

Amerigo Resources Ltd.

**Condensed Interim Consolidated Financial Statements
Three and six months ended June 30, 2019 and 2018
Unaudited – Prepared by Management**

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	June 30, 2019 \$	December 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents	13	8,415	21,338
Trade and settlement receivables		1,574	8,915
Taxes receivable		974	1,544
Prepaid expenses		1,321	1,537
Inventories	4	12,293	8,843
Interest rate swap	6	-	115
		<u>24,577</u>	<u>42,292</u>
Non-current assets			
Property, plant and equipment	5	205,238	208,729
Intangible assets		4,133	4,245
Investments		2,301	1,433
Other non-current assets		910	905
Deferred income tax asset		6	9
Total assets		<u>237,165</u>	<u>257,613</u>
Liabilities			
Current liabilities			
Current portion of borrowings	6	25,702	23,521
Trade and other payables		19,810	17,747
DET royalties	2	8,978	11,551
Current portion of leases	7	1,812	1,715
Current portion of related party derivative liability	8, 14	1,356	1,382
Interest rate swap	6	189	-
Current income tax liabilities		10	3,292
		<u>57,857</u>	<u>59,208</u>
Non-current liabilities			
Borrowings	6	31,939	42,691
Deferred income tax liability		26,055	28,484
Related party derivative liability	8, 14	9,895	9,668
Leases	7	6,877	7,386
Severance provisions		1,060	966
Total liabilities		<u>133,683</u>	<u>148,403</u>
Equity			
Share capital	9	80,300	79,296
Other reserves		9,791	9,202
Accumulated other comprehensive loss		(1,439)	(2,081)
Retained earnings		14,830	22,793
Total equity		<u>103,482</u>	<u>109,210</u>
Total equity and liabilities		<u>237,165</u>	<u>257,613</u>
Commitments	15		
Subsequent Events	16		

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

Approved by the Board of Directors

"Robert Gayton"

Director

"George Ireland"

Director

Amerigo Resources Ltd.

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

(expressed in thousands of U.S. dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Revenue	11	22,692	32,999	50,428	66,880
Tolling and production costs	12 (a)	(28,794)	(27,209)	(54,558)	(55,926)
Gross (loss) profit		(6,102)	5,790	(4,130)	10,954
Other expenses					
General and administration	12 (b)	(1,172)	(895)	(2,295)	(2,453)
Related party derivative including changes in fair value	12 (c)	256	239	(662)	(175)
Other (expenses) gains	12 (d)	(296)	(404)	40	(138)
		(1,212)	(1,060)	(2,917)	(2,766)
Operating (loss) profit		(7,314)	4,730	(7,047)	8,188
Finance expense	12 (e)	(1,501)	(912)	(3,298)	(1,897)
		(1,501)	(912)	(3,298)	(1,897)
(Loss) income before income tax		(8,815)	3,818	(10,345)	6,291
Income tax recovery (expense)		2,251	(1,098)	2,382	(2,354)
Net (loss) income		(6,564)	2,720	(7,963)	3,937
Other comprehensive income (loss)					
Unrealized gains (losses) on investments, net of tax		563	(327)	868	(859)
Items that may be reclassified subsequently to net (loss) income:					
Cumulative translation adjustment		(116)	81	(239)	285
Actuarial (losses) gains on severance provision		(13)	12	13	5
Other comprehensive income (loss)		434	(234)	642	(569)
Comprehensive (loss) income		(6,130)	2,486	(7,321)	3,368
Weighted average number of shares outstanding, basic		178,292,940	177,225,479	178,002,296	176,861,610
Weighted average number of shares outstanding, diluted		178,292,940	181,213,863	178,002,296	180,849,994
(Loss) earnings per share					
Basic		(0.04)	0.02	(0.04)	0.02
Diluted		(0.04)	0.02	(0.04)	0.02

