Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Three months ended March 31, 2016 and 2015
Unaudited – Prepared by Management

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	March 31, 2016 $	December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents		11,757	9,032
Trade and other receivables		9,266	911
Taxes receivable		11,419	13,846
Prepaid expenses		63	464
Inventories	4	7,164	7,502
		39,669	31,755
Non-current assets			
Investments		1,330	992
Property, plant and equipment	3, 5	179,122	181,494
Intangible assets		4,962	5,025
Deferred income tax asset		50	49
Other non-current assets		905	895
Total assets		226,038	220,210
Liabilities			
Current liabilities			
Trade and other payables		14,337	14,543
DET royalties	2	7,266	4,205
Current portion of borrowings	6	16,674	17,964
Current portion of interest rate swap	6	76	76
Current income tax liabilities		123	87
Royalty derivative to related parties	3, 7	1,070	879
		39,546	37,754
Non-current liabilities			
Severance provisions		757	662
Borrowings	6	61,653	54,681
Interest rate swap	6	839	635
Royalty derivative to related parties	3, 7	8,658	8,011
Deferred income tax liability		23,982	23,523
Other non-current liabilities		7	50
Total liabilities		135,442	125,316
Equity	8		
Share Capital		78,168	78,057
Other reserves		7,349	7,289
Retained earnings		7,483	11,840
Accumulated other comprehensive loss		(2,404)	(2,292)
Total equity		90,596	94,894
Total equity and liabilities		226,038	220,210
Commitments	14		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2016	2015
		$	$
Revenue	10	19,255	17,656
Tolling and production costs	11 (a)	(21,657)	(18,970)
Gross loss		(2,402)	(1,314)
Other expenses			
General and administration	11 (b)	(854)	(928)
Other gains (expenses)	11 (c)	601	(465)
Royalty derivative to related parties including changes in fair value	11 (d)	(917)	(1,224)
		(1,170)	(2,617)
Operating loss		(3,572)	(3,931)
Finance expense	11 (e)	(1,488)	(430)
		(1,488)	(430)
Loss before tax		(5,060)	(4,361)
Income tax recovery		703	298
Net loss		(4,357)	(4,063)
Other comprehensive (loss) income, net of tax			
Items that may be reclassified subsequently to net loss			
Cumulative translation adjustment		(421)	466
Unrealized gains (losses) on investments		338	(377)
Severance provision		(29)	(13)
Other comprehensive (loss) income, net of tax		(112)	76
Comprehensive loss		(4,469)	(3,987)
Weighted average number of shares outstanding, basic		173,975,621	173,610,629
Weighted average number of shares outstanding, diluted		173,975,621	173,610,629
Loss per share			
Basic		(0.03)	(0.02)
Diluted		(0.03)	(0.02)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended March 31,	
	2016	**2015**
	$	**$**
Cash flows from operating activities		
Net loss	(4,357)	(4,063)
Adjustment for items not affecting cash:		
Depreciation and amortization	3,292	1,681
Impairment charges	518	849
Deferred income tax expense	460	644
Unrealized foreign exchange expense	(442)	924
Changes in fair value of royalties to related parties	691	1,096
Finance expense	1,060	-
Share-based payments	60	53
Other	161	2
	1,443	1,186
Changes in non-cash working capital		
Trade, other receivables and taxes receivable	(5,729)	(3,415)
Inventories	(137)	(809)
Trade and other payables	3,517	(1,469)
DET royalties	3,061	(12,610)
	712	(18,303)
Payment of long-term employee benefits	(642)	-
Net cash from operating activities	1,513	(17,117)
Cash flows from investing activities		
Purchase of plant and equipment	(3,714)	(8,713)
Net cash from investing activities	(3,714)	(8,713)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	7,770	22,113
Repayment of borrowings	(3,390)	-
Net cash from financing activities	4,380	22,113
Net increase (decrease) in cash and cash equivalents	2,179	(3,717)
Effect of exchange rate changes on cash	546	(414)
Cash and cash equivalents – Beginning of period	9,032	18,308
Cash and cash equivalents - End of period	11,757	14,177

