Amerigo Resources Ltd.

Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2017 and 2016
Unaudited – Prepared by Management

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	September 30, 2017 $	December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	11 (a)	22,702	15,921
Trade and other receivables		11,457	8,008
Taxes receivable		1,429	6,476
Prepaid expenses		1,668	170
Inventories	4	10,422	9,648
		47,678	40,223
Non-current assets			
Investments		3,015	1,518
Property, plant and equipment	5	172,075	174,222
Intangible assets		4,576	4,767
Deferred income tax asset		52	50
Other non-current assets		923	906
Total assets		228,319	221,686
Liabilities			
Current liabilities			
Trade and other payables		13,719	15,819
DET royalties	2	11,179	11,273
Current portion of borrowings	6	24,379	10,733
Current portion of interest rate swap	6	496	76
Current income tax liabilities		1,907	76
Current portion of derivative	7 (a)	1,055	1,617
		52,735	39,594
Non-current liabilities			
Severance provisions		929	811
Borrowings	6	41,791	59,114
Interest rate swap	6	-	132
Derivative	7 (a)	10,383	7,376
Deferred income tax liability		26,558	25,539
Other non-current liabilities		989	1,243
Total liabilities		133,385	133,809
Equity	8		
Share capital		78,881	78,168
Other reserves		7,891	7,447
Accumulated other comprehensive loss		(1,038)	(2,047)
Retained earnings		9,200	4,309
Total equity		94,934	87,877
Total equity and liabilities		228,319	221,686
Commitments	13		

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

Approved by the Board of Directors

"Robert Gayton" — Director

"George Ireland" — Director

Amerigo Resources Ltd.

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

(expressed in thousands of U.S. dollars)

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
		$	$	$	$
Revenue					
Gross tolling revenue		50,256	32,500	128,173	87,858
Notional items deducted from gross tolling revenue					
Smelting and refining		(5,455)	(5,246)	(15,952)	(14,539)
DET royalties - copper		(9,365)	(5,495)	(24,936)	(14,915)
Transportation		(564)	(460)	(1,601)	(1,225)
		34,872	21,299	85,684	57,179
Molybdenum and other revenue		2,549	2,084	11,341	4,735
		37,421	23,383	97,025	61,914
Tolling and production costs					
Tolling and production costs		(20,352)	(19,845)	(64,086)	(55,092)
DET royalties - molybdenum		(334)	(84)	(806)	(84)
Depreciation and amortization		(3,576)	(3,295)	(10,738)	(9,888)
Administration		(1,257)	(1,076)	(3,816)	(3,331)
		(25,519)	(24,300)	(79,446)	(68,395)
Gross profit (loss)		11,902	(917)	17,579	(6,481)
Other expenses					
General and administration	10 (a)	(815)	(652)	(2,497)	(2,076)
Other gains (expenses)	10 (b)	490	(17)	503	1,059
Derivative to related parties including changes in fair value	7 (a) & 10 (c)	(214)	254	(3,779)	(224)
		(539)	(415)	(5,773)	(1,241)
Operating profit (loss)		11,363	(1,332)	11,806	(7,722)
Finance expense	10 (d)	(854)	(973)	(3,869)	(3,850)
Income (loss) before income tax		10,509	(2,305)	7,937	(11,572)
Income tax (expense) recovery		(2,655)	(240)	(3,046)	1,057
Net income (loss)		7,854	(2,545)	4,891	(10,515)
Other comprehensive income					
Items that may be reclassified subsequently to net income (loss):					
Unrealized gains on investments, net of tax		1,041	99	1,498	707
Cumulative translation adjustment		(252)	53	(467)	(388)
Actuarial losses on severance provision		(10)	(3)	(22)	(26)
Other comprehensive income		779	149	1,009	293
Comprehensive income (loss)		8,633	(2,396)	5,900	(10,222)
Weighted average number of shares outstanding, basic		175,570,800	174,682,058	175,355,204	174,324,915
Weighted average number of shares outstanding, diluted		180,997,116	174,682,058	180,781,520	174,324,915
Earnings (loss) per share					
Basic		0.04	(0.01)	0.03	(0.06)
Diluted		0.04	(0.01)	0.03	(0.06)