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 June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash flows from operating activities				
Net (loss) income	(6,564)	2,720	(7,963)	3,937
Adjustment for items not affecting cash:				
Depreciation and amortization	4,398	3,685	8,762	7,251
Share-based payments	577	312	1,068	996
Other	55	(69)	140	(253)
Deferred income tax (recovery) expense	(2,281)	311	(2,425)	878
Changes in fair value of related party derivative liability	(474)	(483)	234	(305)
Finance expense	(304)	(944)	961	(905)
Unrealized foreign exchange (gain) expense	(161)	896	(361)	773
	(4,754)	6,428	416	12,372
Changes in non-cash working capital				
Trade, settlement receivables and taxes receivable	8,178	(1,068)	8,133	1,123
Inventories	1,213	(1,735)	(3,477)	(857)
Trade and other payables	(1,876)	(1,842)	(996)	(952)
DET royalties	190	2	(2,573)	(464)
Net cash from operating activities	2,951	1,785	1,503	11,222
Cash flows used in investing activities				
Purchase of plant and equipment	(2,849)	(9,961)	(6,445)	(20,235)
Net cash used in investing activities	(2,849)	(9,961)	(6,445)	(20,235)
Cash flows (used in) from financing activities				
Repayment of borrowings	(8,567)	(8,367)	(8,567)	(11,367)
Issuance of shares	334	14	465	86
Proceeds from borrowings, net of transaction costs	-	8,800	-	14,610
Net cash (used in) from financing activities	(8,233)	447	(8,102)	3,329
Net decrease in cash and cash equivalents	(8,131)	(7,729)	(13,044)	(5,684)
Effect of exchange rate changes on cash	(51)	(750)	121	(450)
Cash and cash equivalents - Beginning of period	16,597	29,869	21,338	27,524
Cash and cash equivalents - End of period	8,415	21,390	8,415	21,390

Supplementary cash flow information (Note 13)

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

Amerigo Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Equity - Unaudited

(expressed in thousands of U.S. dollars)

	Share capital		Other reserves	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance - January 1, 2018	176,385,621	78,954	7,916	(992)	12,298	98,176
Share-based payments	-	-	996	-	-	996
Expenses settled with shares (Note 9(a))	265,119	201	-	-	-	201
Exercise of share purchase options (Note 9(a))	600,000	123	(37)	-	-	86
Cumulative translation adjustment	-	-	-	285	-	285
Unrealized losses on investments	-	-	-	(859)	-	(859)
Actuarial gains on severance provision	-	-	-	5	-	5
Net income	-	-	-	-	3,937	3,937
Balance - June 30, 2018	177,250,740	79,278	8,875	(1,561)	16,235	102,827
Share-based payments	-	-	332	-	-	332
Exercise of share purchase options (Note 9(a))	30,000	18	(5)	-	-	13
Cumulative translation adjustment	-	-	-	188	-	188
Unrealized losses on investments	-	-	-	(722)	-	(722)
Actuarial gains on severance provision	-	-	-	14	-	14
Net income	-	-	-	-	6,558	6,558
Balance - December 31, 2018	177,280,740	79,296	9,202	(2,081)	22,793	109,210
Balance - January 1, 2019	177,280,740	79,296	9,202	(2,081)	22,793	109,210
Share-based payments	-	-	1,068	-	-	1,068
Expenses settled with shares (Note 9(a))	82,770	62	-	-	-	62
Exercise of share purchase options (Note 9(a))	2,805,841	942	(479)	-	-	463
Cumulative translation adjustment	-	-	-	(239)	-	(239)
Unrealized gains on investments	-	-	-	868	-	868
Actuarial gains on severance provision	-	-	-	13	-	13
Net loss	-	-	-	-	(7,963)	(7,963)
Balance - June 30, 2019	180,169,351	80,300	9,791	(1,439)	14,830	103,482

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

Amerigo Resources Ltd.

