Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Three and nine months ended September 30, 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	September 30, 2016 $	December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents	11 (a)	21,056	9,032
Trade and other receivables		3,699	911
Taxes receivable		6,362	13,846
Prepaid expenses		150	464
Inventories	4	7,107	7,502
		38,374	31,755
Non-current assets			
Investments		1,699	992
Property, plant and equipment	3, 5	176,389	181,494
Intangible assets		4,837	5,025
Deferred income tax asset		48	49
Other non-current assets		910	895
Total assets		222,257	220,210
Liabilities			
Current liabilities			
Trade and other payables		15,510	14,543
DET royalties	2	10,905	4,205
Current portion of borrowings	6	11,423	17,964
Current portion of interest rate swap	6	76	76
Current income tax liabilities		150	87
Royalty derivative to related parties	7	1,449	879
		39,513	37,754
Non-current liabilities			
Severance provisions		813	662
Borrowings	6	63,035	54,681
Interest rate swap	6	479	635
Royalty derivative to related parties	7	7,404	8,011
Deferred income tax liability		25,351	23,523
Other non-current liabilities		733	50
Total liabilities		137,328	125,316
Equity	8		
Share Capital		78,168	78,057
Other reserves		7,435	7,289
Accumulated other comprehensive loss		(1,999)	(2,292)
Retained earnings		1,325	11,840
Total equity		84,929	94,894
Total equity and liabilities		222,257	220,210
Commitments	13		
Subsequent Events	14		

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

Approved by the Board of Directors

"Robert Gayton"	"George Ireland"
Director	Director

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
		$	$	$	$
Revenue					
Gross tolling revenue		32,500	14,897	87,858	62,833
Notional items deducted from gross tolling revenue					
Smelting and refining		(5,246)	(3,040)	(14,539)	(10,425)
DET royalties - copper		(5,495)	(2,492)	(14,915)	(11,346)
Transportation		(460)	(237)	(1,225)	(856)
		21,299	9,128	57,179	40,206
Molybdenum and other revenue		2,084	1,642	4,735	4,608
		23,383	10,770	61,914	44,814
Tolling and production costs					
Tolling and production costs		(19,845)	(12,507)	(55,092)	(44,110)
DET royalties - molybdenum		(84)	-	(84)	-
Depreciation and amortization		(3,295)	(1,681)	(9,888)	(5,040)
Administration		(1,076)	(1,102)	(3,331)	(3,246)
		(24,300)	(15,290)	(68,395)	(52,396)
Gross loss		(917)	(4,520)	(6,481)	(7,582)
Other expenses					
General and administration	10 (a)	(652)	(666)	(2,076)	(2,284)
Other (expenses) gains	10 (b)	(17)	(724)	1,059	(1,631)
Royalty derivative to related parties including changes in fair value	10 (c)	254	(826)	(224)	(752)
		(415)	(2,216)	(1,241)	(4,667)
Operating loss		(1,332)	(6,736)	(7,722)	(12,249)
Finance expense	10 (d)	(973)	(235)	(3,850)	(940)
		(973)	(235)	(3,850)	(940)
Loss before tax		(2,305)	(6,971)	(11,572)	(13,189)
Income tax (expense) recovery		(240)	810	1,057	929
Net loss		(2,545)	(6,161)	(10,515)	(12,260)
Other comprehensive income (loss), net of tax					
Items that may be reclassified subsequently to net loss					
Cumulative translation adjustment		99	373	(388)	669
Unrealized gains (losses) on investments		53	(662)	707	(889)
Severance provision		(3)	10	(26)	(3)
Other comprehensive income (loss), net of tax		149	(279)	293	(223)
Comprehensive loss		(2,396)	(6,440)	(10,222)	(12,483)
Weighted average number of shares outstanding, basic		174,682,058	173,610,629	174,324,915	173,610,629
Weighted average number of shares outstanding, diluted		174,682,058	173,610,629	174,324,915	173,610,629
Loss per share					
Basic		(0.01)	(0.03)	(0.06)	(0.07)
Diluted		(0.01)	(0.03)	(0.06)	(0.07)

