

# **Amerigo Resources Ltd.**

**Condensed Interim Consolidated Financial Statements  
Three months ended March 31, 2019 and 2018  
Unaudited – Prepared by Management**

(Expressed in thousands of United States dollars)

# Amerigo Resources Ltd.

## Condensed Interim Consolidated Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	March 31, 2019 \$	December 31, 2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	16,597	21,338
Trade and settlement receivables		8,298	8,915
Taxes receivable		2,461	1,544
Prepaid expenses		1,285	1,537
Inventories	4	13,545	8,843
Interest rate swap	6	-	115
		<u>42,186</u>	<u>42,292</u>
<b>Non-current assets</b>			
Property, plant and equipment	5	206,729	208,729
Intangible assets		4,189	4,245
Investments		1,738	1,433
Other non-current assets		910	905
Deferred income tax asset		2	9
<b>Total assets</b>		<u>255,754</u>	<u>257,613</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of borrowings	6	23,760	23,521
Trade and other payables		18,135	17,747
DET royalties	2	8,788	11,551
Current income tax liabilities		3,267	3,292
Current portion of leases	7	1,824	1,715
Current portion of related party derivative liability	8, 14	1,282	1,382
		<u>57,056</u>	<u>59,208</u>
<b>Non-current liabilities</b>			
Borrowings	6	42,940	42,691
Deferred income tax liability		28,332	28,484
Related party derivative liability	8, 14	10,438	9,668
Leases	7	7,317	7,386
Severance provisions		1,030	966
<b>Total liabilities</b>		<u>147,113</u>	<u>148,403</u>
<b>Equity</b>			
Share capital	9	79,482	79,296
Other reserves		9,638	9,202
Accumulated other comprehensive loss		(1,873)	(2,081)
Retained earnings		21,394	22,793
<b>Total equity</b>		<u>108,641</u>	<u>109,210</u>
<b>Total equity and liabilities</b>		<u>255,754</u>	<u>257,613</u>
<b>Commitments</b>	15		

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

**Approved by the Board of Directors**

"Robert Gayton"

Director

"George Ireland"

Director

# Amerigo Resources Ltd.

## Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31,	
		2019	2018
		\$	\$
<b>Revenue</b>	11	27,736	33,881
<b>Tolling and production costs</b>	12 (a)	(25,764)	(28,717)
<b>Gross profit</b>		1,972	5,164
<b>Other expenses</b>			
General and administration	12 (b)	(1,123)	(1,558)
Related party derivative including changes in fair value	12 (c)	(918)	(414)
Other gains	12 (d)	336	266
		(1,705)	(1,706)
<b>Operating profit</b>		267	3,458
Finance expense	12 (e)	(1,797)	(985)
		(1,797)	(985)
<b>(Loss) income before income tax</b>		(1,530)	2,473
Income tax recovery (expense)		131	(1,256)
<b>Net (loss) income</b>		(1,399)	1,217
<b>Other comprehensive (loss) income</b>			
Unrealized gains (losses) on investments, net of tax		305	(532)
Items that may be reclassified subsequently to net (loss) income:			
Cumulative translation adjustment		(123)	204
Actuarial gains (losses) on severance provision		26	(7)
<b>Other comprehensive income (loss)</b>		208	(335)
<b>Comprehensive (loss) income</b>		(1,191)	882
Weighted average number of shares outstanding, basic		177,289,629	176,493,697
Weighted average number of shares outstanding, diluted		177,289,629	180,460,697
<b>(Loss) earnings per share</b>			
Basic		(0.01)	0.01
Diluted		(0.01)	0.01