Supplementary cash flow information (Note 12)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity - Unaudited

(expressed in thousands of U.S. dollars)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive income	Retained earnings	Total equity
		$	$	$	$	$
Balance - January 1, 2015	173,610,629	78,057	7,088	(2,425)	28,773	111,493
Share-based payments	-	-	53	-	-	53
Cumulative translation adjustment	-	-	-	466	-	466
Unrealized losses on investments	-	-	-	(377)	-	(377)
Severance provision	-	-	-	(13)	-	(13)
Net loss	-	-	-	-	(4,063)	(4,063)
Balance - March 31, 2015	173,610,629	78,057	7,141	(2,349)	24,710	107,559
Share-based payments	-	-	148	-	-	148
Cumulative translation adjustment	-	-	-	430	-	430
Unrealized losses on investments	-	-	-	(332)	-	(332)
Severance provision	-	-	-	(41)	-	(41)
Net loss	-	-	-	-	(12,870)	(12,870)
Balance - December 31, 2015	173,610,629	78,057	7,289	(2,292)	11,840	94,894
Balance - January 1, 2016	173,610,629	78,057	7,289	(2,292)	11,840	94,894
Share-based payments	-	-	60	-	-	60
Compensation settled with shares	1,071,429	111	-	-	-	111
Cumulative translation adjustment	-	-	-	(421)	-	(421)
Unrealized gains on investments	-	-	-	338	-	338
Severance provision	-	-	-	(29)	-	(29)
Net loss	-	-	-	-	(4,357)	(4,357)
Balance - March 31, 2016	174,682,058	78,168	7,349	(2,404)	7,483	90,596

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

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

1) REPORTING ENTITY AND BASIS OF PRESENTATION

a) Reporting entity

Amerigo Resources Ltd. (“Amerigo” or the "Company”) is a company domiciled in Canada. Its shares are listed for trading on the Toronto Stock Exchange (“TSX”) and the OTCQX stock exchange in the United States. These condensed consolidated financial statements (“interim financial statements”) of the Company as at and for the three months ended March 31, 2016 (“Q1-2016”) 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 2). As of January 1, 2015, copper production from MVC is conducted under a tolling agreement with DET.

b) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2015.

These interim financial statements were authorised for issue by the board of directors of the Company on May 2, 2016.

c) Significant accounting policies

These interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the Company’s most recent annual financial statements.

d) New IFRS pronouncements

There were no new or revised IASB standards and interpretations adopted by the Company on January 1, 2016.

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

2) 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 that through several contract modifications was extended to 2021 (collectively, the "Fresh Tailings Contract"). In 2009, MVC and DET entered into an agreement to process the tailings from Colihues, one of El Teniente's historic tailings deposits (the "Colihues Contract"). On April 8, 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 London Metal Exchange ("LME") copper price for the month of production of the concentrates. Adjustments to the DET royalties were recorded on a monthly basis for changes in the amount of copper concentrates during the settlement period. DET royalties were recorded as components of production costs.

On February 3, 2015, MVC and DET entered into a second 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 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 gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET royalties and transportation costs) (Note 10). The notional DET royalties precisely mimic the former royalty arrangements between MVC and DET.

Notional royalties for copper concentrates produced from fresh tailings are determined through a sliding scale formula tied to copper prices. Until August 1, 2015, no notional royalties applied at copper prices below $0.80/lb and notional royalties increased to a maximum of 13.5% at copper prices of $1.30/lb or higher. As of August 1, 2015, the sliding scale changed to a range of copper prices from $1.95/lb (13.5%) to $4.80/lb (28.4%), and exchange rate provisions that increased notional royalties were eliminated.

Notional royalties for copper concentrates produced from Colihues historic tailings are determined through a sliding scale for copper prices ranging from $0.80/lb (3%) to $4.27lb (approximately 30%). The parties are required to review costs and potentially adjust notional royalty structures for copper production from Colihues tailings if the copper price remains below $1.95/lb or over $4.27/lb for three consecutive months.

