

Amerigo Resources Ltd.

Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(expressed in thousands of U.S. dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements, the Management's Discussion and Analysis and the information contained in the company's annual filing of financial results have been prepared by the management of the company.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent members, meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the Financial Statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the Financial Statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews and evaluation of these controls and report on their findings to management and the Audit Committee.

"Rob Henderson"
Rob Henderson
President and Chief Executive Officer

"Aurora Davidson"
Aurora Davidson
Chief Financial Officer

February 20, 2018

February 20, 2018



February 20, 2018

Independent Auditor's Report

To the Shareholders of Amerigo Resources Ltd.

We have audited the accompanying consolidated financial statements of Amerigo Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive income (loss), cash flows and equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Amerigo Resources Ltd. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

	Notes	December 31, 2017 \$	December 31, 2016 \$
Assets			
Current assets			
Cash and cash equivalents	6	27,524	15,921
Trade and other receivables	7	7,710	8,008
Taxes receivable	7	1,627	6,476
Prepaid expenses		1,408	170
Inventories	8	7,792	9,648
		<u>46,061</u>	<u>40,223</u>
Non-current assets			
Property, plant and equipment	10	176,011	174,222
Intangible assets		4,509	4,767
Investments	9	3,014	1,518
Other non-current assets		931	906
Deferred income tax asset	15	23	50
Total assets		<u>230,549</u>	<u>221,686</u>
Liabilities			
Current liabilities			
Current portion of borrowings	12	20,810	10,733
Trade and other payables	11	13,052	15,819
DET royalties	5, 11	11,990	11,273
Current income tax liabilities	15	3,368	76
Current portion of derivative	11, 13	1,151	1,617
Current portion of interest rate swap	12	190	76
		<u>50,561</u>	<u>39,594</u>
Non-current liabilities			
Borrowings	12	42,257	59,114
Deferred income tax liability	15	26,876	25,539
Derivative	11, 13	11,042	7,376
Severance provisions	11	981	811
Other non-current liabilities	11	656	1,243
Interest rate swap	12	-	132
Total liabilities		<u>132,373</u>	<u>133,809</u>
Equity			
Share capital	14	78,954	78,168
Other reserves		7,916	7,447
Accumulated other comprehensive loss		(992)	(2,047)
Retained earnings		12,298	4,309
Total equity		<u>98,176</u>	<u>87,877</u>
Total equity and liabilities		<u>230,549</u>	<u>221,686</u>
Commitments	12, 23		

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

Approved by the Board of Directors

"Robert Gayton"

Director

"George Ireland"

Director

Amerigo Resources Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(expressed in thousands of U.S. dollars)

	Notes	Years ended December 31,	
		2017	2016
		\$	\$
Revenue	17	134,027	91,388
Tolling and production costs	18 (a)	(107,986)	(92,011)
Gross profit (loss)		26,041	(623)
Other expenses			
Derivative to related parties including changes in fair value	18 (b)	(4,782)	(455)
General and administration	18 (c)	(3,523)	(3,113)
Other gains	18 (d)	216	942
		(8,089)	(2,626)
Operating profit (loss)		17,952	(3,249)
Finance expense	18 (e)	(5,112)	(4,955)
		(5,112)	(4,955)
Income (loss) before income tax		12,840	(8,204)
Income tax (expense) recovery	15	(4,851)	673
Net income (loss)		7,989	(7,531)
Other comprehensive income			
Items that may be reclassified subsequently to net income (loss):			
Unrealized gains on investments, net of tax		1,496	526
Cumulative translation adjustment		(407)	(244)
Actuarial losses on severance provision		(34)	(37)
Other comprehensive income		1,055	245
Comprehensive income (loss)		9,044	(7,286)
Weighted average number of shares outstanding, basic		175,593,970	174,506,414
Weighted average number of shares outstanding, diluted		179,283,743	174,506,414
Earnings (loss) per share			
Basic		0.05	(0.04)
Diluted		0.04	(0.04)

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

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Years ended December 31,	
	2017	2016
	\$	\$
Cash flows from operating activities		
Net income (loss)	7,989	(7,531)
Adjustment for items not affecting cash:		
Depreciation and amortization	14,321	13,207
Changes in fair value of derivative	3,788	(517)
Deferred income tax expense	1,368	2,018
Share-based payments	627	158
Impairment charges	534	782
Unrealized foreign exchange gain	(1,549)	(113)
Other	(483)	582
Finance (gain) expense	(208)	969
	<u>26,387</u>	<u>9,555</u>
Changes in non-cash working capital		
Trade, other receivables and taxes receivable	5,161	306
Inventories	1,356	(2,883)
Trade and other payables	(877)	6,002
DET royalties	717	7,068
	<u>6,357</u>	<u>10,493</u>
Payment of long-term employee benefits	-	(642)
Net cash from operating activities	<u>32,744</u>	<u>19,406</u>
Cash flows used in investing activities		
Purchase of plant and equipment	(14,693)	(8,339)
Net cash used in investing activities	<u>(14,693)</u>	<u>(8,339)</u>
Cash flows used in financing activities		
Proceeds from borrowings, net of transaction costs	10,736	14,771
Repayment of borrowings	(18,733)	(19,430)
Issuance of shares	432	-
Net cash used in financing activities	<u>(7,565)</u>	<u>(4,659)</u>
Net increase in cash and cash equivalents	10,486	6,408
Effect of exchange rate changes on cash	1,117	481
Cash and cash equivalents - Beginning of year	15,921	9,032
Cash and cash equivalents - End of year	<u>27,524</u>	<u>15,921</u>
Supplementary cash flow information (Note 22)		

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

Amerigo Resources Ltd.

Consolidated Statements of Equity

(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, 2016	173,610,629	78,057	7,289	(2,292)	11,840	94,894
Share-based payments	-	-	158	-	-	158
Compensation settled with shares	1,071,429	111	-	-	-	111
Cumulative translation adjustment	-	-	-	(244)	-	(244)
Unrealized gains on investments	-	-	-	526	-	526
Actuarial losses on severance provision	-	-	-	(37)	-	(37)
Net loss	-	-	-	-	(7,531)	(7,531)
Balance - December 31, 2016	174,682,058	78,168	7,447	(2,047)	4,309	87,877
Balance - January 1, 2017	174,682,058	78,168	7,447	(2,047)	4,309	87,877
Share-based payments	-	-	627	-	-	627
Expenses settled with shares (Note 12(c))	403,577	196	-	-	-	196
Exercise of share purchase options	1,300,000	590	(158)	-	-	432
Cumulative translation adjustment	-	-	-	(407)	-	(407)
Unrealized gains on investments	-	-	-	1,496	-	1,496
Actuarial losses on severance provision	-	-	-	(34)	-	(34)
Net income	-	-	-	-	7,989	7,989
Balance - December 31, 2017	176,385,635	78,954	7,916	(992)	12,298	98,176

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

1) GENERAL INFORMATION

Amerigo Resources Ltd. (the "Company") is a company domiciled in Canada and its shares are listed for trading on the Toronto Stock Exchange ("TSX") and traded in the United States on the OTCQX. The Company's principal office is located at Suite 1260 – 355 Burrard Street, Vancouver, British Columbia. These consolidated financial statements "(financial statements)" of the Company as at December 31, 2017 include the accounts of the Company and its subsidiaries (collectively the "Group").