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

# Amerigo Resources Ltd.

## Condensed Interim Consolidated Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended March 31,	
	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Net (loss) income	(1,399)	1,217
Adjustment for items not affecting cash:		
Depreciation and amortization	4,364	3,566
Finance expense	1,265	39
Changes in fair value of related party derivative liability	708	178
Share-based payments	491	684
Other	85	(184)
Unrealized foreign exchange gain	(200)	(123)
Deferred income tax (recovery) expense	(144)	567
	5,170	5,944
Changes in non-cash working capital		
Trade, settlement receivables and taxes receivable	(45)	2,191
Inventories	(4,690)	878
Trade and other payables	880	890
DET royalties	(2,763)	(466)
<b>Net cash (used in) from operating activities</b>	<b>(1,448)</b>	<b>9,437</b>
<b>Cash flows used in investing activities</b>		
Purchase of plant and equipment	(3,596)	(10,274)
<b>Net cash used in investing activities</b>	<b>(3,596)</b>	<b>(10,274)</b>
<b>Cash flows from financing activities</b>		
Issuance of shares	131	72
Proceeds from borrowings, net of transaction costs	-	5,810
Repayment of borrowings	-	(3,000)
<b>Net cash from financing activities</b>	<b>131</b>	<b>2,882</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,913)</b>	<b>2,045</b>
<b>Effect of exchange rate changes on cash</b>	<b>172</b>	<b>300</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>21,338</b>	<b>27,524</b>
<b>Cash and cash equivalents - End of period</b>	<b>16,597</b>	<b>29,869</b>
<b>Supplementary cash flow information (Note 13)</b>		

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

# Amerigo Resources Ltd.

## Condensed Interim Consolidated Statements of Changes in Equity - Unaudited

(expressed in thousands of U.S. dollars)

	Share capital		Other reserves	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance - January 1, 2018	176,385,621	78,954	7,916	(992)	12,298	98,176
Share-based payments	-	-	684	-	-	684
Expenses settled with shares (Note 6 (c))	265,119	201	-	-	-	201
Exercise of share purchase options	550,000	103	(31)	-	-	72
Cumulative translation adjustment	-	-	-	204	-	204
Unrealized losses on investments	-	-	-	(532)	-	(532)
Actuarial losses on severance provision	-	-	-	(7)	-	(7)
Net income	-	-	-	-	1,217	1,217
Balance - March 31, 2018	177,200,740	79,258	8,569	(1,327)	13,515	100,015
Share-based payments	-	-	644	-	-	644
Exercise of share purchase options	80,000	38	(11)	-	-	27
Cumulative translation adjustment	-	-	-	269	-	269
Unrealized losses on investments	-	-	-	(1,049)	-	(1,049)
Actuarial gains on severance provision	-	-	-	26	-	26
Net income	-	-	-	-	9,278	9,278
Balance - December 31, 2018	177,280,740	79,296	9,202	(2,081)	22,793	109,210
Balance - January 1, 2019	177,280,740	79,296	9,202	(2,081)	22,793	109,210
Share-based payments	-	-	491	-	-	491
Exercise of share purchase options	400,000	186	(55)	-	-	131
Cumulative translation adjustment	-	-	-	(123)	-	(123)
Unrealized gains on investments	-	-	-	305	-	305
Actuarial gains on severance provision	-	-	-	26	-	26
Net loss	-	-	-	-	(1,399)	(1,399)
Balance - March 31, 2019	177,680,740	79,482	9,638	(1,873)	21,394	108,641

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

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited  
March 31, 2019

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

## 1) REPORTING ENTITY AND BASIS OF PRESENTATION

### a) Reporting entity

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

Amerigo owns a 100% interest in Minera Valle Central S.A. ("MVC"), a producer of copper concentrates. MVC, located in Chile, has a long-term contract with the El Teniente Division ("DET") of Corporación Nacional del Cobre de Chile ("Codelco") to process fresh and historic tailings from El Teniente (Note 2). El Teniente, in production since 1905, is the world's largest underground copper mine.

These condensed interim consolidated financial statements ("interim financial statements") as at and for the three months ended March 31, 2019 include the accounts of Amerigo and its subsidiaries (collectively the "Company").

### b) Statement of compliance

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

These interim financial statements do not include all the information required for a complete set of IFRS statements and should be read in conjunction with Amerigo's audited consolidated financial statements as at and for the year ended December 31, 2018, which have been prepared in accordance with IFRS. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in Amerigo's financial position and performance since the last annual consolidated financial statements.

These interim financial statements were authorised for issue by Amerigo's board of directors on May 6, 2019.

### c) Significant accounting policies

These interim financial statements follow the same accounting policies and methods of application as Amerigo's most recent annual financial statements, except for the adoption of new IFRS pronouncements as outlined below.

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

### d) New IFRS pronouncements

Effective January 1, 2019 (the "Adoption Date"), Amerigo adopted IFRS 16 – Leases in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach under which leases have been recorded prospectively from the Adoption Date forward, with no restatement of comparative information.

IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee and requires that all leases be recorded in the lessee's statement of financial position. Lessees recognize a right-of-use-asset (included within property, plant and equipment) and a lease liability at the commencement date of a lease.