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%);

Until August 1, 2015, MVC paid a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates produced from fresh tailings and 11.9% on net molybdenum revenue from Colihues tailings. As of August 1, 2015, these terms were amended to a sliding scale global molybdenum royalty for molybdenum prices between $7.31/lb (9%) and $40/lb (19.7%).

(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.

On August 29, 2014, DET and MVC entered into a first modification to the Master Agreement, which provided for deferral of payment of up to $9.1 million in DET royalties in 2014 in order for MVC to expedite certain works associated with the Cauquenes expansion. The deferred amounts were paid in full in the quarter ended March 31, 2015 ("Q1-2015).

On February 3, 2015, MVC and DET entered into a second modification to the Master Agreement under which MVC's production of copper concentrates is being conducted under a tolling agreement with DET -as described in preceding paragraphs- and DET provided a copper price support agreement to assist MVC with the Cauquenes expansion in an amount of up to $17.0 million (the "DET Expansion Support Facility"). MVC will draw down $1.0 million from the DET Expansion Support Facility for each month during the years 2015 and 2016 in which the average final settlement copper price to MVC is less than $2.80/lb, up to the $17.0 million maximum. The DET Expansion Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC's bank financing. As at March 31, 2016, MVC had drawn down $10.0 million from the DET Expansion Support Facility (December 31, 2015: $7.0 million) (Note 6(c)). The DET Expansion Support Facility will be repaid starting in January 2017 and up to December 31, 2019 at a rate of $1.0 million per month, provided this repayment rate does not preclude MVC from making the semi-annual principal debt repayments described in Note 6(a). MVC does not currently anticipate making principal repayments to the DET Expansion Support Facility within the twelve months following March 31, 2016. MVC may repay the DET Expansion Support Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments.

In Q1-2016, MVC and DET reached an agreement to defer DET notional royalty adjustments to gross revenue during a four-month period, from March to June 2016. At March 31, 2016, $1.3 million of adjustments had been deferred.

At March 31, 2016, the accrual for DET notional royalties was $7.3 million (December 31, 2015: $4.2 million), representing four months of notional royalties (2015: three months of notional royalties).

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

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2015, except as addressed below.

a) 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 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.

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 prior impairments to carrying value may be reduced, with the impact recorded in the statement of income.

As at March 31, 2016, management of the Company determined that low market price of copper and the continued depressed market price for the Company's shares, resulting in market capitalization for the Company below its net asset value, constituted an impairment indicator, and completed an impairment assessment for MVC that included a determination of fair value less costs to sell.

Key assumptions incorporated in the impairment model included the following:

- Copper prices ($/lb): 2016: $2.16; 2017: $2.30; 2018: $2.53; 2019: $2.68; 2020: $2.84; 2021 to 2037: $3.00.
- Power costs (excluding benefit from self-generation): From 2016 to 2027 costs are per contractual estimates (2016: $0.09774/kWh, 2017: $0.09773/kWh, 2018 to 2037: $0.11317/kWh).
- Operating costs based on historical costs incurred and estimated forecasts
- Tolling/production volume and recoveries as indicated in MVC's mining plan from 2016 to 2037, including processing of fresh tailings and historic tailings from the Colihues and Cauquenes deposits
- Discount rate: 7% after tax

Based on the assumptions described above, management's impairment evaluation did not result in the identification of an impairment loss as of March 31, 2016. Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgements. The Group's impairment model is very sensitive to changes in estimated metal prices and operating costs, particularly estimated power costs beyond MVC's current power

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

contracts and operating results from the Cauquenes deposit that may differ from current projections. Changes in these variables might trigger an impairment that could be material.

