

Amerigo Resources Ltd.

**Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 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	September 30, 2019 \$	December 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents	13	1,617	21,338
Trade and settlement receivables		10,895	8,915
Taxes receivable		1,463	1,544
Prepaid expenses		1,050	1,537
Inventories	4	8,896	8,843
Interest rate swap	6	-	115
		<u>23,921</u>	<u>42,292</u>
Non-current assets			
Property, plant and equipment	5	202,661	208,729
Intangible assets		4,078	4,245
Investments		2,477	1,433
Other non-current assets		896	905
Deferred income tax asset		4	9
Total assets		<u>234,037</u>	<u>257,613</u>
Liabilities			
Current liabilities			
Trade and other payables		21,244	17,747
DET royalties	2	9,693	11,551
Current portion of borrowings	6	9,402	23,521
Current portion of leases	7	1,683	1,715
Current portion of related party derivative liability	8, 14	1,399	1,382
Interest rate swap	6	760	-
Current income tax liabilities		19	3,292
		<u>44,200</u>	<u>59,208</u>
Non-current liabilities			
Borrowings	6	45,733	42,691
Deferred income tax liability		25,422	28,484
Related party derivative liability	8, 14	9,764	9,668
Leases	7	6,006	7,386
Severance provisions		994	966
Total liabilities		<u>132,119</u>	<u>148,403</u>
Equity			
Share capital	9	80,300	79,296
Other reserves		10,067	9,202
Accumulated other comprehensive loss		(1,196)	(2,081)
Retained earnings		12,747	22,793
Total equity		<u>101,918</u>	<u>109,210</u>
Total equity and liabilities		<u>234,037</u>	<u>257,613</u>
Commitments	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 September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Revenue	11	33,900	32,370	84,328	99,250
Tolling and production costs	12 (a)	(32,891)	(28,425)	(87,449)	(84,351)
Gross profit (loss)		1,009	3,945	(3,121)	14,899
Other expenses					
General and administration	12 (b)	(826)	(939)	(3,121)	(3,392)
Related party derivative including changes in fair value	12 (c)	(55)	(114)	(717)	(289)
Other gains (expenses)	12 (d)	761	117	801	(21)
		(120)	(936)	(3,037)	(3,702)
Operating profit (loss)		889	3,009	(6,158)	11,197
Finance expense	12 (e)	(3,596)	(989)	(6,894)	(2,886)
		(3,596)	(989)	(6,894)	(2,886)
(Loss) income before income tax		(2,707)	2,020	(13,052)	8,311
Income tax recovery (expense)		624	(582)	3,006	(2,936)
Net (loss) income		(2,083)	1,438	(10,046)	5,375
Other comprehensive income (loss)					
Unrealized gains (losses) on investments, net of tax		223	(159)	1,091	(1,018)
Realized gains on investments, net of tax		6	-	6	-
Items that may be reclassified subsequently to net (loss) income:					
Cumulative translation adjustment		36	(118)	(203)	167
Actuarial (losses) gains on severance provision		(22)	(2)	(9)	3
Other comprehensive income (loss)		243	(279)	885	(848)
Comprehensive (loss) income		(1,840)	1,159	(9,161)	4,527
Weighted average number of shares outstanding, basic		180,169,351	177,250,754	178,732,586	176,992,750
Weighted average number of shares outstanding, diluted		180,169,351	182,943,525	178,732,586	183,413,668
(Loss) earnings per share					
Basic		(0.01)	0.01	(0.06)	0.03
Diluted		(0.01)	0.01	(0.06)	0.03

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Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash flows from operating activities				
Net (loss) income	(2,083)	1,438	(10,046)	5,375
Adjustment for items not affecting cash:				
Depreciation and amortization	4,372	3,625	13,134	10,876
Finance expense (gain)	1,890	445	2,851	(460)
Share-based payments	276	236	1,344	1,232
Deferred income tax (recovery) expense	(633)	287	(3,058)	1,165
Unrealized foreign exchange (gain) expense	(513)	613	(874)	1,386
Changes in fair value of related party derivative liability	(224)	(187)	10	(492)
Other	(69)	(263)	71	(516)
	3,016	6,194	3,432	18,566
Changes in non-cash working capital				
Trade, settlement receivables and taxes receivable	(9,548)	585	(1,415)	1,708
Inventories	3,364	2,618	(113)	1,761
Trade and other payables	3,760	(1,115)	2,764	(2,067)
DET royalties	715	(162)	(1,858)	(626)
Net cash from operating activities	1,307	8,120	2,810	19,342
Cash flows used in investing activities				
Purchase of plant and equipment	(4,217)	(11,148)	(10,662)	(31,383)
Proceeds from sale of investments	47	-	47	-
Net cash used in investing activities	(4,170)	(11,148)	(10,615)	(31,383)
Cash flows (used in) from financing activities				
Repayment of borrowings	(2,683)	(3,000)	(11,250)	(14,367)
Proceeds from borrowings, net of transaction costs	(1,143)	8,690	(1,143)	23,300
Issuance of shares	-	-	465	86
Net cash (used in) from financing activities	(3,826)	5,690	(11,928)	9,019
Net (decrease) increase in cash and cash equivalents	(6,689)	2,662	(19,733)	(3,022)
Effect of exchange rate changes on cash	(109)	(722)	12	(1,172)
Cash and cash equivalents - Beginning of period	8,415	21,390	21,338	27,524
Cash and cash equivalents - End of period	1,617	23,330	1,617	23,330