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

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

1) REPORTING ENTITY AND BASIS OF PRESENTATION

a) Reporting entity

Amerigo Resources Ltd. ("Amerigo") is a company domiciled in Canada. Its shares are listed for trading on the Toronto Stock Exchange and traded in the United States on the OTCQX.

Amerigo owns a 100% interest in Minera Valle Central S.A. ("MVC"), a producer of copper concentrates. MVC, located in Chile, has a long-term contract with the El Teniente Division ("DET") of Corporación Nacional del Cobre de Chile ("Codelco") to process fresh and historic tailings from El Teniente (Note 2). El Teniente, in production since 1905, is the world's largest underground copper mine.

These condensed interim consolidated financial statements ("interim financial statements") as at and for the three and six months ended June 30, 2019 include the accounts of Amerigo and its subsidiaries (collectively the "Company").

b) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The interim financial statements do not include all the information required for a complete set of IFRS statements and should be read in conjunction with Amerigo's audited consolidated financial statements as at and for the year ended December 31, 2018, which have been prepared in accordance with IFRS. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in Amerigo's financial position and performance since the last annual consolidated financial statements.

The interim financial statements were authorised for issue by Amerigo's board of directors on August 7, 2019.

c) Significant accounting policies

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

2) AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

MVC has a contract with DET ("the DET Agreement") to process the fresh tailings from El Teniente and the tailings from the Cauquenes and Colihues historic tailings deposits. The Agreement has a term to the earlier of 2033 or deposit depletion for Cauquenes, the earlier of 2037 or deposit depletion for Colihues and 2037 for fresh tailings.

The DET Agreement establishes a series of royalties from MVC to DET, calculated using the average London Metal Exchange copper price for the month of concentrates production.

Amerigo Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements - Unaudited

June 30, 2019

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

The DET Agreement currently operates as a tolling contract under which title to the copper concentrates produced by MVC remains with DET. MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices net of notional items. Notional items include treatment and refining charges, DET copper royalties and transportation costs.

Notional royalties for copper concentrates produced from fresh tailings are determined through a sliding scale formula tied to copper prices ranging from \$1.95/lb (13.5%) to \$4.80/lb (28.4%).

Notional royalties for copper concentrates produced from Cauquenes are determined through a sliding scale for copper prices ranging from \$1.95/lb (16%) to \$5.50/lb (39%).

Notional royalties for copper concentrates produced from Colihues are determined through a sliding scale for copper prices ranging from \$0.80/lb (3%) to \$4.27lb (30%). MVC intends to restart processing tailings from Colihues once the Cauquenes deposit is depleted.

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

The DET Agreement anticipates that in the event monthly average prices fall below certain ranges and projections indicate the permanence of such prices over time, the parties will meet to review cost and notional royalty/royalty structures to maintain the Agreement's viability and the equilibrium of the benefits between the parties.

The DET Agreement also contains three early exit options exercisable by DET within 2021 and every three years thereafter only in the event of changes unforeseen at the time the Agreement was entered into. Amerigo has currently judged the probabilities of DET exercising any of these early exit options as remote.

At June 30, 2019, the accrual for DET notional copper royalties and DET molybdenum royalties, was \$9.0 million (December 31, 2018: \$11.6 million).

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these interim financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results.

The Company's critical accounting estimates and judgements applied in the preparation of these interim financial statements are consistent with those reported in our 2018 annual consolidated financial statements.

Amerigo Resources Ltd.

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

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

4) INVENTORIES

	June 30, 2019	December 31, 2018
	\$	\$
Plant supplies and consumables	4,562	3,041
Work in progress	6,826	5,343
Molybdenum concentrates	905	459
	12,293	8,843

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

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

5) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure	Machinery and Equipment and other assets	Total
	\$	\$	\$
Six months ended June 30, 2019			
Opening net book amount	166,592	42,137	208,729
Exchange differences	-	9	9
Additions	2,532	2,618	5,150
Depreciation charge	(4,728)	(3,922)	(8,650)
Closing net book amount	164,396	40,842	205,238
At June 30, 2019			
Cost	281,100	90,355	371,455
Accumulated depreciation	(116,706)	(49,511)	(166,217)
Net book amount	164,394	40,844	205,238

At June 30, 2019, property, plant and equipment of \$1.3 million was categorized as construction in progress and not subject to depreciation (December 31, 2018: \$3.2 million).