An impairment charge of $1.4 million was recognised in 2015 following a technical review of the Colihues equipment that was not expected to be used in future operations, as the recoverable amount of the equipment was less than its carrying amount.

b) Start date of Cauquenes operations

MVC commenced processing tailings from the Cauquenes deposit during September 2015 from one of the two sumps built as part of the Cauquenes phase one expansion. Construction, commissioning and testing continued to December 2015. When a project nears the end of construction, management has to exercise judgment to determine the date in which the asset was in the location and condition necessary to operate as intended by management. The identification of this date is important since it establishes the point in time at which costs cease to be capitalized unless they provide an enhancement to the economic benefits of the asset, borrowing costs cease to be capitalized, processing costs begin to stabilize, the capitalization of pre-start-up revenue ceases and depreciation of the asset commences. Management determined the appropriate start date of the Cauquenes operations to be January 1, 2016.

4) INVENTORIES

	March 31, 2016 $	December 31, 2015 $
Plant supplies and consumables	4,360	4,745
Work in progress	2,804	2,757
	7,164	7,502

At March 31, 2016, work in progress inventories were valued at cost. During Q1-2016, the Group recorded a charge of $0.5 million in tolling costs as a result of net realizable value (“NRV”) adjustments in the months in which NRV was lower than cost.

At December 31, 2015, work in progress inventories were valued at NRV and during the year ended December 31, 2015, the Group recorded a charge of $1.0 million in tolling and production costs as a result of NRV adjustments in the months in which NRV was lower than cost, and a charge of $0.2 million to tolling and production costs from writing-down the molybdenum in-circuit inventory determined not to be saleable, following MVC’s decision to suspend production of molybdenum concentrates in response to low market prices. The Group also recorded a charge of $0.1 million in tolling and production costs as a result of an impairment of specific plant and supplies consumables.

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

5) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure $	Machinery and Equipment and other assets $	Total $
Year ended December 31, 2015			
Opening net book amount	111,885	21,474	133,359
Exchange differences	-	(30)	(30)
Additions	52,257	3,829	56,086
Disposals		(23)	(23)
Impairment (Note 3(c))	-	(1,396)	(1,396)
Depreciation charge	(4,706)	(1,796)	(6,502)
Closing net book amount	159,436	22,058	181,494
At December 31, 2015			
Cost	246,484	51,763	298,247
Accumulated depreciation	(87,048)	(29,705)	(116,753)
Net book amount	159,436	22,058	181,494
Three months ended March 31, 2016			
Opening net book amount	159,436	22,058	181,494
Exchange differences	-	10	10
Additions	40	870	910
Disposals	-	(63)	(63)
Depreciation charge	(1,792)	(1,437)	(3,229)
Closing net book amount	157,684	21,438	179,122
At March 31, 2016			
Cost	246,795	52,432	299,227
Accumulated depreciation	(89,111)	(30,994)	(120,105)
Net book amount	157,684	21,438	179,122

At December 31, 2015, PPE of $84.7 million was categorized as construction in progress (“CIP”) and not subject to depreciation. The CIP was put in use as of January 1, 2016.

Total interest and charges of $2.8 million was capitalised in the year ended December 31, 2015 (Q1-2016: $nil) and included in PPE at December 31, 2015.

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

6) BORROWINGS

	March 31, 2016 $	December 31, 2015 $
Cauquenes Expansion Loan (Note 7(a))	62,782	57,471
Cauquenes Expansion VAT Facility (Note 7(b))	5,240	8,026
DET Expansion Support Facility (Note 7(c))	10,305	7,148
	78,327	72,645
Comprised of:		
Short-term debt and current portion of long-term debt	16,674	17,964
Long-term debt	61,653	54,681
	78,327	72,645

a) On March 25, 2015, MVC closed a bank syndicate financing with Mandated Lead Arrangers Banco Bilbao Vizcaya Argentaria (“BBVA”) and Export Development Canada (“EDC”) for a loan facility (the “Cauquenes Expansion Loan”) of $64.4 million for the expansion of MVC’s operations for the processing of tailings from the Cauquenes deposit. Terms of the loan include interest at a fixed rate of 5.81% per annum (to be reduced to 5.56% per annum once MVC meets the completion criteria set in the Cauquenes Expansion Loan) for 75% of the facility, both fixed through the use of an interest rate swap. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6 month rate, which at March 31, 2016 was 4.35% per annum (and would be 4.10% per annum during operation).