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	$	$	$	$
Cash flows from operating activities				
Net income (loss)	7,854	(2,545)	4,891	(10,515)
Adjustment for items not affecting cash:				
Depreciation and amortization	3,576	3,295	10,738	9,888
Deferred income tax expense	751	545	1,019	1,832
Share-based payments	117	28	580	146
Unrealized foreign exchange gain	(711)	(101)	(1,066)	(453)
Finance expense	(436)	830	699	1,178
Other	(91)	147	(182)	452
Changes in fair value of derivative	(39)	(543)	3,040	(542)
Impairment charges	-	-	27	518
	11,021	1,656	19,746	2,504
Changes in non-cash working capital				
Trade, other receivables and taxes receivable	(5,902)	4,886	1,660	4,754
Inventories	(1,455)	(130)	(794)	(65)
Trade and other payables	2,834	3,116	(1,286)	5,589
DET royalties	(1,182)	660	(150)	6,700
	(5,705)	8,532	(570)	16,978
Payment of long-term employee benefits	-	-	-	(642)
Net cash from operating activities	5,316	10,188	19,176	18,840
Cash flows used in investing activities				
Purchase of plant and equipment	(5,291)	(1,341)	(7,748)	(7,193)
Net cash used in investing activities	(5,291)	(1,341)	(7,748)	(7,193)
Cash flows from (used in) financing activities				
Issuance of shares	324	-	381	-
Proceeds from borrowings, net of transaction costs	4,750	3,000	4,750	13,770
Repayment of borrowings	(3,000)	-	(10,367)	(14,063)
Net cash from (used in) financing activities	2,074	3,000	(5,236)	(293)
Net increase in cash and cash equivalents	2,099	11,847	6,192	11,354
Effect of exchange rate changes on cash	459	166	589	670
Cash and cash equivalents - Beginning of period	20,144	9,043	15,921	9,032
Cash and cash equivalents - End of period	22,702	21,056	22,702	21,056

Supplementary cash flow information (Note 11)

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Equity - Unaudited

(expressed in thousands of U.S. dollars)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive loss	Retained earnings	Total equity
		$	$	$	$	$
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
Share-based payments	-	-	12	-	-	12
Cumulative translation adjustment	-	-	-	144	-	144
Unrealized loss on investments	-	-	-	(181)	-	(181)
Severance provision	-	-	-	(11)	-	(11)
Net income	-	-	-	-	2,984	2,984
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	-	-	580	-	-	580
Expenses settled with shares (Note 6(c))	403,577	196	-	-	-	196
Exercise of share purchase options	1,150,000	517	(136)	-	-	381
Cumulative translation adjustment	-	-	-	(467)	-	(467)
Unrealized gains on investments	-	-	-	1,498	-	1,498
Severance provision	-	-	-	(22)	-	(22)
Net income	-	-	-	-	4,891	4,891
Balance - September 30, 2017	176,235,635	78,881	7,891	(1,038)	9,200	94,934

The accompanying notes are an integral part of these condensed interim 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 and the OTCQX stock exchange in the United States. These condensed interim consolidated financial statements ("interim financial statements") of the Company as at and for the three and nine months ended September 30, 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 2).

b) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements and should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2016, prepared in accordance with IFRS. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2016.

These interim financial statements were authorised for issue by the board of directors of the Company on November 7, 2017.

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, except for the adoption of new IFRS pronouncements on January 1, 2017, none of which had a significant effect on the Company's financial statements. These interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

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 fair value through profit and loss; (2) measured at fair value through other comprehensive income and (3) measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. 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

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

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 other comprehensive income 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. It is no longer required for a triggering event to occur for credit losses to be recognized. 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 has completed a preliminary review of the new standard and at this stage has not identified areas of potential difference. The Company reviewed its portfolio of investments to consider the application of the irrevocable classification choice related to fair value changes. No changes are expected to be required in the Company's process for managing and estimating provisions for credit loss on trade receivables. Accordingly, at this stage, the Company does not expect IFRS 9 to have a material effect on its financial statements.

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.

The standard is effective for annual periods beginning on or after January 1, 2018. The Company has two existing revenue contracts, and has completed a preliminary evaluation of these contracts under the IFRS 15 framework. No areas of change have been identified, at this stage, 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 balance sheet 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 September 30, 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 only has a limited number.

(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 to 2021 (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.

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 gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs). 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 (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 $6.00/lb (3%) and $40.00/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 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

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

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 6(a). During the nine months ended September 30, 2017 ("YTD-2017") MVC repaid $5.0 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 September 30, 2017 was $13.0 million (December 31, 2016: $18.1 million), including $1.0 million in accrued interest (December 31, 2016: $1.1 million) (Note 6), 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 four-month period, for a total deferral of $5.4 million. In June 2017, MVC and DET agreed on a repayment schedule comprising four equal monthly repayments of $1.4 million plus interest at a rate of 0.6% per month effective from the dates in which royalties were deferred.

At September 30, 2017, the accrual for DET notional copper royalties and DET molybdenum royalties, including one outstanding deferral repayment and interest, was $11.2 million (December 31, 2016: $11.3 million).