# Amerigo Resources Ltd.

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

On adoption of the standard, the Company recorded right-of-use assets of \$0.3 million within property plant and equipment, measured at an amount equal to the lease liability discounted using the Company's incremental borrowing rate on Adoption Date. The Company also recorded lease liabilities of \$0.3 and reclassified \$8.9 million of lease liabilities that were previously presented as trade and other payables (in respect of their short-term portions) or other non-current liabilities (in respect of their long-term portion) on Amerigo's statement of financial position.

Additional information on the Company's leases can be found in Note 7.

## 2) AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

MVC has a contract with DET ("the DET Agreement") to process the fresh tailings from El Teniente and the tailings from the Cauquenes and Colihues historic tailings deposits. The Agreement has a term to the earlier of 2033 or deposit depletion for Cauquenes, the earlier of 2037 or deposit depletion for Colihues and 2037 for fresh tailings.

The DET Agreement establishes a series of royalties from MVC to DET, calculated using the average London Metal Exchange copper price for the month of concentrates production.

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

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

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

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

At March 31, 2019, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$8.8 million (December 31, 2018: \$11.6 million).

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited  
March 31, 2019

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

## 3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these interim financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results.

The Company's critical accounting estimates and judgements applied in the preparation of these interim financial statements are consistent with those reported in our 2018 annual consolidated financial statements.

## 4) INVENTORIES

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	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	\$	\$
Plant supplies and consumables	5,041	3,041
Work in progress	7,727	5,343
Molybdenum concentrates	777	459
	<b>13,545</b>	<b>8,843</b>

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At March 31, 2019 and December 31, 2018, work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates were valued at cost.

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited  
March 31, 2019

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

## 5) PROPERTY, PLANT AND EQUIPMENT

	<b>Plant and infrastructure</b>	<b>Machinery and Equipment and other assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Three months ended March 31, 2019</b>			
Opening net book amount	166,592	42,137	208,729
Exchange differences	-	3	3
Additions	(6,351)	8,656	2,305
Depreciation charge	(2,359)	(1,949)	(4,308)
<b>Closing net book amount</b>	<b>157,882</b>	<b>48,847</b>	<b>206,729</b>
<b>At March 31, 2019</b>			
Cost	272,162	96,480	368,642
Accumulated depreciation	(114,280)	(47,633)	(161,913)
<b>Net book amount</b>	<b>157,882</b>	<b>48,847</b>	<b>206,729</b>

At March 31, 2019, property, plant and equipment of \$2.3 million was categorized as construction in progress and not subject to depreciation (December 31, 2018: \$3.2 million).

Total interest and charges of \$1.4 million was capitalized in the year ended December 31, 2018 and included in property, plant and equipment.

## 6) BORROWINGS

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Cauquenes Phase One Loan (Note 6(a))	32,138	31,317
Cauquenes Phase Two Loan (Note 6(a))	34,562	34,895
	<b>66,700</b>	<b>66,212</b>
Comprise:		
Current portion of long-term debt	23,760	23,521
Long-term debt	42,940	42,691
	<b>66,700</b>	<b>66,212</b>

# Amerigo Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements - Unaudited March 31, 2019

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

- a) 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 has 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. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on June and December 31.

Interest on the Phase One Loan is subject to a variable rate based on the US Libor six-month rate, which at March 31, 2019 was 6.37% per annum.

The balance of the Cauquenes Phase One Loan (net of transaction costs) at March 31, 2019 was \$32.1 million (December 31, 2018: \$31.3 million).

On August 3, 2017, MVC obtained a second financing tranche with Scotiabank and EDC for a \$35.3 million facility (the “Cauquenes Phase Two Loan”) to finance the Cauquenes Phase Two expansion.

The Cauquenes Phase Two Loan has a maximum repayment term of three years consisting of six equal semi-annual principal payments of \$5.9 million to commence on June 30, 2019. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on June and December 31.

Interest on the Phase Two Loan is synthetically fixed through an interest rate swap (“IRS”), accounted for at fair value through profit or loss, at a rate of 6.02% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor six-month rate which at March 31, 2019 was 6.37% per annum. The IRS on the Phase Two Loan has a term to January 3, 2022.

The balance of the Cauquenes Phase Two Loan (net of transaction costs) at March 31, 2019 was \$34.6 million (December 31, 2018: \$34.9 million).