Interest is paid semi-annually starting on June 30, 2015. The Cauquenes Expansion Loan has a maximum repayment term of 6 years consisting of 12 equal semi-annual principal payments commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the Cauquenes Expansion Loan.

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 balance of the loan (net of transaction costs) at March 31, 2016 was $62.8 million (December 31, 2015: $57.5 million).

MVC has provided security for the Cauquenes Expansion Loan in the form of a charge on all of MVC’s assets, and MVC is subject to bank covenants (current ratio, tangible net worth and debt service coverage ratio) measured semi-annually starting on December 31, 2015.

At December 31, 2015, MVC was in compliance with the tangible net worth ratio ($90.0 million), and received waivers from BBVA and EDC in respect of non-compliance with the current ratio (requirement of 1.0) and debt service coverage ratio (requirement of 1.2).

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

MVC had a requirement to fund a debt service reserve account (“DSRA”) for an estimated amount of $7.0 million from the proceeds of the final disbursement from the Cauquenes Expansion Loan. BBVA and EDC waived the final disbursement funding requirement and deferred funding of the DSRA to the second half of 2016.

Concurrently with the Cauquenes Expansion Loan, MVC entered into an interest rate swap (“IRS”) with BBVA to fix 75% of the interest payable on that facility. On March 31, 2016, the fair value of the IRS was determined to be $0.9 million and mark-to-market adjustments of $0.2 million were recognized in loss in Q1-2016, as a component of finance expense. The interest rate swap has a term to December 27, 2018.

b) Also on March 25, 2015, MVC entered into a CLP 5,700.0 million (approximately $9.0 million at the loan grant date) facility with BBVA to finance the value added tax incurred by MVC in connection with the Cauquenes expansion (the “VAT Facility”). The VAT Facility is due on or before June 30, 2016 and is subject to interest at a variable rate of the Chilean Association of Banks and Financial Institutions Tasa Bancaria plus 1.75%, which at March 31, 2016 was 6.22% per annum. Principal of $3.4 million received through a VAT cash refund and interest of $0.1 million were paid in connection with this facility in Q1-2016. The balance of the loan at March 31, 2016 was $5.2 million (December 31, 2015: $8.0 million).

c) The Group has $30.0 million in additional credit facilities for the expansion, including the $17.0 million DET Expansion Support Facility (Note 2), and a $13.0 million standby line of credit from three Amerigo shareholders. The shareholders line of credit had an original availability date to March 25, 2016 and was extended to March 25, 2017. No security was provided in connection with these facilities. At March 31, 2016, $10.0 million had been drawn from the DET Expansion Support Facility (December 31, 2015: $$7.0 million) and no funds had been drawn from the shareholders line of credit. The Group incurred an annual commitment fee of $0.1 million in respect of the standby line of credit in 2016 and 2015.

7) RELATED PARTY TRANSACTIONS

a) Royalty Derivative to Related Parties

Amerigo holds its interest in MVC through Amerigo International Holdings Corp. ("Amerigo International").

Amerigo International is wholly-owned by the Company except for certain outstanding Class A shares which are owned indirectly by the Company’s Chairman, an associate of the Chairman and a former director of the Company. The Class A shares were issued as part of a tax-efficient structure for the payment of the royalty (the "Royalty") granted in exchange for the transfer to the Company of an option to purchase MVC.

In accordance with the articles of Amerigo International, the holders of the Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend, if declared by the directors of Amerigo International, in an amount equal to the amount of the Royalty.