The Group is principally engaged in the production of copper concentrates through its operating subsidiary Minera Valle Central S.A. ("MVC"), pursuant to a long-term contractual relationship with the El Teniente Division ("DET") of Corporación Nacional del Cobre de Chile ("Codelco") (Note 5). Since January 1, 2015, copper production from MVC has been conducted under a tolling agreement with DET.

These financial statements were authorized for issue by the board of directors on February 19, 2018 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

These financial statements have been prepared in accordance with IFRS on a historical cost basis, except for financial instruments which have been measured at fair value and are presented in U.S. dollars except when otherwise indicated.

Consolidation

These financial statements incorporate the financial statements of the Company and the entities controlled by the Company (Note 19). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. The Company's principal operating subsidiary is MVC (100% owned, Chile).

Segment Reporting

The Group operates in one segment, the production of copper concentrates under a tolling agreement with DET (Note 5), with the production of molybdenum concentrates as a by-product.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of the parent entity is the Canadian dollar ("Cdn \$"), the functional currency of Colihues Energia S.A. is the Chilean peso and the functional currency of MVC and other subsidiaries (Note 19) is the United States Dollar ("\$").

The Company's financial statements are presented in U. S. dollars, which is the Company's presentation currency. The U.S. dollar is widely used as a presentation currency in the mining industry, allowing for appropriate benchmarking with other companies operating in a variety of jurisdictions. These financial statements have been translated to the U.S. dollar in accordance with International Accounting Standards 21 "The Effects of Changes in Foreign Exchange Rates" which requires that when translating financial statements of companies that have functional currencies other than the presentation currency, assets and liabilities be translated using the exchange rate at period end, income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period) and resulting gains and losses on translation are included as a component of equity.

Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of foreign currency transactions within entities are included in profit or loss.

Property, Plant and Equipment

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads. The costs of day-to-day servicing are recognized in profit or loss as incurred. Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

MVC depreciates its property, plant and equipment using the straight-line method as follows:

- Plant and infrastructure: Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Machinery, equipment and other assets (except vehicles and mobile equipment): Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Vehicles and mobile equipment: 7 years.

The depreciation method, useful life and residual values are assessed annually.

Asset Impairment

The Group's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other long-lived assets in the unit on a pro-rata basis.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach as a fair value when an active market or binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mine plan estimates, and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible Assets

Intangible assets reflect the value assigned to the DET contracts. This contractual right is amortized on a units of production basis over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired. In addition to the amortization of the contractual right, royalties payable to DET under the contracts are recorded based on production under the tolling agreement with DET in the year and included in tolling and production costs.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Financial Assets and other Financial Liabilities

Classification

a) Loans and Receivables

Cash and cash equivalents, trade receivables, loans, and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are provided for in the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

b) Available-for-Sale Financial Assets (“AFS”)

Investments and other assets held by the Group are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income (“OCI”) and are accumulated in the investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date.

c) Other Financial Liabilities

Other financial liabilities are measured at amortized cost unless they are required to be measured at fair value through profit and loss (“FVTPL”), such as instruments held for trading or derivatives, or the Group has opted to measure at FVTPL.

Other financial liabilities at amortized cost include trade and other payables, DET royalties and borrowings. Trade payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. DET royalties are recognized at the amount required under the agreements with DET. Borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

d) Derivatives

The Group’s copper trade receivables contain embedded derivatives given that 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 component of revenue.

The Group uses derivatives in the form of interest rate swaps to manage risks related to variable rate debt. Gains and losses on re-measurement are included in finance income (expense).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The Group has a derivative to related parties (Note 13(a)), classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in other expenses.

Recognition and Measurement

a) Effective Interest Method

The effective interest method calculates the amortized cost of a financial asset (or liability) and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts (payments) over the expected life of the financial asset (liability), or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income (expense) is recognized on an effective interest basis for debt instruments other than those financial assets or liabilities classified as FVTPL investments.

b) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer;
- default or delinquency in interest or principal payments; or
- it has become probable that the issuer will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced using an allowance account. When a trade receivable is considered uncollectible, it is provided for in the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

c) De-Recognition of Financial Assets and Liabilities

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Group transfers the financial asset and substantially all risks and rewards of ownership to another entity. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the holders earn the options.

The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

Inventories

Inventories comprising work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates are valued at the lower of cost and net realizable value. Consumables are valued at the lower of average cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Tolling and production cost is determined primarily on a weighted-average cost basis and includes direct tolling and production costs, direct labour costs and an allocation of variable and fixed tolling and production overhead including depreciation. Net realizable value is the estimated selling price net of any estimated selling costs in the ordinary course of business.

When inventories have been written down to net realizable value, the Group makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

Cash and Cash Equivalents

Cash and cash equivalents are unrestricted as to use and consist of cash on hand, demand deposits and short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition and which can be readily liquidated to known amounts of cash.

Redeemable interest-bearing investments with maturities of up to one year are considered cash equivalents if they can readily be liquidated at any point in time to known amounts of cash, the initial period subject to an interest penalty on redemption is less than 90 days, and they are redeemable thereafter until maturity for invested value plus accrued interest.