MVC has provided security for the Cauquenes Phase One and Phase Two loans in the form of a charge on all of MVC’s assets.

MVC is required to meet three bank covenants: current ratio (starting on December 31, 2019), tangible net worth and debt service coverage ratio, measured semi-annually on June 30 and December 31. At December 31, 2018, MVC met the required debt service coverage ratio of 1.2 and the tangible net worth requirement of \$120.0 million.

MVC is also required to have a debt service reserve account (“DSRA”) which must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the interest rate swaps 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 must 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 interest rate swaps that are payable in the following six months. At March 31, 2019, MVC held DSRA funds in the required amount of \$13.4 million (December 31, 2018: \$13.4 million).

- b) In 2015, DET provided to MVC a copper price support facility of \$17.0 million which was fully repaid in September 2018. It bore interest at a rate of 0.6% per month.

# Amerigo Resources Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements - Unaudited March 31, 2019

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

- c) Amerigo had a \$13.0 million standby line of credit (the “Line of Credit”), available from three shareholders. Availability was to the later of December 31, 2018 or the date of commencement of commercial production from the Phase Two expansion, which occurred on December 21, 2018.

In 2018, Amerigo incurred an annual commitment fee of \$0.2 million on the Line of Credit, settled with the issuance of 265,119 Amerigo shares.

No funds were drawn from the Line of Credit.

### 7) LEASES

	March 31, 2019	December 31, 2018
	\$	\$
Molybdenum plant lease (Note 7(a))	8,744	8,975
Office premises lease (Note 7(b))	260	-
Vehicle leases (Note 7(c))	117	126
Office equipment lease (Note 7(d))	20	-
	9,141	9,101
Comprise:		
Current portion of long-term leases	1,824	1,715
Long-term leases	7,317	7,386
	9,141	9,101

- a) In 2018, MVC entered into a lease at a cost of 201,903 Chilean Unidades de Foment (“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 March 31, 2019, the lease obligation was \$8.7 million (December 31, 2018: \$9.0 million).
- b) Effective January 1, 2019 (Note 1(d)), Amerigo’s head office lease is recognized as a right of use asset with a corresponding lease liability. The lease has a term to November 2021. Lease payments are paid on a monthly basis. The annual amounts of the payments are less than \$0.1 million. At March 31, 2019 the office premises lease obligation was \$0.3 million.
- c) MVC has a lease with a term to July 2021 for the lease of various vehicles. Lease payments are paid on a monthly basis. The annual amounts of the payments are less than \$0.1 million. At March 31, 2019 the vehicles lease obligation was \$0.1 million.

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited  
March 31, 2019

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

- d) Effective January 1, 2019 (Note 1(d)), Amerigo's photocopier lease is recognized as a right of use asset with a corresponding lease liability. The lease has a term to April 2021. Lease payments are paid on a quarterly basis with a final payment on lease termination. The annual amounts of the payments are less than \$0.1 million. At March 31, 2019 the office equipment lease obligation was \$0.1 million.

## 8) RELATED PARTY TRANSACTIONS

- a) Derivative

Amerigo holds its interest in MVC through Amerigo International Holdings Corp. ("Amerigo International"), wholly-owned by Amerigo except for certain outstanding Class A shares which are owned indirectly by Amerigo's founders (including Amerigo's current Executive Chairman). The Class A shares were issued in 2003 as part of a tax-efficient structure for payments granted as consideration to the founders transferring to Amerigo their option to purchase MVC

The Class A shareholders are not entitled to any participation in the profits of Amerigo International, except for monthly payments, calculated as follows:

- \$0.01 for each pound of copper equivalent produced from DET tailings by MVC or any successor entity to MVC if the price of copper is under \$0.80/lb, or
- \$0.015 for each pound of copper equivalent produced from DET tailings by MVC or any successor entity to MVC if the price of copper is \$0.80/lb or more.

Under IFRS, the payments constitute a derivative financial instrument which needs to be measured at fair value at each reporting date. Changes in fair value are recorded in profit for the period.

The derivative expense includes the actual monthly payments described above and changes in the derivatives' fair value.

In Q1-2019, \$0.2 million was paid or accrued to the Class A shareholders (three months ended March 31, 2018 ("Q1-2018"): \$0.2 million) and the derivatives' fair value increased \$0.7 million (Q1-2018: \$0.2 million), for a total derivative expense of \$0.9 million (Q1-2018: \$0.4 million) (Note 12(c)).