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 September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Net loss	(2,545)	(6,161)	(10,515)	(12,260)
Adjustment for items not affecting cash:				
Depreciation and amortization	3,295	1,681	9,888	5,040
Impairment charges	-	195	518	898
Deferred income tax expense	545	231	1,832	1,994
Unrealized foreign exchange expense	(101)	575	(453)	1,516
Changes in fair value of royalties to related parties	(543)	707	(542)	372
Finance expense	830	108	1,178	185
Share-based payments	28	40	146	186
Other	147	164	452	176
	1,656	(2,460)	2,504	(1,893)
Changes in non-cash working capital				
Trade, other receivables and taxes receivable	4,886	477	4,754	(4,596)
Inventories	(130)	(415)	(65)	(479)
Trade and other payables	3,116	(2,540)	5,589	(7,255)
DET royalties	660	(1,876)	6,700	(14,067)
	8,532	(4,354)	16,978	(26,397)
Payment of long-term employee benefits	-	-	(642)	-
Net cash from operating activities	10,188	(6,814)	18,840	(28,290)
Cash flows from investing activities				
Purchase of plant and equipment	(1,341)	(15,259)	(7,193)	(41,158)
Capitalized interest on borrowings	-	(239)	-	(708)
Net cash from investing activities	(1,341)	(15,498)	(7,193)	(41,866)
Cash flows from financing activities				
Proceeds from borrowings, net of transaction costs	3,000	20,248	13,770	63,121
Repayment of borrowings	-	-	(14,063)	-
Net cash from financing activities	3,000	20,248	(293)	63,121
Net increase (decrease) in cash and cash equivalents	11,847	(2,064)	11,354	(7,035)
Effect of exchange rate changes on cash	166	(702)	670	(1,348)
Cash and cash equivalents – Beginning of period	9,043	12,691	9,032	18,308
Cash and cash equivalents - End of period	21,056	9,925	21,056	9,925

Supplementary cash flow information (Note 11)

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	-	-	186	-	-	186
Cumulative translation adjustment	-	-	-	669	-	669
Unrealized losses on investments	-	-	-	(889)	-	(889)
Severance provision	-	-	-	(3)	-	(3)
Net loss	-	-	-	-	(12,260)	(12,260)
Balance - September 30, 2015	173,610,629	78,057	7,274	(2,648)	16,513	99,196
Share-based payments	-	-	15	-	-	15
Cumulative translation adjustment	-	-	-	227	-	227
Unrealized gains on investments	-	-	-	180	-	180
Severance provision	-	-	-	(51)	-	(51)
Net loss	-	-	-	-	(4,673)	(4,673)
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	-	-	146	-	-	146
Compensation settled with shares	1,071,429	111	-	-	-	111
Cumulative translation adjustment	-	-	-	(388)	-	(388)
Unrealized gains on investments	-	-	-	707	-	707
Severance provision	-	-	-	(26)	-	(26)
Net loss	-	-	-	-	(10,515)	(10,515)
Balance - September 30, 2016	174,682,058	78,168	7,435	(1,999)	1,325	84,929

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 and nine months ended September 30, 2016, include the accounts of the Company and its subsidiaries (collectively the "Group").

The Group is principally engaged in the production of copper and molybdenum 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 November 7, 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.

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 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"). 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 London Metal Exchange ("LME") copper price for the month of production of the concentrates, and were recorded as components of production costs.

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

In 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 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 gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs) (Note 10). The notional DET copper 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 ranging from $1.95/lb (13.5%) to $4.80/lb (28.4%).

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%).

MVC pays a sliding scale global molybdenum royalty for molybdenum prices between $7.31/lb (9%) and $40.0/lb (19.7%).

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 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. The deferred amounts were paid in full in the quarter ended March 31, 2015.

In 2015, MVC and DET entered into a second modification to the Master Agreement under which MVC's production of copper concentrates is conducted under a tolling agreement with DET -as described in preceding paragraphs- and DET provided a copper price support agreement of up to $17.0 million (the "DET Price Support Facility"). Starting in 2015, MVC drew down $1.0 million from the DET Price Support Facility for 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. At September 30, 2016, MVC had drawn down $16.0 million from the DET Price Support Facility (December 31, 2015: $7.0 million) (Note 6(c)), and by October 2016, MVC had drawn down the total $17.0 million from the facility.

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

The DET Price Support Facility is scheduled to be repaid from January 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 6(a). MVC does not currently anticipate making principal repayments to the DET Price Support Facility within the twelve months following September 30, 2016. MVC may repay the DET Price Support Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments.

In the quarter ended March 31, 2016, MVC and DET reached an agreement to defer DET notional copper royalty adjustments to gross revenue during a four-month period, from March to June 2016, for a total deferral of $5.4 million, the repayment terms of which are under discussion with DET.

At September 30, 2016, the accrual for DET notional copper royalties and DET molybdenum royalties, including deferred amounts, was $10.9 million (December 31, 2015: $4.2 million), representing seven months of notional copper royalties and two months of molybdenum royalties (December 31, 2015: three months of notional copper royalties).

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.

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

As at September 30, 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: $2.14; 2017: $2.21; 2018: $2.38; 2019: $2.46; 2020: $2.81; 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 September 30, 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 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. This date 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.