Current and Deferred Income Tax

Income tax expense consists of current and deferred tax. Current and deferred tax are recognized in the statement of comprehensive income (loss) except to the extent they relate to items recognized directly in equity or in OCI, in which case the related taxes are recognized in equity or OCI.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry-forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable future taxable profits will be available against which the asset can be utilized. The amount of a deferred tax asset is reduced to the extent that the Company does not consider it probable the deferred tax asset will be recovered.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities that relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

At December 31, 2017, MVC has an obligation with some of its managers for severance payments based on their employee contracts upon the manager leaving the employ of MVC under any circumstance. This obligation has been recorded as a liability at present value in the Company's statement of financial position. The value of the severance provision is evaluated on an annual basis or as additional information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The increase or decrease over time in the present value of the liability is recorded each period in cost of sales, except for actuarial gains (losses), which are recorded as other comprehensive income (loss).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Earnings (Loss) per Share

Basic earnings or (loss) per share is computed by dividing the net income (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed like basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Revenue Recognition

Production of copper concentrates by MVC is being conducted under a tolling agreement with DET for the period from January 1, 2015 to December 31, 2022, under which title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices, net of notional items (DET copper royalties, smelting and refining charges and transportation costs) (Note 5 and Note 17). Tolling revenue is recognized when the tolling process has been completed.

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges, and in 2017 was based on the average London Metal Exchange ("LME") copper price for the third month following the delivery of copper concentrates produced under the tolling agreement ("M+3"). Accordingly, final pricing for copper produced by MVC in 2017 is being determined based on the average LME copper price of the third month following delivery of copper produced under the tolling agreement, which for December 2017 deliveries will be the average LME copper price for March 2018.

Revenue from the sale of molybdenum concentrates is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. Molybdenum produced by MVC is sold under a written sales agreement with Chile's Molibdenos y Metales S.A.

When final tolling fees or prices are determined by quoted market prices in a period subsequent to the date of provision of tolling services or sale, such fees or prices are first determined on a provisional basis at the date of completion of tolling or sale and revenues are recorded based on forward prices. Adjustments are made to the tolling fee or sale price in subsequent periods based on movements in quoted market prices up to date of the final pricing. Under these circumstances, the value of MVC's amounts receivable changes as the underlying commodity market prices vary. This adjustment mechanism has the characteristics of a derivative. Accordingly, the fair values of the receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue. In a period of rising prices, not only will MVC record higher revenue for deliveries in the current period, but it will also record favourable adjustments to revenue for tolling services or copper and molybdenum concentrates delivered in the prior period. Similarly, in a period of declining prices, MVC will record lower revenues for current period deliveries and negative adjustments to revenue for prior period tolling services or deliveries. At December 31, 2017, the provisional copper price used by MVC was \$3.10/lb. A 10% increase or decrease in provisional copper prices would result in price-driven revenue settlement adjustments of \$5.4 million.

Comprehensive Income (Loss)

Comprehensive income (loss) includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of OCI and cumulative translation adjustments are presented in the statement of comprehensive income (loss) and the statement of changes in equity.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

3) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Significant new IFRS pronouncements that have been issued but are not yet effective are listed below. The Company will apply these standards or interpretations in the annual period in which they are first required.

IFRS 9, Financial Instruments - Classification and Measurement (“IFRS 9”): Addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (1) measured at FVTPL; (2) measured at fair value through OCI and (3) measured at amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. However, there is an irrevocable option for each equity instrument to present fair value changes in OCI. Measurement and classification of financial assets is dependent on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of existing requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity’s own credit risk is recorded in OCI rather than profit or loss, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. Additional disclosure requirements about expected credit losses and credit risk are also required.

IFRS 9 provides a new hedge accounting model that aligns hedge accounting with risk management activities undertaken by the Company. Components of both financial and non-financial items will be eligible for hedge accounting, as long as the risk component can be identified and measured. The hedge accounting model includes eligibility criteria that must be met, but these criteria are based on an economic assessment of the strength of the hedging relationship. New disclosure requirements relating to hedge accounting will be required and are meant to simplify existing disclosures. The IASB currently has a separate project on macro hedging activities and until the project is completed, the IASB has provided a policy choice for entities to either apply the hedge accounting model in IFRS 9 or IAS 39 in full. Additionally, there is a hybrid option to use IAS 39 to account for macro hedges only and to use IFRS 9 for all other hedges.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company completed a review of the new standard and did not identify any areas of significant difference. The Company reviewed its portfolio of investments and made an irrevocable election to measure its equity investments at fair value through OCI. No significant changes are expected to be required in the Company’s process for managing and estimating provisions for credit loss on trade receivables. Accordingly, the Company does not expect IFRS 9 to have a material effect on its financial statements or a significant disclosure impact.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”): Deals with revenue recognition and establishes a single five-step framework for the recognition of revenue when control of goods is transferred to, or services are performed, for the customer. The five steps include (1) identification of the contract/contracts with customers; (2) identification of the performance obligations under the contract; (3) determination of the transaction price; (4) allocation of the transaction price and (5) recognition of revenue when the performance obligation is satisfied. The standard also requires enhanced disclosures to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from the Company’s contracts with customers.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The standard is effective for annual periods beginning on or after January 1, 2018. The Company has two existing revenue contracts and has completed an evaluation of these contracts under the IFRS 15 framework. No areas of change have been identified that would require changes in the Company's revenue recognition or measurement. IFRS 15 will require additional financial statement disclosures than currently required. The Company has the necessary systems and processes to facilitate these additional requirements.

IFRS 16, Leases ("IFRS 16"): The IASB issued IFRS 16 in January 2016, which provides that all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. As at December 31, 2017, the Company has developed an understanding of the requirements under IFRS 16 but has not yet conducted a formal analysis of existing lease arrangements, of which the Company has a limited number.

There are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

4) 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 financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results. Judgements, estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful Life of Assets

MVC estimates the economic life of most of property, plant and equipment based on their useful life, not to exceed the term of MVC's contractual relationship with DET (December 31, 2037).

b) Derivative to Related Parties

The Group has an obligation to make payments to certain related parties, based on a fixed payment for each pound of copper equivalent produced from DET tailings by MVC (Note 13(a)). This constitutes a derivative financial instrument measured at fair value. As required under IFRS, the Company reassesses its estimate for the derivative on each reporting date (Note 13(a)).

c) Impairment of Property, Plant and Equipment

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The determination of fair value less cost to sell and value in use requires management to make estimates and assumptions about expected tolling, production and sales volumes, metals prices, mine plan estimates, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances may alter these projections and impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced, with the impact recorded in profit or loss.

As at December 31, 2017, management identified no impairment indicators and consequently, impairment testing was not required.

d) Interest Rate Swaps

MVC has two interest rate swaps (“IRS”) (Note 12(a)) to synthetically fix the interest rate on 75% of the facilities undertaken to finance the Cauquenes expansion. Management makes estimates to determine the fair value of the IRS at inception and at each reporting date.

