibit 3: Comparables Table

Company		Rating	Market cap.	Price	P/E	EV/EBITDA	P/FCF	EBITDA Margin	Growth Rate	ROE
Boliden AB	BOL-SE	NC	85,527	312.7	10.4x	5.2x	NM	25.9	-4.7	15.6
DRDGold Ltd.	DRD	NC	797	9.32	11.9x	NM	NM	39.3	NM	32.8
Gold Fields Ltd.	GFI-ZA	NC	152,563	171.86	11.2x	5.0x	14.3x	55.6	NM	25.7
Aurubis AG	NDA-DE	NC	3,445	78.9	13.8x	6.5x	15.2x	4.9	6.9	9.7
Jiangxi Copper Company	358-HK	NC	46,470	13.42	6.7x	5.8x	6.2x	2.7	23.8	3.9
Average					***10.8x***	***5.6x***	***11.9x***			
Median					***11.2x***	***5.5x***	***14.3x***			

Source: FactSet, company reports, Sidoti & Co. estimates. All estimates are consensus estimates for companies not followed. Sidoti estimates for companies we follow.

Exhibit 1: Amerigo Resources Ltd. Income Statement

($ in thousands, except per share data)	Mar	Jun	Sep	Dec	2020A	MarA	JunA	SepA	Dec	2021E	Mar	Jun	Sep	Dec	2022E	2023E
Revenue	**$15,638**	**$26,046**	**$37,555**	**$47,188**	**$126,427**	**$48,907**	**$50,503**	**$48,132**	**$47,698**	**$195,240**	**$45,070**	**$47,136**	**$46,596**	**$45,722**	**$184,524**	**$177,879**
Tolling and production costs	(24,569)	(26,441)	(28,572)	(31,459)	(111,041)	(30,029)	(31,376)	(33,940)	(33,252)	(128,597)	(32,683)	(33,691)	(33,605)	(36,307)	(136,287)	(130,432)
Gross Profit	**(8,931)**	**(395)**	**8,983**	**15,729**	**15,386**	**18,878**	**19,127**	**14,192**	**14,446**	**66,643**	**12,386**	**13,445**	**12,991**	**9,415**	**48,237**	**47,447**
General and administrative	3,041	(2,534)	(907)	(2,440)	(2,840)	(1,625)	(914)	(1,007)	(1,233)	(4,779)	(1,318)	(1,190)	(1,090)	(1,433)	(5,030)	(5,130)
Other income (expenses)	995	(382)	(15)	(1,364)	(766)	(1,212)	(146)	(454)		(1,812)						
Operating income	**(4,895)**	**(3,311)**	**8,061**	**11,925**	11,780	**16,041**	**18,067**	**12,646**	**13,214**	**59,968**	**11,069**	**12,255**	**11,901**	**7,983**	**43,207**	**42,317**
Finance expense	(2,833)	(904)	(784)	(719)	(5,240)	(856)	(2,136)	(1,102)	(472)	(4,566)	(472)	(424)	(424)	(376)	(1,697)	(1,312)
Pre-tax income	(7,728)	(4,215)	7,277	11,206	6,540	15,185	15,931	11,544	12,741	55,401	10,596	11,831	11,477	7,606	41,511	41,005