Amerigo Resources Ltd.

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

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

6) BORROWINGS

	June 30, 2019	December 31, 2018
	\$	\$
Cauquenes Phase One Loan	29,412	31,317
Cauquenes Phase Two Loan	28,229	34,895
	57,641	66,212
Comprise:		
Current portion of long-term debt	25,702	23,521
Long-term debt	31,939	42,691
	57,641	66,212

On March 25, 2015, MVC obtained a \$64.4 million loan facility from Scotiabank Chile (“Scotiabank”) and Export Development Canada (“EDC”) to finance the Cauquenes Phase One expansion (the “Cauquenes Phase One Loan”).

The Cauquenes Phase One Loan has a maximum repayment term of six years consisting of twelve equal semi-annual principal payments of \$5.4 million which commenced on June 30, 2016. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on the last banking day of June and December.

Interest on the Phase One Loan is subject to a variable rate based on the US Libor six-month rate, which at June 30, 2019 was 6.37% per annum.

The balance of the Cauquenes Phase One Loan (net of transaction costs) at June 30, 2019 was \$29.4 million (December 31, 2018: \$31.3 million).

On August 3, 2017, MVC obtained a second financing tranche with Scotiabank and EDC for a \$35.3 million facility (the “Cauquenes Phase Two Loan”) to finance the Cauquenes Phase Two expansion.

The Cauquenes Phase Two Loan has a maximum repayment term of three years consisting of six equal semi-annual principal payments of \$5.9 million to commence on June 30, 2019. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on the last banking day of June and December.

Interest on the Phase Two Loan is synthetically fixed through an interest rate swap (“IRS”), accounted for at fair value through profit or loss, at a rate of 6.02% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor six-month rate which at June 30, 2019 was 6.37% per annum. The IRS on the Phase Two Loan has a term to January 3, 2022.

The balance of the Cauquenes Phase Two Loan (net of transaction costs) at June 30, 2019 was \$28.2 million (December 31, 2018: \$34.9 million).

Amerigo Resources Ltd.

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

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

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.

MVC is required to meet three bank covenants: current ratio (starting on December 31, 2019), tangible net worth and debt service coverage ratio, measured semi-annually on June 30 and December 31. At June 30, 2019 MVC met the tangible net worth requirement of \$125.0 million and received waivers from Scotiabank and EDC in respect of the debt service coverage ratio (requirement of 1.2).

MVC is also required to have a debt service reserve account ("DSRA") which must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the interest rate swaps if MVC has insufficient funds to make these payments and /ii/ fund MVC's operating expenses. If it becomes necessary to fund MVC's operations with funds from the DSRA, MVC must replenish the DSRA at each month end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal, interest and interest rate swaps that are payable in the following six months. At June 30, 2019, MVC held \$3.2 million in the DSRA (December 31, 2018: \$13.4 million) and expected to fund the DSRA to the required amount of \$12.9 million gradually through the second half of 2019.

Subsequent to June 30, 2019, MVC received a Commitment Letter from and executed a Financing Mandate Agreement with Scotiabank to refinance the Cauquenes Phase One and Phase Two loans (Note 16).