5) AGREEMENTS WITH CODELCO’S EL TENIENTE DIVISION

In 1991, MVC entered into a contract with DET to process the fresh tailings from El Teniente, the world’s largest underground copper mine, for a term to 2021 (the “Fresh Tailings Contract”). In 2009, MVC and DET entered into an agreement to process the tailings from Colihues, one of DET’s historic tailings deposits (the “Colihues Contract”). In 2014, MVC and DET entered into a contract (the “Master Agreement”) for the purchase by MVC of the rights to process tailings from an additional historic tailings deposit, Cauquenes, for a term to the earlier of its depletion or 2033 and extending the Fresh Tailings Contract from 2021 to 2037 and the Colihues Contract to the earlier of its depletion or 2037.

Until December 31, 2014, royalties were payable to DET in respect of copper concentrates produced by MVC. DET royalties were calculated using the average LME copper price for the month of production of the concentrates and were recorded as components of production costs.

In 2015, MVC and DET entered into a modification to the Master Agreement which changed the legal relationship between the parties for the period from January 1, 2015 to December 31, 2022. During this period, production of copper concentrates by MVC has and will be conducted under a tolling agreement with DET. Title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices, net of notional items (DET copper royalties, smelting and refining charges 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 historic tailings are determined through a sliding scale for copper prices ranging from \$1.95/lb (16%) to \$5.50/lb (39%).

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The Master Agreement contains provisions requiring the parties to meet and review cost and notional royalty/royalty structures in the event monthly average prices fall below certain ranges and projections indicate the permanence of such prices over time. The review of all notional royalty/royalty structures is to be carried out in a manner that gives priority to the viability of the Master Agreement and maintains the equilibrium of the benefits between the parties.

The Master Agreement also contains three early exit options exercisable by DET within 2021 and every three years thereafter only in the event of changes unforeseen as of the date of the Master Agreement. The Company has currently judged the probabilities of DET exercising any of these early exit options as remote.

In 2015, DET provided to MVC a copper price support agreement of up to \$17.0 million (the “DET Price Support Facility”) under which MVC drew down \$1.0 million from the DET Price Support Facility in each month in which the average final settlement copper price to MVC was less than \$2.80/lb, up to the \$17.0 million maximum. The DET Price Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC’s bank financing. The DET Price Support Facility is scheduled to be repaid in the period from January 1, 2017 to December 31, 2019 at a rate of \$1.0 million per month, provided this repayment schedule does not preclude MVC from making the semi-annual principal debt repayments described in Note 12(a). In 2017, MVC repaid \$8.0 million towards the DET Price Support Facility, and MVC currently anticipates the DET Price Support Facility may be fully repaid before its contractual maturity of December 31, 2019. MVC may repay the DET Price Support Facility in advance and without penalty. The balance of the loan at December 31, 2017 was \$9.9 million (2016: \$18.1 million), including \$0.9 million in accrued interest (2016: \$1.1 million) (Note 12), shown as a current liability in the Company’s statement of financial position.

In 2016, MVC and DET reached an agreement to defer DET notional copper royalties during a 4-month period, for a total deferral of \$5.4 million. The deferred royalties and accrued interest at a rate of 0.6% per month were paid by MVC in 2017.

At December 31, 2017, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$12.0 million (2016: \$11.3 million).

6) CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
	\$	\$
Cash at bank and on hand	19,595	8,966
Short-term bank deposits	629	255
	20,224	9,221
Cash held in a debt service reserve account (Note 12(a))	7,300	6,700
	27,524	15,921

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

MVC has 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 and interest pursuant to the loans and interest rate swaps that are payable in the following six months. At December 31, 2017, MVC held DSRA funds in the required amount of \$7.3 million.

Short-term bank deposits are redeemable on demand.

7) RECEIVABLES

a) Trade and other receivables

	December 31, 2017	December 31, 2016
	\$	\$
Current		
Trade and other receivables	7,710	8,008
Non-current		
Other non-current receivables	221	203

The Group has reviewed the collectability of its current and non-current receivables and has determined that a provision for doubtful accounts is not required.

The ageing analysis of current receivables is as follows:

	December 31, 2017	December 31, 2016
	\$	\$
Up to 3 months	6,952	7,934
3 to 6 months	667	71
Greater than 6 months	91	3
	7,710	8,008

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The carrying amounts of the Group's current receivables are denominated in the following currencies:

Currency	December 31, 2017	December 31, 2016
	\$	\$
Chilean Peso	7,708	8,005
Other	2	3
	7,710	8,008

The fair values of the Group's current receivables approximate their carrying value of \$7.7 million (2016: \$8.0 million).

Trade and other receivables included \$3.9 million of receivables for sale of copper concentrates under a tolling agreement with DET that were provisionally priced at December 31, 2017 (2016: \$6.4 million) and \$2.7 million of receivables for sale of molybdenum concentrates that were also provisionally priced (2016: \$1.3 million).

The effective interest rates on current receivables were nil % (2016: nil %).

b) Taxes receivable

The components of the Group's taxes receivable are:

	December 31, 2017	December 31, 2016
	\$	\$
Income tax receivable	1,600	6,289
Other taxes receivable	21	131
Value added tax receivable	6	56
	1,627	6,476

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

8) INVENTORIES

	December 31, 2017	December 31, 2016
	\$	\$
Plant supplies and consumables	4,057	4,907
Work-in-progress	3,701	4,675
Molybdenum concentrates	34	66
	7,792	9,648

At December 31, 2017 and 2016, work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates were valued at cost. During 2016, the Group recorded a charge of \$0.8 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 (2017: \$nil).

In 2017, the Group recorded a charge of \$0.5 million in tolling and production costs as a result of an impairment of specific plant and supplies consumables (2016: \$nil).

9) INVESTMENTS

	December 31, 2017	December 31, 2016
	\$	\$
Start of year	1,518	992
Changes in fair value	1,496	526
End of year	3,014	1,518

Available-for-sale financial assets consist of the following:

	December 31, 2017	December 31, 2016
	\$	\$
Candente Copper Corp.	712	474
Los Andes Copper Ltd.	2,302	1,044
	3,014	1,518

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

- a) At December 31, 2017, Candente Copper Corp. (“Candente Copper”), a company listed on the TSX, had a closing share price of Cdn\$0.14 and the fair value of the Group’s approximately 4% investment in Candente Copper was \$0.7 million. During 2017, the Group recorded OCI of \$0.2 million (2016: \$0.3 million) for the changes in fair value of this investment.
- b) At December 31, 2017, Los Andes Copper Ltd. (“Los Andes”), a company listed on the TSX Venture Exchange, had a closing share price of Cdn\$0.36, and the fair value of the Group’s approximately 3% investment in Los Andes was \$2.3 million. During 2017, the Group recorded OCI of \$1.3 million (2016: \$0.2 million) for the changes in the fair value of this investment.

10) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure \$	Machinery and equipment and other assets \$	Total \$
Year ended December 31, 2016			
Opening net book amount	159,436	22,058	181,494
Exchange differences	-	6	6
Additions	22	5,712	5,734
Disposals		(63)	(63)
Depreciation charge	(7,110)	(5,839)	(12,949)
Closing net book amount	152,348	21,874	174,222
At December 31, 2016			
Cost	246,506	57,418	303,924
Accumulated depreciation	(94,158)	(35,544)	(129,702)
Net book amount	152,348	21,874	174,222
Year ended December 31, 2017			
Opening net book amount	152,348	21,874	174,222
Exchange differences	-	13	13
Additions	15,715	258	15,973
Disposals	-	(134)	(134)
Depreciation charge	(8,275)	(5,788)	(14,063)
Closing net book amount	159,788	16,223	176,011
At December 31, 2017			
Cost	262,882	56,552	319,434
Accumulated depreciation	(103,094)	(40,329)	(143,423)
Net book amount	159,788	16,223	176,011

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

At December 31, 2017, PP&E of \$11.5 million was categorized as construction in progress and not subject to depreciation (2016: \$nil).

Total interest and charges of \$0.2 million was capitalized in 2017 and included in property, plant and equipment at December 31, 2017 (2016: \$nil).

11) TRADE AND OTHER PAYABLES

	December 31, 2017	December 31, 2016
	\$	\$
Current		
Trade and other payables	13,052	15,819
DET royalties (Note 5)	11,990	11,273
Current portion of derivative	1,151	1,617
	<u>26,193</u>	<u>28,709</u>
Non-current		
Severance provisions	981	811
Derivative	11,042	7,376
Other non-current liabilities	656	1,243
	<u>12,679</u>	<u>9,430</u>

The Company has accrued for severance provisions in respect of estimated statutory severance payments to certain MVC managers based on their employment agreements. The estimate of severance provisions is calculated through an actuarial model that considers variables such as retirement age, salary adjustments and discount rates.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

12) BORROWINGS

	December 31, 2017	December 31, 2016
	\$	\$
Cauquenes Phase One Loan (Note 12 (a))	41,527	51,739
Cauquenes Phase Two Loan (Note 12 (a))	11,601	-
	53,128	51,739
DET Price Support Facility (Note 12 (b))	9,939	18,108
	63,067	69,847
Comprise:		
Short-term debt and current portion of long-term debt	20,810	10,733
Long-term debt	42,257	59,114
	63,067	69,847

- a) On March 25, 2015, MVC closed a bank syndicate financing with Banco Bilbao Vizcaya Argentaria (“BBVA”) and Export Development Canada (“EDC”) for a loan facility (the “Cauquenes Phase One Loan”) of \$64.4 million for phase one of the Cauquenes expansion. Terms of the loan include interest synthetically fixed through an IRS, accounted for at FVTPL, at a rate of 5.56% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at December 31, 2017 was 4.95% per annum. Interest is paid semi-annually on June and December 30. MVC incurred due diligence, bank fees and legal costs of \$2.4 million, recognized as transaction costs that are being amortized over the term of the loan using the effective interest rate method. The Cauquenes Phase One Loan has a maximum repayment term of 6 years consisting of 12 equal semi-annual principal payments of \$5.4 million, commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the loan. The balance of the Cauquenes Phase One Loan (net of transaction costs) at December 31, 2017 was \$41.5 million (2016: \$51.7 million). The IRS on the Phase One Loan has a term to December 27, 2018.

On August 3, 2017, MVC closed a second financing tranche with BBVA and EDC for a facility (the “Cauquenes Phase Two Loan”) of up to \$35.3 million for the second phase of the Cauquenes expansion (“Phase Two”). Terms of the loan include interest synthetically fixed through a second IRS, accounted for at FVTPL, 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 6-month rate, which at December 31, 2017 was 4.95% per annum. Interest is paid semi-annually on June and December 30. MVC incurred due diligence, bank fees and legal costs of \$1.3 million, recognized as transaction costs that are being amortized over the term of the loan using the effective interest rate method. The Cauquenes Phase Two Loan has a maximum repayment term of 3 years consisting of 6 equal semi-annual principal payments to commence on June 30, 2019. The repayment term may be shortened without penalty in accordance with the provisions of the loan. The balance of the Cauquenes Phase Two Loan (net of transaction costs) at December 31, 2017 was \$11.6 million (2016: \$nil). On December 31, 2017, the fair value of the second IRS was determined to be \$0.2 million. The IRS on the Phase Two Loan has a term to January 3, 2022.

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Original terms and provisions of the loan required MVC to be in compliance with bank covenants (current ratio, tangible net worth and debt service coverage ratio) measured semi-annually on June 30 and December 31. Certain covenants were amended on closing of the second financing tranche, including modifications to the tangible net worth requirements starting on December 31, 2017 and non-measurement of the current ratio on December 31, 2017; June 30, 2018; December 31, 2018 and June 30, 2019. At December 31, 2017, MVC met the debt service coverage ratio (requirement of 1.2) and the tangible net worth ratio (requirement of \$110.0 million).

MVC has a DSRA (Note 6).

- b) MVC has a Price Support Facility with DET (Note 5).
- c) The Company has a \$13.0 million standby line of credit (the "Line of Credit") from three Company shareholders which is currently available through to the later of December 31, 2018 and the date of commencement of commercial production of Phase Two of the Cauquenes expansion, provided such date occurs no later than March 31, 2019. Amounts drawn from the Line of Credit, if any, will be repaid in the amounts and at such times as permitted under the terms and conditions of the Cauquenes Phase One and Phase Two loans. All obligations arising from the Line of Credit are to be paid in full on or before the date that is the earlier of December 31, 2019 and the 1-year anniversary of the date in which MVC has paid in full all amounts due and owing under the Cauquenes Phase One and Phase Two loans. No security was provided in connection with this facility. At December 31, 2017, no funds had been drawn from the Line of Credit. In 2017, the Company incurred an annual commitment fee of \$0.2 million in respect of the Line of Credit, settled with the issuance of 403,577 Company shares (2016: \$0.1 million, settled with cash).