Supplementary cash flow information (Note 13)

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	-	-	1,232	-	-	1,232
Expenses settled with shares (Note 9(a))	265,119	201	-	-	-	201
Exercise of share purchase options (Note 9(a))	600,000	123	(37)	-	-	86
Cumulative translation adjustment	-	-	-	167	-	167
Unrealized losses on investments	-	-	-	(1,018)	-	(1,018)
Actuarial gains on severance provision	-	-	-	3	-	3
Net income	-	-	-	-	5,375	5,375
Balance - September 30, 2018	177,250,740	79,278	9,111	(1,840)	17,673	104,222
Share-based payments	-	-	96	-	-	96
Exercise of share purchase options (Note 9(a))	30,000	18	(5)	-	-	13
Cumulative translation adjustment	-	-	-	306	-	306
Unrealized losses on investments	-	-	-	(563)	-	(563)
Actuarial gains on severance provision	-	-	-	16	-	16
Net income	-	-	-	-	5,120	5,120
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	-	-	1,344	-	-	1,344
Expenses settled with shares (Note 9(a))	82,770	62	-	-	-	62
Exercise of share purchase options (Note 9(a))	2,805,841	942	(479)	-	-	463
Cumulative translation adjustment	-	-	-	(203)	-	(203)
Unrealized gains on investments	-	-	-	1,091	-	1,091
Realized gains on investments	-	-	-	6	-	6
Actuarial losses on severance provision	-	-	-	(9)	-	(9)
Net loss	-	-	-	-	(10,046)	(10,046)
Balance - September 30, 2019	180,169,351	80,300	10,067	(1,196)	12,747	101,918

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

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited
September 30, 2019

(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 and nine months ended September 30, 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.

The 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.

The interim financial statements were authorised for issue by Amerigo's board of directors on November 1, 2019.

c) Significant accounting policies

The interim financial statements follow the same accounting policies and methods of application as Amerigo's most recent annual financial statements, except for IFRS pronouncements adopted on January 1, 2019, which were disclosed in the Company's interim financial statements for the three months ended March 31, 2019.

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.

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2019

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

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 September 30, 2019, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$9.7 million (December 31, 2018: \$11.6 million).

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.

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

4) INVENTORIES

	September 30, 2019 \$	December 31, 2018 \$
Plant supplies and consumables	3,823	3,041
Work in progress	4,402	5,343
Molybdenum concentrates	671	459
	<u>8,896</u>	<u>8,843</u>

At September 30, 2019, work-in-progress on the production of copper concentrates under a tolling agreement was valued at cost. During the nine months ended September 30, 2019 (“YTD-2019”), the Company recorded a charge of \$0.1 million in tolling and production costs as a result of net realizable value (“NRV”) adjustments in the months in which NRV was lower than cost. At September 30, 2019, molybdenum concentrates were valued at cost.

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

5) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure \$	Machinery and Equipment and other assets \$	Total \$
Nine months ended September 30, 2019			
Opening net book amount	166,592	42,137	208,729
Exchange differences	-	5	5
Additions	4,796	2,098	6,894
Depreciation charge	(7,115)	(5,852)	(12,967)
Closing net book amount	<u>164,273</u>	<u>38,388</u>	<u>202,661</u>
At September 30, 2019			
Cost	283,421	89,735	373,156
Accumulated depreciation	(119,148)	(51,347)	(170,495)
Net book amount	<u>164,273</u>	<u>38,388</u>	<u>202,661</u>

At September 30, 2019, property, plant and equipment of \$nil was categorized as construction in progress and not subject to depreciation (December 31, 2018: \$3.2 million).