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

The Royalty is calculated as follows:

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

In Q1-2016, the Group and the Class A shareholders entered into an agreement to defer payment of the Royalty derived from Cauquenes production (the “Cauquenes Royalty) with effect from January 15, 2016 to February 27, 2017 (the “Deferral Termination Date”). The Cauquenes Royalty that is deferred and which remains unpaid at the Deferral Termination Date will be increased by the amount of $0.005 per pound. At March 31, 2016, $0.1 million of Cauquenes Royalty was deferred pursuant to this agreement.

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at March 31, 2016 was $9.7 million (December 31, 2015: $8.9 million), with a current portion of $1.1 million (December 31, 2015: $0.9 million) and a long-term portion of $8.6 million (December 31, 2015: $8.0 million).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During Q1-2016, royalties totalling $0.2 million were paid or accrued to the Class A shareholders (Q1-2015: $0.1 million). At March 31, 2016, $0.2 million of this amount remained payable (December 31, 2015: $0.1 million).

The royalty derivative to related parties includes the royalty dividends described above and changes in fair value of the derivative. The fair value of the derivative increased by $0.7 million in Q1-2016 (Q1-2015: $1.1 million), for a total royalty derivative expense of $0.9 million (Q1-2015: $1.2 million).

b) Purchases of Goods and Services

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

Nature of Transactions	
Zeitler Holdings Corp.	Management
Delphis Financial Strategies Inc.	Management
Michael J. Kuta Law Corporation	Management

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

	Q1-2016	**Q1-2015**
	$	**$**
Salaries and management fees	279	329

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

c) Key Management Compensation

The remuneration of directors and other members of key management during the three months ended March 31, 2016 and 2015 was as follows:

	Q1-2016 $	Q1-2015 $
Management and directors' fees	335	411
Share-based payments	58	52
	393	463

Share-based payments are the fair value of options vested to directors and key management personnel.

d) The Group has a $13.0 million standby line of credit from three Amerigo shareholders (Note 6(c)).

8) EQUITY

a) Share Capital

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

b) Share Options

A total of 3,350,000 options were granted in Q1-2016 (year ended December 31, 2015: 1,850,000 options), with a weighted average fair value estimated at Cdn$0.06 (2015: Cdn$0.14) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2016 $	2015 $
Weighted average share price	0.14	0.37
Weighted average exercise price	0.14	0.37
Dividend yield	0%	0%
Risk free interest rate	0.60%	0.65%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.27	4.12
Expected volatility	54.96%	46.87%

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

Outstanding share options:

	March 31, 2016		December 31, 2015	
	Share options	Weighted average exercise price Cdn$	Share options	Weighted average exercise price Cdn$
At start of the period	12,450,000	0.73	13,765,000	0.78
Expired	(2,600,000)	1.32	(3,165,000)	0.70
Granted	3,350,000	0.14	1,850,000	0.37
At end of the period	13,200,000	0.47	12,450,000	0.73
Vested and exercisable	10,687,500	0.55	12,450,000	0.73

Information relating to share options outstanding at March 31, 2016 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)
3,350,000	837,500	0.14 - 0.26	0.14	0.14	4.92
1,850,000	1,850,000	0.27 - 0.40	0.37	0.37	4.00
4,200,000	4,200,000	0.41 - 0.65	0.45	0.45	2.79
3,800,000	3,800,000	0.66 - 1.12	0.83	0.83	0.80
13,200,000	10,687,500		0.47	0.55	2.93

Further information about share options is as follows:

	Q1-2016 $	Q1-2015 $
Total compensation recognized	60	53

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

9) 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 2).

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

	Property, plant and equipment		Other	
	March 31, 2016	**December 31, 2015**	**March 31, 2016**	**December 31, 2015**
Chile	178,977	181,353	5,867	5,920
Canada	145	141	-	-
	179,122	181,494	5,867	5,920

All of the Group’s revenue originates in Chile. In Q1-2016, the Group’s sales to one customer represented 100% of reported revenue (2015: 99%).