13) RELATED PARTY TRANSACTIONS

a) Derivative

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

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The derivative expense includes the actual monthly payments described above and changes in the fair value of the derivative. In 2017 and 2016, \$1.0 million were paid or accrued to the Class A shareholders and the fair value of the derivative increased \$3.8 million (2016: decrease in fair value of \$0.5 million), for a total derivative expense of \$4.8 million (2016: \$0.5 million) (Note 17(c)). In 2017, the fair value increase of the derivative was caused by the estimated increase in future production at MVC resulting from the Cauquenes Phase Two expansion currently underway.

At December 31, 2017, the derivative totalled \$12.2 million (2016: \$9.0 million), with a current portion of \$1.2 million (2016: \$1.6 million) and a long-term portion of \$11.0 million (2016: \$7.4 million). Actual monthly payments outstanding at December 31, 2017 were \$0.1 million (2016: \$0.7 million).

b) Purchases of Goods and Services

The Company's related parties consist of companies owned by executive officers, as follows:

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

The Group incurred the following fees in connection with companies owned by executive officers and in respect of salaries paid to officers. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

	2017	2016
	\$	\$
Salaries and management fees	1,415	1,436

c) Key Management Compensation

The remuneration of directors and other members of key management during 2017 and 2016 was as follows:

	2017	2016
	\$	\$
Management and directors' fees	1,653	1,648
Share-based payments	627	158
	2,280	1,806

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

d) The Group has in place a \$13.0 million Line of Credit from three Company shareholders (Note 12(c)).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

14) EQUITY

a) Share Capital

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

b) Share Options

A total of 2,950,000 options were granted in 2017 (2016: 3,350,000 options), with a weighted average fair value estimated at Cdn\$0.28 (2016: Cdn\$0.06) per option at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	2017	2016
	\$	\$
Weighted average share price	0.53	0.14
Weighted average exercise price	0.53	0.14
Dividend yield	0%	0%
Risk free interest rate	1.01%	0.60%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.27	4.27
Expected volatility	66.82%	54.96%

Outstanding share options:

	December 31, 2017		December 31, 2016	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the year	12,600,000	0.44	12,450,000	0.73
Granted	2,950,000	0.53	3,350,000	0.14
Exercised	(1,300,000)	0.42	-	-
Expired	(3,200,000)	0.77	(3,200,000)	1.28
At end of the year	11,050,000	0.37	12,600,000	0.44
Vested and exercisable	11,050,000	0.37	12,600,000	0.44

The weighted average trading price of the Company's stock on the dates in which options were exercised in 2017 was Cdn\$0.71 per share.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Information relating to share options outstanding at December 31, 2017 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)
3,100,000	3,100,000	0.14 - 0.26	0.14	0.14	3.16
1,750,000	1,750,000	0.27 - 0.40	0.37	0.37	2.25
3,250,000	3,250,000	0.41 - 0.48	0.44	0.44	1.36
2,950,000	2,950,000	0.49 - 0.53	0.53	0.53	4.15
11,050,000	11,050,000		0.37	0.37	2.75

Further information about share options is as follows:

	2017	2016
	\$	\$
Total compensation recognized	627	158

c) Earnings (Loss) per Share

i) Basic

Basic earnings (loss) per share is calculated by dividing the income (loss) attributable to equity owners of the Company by the weighted average number of shares in issue during the period excluding shares purchased by the Company and held as treasury shares.

	2017	2016
	\$	\$
Net income (loss) for the year	7,989	(7,531)
Weighted average number of shares	175,593,970	174,506,414
Basic earnings (loss) per share	0.05	(0.04)

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

ii) Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Potentially dilutive shares relate to the exercise of outstanding share purchase options.

	2017	2016
	\$	\$
Net income (loss) for the year	7,989	(7,531)
Weighted average number of ordinary shares	175,593,970	174,506,414
Effect of dilutive securities:		
Share options	3,689,773	-
Weighted average diluted shares outstanding	179,283,743	174,506,414
Diluted earnings (loss) per share	0.04	(0.04)

15) INCOME TAXES

a) The income tax (expense) recovery charged to income (loss) during the year is as follows:

	2017	2016
	\$	\$
Current		
Foreign income and resource tax	(3,483)	2,691
Total current tax (expense) recovery	(3,483)	2,691
Deferred		
Foreign income and resource tax	(1,368)	(2,018)
Total deferred tax (expense)	(1,368)	(2,018)
Income tax (expense) recovery	(4,851)	673

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

- b) The tax (expense) recovery differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2017	2016
	\$	\$
Income (loss) before tax	12,840	(8,204)
Statutory tax rate	26.00%	26.00%
Expected income tax (expense) recovery	(3,338)	2,133
Tax effect of:		
Effect of the change in income tax rate in Chile	102	(1,152)
Change in estimates	-	(34)
Difference in tax rates in foreign jurisdictions	112	(201)
Non-deductible expenses	(1,275)	32
Change in benefits not recognized	(150)	(69)
Withholding tax and other foreign taxes	(98)	(56)
Other	(204)	20
	(4,851)	673

- c) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	December 31, 2017	December 31, 2016
	\$	\$
Deferred tax assets		
- Deferred tax assets to be recovered within 12 months	23	50
- Deferred tax assets to be recovered after more than 12 months	413	416
	436	466
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	(27,289)	(25,955)
Deferred tax liabilities/asset- net	(26,853)	(25,489)

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

- d) The movement in the net deferred income tax position is as follows:

	2017	2016
	\$	\$
At start of the year	(25,489)	(23,474)
Charged to income or loss	(1,368)	(2,018)
Exchange differences	4	3
At end of the year	(26,853)	(25,489)

- e) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment \$	Intangible assets \$	Other \$	Total \$
At December 31, 2015	(22,306)	(1,357)	(124)	(23,787)
Debit to loss	(2,138)	70	(100)	(2,168)
At December 31, 2016	(24,444)	(1,287)	(224)	(25,955)
Debit to earnings	(1,449)	70	45	(1,334)
At December 31, 2017	(25,893)	(1,217)	(179)	(27,289)

Deferred tax assets	Other deferred tax assets \$
At December 31, 2015	313
Credit to loss	157
At December 31, 2016	470
Credit to earnings	(34)
At December 31, 2017	436

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

f) Unrecognized deductible temporary differences

The Group's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

	2017	2016
	\$	\$
Non-capital losses	12,431	11,350
Capital losses	1,121	868
Other temporary deductible differences	7,406	8,182
	20,958	20,400

g) Loss carry-forwards

At December 31, 2017, the Company had \$12.5 million (2016: \$11.4 million) of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2018 and 2037. Net operating loss carry-forwards have not been recognized, as it is not probable that taxable profit will be available against which they can be utilized in the legal entity in which they arose.