Income tax expense	3,699	613	(1,889)	(2,899)	(476)	(4,260)	(4,345)	(3,124)	(3,440)	(15,169)	(2,861)	(3,194)	(3,099)	(2,054)	(11,208)	(11,071)
Net income	**(4,029)**	**(3,602)**	**5,388**	**8,307**	6,064	**10,925**	**11,586**	**8,420**	**9,301**	**40,232**	**7,735**	**8,637**	**8,378**	**5,553**	**30,303**	**29,934**
EPS																
Basic	(0.02)	(0.02)	0.03	0.05	0.03	0.06	0.06	0.05	0.05	0.22	0.05	0.05	0.05	0.03	0.18	0.18
Diluted	**(0.02)**	**(0.02)**	**0.03**	**0.04**	0.03	**0.06**	**0.06**	**0.05**	**0.05**	**0.22**	**0.04**	**0.05**	**0.05**	**0.03**	**0.18**	**0.18**
Weighted average shares (in millions)																
Basic	180.7	180.8	180.8	180.8	180.8	181.2	181.8	181.8	178.3	180.8	170.3	166.8	167.3	167.8	168.0	167.0
Diluted	180.7	180.8	182.3	183.0	181.7	183.1	185.4	185.4	181.9	184.0	173.9	170.4	170.9	171.4	171.7	170.7
Margins																
Gross margin	57.1%	1.5%	-23.9%	33.3%	12.2%	38.6%	37.9%	29.5%	30.3%	34.1%	27.5%	28.5%	27.9%	20.6%	26.1%	26.7%
Operating margin	-31.3%	-12.7%	21.5%	25.3%	9.3%	32.8%	35.8%	26.3%	27.7%	30.7%	24.6%	26.0%	25.5%	17.5%	23.4%	23.8%
EBITDA margin	-1.0%	3.9%	32.8%	34.5%	23.3%	41.7%	44.3%	35.3%	36.8%	39.6%	34.2%	35.2%	34.8%	26.9%	32.8%	33.5%
Pre-tax margin	-49.4%	-16.2%	19.4%	23.7%	5.2%	31.0%	31.5%	24.0%	26.7%	28.4%	23.5%	25.1%	24.6%	16.6%	22.5%	23.1%
Net margin	-25.8%	-13.8%	14.3%	17.6%	4.8%	22.3%	22.9%	17.5%	19.5%	20.6%	17.2%	18.3%	18.0%	12.1%	16.4%	16.8%
Tax rate	47.9%	14.5%	26.0%	25.9%	7.3%	28.1%	27.3%	27.1%	27.0%	27.4%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Annual Change																
Revenue	-43.6%	14.8%	10.8%	33.0%	5.5%	212.7%	93.9%	28.2%	1.1%	54.4%	-7.8%	-6.7%	-3.2%	-4.1%	-5.5%	-3.6%
Gross profit	-552.9%	-93.5%	790.3%	346.3%	NM	NM	NM	58.0%	-8.2%	NM	-34.4%	-29.7%	-8.5%	-34.8%	-27.6%	-1.6%
Operating income	-1933.3%	-54.7%	806.7%	847.9%	NM	NM	NM	56.9%	10.8%	NM	-31.0%	-32.2%	-5.9%	-39.6%	-27.9%	-2.1%
Net income	188.0%	-45.1%	-358.7%	1212.3%	-164.4%	NM	NM	56.3%	12.0%	NM	-29.2%	-25.5%	-0.5%	-40.3%	-24.7%	-1.2%
Diluted EPS	100.0%	-50.0%	-400.0%	300.0%	-160.0%	NM	NM	51.3%	27.8%	NM	-25.9%	-15.5%	7.9%	-36.6%	-18.5%	-0.7%