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

4) Inventories

	September 30, 2016 $	December 31, 2015 $
Plant supplies and consumables	4,635	4,745
Work in progress, copper	2,423	2,757
Concentrate inventory, molybdenum	49	-
	7,107	7,502

At September 30, 2016, copper work in progress and molybdenum concentrate inventories were valued at cost. During the nine months ended September 30, 2016 ("YTD-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, copper 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(a))	-	(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
Nine months ended September 30, 2016			
Opening net book amount	159,436	22,058	181,494
Exchange differences	-	7	7
Additions	21	4,630	4,651
Disposals	-	(63)	(63)
Depreciation charge	(5,333)	(4,367)	(9,700)
Closing net book amount	154,124	22,265	176,389
At September 30, 2016			
Cost	246,505	56,337	302,842
Accumulated depreciation	(92,381)	(34,072)	(126,453)
Net book amount	154,124	22,265	176,389

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 were capitalised in the year ended December 31, 2015 (YTD-2016: $nil), and were included in PPE at December 31, 2015.

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

6) BORROWINGS

	September 30, 2016 $	December 31, 2015 $
Cauquenes Expansion Loan (Note 6(a))	57,665	57,471
Cauquenes Expansion VAT Facility (Note 6(b))	-	8,026
DET Price Support Facility (Note 6(c))	16,793	7,148
	74,458	72,645
Comprised of:		
Short-term debt and current portion of long-term debt	11,423	17,964
Long-term debt	63,035	54,681
	74,458	72,645

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 Expansion Loan”) of $64.4 million for the phase one of the expansion of MVC’s operations for the processing of tailings from the Cauquenes deposit. Terms of the loan include interest fixed through an interest rate swap (“IRS”) at a 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. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at September 30, 2016 was 4.67% per annum (and would be 4.42% per annum after meeting the completion criteria).

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.

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 of $5.4 million, commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the Cauquenes Expansion Loan.

The balance of the loan (net of transaction costs) at September 30, 2016 was $57.7 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 June 30, 2016, MVC was in compliance with the tangible net worth ratio ($95.0 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 $7.5 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. At September 30, 2016, the DSRA was fully funded with $7.5 million. The funds in the DSRA must be used to: /i/ pay the principal and interest of the Cauquenes Expansion Loan and the amounts owing under the IRS 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 into the DSRA at each month the funds necessary to maintain a balance equal to one hundred percent of the sum of the principal and interest pursuant to the Cauquenes Expansion Loan and the IRS that are payable in respect of the following six months.

Concurrently with the Cauquenes Expansion Loan, MVC entered into an IRS with BBVA to fix 75% of the interest payable on that facility. On September 30, 2016, the fair value of the IRS was determined to be $0.6 million, with a short-term portion of $0.1 million and a long-term portion of $0.5 million. The interest rate swap has a term to December 27, 2018.

b) On March 25, 2015, MVC entered into a Chilean Peso 5,700.0 million facility (approximately $9.0 million at the loan grant date) with BBVA to finance the value-added tax incurred by MVC in connection with the Cauquenes phase one expansion (the "VAT Facility"). The VAT Facility was repaid in full on June 30, 2016.

c) The Group secured $30.0 million in additional credit facilities, including the $17.0 million DET Price Support Facility described in Note 2, and a $13.0 million standby line of credit from three Amerigo shareholders. The standby line of credit had an original availability date to March 25, 2016 and was extended to March 25, 2017. Amounts drawn from the standby 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 Expansion Loan. All obligations arising from the standby line of credit are to be paid in full on or before the date that is the earlier of December 31, 2019 and the one-year anniversary of the date in which MVC has paid in full all amounts due and owing under the Cauquenes Expansion Loan. No security was provided in connection with these facilities. At September 30, 2016, $16.0 million had been drawn from the DET Price Support Facility (December 31, 2015: $7.0 million) and no funds had been drawn from the standby line of credit. The Group incurred an annual commitment fee of $0.1 million in respect of the standby line of credit in each of YTD-2016 and YTD-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.

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

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.

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/lb, 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/lb or more.

In the quarter ended March 31, 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 September 30, 2016, the incremental royalty resulting from this agreement was $0.1 million.

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 September 30, 2016 and December 31, 2015 was $8.9 million, with a current portion of $1.5 million (December 31, 2015: $0.9 million) and a long-term portion of $7.4 million (December 31, 2015: $8.0 million).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During YTD-2016, royalties totalling $0.7 million were paid or accrued to the Class A shareholders (nine months ended September 30, 2015 ("YTD-2015"): $0.4 million). At September 30, 2016, $0.6 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 decreased $0.5 million in YTD-2016 (YTD-2015: increased by $0.4 million), for a total royalty derivative expense of $0.2 million (YTD-2015: expense of $0.8 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 [1]	Management

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

[1] A law corporation controlled by Michael J. Kuta, former General Counsel and Corporate Secretary of the Company, in respect of YTD-2015.