At December 31, 2017, the Company had \$1.1 million (2016: \$0.9 million) of Canadian federal net capital losses. These losses could be carried back 3 years and forward indefinitely against future taxable capital gains. Net capital loss carry-forwards have not been recognized, as it is not probable that taxable capital gains will be available against which they can be utilized in the legal entity in which they arose.

h) Non-resident subsidiaries

The Company has non-resident subsidiaries that have undistributed earnings. Taxable temporary differences in relation to these investments for which deferred tax liabilities have not been recognized are \$85.0 million at December 31, 2017 (2016: \$72.0 million), as earnings are not expected to be distributed in the foreseeable future.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

16) SEGMENT INFORMATION

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group has one operating segment, the production of copper concentrates under a tolling agreement with DET (Note 5).

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

	Property, plant and equipment		Other	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Chile	175,834	174,035	5,441	5,673
Canada	177	187	-	-
	176,011	174,222	5,441	5,673

The Group's revenue originates exclusively in Chile.

In 2017, the Group's sales to one customer represented 92% of reported revenue (2016: 97%).

17) REVENUE

	2017	2016
	\$	\$
Gross value of copper produced	179,789	124,429
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(36,388)	(20,646)
Smelting and refining	(21,717)	(19,217)
Transportation	(2,173)	(1,618)
Copper tolling revenue	119,511	82,948
Molybdenum and other revenue	14,516	8,440
	134,027	91,388

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

18) EXPENSES (GAINS) BY NATURE

a) Tolling and production costs consist of the following:

	2017	2016
	\$	\$
Tolling and production costs	(87,307)	(73,856)
Depreciation and amortization	(14,321)	(13,207)
Administration	(5,155)	(4,671)
DET royalties - molybdenum	(1,203)	(277)
	(107,986)	(92,011)

b) Derivative to related parties (Note (13(a)) consists of the following:

	2017	2016
	\$	\$
Fair value adjustments to derivative	(3,788)	517
Royalty payments to related parties	(994)	(972)
	(4,782)	(455)

c) General and administration expenses consist of the following:

	2017	2016
	\$	\$
Salaries, management and professional fees	(2,110)	(2,183)
Office and general expenses	(786)	(772)
Share-based payment compensation	(627)	(158)
	(3,523)	(3,113)

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

d) Other gains consist of the following:

	2017	2016
	\$	\$
Other gains	136	233
Foreign exchange gains	80	709
	216	942

e) Finance expense consists of the following:

	2017	2016
	\$	\$
Finance, commitment and interest charges	(5,673)	(5,459)
Fair value adjustments to interest rate swaps	561	504
	(5,112)	(4,955)

19) DISCLOSURE OF INTEREST IN OTHER ENTITIES

The Company has eight subsidiaries, all of which are wholly-owned with the exception of Amerigo International. Amerigo International is wholly-owned by the Company except for certain outstanding Class A shares, as disclosed in Note 13(a).

	Jurisdiction of incorporation
Amerigo International Holdings Corp.	Canada
Amerigo Investments Ltd.	Barbados
Amerigo Banking Corporation	St. Lucia
Amerigo Resources Ltd. I Chile Limitada	Chile
Amerigo Resources Ltd. II Chile SPA	Chile
Amerigo International Inversiones Limitada (inactive)	Chile
Minera Valle Central S.A.	Chile
Colihues Energia S.A.	Chile

As of December 31, 2017, under the terms of the Cauquenes Phase One and Phase Two loans MVC was restricted from transferring cash of \$25.7 million to the Company or other Group subsidiaries. Other than in respect to this restriction, the Company did not have restrictions on its ability to transfer cash to or from its subsidiaries, or to pay dividends, advance loans or make loan repayment within the Group companies.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

20) FAIR VALUE MEASUREMENT

Certain of the Group'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 the Group's financial assets and liabilities are the following:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Company can access at the measurement date. The Group 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. The Group's copper and molybdenum trade receivables contain embedded derivatives in circumstances when 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 component of revenue.
- Level 3 – Significant unobservable inputs that are not based on observable market data. The Company includes the derivative to related parties in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable prices. 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 related parties (Note 13(a)). The Company has also included the IRS in Level 3 of the fair value hierarchy due to the lack of observable market quotes on this instrument. The fair value of the IRS was determined with the assistance of third parties who performed a discounted cash flow valuation based on a forward interest rate curve.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2017				
Investments	3,014	-	-	3,014
Trade receivables	-	6,581	-	6,581
Interest rate swap	-	-	(190)	(190)
Derivative to related parties	-	-	(11,445)	(11,445)
	3,014	6,581	(11,635)	(2,040)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2016				
Investments	1,518	-	-	1,518
Trade receivables	-	7,681	-	7,681
Interest rate swap	-	-	(208)	(208)
Derivative to related parties	-	-	(8,993)	(8,993)
	1,518	7,681	(9,201)	(2)

The Company's policy is to recognize transfers out of Level 3 as of the date of the event or change in the circumstances that caused the transfer.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and DET royalties approximate their fair value due to their short term maturity.

Amerigo Resources Ltd.
Notes to Consolidated Financial Statements
December 31, 2017

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

The following table reconciles the starting to the ending balances for Level 3 fair value measurements:

	Derivative to related parties
Balance at January 1, 2017	(8,993)
Paid	1,582
Debit to earnings	(4,782)
Balance at December 31, 2017	(12,193)

	Interest rate swap
Balance at January 1, 2017	(208)
Inception	(543)
Paid	221
Credit to earnings	340
Balance at December 31, 2017	(190)

The valuation technique used in the determination of fair values within Level 2 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The Group's copper and molybdenum trade receivables contain embedded derivatives in circumstances when 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 component of revenue. At December 31, 2017, copper and molybdenum receivables were considered embedded derivatives.

Key observable inputs: For copper: average LME spot and 3-month copper prices assessed monthly. For molybdenum: average Platt's molybdenum dealer oxide molybdenum price assessed monthly.

Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value increases as copper and molybdenum prices increase.

The calculation of the fair value of trade and other receivables is performed monthly by MVC's Finance Manager.

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The fair value is calculated by applying the discounted cash flow approach. The valuation model considers the present value of the net cash flows expected to be paid to related parties (Note 13(a)) and in respect of the IRS (Note 12(a)).

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

Key unobservable inputs: For the derivative to related parties: estimated copper equivalent tolling/production to 2037, assumed copper and molybdenum prices and discount rate. For the IRS, the valuation model takes into account a forward interest rate curve.