Source: Sidoti & Company, LLC and company reports.

Exhibit 2: Amerigo Resources Ltd. Statement of Cash Flows

($ in thousands, except per share data)	Mar	Jun	Sep	Dec	2020A	MarA	JunA	SepA	Dec	2021E	2022E	2023E
Net income	**($4,029)**	**($3,602)**	**$5,388**	**$8,307**	**$6,064**	**$10,925**	**$11,586**	**$8,420**	**$9,301**	**$40,232**	**$30,303**	**$29,934**
Gain on investment	-				-	-						
Depreciation and amortization	4,736	4,338	4,271	4,349	17,694	4,376	4,321	4,325	4,325	17,347	17,300	17,300
Bad debt recovery / expense	-				-	-						
Loss from change in estimates	-				-	-						
Impairment charges	2,303	0	0	2,554	4,857	749	86	9		844		
Deferred income tax expense / recovery	(3,785)	(614)	1,886	2,897	384	4,254	1,400	(465)		5,189		
Changes in fair value of royalties to related parties	(3,945)	1,826	43	1,090	(986)	377	(8)	(178)		191		
Other	-				-	(43)	(3)	15		(31)		
Unrealized foreign exchange expense / gain	(493)	114	(213)	(102)	(694)	(233)	64	688		519		
Share-based payments	10	29	32	43	114	89	188	188		465		
Finance expense / gains	1,088	684	(820)	567	1,519	(454)	(567)	1,065		44		
Restricted cash	-				-	-	(4,200)	(2,241)		(6,441)		
Trade, other receivables and taxes receivable	7,491	(4,087)	(428)	(10,173)	(7,197)	5,896	3,486	7,298	(10,142)	6,538	1,507	319
Inventories	(2,312)	1,871	143	887	589	(1,862)	(252)	1,791	(1,486)	(1,809)	813	194
Trade and other payables	(1,754)	2,633	1,250	(8,149)	(6,020)	279	1,492	3,604	(2,572)	2,803	1,738	(1,693)
Other	(671)	(2,070)	3,681	2,787	3,727	3,783	4,309	863	(1,421)	7,534	(1,788)	(181)
Payment of severance	-				(470)							
Payment of long-term employee benefits	-				-	-						
Net cash provided from operating activities	**(1,378)**	**1,132**	**15,384**	**4,639**	**19,777**	**28,136**	**21,902**	**25,382**	**(1,994)**	**73,426**	**49,873**	**45,872**
Purchase of plant and equipment and evaluation assets	(468)	(810)	(540)	(976)	(2,794)	(563)	(839)	(6,022)	(600)	(8,024)	(7,500)	(7,300)
Capitalized interest on borrowings	-				-	-						
Proceeds from the sale of plant and equipment	-				-	-						
Payment of capitalized interest	-				0	-						
Proceeds from sale of investments	75	0	0	(1)	74	3,852	0			3,852		
Net cash from investing activities	**(393)**	**(810)**	**(540)**	**(977)**	**(2,720)**	**3,289**	**(839)**	**(6,022)**	**(600)**	**(4,172)**	**(7,500)**	**(7,300)**
Dividends	-				-	-			(2,911)		(10,988)	(10,924)
Repayment of borrowings and transaction costs	(4,686)	0	(4,685)	0	(9,371)	(6,547)	(10,233)	(1,861)	(1,700)	(20,341)	(7,000)	(7,000)
Proceeds from borrowings, net of transaction costs	-				-	-		(43)		(43)		
Lease repayments	(209)	(403)	(345)	(446)	(1,403)	(345)	(341)	(252)		(938)		
Issuance of shares	116	0	0	0	116	0	0		(7,300)	(7,300)	(9,000)	
Net cash from financing activities	**(4,779)**	**(403)**	**(5,030)**	**(446)**	**(10,658)**	**(6,892)**	**(10,574)**	**(2,156)**	**(11,911)**	**(31,533)**	**(26,988)**	**(17,924)**
Effect of exchange rate changes	(42)	(2)	168	398	522	25	(223)	(1,168)		(1,366)		
Changes in cash and cash equivalents	**(6,592)**	**(83)**	**9,982**	**3,614**	**6,921**	**24,558**	**10,266**	**16,036**	**(14,505)**	**36,355**	**15,384**	**20,648**
Cash and equivalents at beginning of period	**7,164**	**0**	**0**	**0**	**7,164**	**14,085**	**38,643**	**48,909**	**64,945**	**14,085**	**50,440**	**65,824**
Cash and equivalents at end of period	**572**	**(83)**	**9,982**	**3,614**	**14,085**	**38,643**	**48,909**	**64,945**	**50,440**	**50,440**	**65,824**	**86,472**
Free cash flow	**(1,846)**	**322**	**14,844**	**3,663**	**16,983**	**27,573**	**21,063**	**19,360**	**(2,594)**	**65,402**	**42,373**	**38,572**
Free cash flow per share	**($0.01)**	**$0.00**	**$0.08**	**$0.02**	**$0.09**	**$0.15**	**$0.11**	**$0.10**	**($0.01)**	**$0.36**	**$0.25**	**$0.23**

Source: Sidoti & Company, LLC and company reports.

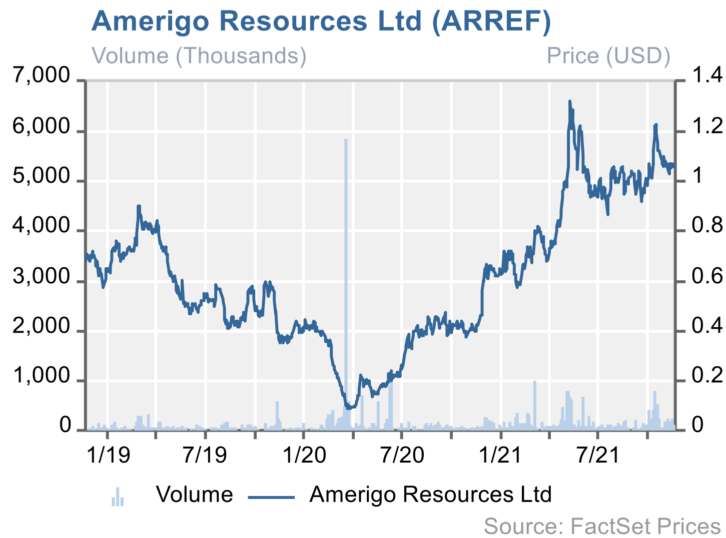
Exhibit 3: Amerigo Resources Ltd Balance Sheet