10) REVENUE

Revenue consists of the following:

	Q1-2016	**Q1-2015**
	$	**$**
Gross tolling revenue (Note 2)	26,997	23,279
Notional items deducted from gross tolling revenue:		
Smelting and refining	(4,509)	(3,535)
DET royalties	(4,435)	(4,202)
Transportation	(364)	(290)
	17,689	15,252
Molybdenum and other revenue	1,566	2,404
	19,255	17,656

At March 31, 2016, a 10% increase or decrease in provisional copper prices would result in price-driven revenue settlement adjustments of $2.9 million.

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

11) Expenses By Nature

a) Tolling and production costs consists of the following:

	Q1-2016 $	Q1-2015 $
Tolling/production costs	(17,229)	(16,226)
Depreciation and amortization	(3,292)	(1,681)
Administration	(1,136)	(1,063)
	(21,657)	(18,970)

b) General and administration expenses consist of the following:

	Q1-2016 $	Q1-2015 $
Office and general expenses	(281)	(308)
Salaries, management and professional fees	(513)	(567)
Share-based payment compensation	(60)	(53)
	(854)	(928)

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

	Q1-2016 $	Q1-2015 $
Foreign exchange gain (expense)	571	(489)
Impairment charge	-	(42)
Other gains	30	66
	601	(465)

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

d) Royalty derivative to related parties expense consists of the following:

	Q1-2016 $	Q1-2015 $
Royalties to related parties	(225)	(128)
Fair value adjustments to royalty derivative	(692)	(1,096)
	(917)	(1,224)

e) Finance expense consists of the following:

	Q1-2016 $	Q1-2015 $
Finance, commitment and interest charges	(1,284)	(430)
Interest rate swap	(204)	-
	(1,488)	(430)

12) SUPPLEMENTARY CASH FLOW INFORMATION

	Q1-2016 $	Q1-2015 $
(a) Interest and taxes paid		
Interest paid	120	3
Income taxes paid	197	513
(b) Other		
(Decrease) increase in accounts payable related to the acquisition of PPE	(2,841)	2,117
Cash paid during the period for royalty dividends to related parties	78	147

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

13) 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 are 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 royalty derivative to related parties in Level 3 of the fair value hierarchy because it is not tradable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis based on management's best estimates, which are unobservable inputs. Fair value is calculated by applying the discounted cash flow approach on a valuation model that considers the present value of the net cash flows expected to be paid as royalties to related parties (Note 7(a)). The Company has also included the interest rate swap in Level 3 of the fair value hierarchy due to the lack of observable market quotes on this instrument. The fair value of the interest rate swap was determined with the assistance of third parties who performed a discounted cash flow valuation based on a forward interest rate curve.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
March 31, 2016				
Investments	1,330	-	-	1,330
Trade and other receivables	-	9,266	-	9,266
Interest rate swap	-	-	(915)	(915)
Royalty derivative to related parties	-	-	(9,728)	(9,728)
	1,330	9,266	(10,643)	(47)

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

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2015				
Investments	992	-	-	992
Trade and other receivables	-	911	-	911
Interest rate swap	-	-	(711)	(711)
Royalty derivative to related parties	-	-	(8,890)	(8,890)
	992	911	(9,601)	(7,698)

14) COMMITMENTS

a) MVC entered into an agreement with its current power provider with a term from January 1, 2010 to December 31, 2017 which establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately $0.4 million per month.

b) MVC entered into an agreement with its current power provider to supply MVC's annual power requirements during the period from January 1, 2018 to December 31, 2027. The agreement establishes minimum charges based on peak hour power supply calculations, currently estimated to be approximately $1.3 million per month.

c) In 2011 Amerigo and an unrelated corporation entered into a joint agreement for the lease of office premises in Vancouver. The Company's share of basic rent commitments for the remaining term of the lease to July 31, 2016 is approximately $0.1 million.

d) Amerigo entered into an agreement for the lease of office premises in Vancouver for a five year period commencing December 1, 2016. Amerigo's rent commitments during the term of the lease are expected to be approximately $0.5 million.

e) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess, under the new tolling/production scenario, the revision of the closure plan for the Cauquenes Deposit 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 such time as 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.