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

	YTD-2016	**YTD-2015**
	$	**$**
Salaries and management fees	682	756

c) Key Management Compensation

The remuneration of directors and other members of key management during the nine months ended September 30, 2016 and 2015 was as follows:

	YTD-2016	**YTD-2015**
	$	**$**
Management and directors' fees	842	1,020
Share-based payments	146	181
	988	1,201

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)).

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

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 YTD- 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%

Outstanding share options:

	September 30, 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	(3,200,000)	1.28	(3,165,000)	0.70
Granted	3,350,000	0.14	1,850,000	0.37
At end of the period	12,600,000	0.44	12,450,000	0.73
Vested and exercisable	11,762,500	0.46	12,450,000	0.73

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

Information relating to share options outstanding at September 30, 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	2,512,500	0.14 - 0.26	0.14	0.14	4.42
1,850,000	1,850,000	0.27 - 0.40	0.37	0.37	3.50
3,500,000	3,500,000	0.41 - 0.48	0.44	0.44	2.61
3,900,000	3,900,000	0.49 - 0.77	0.73	0.73	0.48
12,600,000	11,762,500		0.44	0.48	2.56

Further information about share options is as follows:

	YTD-2016 $	YTD-2015 $
Total compensation recognized	146	186

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), with the production of molybdenum concentrates as a by-product.

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

	Property, plant and equipment		Other	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Chile	176,195	181,353	5,747	5,920
Canada	194	141	-	-
	176,389	181,494	5,747	5,920

All of the Group's revenue originates in Chile. In YTD-2016, the Group's revenue from one customer represented 100% of reported revenue (2015: 99%).

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

10) Expenses By Nature

a) General and administration expenses consist of the following:

	Q3-2016 $	Q3-2015 $	YTD-2016 $	YTD-2015 $
Office and general expenses	(278)	(239)	(672)	(682)
Salaries, management and professional fees	(346)	(387)	(1,258)	(1,416)
Share-based payment compensation	(28)	(40)	(146)	(186)
	(652)	(666)	(2,076)	(2,284)

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

	Q3-2016 $	Q3-2015 $	YTD-2016 $	YTD-2015 $
Foreign exchange (expense) gain	(113)	(553)	837	(1,479)
Impairment charge	-	(194)	-	(279)
Other gains	96	23	222	127
	(17)	(724)	1,059	(1,631)

c) Royalty derivative to related parties expense (recovery) consists of the following:

	Q3-2016 $	Q3-2015 $	YTD-2016 $	YTD-2015 $
Royalties to related parties	(289)	(118)	(766)	(380)
Fair value adjustments to royalty derivative	543	(708)	542	(372)
	254	(826)	(224)	(752)

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

d) Finance expense consists of the following:

	Q3-2016 $	Q3-2015 $	YTD-2016 $	YTD-2015 $
Finance, commitment and interest charges	(1,108)	(127)	(4,007)	(755)
Interest rate swap	135	(108)	157	(185)
	(973)	(235)	(3,850)	(940)

11) SUPPLEMENTARY CASH FLOW INFORMATION

	YTD-2016 $	YTD-2015 $
a) Cash and cash equivalents are comprised of:		
Cash at bank and on hand - operating accounts	13,299	8,811
Cash held in a debt service reseve account (Note 6(a))	7,500	-
Short-term bank deposits	257	221
	21,056	9,032
(b) Interest and taxes paid		
Interest paid	1,981	626
Income taxes paid	799	981
(c) Other		
(Decrease) increase in accounts payable related to the acquisition of PPE	(2,606)	1,012
Cash paid during the period for royalty dividends to related parties	260	400

12) 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.

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

- 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**
	$	**$**	**$**	**$**
September 30, 2016				
Investments	1,699	-	-	1,699
Trade and other receivables	-	3,132	-	3,132
Interest rate swap	-	-	(555)	(555)
Royalty derivative to related parties	-	-	(8,853)	(8,853)
	1,699	3,132	(9,408)	(4,577)

	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)

At September 30, 2016, a 10% increase or decrease in provisional copper prices would result in price-driven revenue settlement adjustments of $3.3 million.

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

13) 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 $1.2 million per month.

c) 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.

d) 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 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.

14) SUBSEQUENT EVENTS

Subsequent to September 30, 2016, MVC entered into a three-year collective labour agreement with its unionized workers, in connection with which MVC agreed to pay signing bonuses at an approximate cost to MVC of $1.3 million. The union bonuses are payable in three equal installments in October 2016 (paid), October 2017 and October 2018. MVC will also pay bonuses to its administrative workers, at an approximate cost to MVC of $0.2 million, payable in two equal installments in January 2017 and January 2018. These bonuses will be expensed in the quarter ended December 31, 2016 as labour cost.