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these interim financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statement for the year ended December 31, 2016, except as noted below.

a) Derivative to Related Parties

The Group has an obligation to make a stream of payments to certain related parties, based on a fixed payment for each pound of copper equivalent produced from El Teniente tailings by MVC (Note 7(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.

b) Impairment of Property, Plant and Equipment ("PP&E")

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.

(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 September 30, 2017, management identified no impairment indicators and consequently, impairment testing was not required.

4) INVENTORIES

	September 30, 2017 $	December 31, 2016 $
Plant supplies and consumables	5,267	4,907
Work in progress	5,096	4,675
Concentrate inventories	59	66
	10,422	9,648

At September 30, 2017 and December 31, 2016, copper work in progress inventories and molybdenum concentrate inventories 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.

(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, 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
Nine months ended September 30, 2017			
Opening net book amount	152,348	21,874	174,222
Exchange differences	-	14	14
Additions	8,392	127	8,519
Disposals	-	(134)	(134)
Depreciation charge	(6,206)	(4,340)	(10,546)
Closing net book amount	154,534	17,541	172,075
At September 30, 2017			
Cost	255,503	56,516	312,019
Accumulated depreciation	(100,969)	(38,975)	(139,944)
Net book amount	154,534	17,541	172,075

At September 30, 2017, PP&E of $5.7 million was categorized as construction in progress and not subject to depreciation (December 31, 2016: $nil).

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

6) BORROWINGS

	September 30, 2017 $	December 31, 2016 $
Cauquenes Phase One Loan (Note 6 (a))	47,362	51,739
Cauquenes Phase Two Loan (Note 6 (a))	5,792	-
	53,154	51,739
DET Price Support Facility (Note 6 (b))	13,016	18,108
	66,170	69,847
Comprised of:		
Short-term debt and current portion of long-term debt	24,379	10,733
Long-term debt	41,791	59,114
	66,170	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 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 5.56% 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 September 30, 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 September 30, 2017 was $47.4 million (December 31, 2016: $51.7 million). Concurrently with the Cauquenes Phase One Loan, MVC entered into an IRS with BBVA to fix 75% of the interest payable on that facility. On September 30, 2017, the fair value of the IRS was determined to be $0.1 million. The IRS 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 fixed through an IRS 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 September 30, 2017 was 4.95% per annum. Interest will be 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 September 30, 2017 was $5.8 million (December 31, 2016: $nil). Concurrently with the Cauquenes Phase Two Loan, MVC entered into an IRS with BBVA to fix

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

75% of the interest payable on that facility. On September 30, 2017, the fair value of the IRS was determined to be $0.4 million. The IRS 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.

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. At June 30, 2017, MVC met the debt service coverage ratio (requirement of 1.2) and received waivers from BBVA and EDC in respect of the current ratio (requirement of 1.15) and tangible net worth ratio (requirement of $125.0 million). 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.

MVC has a debt service reserve account ("DSRA") which must be used to: /i/ pay the principal and interest of the loans and the 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 September 30, 2017, MVC held DSRA funds in the required amount of $6.7 million.

b) MVC has a Price Support Facility with DET as described in Note 2.

c) The Company has a $13.0 million standby line of credit (the "Line of Credit") from three Amerigo shareholders which is currently available through to the end of 2018 and thereafter until 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 one-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 September 30, 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 shares of Amerigo (2016: $0.1 million, settled with cash).

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

7) RELATED PARTY TRANSACTIONS

a) Derivative

Amerigo 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 a stream of 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 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.

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

The derivative includes the actual monthly payments as described above and the changes in the fair value of the derivative. YTD-2017, $0.8 million were paid or accrued to the Class A shareholders (nine months ended September 30, 2016 ("YTD-2016"): $0.8 million) and the fair value of the derivative increased $3.0 million (YTD-2016: decrease in fair value of $0.6 million), for a total derivative expense of $3.8 million (YTD-2016 $0.2 million). The increase in the fair value of the derivative YTD-2017 was caused by the estimated increase in future production at MVC resulting from the Cauquenes Phase Two expansion now underway.