7) LEASES

	June 30, 2019	December 31, 2018
	\$	\$
Molybdenum plant lease (Note 7(a))	8,322	8,975
Office premises lease (Note 7(b))	243	-
Vehicle leases (Note 7(c))	105	126
Office equipment lease (Note 7(d))	19	-
	8,689	9,101
Comprise:		
Current portion of long-term leases	1,812	1,715
Long-term leases	6,877	7,386
	8,689	9,101

- a) In 2018, MVC entered into a lease of 201,903 Chilean Unidades de Foment ("UF") to finance the expansion of MVC's molybdenum plant. Terms of the lease include a term to November 2023, monthly capital payments of approximately \$0.1 million, a balloon payment at the end of the lease term of approximately \$1.5 million and interest at a rate of 0.45% per month. The lease can be prepaid without penalty. At June 30, 2019, the lease obligation was \$8.3 million (December 31, 2018: \$9.0 million).

Amerigo Resources Ltd.

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

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

- b) Effective January 1, 2019, Amerigo's head office lease was recognized as a right of use asset with a corresponding lease liability. The lease has a term to November 2021 with monthly lease payments for an aggregate annual amount of less than \$0.1 million. At June 30, 2019 the head office lease obligation was \$0.2 million.
- c) MVC has a lease with a term to July 2021 for the lease of various vehicles, with monthly lease payments for an aggregate annual amount of less than \$0.1 million. At June 30, 2019 the vehicles lease obligation was \$0.1 million.
- d) Effective January 1, 2019, Amerigo's photocopier lease was recognized as a right of use asset with a corresponding lease liability. The lease has a term to April 2021 with quarterly lease payments and a final payment on lease termination. The aggregate annual lease payments are less than \$0.1 million. At June 30, 2019 the office equipment lease obligation was \$0.1 million.

8) RELATED PARTY TRANSACTIONS

- a) Derivative

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

The Class A shareholders are not entitled to any participation in the profits of Amerigo International, except for monthly payments, calculated as follows:

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

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

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

YTD-2019, \$0.4 million was paid or accrued to the Class A shareholders (YTD-2018: \$0.5 million) and the derivatives' fair value increased by \$0.3 million (YTD-2018: decreased by \$0.3 million), for a total derivative expense of \$0.7 million (YTD-2018: \$0.2 million) (Note 12(c)).

At June 30, 2019, the derivative totalled \$11.3 million (December 31, 2018: \$11.1 million), with a current portion of \$1.4 million (December 31, 2018: \$1.4 million) and a long-term portion of \$9.9 million (December 31, 2018: \$9.7 million).

Actual monthly payments outstanding at June 30, 2019 and December 31, 2018 were \$0.1 million.

Amerigo Resources Ltd.

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

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

b) Purchases of Goods and Services

Amerigo incurred the following fees in connection with companies owned by executive officers and directors and in respect of salaries paid to officers. Transactions have been measured at market rates determined on a cost recovery basis.

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

	YTD-2019	YTD-2018
	\$	\$
Salaries and management fees	344	543

c) Key Management Compensation

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

	YTD-2019	YTD-2018
	\$	\$
Salaries and management fees	344	543
Directors' fees	120	121
Share-based payments	1,068	996
	1,532	1,660

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

9) EQUITY

a) Share Capital

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

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

In 2018, Amerigo issued 265,119 shares valued at \$0.2 million to three shareholders to settle the annual stand-by charge of the Line of Credit described in Note 6(c) and issued 630,000 shares valued at \$0.1 million in connection with various share option exercises by employees and directors.

Amerigo Resources Ltd.

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

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

b) Share Options

A total of 3,150,000 options were granted YTD-2019 (2018: 2,950,000) with a weighted average fair value estimated at Cdn\$0.61 (2018: Cdn\$0.59) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions in the following table.

	2019	2018
	\$	\$
Weighted average share price	1.11	1.06
Weighted average exercise price	1.11	1.06
Dividend yield	0%	0%
Risk free interest rate	1.64%	1.98%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.31	4.28
Expected volatility	70.20%	70.60%

Outstanding share options:

	June 30, 2019		December 31, 2018	
	Share	Weighted	Share	Weighted
	options	average	options	average
		exercise		exercise
		price		price
		Cdn\$		Cdn\$
At start of the period	13,370,000	0.53	11,050,000	0.37
Granted	3,150,000	1.11	2,950,000	1.06
Exercised	(2,805,841)	0.38	(630,000)	0.20
Repurchased pursuant to cashless exercises	(1,194,159)	0.38	-	-
At end of the period	12,520,000	0.72	13,370,000	0.53
Vested and exercisable	10,945,000	0.67	13,370,000	0.53

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

Amerigo Resources Ltd.