At March 31, 2019, the derivative totalled \$11.7 million (December 31, 2018: \$11.1 million), with a current portion of \$1.3 million (December 31, 2018: \$1.4 million) and a long-term portion of \$10.4 million (December 31, 2018: \$9.7 million).

Actual monthly payments outstanding at March 31, 2019 and December 31, 2018 were \$0.1 million.

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited

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

## b) Purchases of Goods and Services

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

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

	<b>Q1-2019</b>	<b>Q1-2018</b>
	\$	\$
Salaries and management fees	136	350

## c) Key Management Compensation

The remuneration of directors and other members of key management during Q1-2019 and Q1-2018 was as follows:

	<b>Q1-2019</b>	<b>Q1-2018</b>
	\$	\$
Salaries and management fees	136	350
Directors' fees	85	65
Share-based payments	491	684
	712	1,099

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

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited  
March 31, 2019

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

## 9) EQUITY

### a) Share Capital

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

In Q1-2019, Amerigo issued 400,000 shares valued at \$0.2 million in connection with various share option exercises by former directors.

In 2018, Amerigo issued 265,119 shares valued at \$0.2 million to three shareholders to settle the annual stand-by charge of the Line of Credit described in Note 6(c) and issued 630,000 shares valued at \$0.1 million in connection with various share option exercises by employees and directors.

### b) Share Options

A total of 3,150,000 options were granted in Q1-2019 (2018: 2,950,000) with a weighted average fair value estimated at Cdn\$0.61 (2018: Cdn\$0.59) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2019	2018
	\$	\$
Weighted average share price	1.11	1.06
Weighted average exercise price	1.11	1.06
Dividend yield	0%	0%
Risk free interest rate	1.64%	1.98%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.31	4.28
Expected volatility	70.20%	70.60%

Outstanding share options:

	March 31, 2019		December 31, 2018	
	Share	Weighted	Share	Weighted
	options	average	options	average
		exercise		exercise
		price		price
		Cdn\$		Cdn\$
<b>At start of the period</b>	13,370,000	0.53	11,050,000	0.37
Granted	3,150,000	1.11	2,950,000	1.06
Exercised	(400,000)	0.43	(630,000)	0.20
<b>At end of the period</b>	16,120,000	0.64	13,370,000	0.53
Vested and exercisable	13,757,500	0.56	13,370,000	0.53

# Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited  
March 31, 2019

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

The weighted average trading price of the Company's stock on the dates in which options were exercised in Q1-2019 was Cdn\$1.10 per share (2018: Cdn\$1.02 per share).

Information relating to share options outstanding at March 31, 2019 is as follows:

Outstanding share options	Vested share options	Price range Cdn\$	Weighted average exercise price on outstanding options Cdn\$	Weighted average exercise price on vested options Cdn\$	Weighted Average remaining life of outstanding options (years)
2,600,000	2,600,000	0.14 - 0.26	0.14	0.14	1.92
1,700,000	1,700,000	0.27 - 0.40	0.37	0.37	1.00
2,800,000	2,800,000	0.41 - 0.48	0.44	0.44	0.11
2,920,000	2,920,000	0.49 - 0.80	0.53	0.53	2.90
2,950,000	2,950,000	0.81 - 1.09	1.06	1.06	3.90
3,150,000	787,500	1.10 - 1.11	1.11	1.11	4.95
16,120,000	13,757,500		0.64	0.56	2.64

## 10) SEGMENT INFORMATION

Operating segments are determined based on the management reports reviewed by the board of directors to make strategic decisions.

The Company has one operating segment: the production of copper concentrates under a tolling agreement with DET, with the production of molybdenum concentrates as a by-product (Note 2).

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

	Property, plant and equipment		Other	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Chile	206,307	208,583	5,099	5,150
Canada	422	146	-	-
	206,729	208,729	5,099	5,150

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## 11) REVENUE

a) Revenue composition:

	Q1-2019	Q1-2018
	\$	\$
Gross value of copper produced	36,413	46,041
Adjustments to fair value of settlement receivables	2,147	(179)
	38,560	45,862
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(8,136)	(10,797)
Smelting and refining	(4,473)	(5,040)
Transportation	(444)	(554)
Copper tolling revenue	25,507	29,471
Molybdenum revenue	2,229	4,410
	27,736	33,881

b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 10).