($ in thousands, except per share data)	Mar	Jun	Sep	2020A	MarA	JunA	SepA	2021E	2022E	2023E
Cash and cash equivalents	**$572**	**$489**	**$10,471**	**$14,085**	**$38,643**	**$48,909**	**$64,945**	**$50,440**	**$65,824**	**$86,472**
Restricted cash						700	2,941	2,941	2,941	2,941
Trade and other receivables	2,052	6,011	13,779	21,387	16,308	12,601	4,167	14,309	12,802	12,483
Prepaid expenses	640	771	670	869	50	270	473	473	473	473
Inventories	10,269	8,414	8,303	7,271	8,693	8,941	7,100	8,586	7,773	7,579
Other assets	0	0	0	0	0	0	923	923	923	923
Total current assets	**13,533**	**15,685**	**33,223**	**43,612**	**63,694**	**71,421**	**80,549**	**77,672**	**90,736**	**110,871**
Restricted cash						3,500	3,500	3,500	3,500	3,500
Property, plant and equipment	194,492	190,919	187,262	184,805	181,090	178,473	182,030	178,305	168,505	158,505
Investments	1,356	2,119	2,681	4,401						
Intangible assets	3,966	3,910	3,854	3,798	3,742	3,686	3,631	3,631	3,631	3,631
Other non-current assets	825	829	814	806	797	791	776	776	776	776
Deferred income tax asset	4	7	8	153	161	188	177	177	177	177
Total assets	**214,176**	**213,469**	**227,842**	**237,575**	**249,484**	**258,059**	**270,663**	**264,061**	**267,325**	**277,460**
Current portion of borrowings	9,399	9,898	14,215	17,059	14,894	10,685	9,214	9,214	9,214	9,214
Trade and other payables	17,953	20,363	21,544	14,579	15,912	15,642	17,535	14,963	16,701	15,008
DET royalties	8,612	6,543	10,223	13,010	16,794	21,103	21,966	20,545	18,758	18,576
Interest rate swap	2,390	2,502	2,110	2,171	1,949	632	1,246	1,246	1,246	1,246
Current portion of leases	1,430	1,470	1,522	1,643	1,559	1,495	1,288	1,288	1,288	1,288
Current portion of related party derivative liability	1,230	1,598	1,777	1,196	1,086	1,137	1,226	1,226	1,226	1,226
Current income tax liabilities	137	30	6	97	12	2,921	6,509	6,509	6,509	6,509
Total current liabilities	**41,151**	**42,404**	**51,397**	**49,755**	**52,206**	**53,615**	**58,984**	**54,992**	**54,942**	**53,067**
Borrowings	41,176	41,249	39,046	36,709	32,095	26,821	26,839	25,139	18,139	11,139
Deferred income tax liability	21,278	20,667	22,553	25,590	29,855	31,283	30,828	30,828	30,828	30,828
Royalty derivative to related parties	7,125	8,857	8,832	10,099	10,151	9,838	9,566	9,566	9,566	9,566
Asset retirement obligation	-	-	-		-	-				
Other non-current liabilities	-	-	-		-	-				
Leases	4,439	4,243	4,040	4,091	3,672	3,291	2,639	2,639	2,639	2,639
Severance provisions	901	972	1,033	649	685	686	623	623	623	623
Interest rate swap	-	-	-		-	-				
Total liabilities	**116,070**	**118,392**	**126,901**	**126,893**	**128,664**	**125,534**	**129,479**	**123,787**	**116,737**	**107,862**
Total equity	**98,106**	**95,077**	**100,941**	**110,682**	**120,820**	**132,525**	**141,184**	**140,274**	**150,588**	**169,597**
Total equity and liabilities	**214,176**	**213,469**	**227,842**	**237,575**	**249,484**	**258,059**	**270,663**	**264,061**	**267,325**	**277,460**
Ratios										
Net cash (debt)	($50,003)	($50,658)	($42,790)	($39,683)	($8,346)	$15,603	$35,333	$22,528	$44,912	$72,560
Net cash (debt) per share	($0.28)	($0.28)	($0.23)	($0.22)	($0.05)	$0.08	$0.19	$0.12	$0.26	$0.42
Net leverage	6.4x	4.3x	2.3x	1.3x	0.2x	-0.2x	-0.5x	-0.3x	-0.7x	-1.2x
Book value per share	0.54	0.53	0.55	0.61	0.66	0.71	0.76	0.76	0.88	0.99
Tangible book per share	0.52	0.50	0.53	0.59	0.64	0.69	0.74	0.74	0.86	0.97
Return on Assets (ROA)	-7.2%	-6.7%	9.8%	2.6%	17.9%	18.3%	12.7%	16.0%	11.4%	11.0%
Return on Equity (ROE)	-16.1%	-14.9%	22.0%	5.7%	37.8%	36.6%	24.6%	32.1%	20.8%	18.7%

Source: Sidoti & Company, LLC and company reports.

Required Disclosures

Amerigo Resources Ltd (ARREF-$1.05) NR Price Target: $2 Risk Rating: M



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Appendix

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