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

6) BORROWINGS

	September 30, 2019	December 31, 2018
	\$	\$
Cauquenes Phase One loan	-	31,317
Cauquenes Phase Two loan	-	34,895
Consolidated bank loan	55,135	-
	55,135	66,212
Comprise:		
Current portion of long-term debt	9,402	23,521
Long-term debt	45,733	42,691
	55,135	66,212

On March 25, 2015, MVC obtained a \$64.4 million loan facility from Scotiabank Chile (“Scotiabank”) and Export Development Canada (“EDC”) to finance the Cauquenes Phase One expansion (the “Cauquenes Phase One Loan”). The Cauquenes Phase One Loan had a maximum repayment term of six years consisting of twelve equal semi-annual principal payments of \$5.4 million which commenced on June 30, 2016. Interest was subject to a variable rate based on the US Libor six-month rate and most recently 5.70% per annum.

On August 3, 2017, MVC obtained a \$35.3 million facility (the “Cauquenes Phase Two Loan”) from Scotiabank and EDC to finance the Cauquenes Phase Two expansion. The Cauquenes Phase Two Loan had a maximum repayment term of three years consisting of six equal semi-annual principal payments of \$5.9 million which commenced on June 30, 2019. Interest on the Phase Two Loan was synthetically fixed through an 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 IRS had a term to January 3, 2022. The remaining 25% of the facility was subject to a variable rate based on the US Libor six-month rate and most recently 5.70% per annum.

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

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

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Notes to the Condensed Interim Consolidated Financial Statements - Unaudited September 30, 2019

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Interest on the Consolidated Bank Loan is synthetically fixed through an IRS, accounted for at fair value through profit or loss, at a rate of 5.70% per annum for 80% of the facility. The remaining 20% of the facility is subject to a variable rate based on the US Libor six-month rate, currently 4.91% per annum. The IRS has a term to September 26, 2023.

On closing of the refinance, MVC paid \$0.8 million in interest accrued on the Cauquenes loans, an IRS break fee of \$0.3 million and bank commissions of \$1.1 million.

Also on closing, MVC recognized a loss on modification of debt of \$1.6 million, included as finance expense in the period. The loss on modification of debt is a non-cash item arising from the application of *IFRS 9 - Financial Instruments*, under which the present value of the cash flows of the original and renegotiated debt were compared using the Company's effective interest rate, with a resulting loss and an adjustment to the carrying value of the Consolidated Bank Loan.

The balance of the Consolidated Bank Loan (net of transaction costs) at September 30, 2019 was \$55.1 million (December 31, 2018: \$nil).

MVC continues to provide security on the Consolidated Bank Loan in the form of a charge on all of MVC's assets.

MVC continues to be required to meet three bank covenants: current ratio (starting on December 2019), tangible net worth and debt service coverage ratio, and is now required to meet a fourth covenant, a debt/EBITDA ratio. Covenants will continue to be measured semi-annually on June 30 and December 31.

MVC also continues to be required to have a debt service reserve account ("DSRA") which must be funded by MVC on or before December 15, 2019. Once funded, the DSRA must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the interest rate swap if MVC has insufficient funds to make these payments and /ii/ fund MVC's operating expenses. If it becomes necessary to fund MVC's operations with funds from the DSRA, MVC will need to replenish the DSRA at each month end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal, interest and interest rate swap that are payable in the following six months.

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

7) LEASES

	September 30, 2019	December 31, 2018
	\$	\$
Molybdenum plant lease	7,368	8,975
Other leases	321	126
	7,689	9,101
Comprise:		
Current portion of long-term leases	1,683	1,715
Long-term leases	6,006	7,386
	7,689	9,101

In 2018, MVC entered into a lease 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 September 30, 2019, the lease obligation was \$7.4 million (December 31, 2018: \$9.0 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.

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

YTD-2019, \$0.7 million was paid or accrued to the Class A shareholders (YTD-2018: \$0.8 million) and the derivatives' fair value did not change (YTD-2018: decreased by \$0.5 million), for a total derivative expense of \$0.7 million (YTD-2018: \$0.3 million) (Note 12(c)).

At September 30, 2019, the derivative totalled \$11.2 million (December 31, 2018: \$11.1 million), with a current portion of \$1.4 million (December 31, 2018: \$1.4 million) and a long-term portion of \$9.8 million (December 31, 2018: \$9.7 million).

Actual monthly payments outstanding at September 30, 2019 were \$0.2 million (December 31, 2018: \$0.1 million).

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 the exchange amounts which is determined on a cost recovery basis.

	YTD-2019	YTD-2018
	\$	\$
Salaries and management fees	728	847

c) Key Management Compensation

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

	YTD-2019	YTD-2018
	\$	\$
Salaries and management fees	552	847
Directors' fees	176	183
Share-based payments	1,344	1,232
	2,072	2,262

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

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

9) EQUITY

a) Share Capital

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

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

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 YTD-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 in the following table.