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

	Q1-2019	Q1-2018
	\$	\$
Copper	25,507	29,471
Molybdenum	2,229	4,410
	27,736	33,881

c) Total revenue by region:

All the Company's revenue originates in Chile.

In Q1-2019, the Group's revenue from one customer represented 92% of reported revenue (Q1-2018: 87%).

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## 12) (EXPENSES) GAINS BY NATURE

a) Tolling and production costs consist of the following:

	Q1-2019	Q1-2018
	\$	\$
Tolling and production costs	(19,376)	(22,839)
Depreciation and amortization	(4,364)	(3,566)
Administration	(1,597)	(1,696)
DET royalties - molybdenum	(427)	(616)
	(25,764)	(28,717)

b) General and administration expenses consist of the following:

	Q1-2019	Q1-2018
	\$	\$
Share-based payment compensation	(491)	(684)
Salaries, management and professional fees	(352)	(575)
Office and general expenses	(280)	(299)
	(1,123)	(1,558)

c) Derivative to related parties (Note (7(a))) consist of the following:

	Q1-2019	Q1-2018
	\$	\$
Fair value adjustments to derivative	(708)	(178)
Royalty payments to related parties	(210)	(236)
	(918)	(414)

d) Other gains consist of the following:

	Q1-2019	Q1-2018
	\$	\$
Foreign exchange gains	331	98
Other gains	5	168
	336	266

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e) Finance expense consists of the following:

	Q1-2019	Q1-2018
	\$	\$
Finance, commitment and interest charges	(1,682)	(1,314)
Fair value adjustments to interest rate swaps	(115)	329
	(1,797)	(985)

## 13) SUPPLEMENTARY CASH FLOW INFORMATION

a) Cash and cash equivalents

	March 31, 2019	December 31, 2018
	\$	\$
Cash at bank and on hand	3,068	7,809
Short-term bank deposits	129	129
	3,197	7,938
Cash held in a debt service reserve account (Note 6(a))	13,400	13,400
	16,597	21,338

b) Cash payments of interest and taxes

	Q1-2019	Q1-2018
	\$	\$
Interest and taxes paid		
Interest paid	1,023	669
Income taxes paid	326	376
Other		
(Decrease) increase in accounts payable related to the acquisition of plant and equipment	(572)	1,107
Cash paid during the quarter in connection with the derivative to related parties	249	239

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## 14) FAIR VALUE MEASUREMENT

Certain of Amerigo's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy has three levels that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and valuation techniques used to value Amerigo's financial assets and liabilities are the following:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that Amerigo can access at the measurement date. Amerigo values its investments using quoted market prices in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Copper and molybdenum trade and settlement receivables are derivatives because the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a separate component of revenue.
- Level 3 – Significant unobservable inputs that are not based on observable market data. Amerigo includes the related party derivative liability in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis based on management's best estimates, which are unobservable inputs. Fair value is calculated by applying the discounted cash flow approach on a valuation model that considers the present value of the net cash flows expected to be paid to a related party (Note 8(a)). Amerigo has also included the IRS in Level 3 of the fair value hierarchy due to the lack of observable market quotes on these instruments. The fair value of the IRS was determined with the assistance of third parties who performed a discounted cash flow valuation based on forward interest rate curves.

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	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>March 31, 2019</b>				
Investments	1,738	-	-	1,738
Trade and settlement receivables	-	7,403	-	7,403
Derivative to related parties	-	-	(11,720)	(11,720)
	1,738	7,403	(11,720)	(2,579)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>December 31, 2018</b>				
Investments	1,433	-	-	1,433
Trade and settlement receivables	-	8,095	-	8,095
Interest rate swaps	-	-	115	115
Derivative to related parties	-	-	(11,050)	(11,050)
	1,433	8,095	(10,935)	(1,407)

## 15) COMMITMENTS

- a) MVC has a long-term agreement for the supply of 100% of MVC's power requirements to December 31, 2032. The agreement establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to range from \$1.4 million to \$1.8 million per month.
- b) The DET Agreement has a Closure Plan clause requiring MVC and DET to jointly assess the revision of the closure plan for Cauquenes and compare it to the current DET plan. In the case of any variation in the interests of DET due to MVC's activities in the Cauquenes deposit, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until the estimation of the new closure plan is available, and the parties agree on the terms of compensation resulting from the revised plan, it is Amerigo's view there is no obligation to record a provision because the amount, if any, is not possible to determine.