Inter-relationship between key unobservable inputs and fair value measurement: For the derivative to related parties: the estimated fair value increases the lower the discount rate, the higher the estimated tolling/production and the higher the copper equivalent for molybdenum production calculated from the relationship of molybdenum to copper prices. In the case of the IRS, the contract's fair value fluctuates with changes in market interest rates.

Valuation processes: The Company's finance department is responsible for valuation of fair value measurements included in the financial statements, including Level 3 fair values. In the case of the IRS, the Company relies on the valuation performed by BBVA, the bank with which MVC entered into the swap. The valuation processes and results for recurring measurements are reviewed and approved by the Chief Financial Officer (CFO) at least once every quarter, in line with the Company's quarterly reporting dates. The valuation processes and results for non-recurring measurements are reviewed and approved by the CFO in the quarter in which the measurement occurs. All Level 3 valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

Key unobservable inputs for valuation of the derivative to related parties correspond to:

- Estimated copper equivalent tolling/production as provided by MVC's mining plan. Based on the estimates as at December 31, 2017, a 1% increase (decrease) in estimated copper equivalent tolling/production would have no significant impact in the derivative to related parties.
- Assumed copper and molybdenum prices for the calculation of copper equivalent from molybdenum production, as provided by consensus long-term copper and molybdenum price market data. The copper prices used in the December 31, 2017 were: 2018: \$2.88/lb; 2019: \$2.95/lb; 2020: \$3.12/lb; 2021: \$3.16/lb and 2021 to 2037: \$3.05/lb. Molybdenum prices used were: 2018: \$7.87/lb; 2019: \$8.05/lb; 2020: \$8.23; 2021: \$8.61/lb and 2022 to 2037: \$8.20/lb.
- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 8.08% in 2018 with gradual increases up to 8.72% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately \$0.1 million in the derivative to related parties.

In the case of the IRS, key inputs for valuation correspond to a forward interest rate curve, term of the IRS, loan amortization schedule and MVC's credit spread.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

21) FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Group's activities expose it to a variety of financial risks, which include liquidity risk, foreign exchange risk, interest rate risk, commodity price risk and credit risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group operates in a cyclical industry where levels of cash flow are closely correlated to the market prices for copper. From January to October 2016, the Group's liquidity and financial position were affected by low copper prices. Copper prices strengthened as of November 2016 and through 2017, substantially improving the Group's ability to generate cash flow from operations.

In 2017, the Company generated \$26.4 million of operating cash flow before changes in non-cash working capital, and \$32.7 million in operating cash flow including changes in non-cash working capital.

In 2017, the Group was able to meet its obligations as they became due. The Group expects that it will continue to be able to meet obligations for the next 12 months from operating cash flow. The Group manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections.

The Group's liabilities fall due as indicated in the following tables:

At December 31, 2017	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	13,052	13,052	-	-	-
DET royalties	11,990	11,990	-	-	-
Borrowings	63,067	18,248	12,171	32,648	-
Interest rate swap	190	190	-	-	-
Derivative to related parties	12,193	1,151	1,146	3,221	6,675
Severance provisions	981	-	-	-	981
	101,473	44,631	13,317	35,869	7,656

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

At December 31, 2016	Total	Less than 1 year and 2 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	15,819	15,819	-	-	-
DET royalties	11,273	11,273	-	-	-
Borrowings	69,847	10,348	15,348	44,151	-
Interest rate swap Derivative	208	76	132	-	-
to related parties	8,993	1,617	884	2,225	4,267
Severance provisions	811	-	-	-	811
	106,951	39,133	16,364	46,376	5,078

Foreign Exchange Risk

The Group faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Group's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. The Company has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2017, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately \$nil and \$0.1 million on income and comprehensive loss, respectively.

Interest Rate Risk

At December 31, 2017, the Company's interest rate risk mainly arises from the interest rate impact on borrowings and is mitigated by two IRS (Note 12(a)). As at December 31, 2017, with other variables unchanged, a 1% change in prime rates on borrowings not protected by the IRS would have had an impact of \$0.1 million on income and no effect on OCI.

Commodity Price Risk

MVC faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of performance of tolling services or delivery of concentrates to the time of final price settlement. This risk is affected by the quotational periods in place. In 2017, the quotational periods for copper tolling services and molybdenum sales were "M+3".

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

The following represents the effect of financial instruments on after-tax net income from a 10% increase to commodity prices:

	Price		Increase (decrease) on after-tax net earnings	
	2017 \$/lb	2016 \$/lb	2017 \$	2016 \$
Copper	3.1	2.6	5,042	3,452
Molybdenum	9.4	6.6	401	215

Credit Risk

Financial instruments that potentially subject the Group to credit risk consist of cash and cash equivalents and trade receivable. The Group has an investment policy which requires that cash and cash equivalents can only be deposited in investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions in Canada and Chile and are redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. In 2017, MVC processed copper concentrates under a tolling agreement with DET and does not consider it has any significant credit risk exposure on its accounts receivable.

Capital Risk Management

The Company considers that its capital consists of the items included in shareholders' equity, borrowings when applicable, net of cash and cash equivalents, and investments. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis as well as conclude the Company's Cauquenes expansion project.

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Group has the appropriate liquidity to meet its operating and expansion objectives. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2017

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

22) SUPPLEMENTARY CASH FLOW INFORMATION

	2017	2016
	\$	\$
(a) Interest and taxes paid		
Interest paid	4,677	3,641
Income taxes paid	1,435	1,076
(b) Other		
Increase (decrease) in accounts payable related to the acquisition of plant and equipment	968	(3,380)
Cash paid during the year in connection with the derivative to related parties	1,582	351

23) COMMITMENTS

- a) MVC has a long-term power supply agreement to supply 100% of MVC's power requirements for the period from January 1, 2018 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) At December 31, 2017, MVC had commitments of \$13.0 million in respect of purchase orders for the Cauquenes Phase Two expansion and had entered into a letter of intent for the construction and financing of the \$7.9 million molybdenum plant expansion.
- c) The Company entered into an agreement for the lease of office premises in Vancouver for a 5-year period which commenced on December 1, 2016. The Company's remaining rent commitments during the term of the lease are expected to be approximately \$0.5 million.
- d) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess the revision of the closure plan for Cauquenes and compare it to the current plan in the possession of DET. In the case of any variation in the interests of DET due to MVC's activities extracting and processing tailings contained in Cauquenes, 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 the Company's view there is no obligation to record a provision because the amount, if any, is not possible to determine.