	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%

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

Outstanding share options:

	September 30, 2019		December 31, 2018	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the period	13,370,000	0.53	11,050,000	0.37
Granted	3,150,000	1.11	2,950,000	1.06
Exercised	(2,805,841)	0.38	(630,000)	0.20
Repurchased pursuant to cashless exercises	(1,194,159)	0.38	-	-
At end of the period	12,520,000	0.72	13,370,000	0.53
Vested and exercisable	11,732,500	0.70	13,370,000	0.53

YTD-2019, the weighted average trading price of the Company's stock on the dates in which options were exercised was Cdn\$0.80 per share (2018: Cdn\$1.02 per share).

Information relating to share options outstanding at September 30, 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)
1,800,000	1,800,000	0.14 - 0.26	0.14	0.14	1.42
1,700,000	1,700,000	0.27 - 0.45	0.37	0.37	0.50
2,920,000	2,920,000	0.46 - 0.80	0.53	0.53	2.40
2,950,000	2,950,000	0.81 - 1.09	1.06	1.06	3.40
3,150,000	2,362,500	1.10 - 1.11	1.11	1.11	4.45
12,520,000	11,732,500		0.72	0.70	2.75

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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	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Chile	202,299	208,583	4,974	5,150
Canada	362	146	-	-
	202,661	208,729	4,974	5,150

11) REVENUE

a) Revenue composition:

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Gross value of copper produced	43,618	48,891	117,309	139,425
Adjustments to fair value of settlement receivables	(875)	(6,083)	(1,909)	(5,706)
	42,743	42,808	115,400	133,719
Notional items deducted from gross value of copper produced:				
DET royalties - copper	(8,786)	(9,238)	(25,245)	(30,677)
Smelting and refining	(5,391)	(5,822)	(14,693)	(15,601)
Transportation	(512)	(580)	(1,404)	(1,651)
Copper tolling revenue	28,054	27,168	74,058	85,790
Slag revenue	1,443	-	1,443	-
Molybdenum revenue	4,403	5,202	8,827	13,460
	33,900	32,370	84,328	99,250

Amerigo Resources Ltd.

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- 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.

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Copper	29,497	27,168	75,501	85,790
Molybdenum	4,403	5,202	8,827	13,460
	33,900	32,370	84,328	99,250

- c) Total revenue by region:

All the Company's revenue originates in Chile.

YTD-2019, the Group's revenue from one customer represented 90% of reported revenue (YTD-2018: 86%).

12) (EXPENSES) GAINS BY NATURE

- a) Tolling and production costs consist of the following:

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Tolling and production costs	(26,583)	(22,528)	(68,731)	(66,826)
Depreciation and amortization	(4,372)	(3,625)	(13,134)	(10,876)
Administration	(1,191)	(1,347)	(4,010)	(4,462)
DET royalties - molybdenum	(745)	(925)	(1,574)	(2,187)
	(32,891)	(28,425)	(87,449)	(84,351)

- b) General and administration expenses consist of the following:

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Salaries, management and professional fees	(359)	(440)	(1,238)	(1,457)
Share-based payment compensation	(276)	(236)	(1,343)	(1,232)
Office and general expenses	(191)	(263)	(540)	(703)
	(826)	(939)	(3,121)	(3,392)

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

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Royalties to related parties	(279)	(302)	(708)	(781)
Fair value adjustments to royalty derivative	224	188	(9)	492
	(55)	(114)	(717)	(289)

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

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Foreign exchange gain (expense)	708	109	653	(180)
Other gains	53	8	148	159
	761	117	801	(21)

e) Finance expense consists of the following:

	Q3-2019	Q3-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Finance, commitment and interest charges	(1,202)	(1,032)	(4,195)	(3,367)
Loss on modification of debt	(1,558)	-	(1,558)	-
Fair value adjustments to interest rate swaps	(836)	43	(1,141)	481
	(3,596)	(989)	(6,894)	(2,886)

13) SUPPLEMENTARY CASH FLOW INFORMATION

a) Cash and cash equivalents

	September 30, 2019	December 31, 2018
	\$	\$
Cash at bank and on hand	1,475	7,809
Short-term bank deposits	142	129
	1,617	7,938
Cash held in a debt service reserve account (Note 6(a))	-	13,400
	1,617	21,338

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b) Cash payments of interest and taxes

	YTD-2019	YTD-2018
	\$	\$
Interest and taxes paid		
Interest paid	3,743	3,088
Income taxes paid	3,337	2,859
Other		
(Decrease) increase in accounts payable related to the acquisition of plant and equipment	(2,394)	212
Cash paid during the year in connection with the derivative to related parties	605	769

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
	\$	\$	\$	\$
September 30, 2019				
Investments	2,477	-	-	2,477
Trade and settlement receivables	-	9,914	-	9,914
Interest rate swap	-	-	(760)	(760)
Derivative to related parties	-	-	(11,163)	(11,163)
	2,477	9,914	(11,923)	468
<hr/>				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2018				
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

- 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.
- 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.