At September 30, 2017, the derivative totalled $11.4 million (December 31, 2016: $9.0 million), with a current portion of $1.0 million (December 31, 2016: $1.6 million) and a long-term portion of $10.4 million (December 31, 2016: $7.4 million). Actual monthly payments outstanding at September 30, 2017 were $0.1 million (December 31, 2016: $0.7 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

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

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

	YTD-2017 $	YTD-2016 $
Salaries and management fees	743	682

c) Management Compensation

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

	YTD-2017 $	YTD-2016 $
Management and directors' fees	925	842
Share-based payments	580	146
	1,505	988

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

d) The Group has in place 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 2,950,000 options were granted YTD-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:

	September 30, 2017		**December 31, 2016**	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the period	12,600,000	0.44	12,450,000	0.73
Expired	(3,200,000)	0.77	(3,200,000)	1.28
Exercised	(1,150,000)	0.42	-	-
Granted	2,950,000	0.53	3,350,000	0.14
At end of the period	11,200,000	0.37	12,600,000	0.44
Vested and exercisable	10,462,500	0.36	12,600,000	0.44

The weighted average trading price of the Company's stock on the dates in which options were exercised in YTD-2017 was Cdn$0.69 per share.

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

Information relating to share options outstanding at September 30, 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	3.42
1,750,000	1,750,000	0.27 - 0.40	0.37	0.37	2.51
3,400,000	3,400,000	0.41 - 0.48	0.44	0.44	1.61
2,950,000	2,212,500	0.49 - 0.53	0.53	0.53	4.40
11,200,000	10,462,500		0.37	0.36	2.89

The number of potentially dilutive securities included in the diluted earnings per share calculation YTD-2017 was 5,426,316 shares (YTD-2016: nil).

Further information about share options is as follows:

	YTD-2017 $	YTD-2016 $
Total compensation recognized	580	146

(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**	
	September 30, 2017	**December 31, 2016**	**September 30, 2017**	**December 31, 2016**
	$	**$**	**$**	**$**
Chile	171,891	174,035	5,499	5,673
Canada	184	187	-	-
	172,075	174,222	5,499	5,673

All of the Group's revenue originates in Chile. In YTD-2017, the Group's revenue from one customer represented 96% of reported revenue (YTD-2016: 100%).

10) Expenses By Nature

a) General and administration expenses consist of the following:

	Q3-2017	**Q3-2016**	**YTD-2017**	**YTD-2016**
	$	**$**	**$**	**$**
Office and general expenses	(232)	(278)	(645)	(672)
Salaries, management and professional fees	(466)	(346)	(1,272)	(1,258)
Share-based payment compensation	(117)	(28)	(580)	(146)
	(815)	(652)	(2,497)	(2,076)

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

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

	Q3-2017 $	Q3-2016 $	YTD-2017 $	YTD-2016 $
Foreign exchange gain (expense)	384	(113)	374	837
Other gains	106	96	129	222
	490	(17)	503	1,059

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

	Q3-2017 $	Q3-2016 $	YTD-2017 $	YTD-2016 $
Royalties to related parties	(253)	(289)	(739)	(766)
Fair value adjustments to royalty derivative	39	543	(3,040)	542
	(214)	254	(3,779)	(224)

d) Finance expense consists of the following:

	Q3-2017 $	Q3-2016 $	YTD-2017 $	YTD-2016 $
Finance, commitment and interest charges	(1,015)	(1,108)	(4,124)	(4,007)
Interest rate swap	161	135	255	157
	(854)	(973)	(3,869)	(3,850)

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

11) SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2017 $	December 31, 2016 $
a) Cash and cash equivalents comprise:		
Cash at bank and on hand	15,393	8,966
Short-term bank deposits	609	255
	16,002	9,221
Cash held in a debt services reserve account (Note (6(a))	6,700	6,700
	22,702	15,921

	YTD-2017 $	YTD-2016 $
(b) Interest and taxes paid		
Interest paid	2,669	1,981
Income taxes paid	958	799
(c) Other		
Increase (decrease) in accounts payable related to the acquisition of PPE	590	(2,606)
Cash paid during the period for royalty dividends to related parties	1,335	260

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.

- 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 derivative to related parties in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis

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

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 7(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.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
September 30, 2017				
Investments	3,015	-	-	3,015
Trade and other receivables	-	10,662	-	10,662
Interest rate swap	-	-	(496)	(496)
Derivative to related parties	-	-	(11,437)	(11,437)
	3,015	10,662	(11,933)	1,744

	Level 1	Level 2	Level 3	Total
	$	$	$	$
December 31, 2016				
Investments	1,518	-	-	1,518
Trade and other 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)

13) COMMITMENTS

a) MVC entered into power supply agreements from January 1, 2010 to December 31, 2017 which establish minimum stand-by charges based on peak hour power supply calculations, currently estimated to be $0.4 million per month, and from January 1, 2018 to December 31, 2027 which establish minimum charges based on peak hour power supply calculations, estimated at September 30, 2017 to be $1.4 million per month.

b) At September 30, 2017, MVC had commitments of $13.4 million in respect of purchase orders for the Cauquenes Phase Two expansion.

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 the revision of the closure plan for the Cauquenes Deposit and compare it to the current plan in the possession

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

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.