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

Information relating to share options outstanding at June 30, 2019 is as follows:

Outstanding share options	Vested share options	Price range Cdn\$	Weighted average exercise price on outstanding options Cdn\$	Weighted average exercise price on vested options Cdn\$	Weighted Average remaining life of outstanding options (years)
1,800,000	1,800,000	0.14 - 0.26	0.14	0.14	1.67
1,700,000	1,700,000	0.27 - 0.45	0.37	0.37	0.75
2,920,000	2,920,000	0.46 - 0.80	0.53	0.53	2.66
2,950,000	2,950,000	0.81 - 1.09	1.06	1.06	3.65
3,150,000	1,575,000	1.10 - 1.11	1.11	1.11	4.70
12,520,000	10,945,000		0.72	0.67	3.00

10) SEGMENT INFORMATION

Operating segments are determined based on the management reports reviewed by the board of directors to make strategic decisions.

The Company has one operating segment: the production of copper concentrates under a tolling agreement with DET, with the production of molybdenum concentrates as a by-product (Note 2).

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

	Property, plant and equipment		Other	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Chile	204,840	208,583	5,043	5,150
Canada	398	146	-	-
	205,238	208,729	5,043	5,150

Amerigo Resources Ltd.

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11) REVENUE

a) Revenue composition:

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Gross value of copper produced	37,278	44,493	73,691	90,534
Adjustments to fair value of settlement receivables	(3,182)	556	(1,035)	377
	34,096	45,049	72,656	90,911
Notional items deducted from gross value of copper produced:				
DET royalties - copper	(8,322)	(10,642)	(16,459)	(21,439)
Smelting and refining	(4,830)	(4,738)	(9,302)	(9,778)
Transportation	(447)	(518)	(891)	(1,072)
Copper tolling revenue	20,497	29,151	46,004	58,622
Molybdenum revenue	2,195	3,848	4,424	8,258
	22,692	32,999	50,428	66,880

b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 10).

The following table presents the Company's revenue composition by product type.

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Copper	20,497	29,151	46,004	58,622
Molybdenum	2,195	3,848	4,424	8,258
	22,692	32,999	50,428	66,880

c) Total revenue by region:

All the Company's revenue originates in Chile.

YTD-2019, the Group's revenue from one customer represented 91% of reported revenue (YTD-2018: 88%).

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12) (EXPENSES) GAINS BY NATURE

a) Tolling and production costs consist of the following:

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Tolling and production costs	(22,772)	(21,459)	(42,148)	(44,298)
Depreciation and amortization	(4,398)	(3,685)	(8,762)	(7,251)
Administration	(1,221)	(1,419)	(2,819)	(3,115)
DET royalties - molybdenum	(403)	(646)	(829)	(1,262)
	(28,794)	(27,209)	(54,558)	(55,926)

b) General and administration expenses consist of the following:

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Share-based payment compensation	(576)	(312)	(1,068)	(996)
Salaries, management and professional fees	(527)	(442)	(878)	(1,017)
Office and general expenses	(69)	(141)	(349)	(440)
	(1,172)	(895)	(2,295)	(2,453)

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

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Royalties to related parties	(218)	(244)	(428)	(480)
Fair value adjustments to royalty derivative	474	483	(234)	305
	256	239	(662)	(175)

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

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Other gains	89	53	95	151
Foreign exchange expense	(385)	(457)	(55)	(289)
	(296)	(404)	40	(138)

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e) Finance expense consists of the following:

	Q2-2019	Q2-2018	YTD-2019	YTD-2018
	\$	\$	\$	\$
Finance, commitment and interest charges	(1,312)	(1,022)	(2,994)	(2,335)
Fair value adjustments to interest rate swaps	(189)	110	(304)	438
	(1,501)	(912)	(3,298)	(1,897)

13) SUPPLEMENTARY CASH FLOW INFORMATION

a) Cash and cash equivalents

	June 30, 2019	December 31, 2018
	\$	\$
Cash at bank and on hand	5,026	7,809
Short-term bank deposits	142	129
	5,168	7,938
Cash held in a debt service reserve account (Note 6(a))	3,247	13,400
	8,415	21,338

b) Cash payments of interest and taxes

	YTD-2019	YTD-2018
	\$	\$
Interest and taxes paid		
Interest paid	2,671	2,329
Income taxes paid	2,597	2,501
Other		
(Decrease) increase in accounts payable related to the acquisition of plant and equipment	(214)	2,125
Cash paid during the year in connection with the derivative to related parties	463	480

Amerigo Resources Ltd.

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14) FAIR VALUE MEASUREMENT

Certain of Amerigo's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy has three levels that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and valuation techniques used to value Amerigo's financial assets and liabilities are the following:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that Amerigo can access at the measurement date. Amerigo values its investments using quoted market prices in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Copper and molybdenum trade and settlement receivables are derivatives because the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a separate component of revenue.
- Level 3 – Significant unobservable inputs that are not based on observable market data. Amerigo includes the related party derivative liability in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis based on management's best estimates, which are unobservable inputs. Fair value is calculated by applying the discounted cash flow approach on a valuation model that considers the present value of the net cash flows expected to be paid to a related party (Note 8(a)). Amerigo has also included the IRS in Level 3 of the fair value hierarchy due to the lack of observable market quotes on these instruments. The fair value of the IRS was determined with the assistance of third parties who performed a discounted cash flow valuation based on forward interest rate curves.

Amerigo Resources Ltd.

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	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
June 30, 2019				
Investments	2,301	-	-	2,301
Trade and settlement receivables	-	533	-	533
Interest rate swap	-	-	(189)	(189)
Derivative to related parties	-	-	(11,251)	(11,251)
	2,301	533	(11,440)	(8,606)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2018				
Investments	1,433	-	-	1,433
Trade and settlement receivables	-	8,095	-	8,095
Interest rate swaps	-	-	115	115
Derivative to related parties	-	-	(11,050)	(11,050)
	1,433	8,095	(10,935)	(1,407)

15) COMMITMENTS

- MVC has a long-term agreement for the supply of 100% of MVC's power requirements to December 31, 2032. The agreement establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to range from \$1.7 million to \$1.9 million per month.
- The DET Agreement has a Closure Plan clause requiring MVC and DET to jointly assess the revision of the closure plan for Cauquenes and compare it to the current DET plan. In the case of any variation in the interests of DET due to MVC's activities in the Cauquenes deposit, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until the estimation of the new closure plan is available, and the parties agree on the terms of compensation resulting from the revised plan, it is Amerigo's view there is no obligation to record a provision because the amount, if any, is not possible to determine.

16) SUBSEQUENT EVENTS

Subsequent to June 30, 2019, MVC received a Commitment Letter (the "Commitment Letter") from and executed a Financing Mandate Agreement with Scotiabank to refinance the Cauquenes Phase One Loan and Cauquenes Phase Two loans (the "Existing Loans"). Under the proposed terms and conditions set out in the Commitment Letter, Scotiabank is to arrange a four-year senior secured term loan facility (the "New Facility") of up to \$56.5 million on a best efforts basis. Scotiabank has committed to underwrite 50% of the New Facility, up to US\$28.25 million, as it has received firm credit approval. Proceeds from the New Facility will be used to refinance the Existing Loans and to finance transaction related costs. Closing of the New Facility is expected in Q3-2019.