Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Three months ended March 31, 2017 and 2016
Unaudited – Prepared by Management

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	March 31, 2017 $	December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	11(a)	23,097	15,921
Trade and other receivables		7,959	8,008
Taxes receivable		6,841	6,476
Prepaid expenses		57	170
Inventories	4	8,053	9,648
		46,007	40,223
Non-current assets			
Investments		1,809	1,518
Property, plant and equipment	5	171,304	174,222
Intangible assets		4,703	4,767
Deferred income tax asset		51	50
Other non-current assets		908	906
Total assets		224,782	221,686
Liabilities			
Current liabilities			
Trade and other payables		16,191	15,819
DET royalties	2	13,245	11,273
Current portion of borrowings	6	11,380	10,733
Current portion of interest rate swap	6	76	76
Current income tax liabilities		81	76
Royalty derivative to related parties	7	852	1,617
		41,825	39,594
Non-current liabilities			
Severance provisions		853	811
Borrowings	6	59,562	59,114
Interest rate swap	6	137	132
Royalty derivative to related parties	7	8,419	7,376
Deferred income tax liability		25,442	25,539
Other non-current liabilities		1,245	1,243
Total liabilities		137,483	133,809
Equity	8		
Share Capital		78,445	78,168
Other reserves		7,664	7,447
Accumulated other comprehensive loss		(1,809)	(2,047)
Retained earnings		2,999	4,309
Total equity		87,299	87,877
Total equity and liabilities		224,782	221,686
Commitments	13		

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

Approved by the Board of Directors

"Robert Gayton" — Director

"George Ireland" — Director

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2017	2016
		$	$
Revenue			
Gross tolling revenue		38,650	26,997
Notional items deducted from gross tolling revenue			
Smelting and refining		(5,087)	(4,509)
DET royalties - copper		(7,715)	(4,435)
Transportation		(503)	(364)
		25,345	17,689
Molybdenum and other revenue		4,399	1,566
		29,744	19,255
Tolling and production costs			
Tolling and production costs		(22,666)	(17,229)
DET royalties - molybdenum		(134)	-
Depreciation and amortization		(3,584)	(3,292)
Administration		(1,377)	(1,136)
		(27,761)	(21,657)
Gross profit (loss)		1,983	(2,402)
Other expenses			
General and administration	10 (a)	(953)	(854)
Other gains	10 (b)	33	601
Royalty derivative to related parties including changes in fair value	10 (c)	(1,093)	(917)
		(2,013)	(1,170)
Operating loss		(30)	(3,572)
Finance expense	10 (d)	(1,353)	(1,488)
		(1,353)	(1,488)
Loss before tax		(1,383)	(5,060)
Income tax recovery		73	703
Net loss		(1,310)	(4,357)
Other comprehensive loss			
Items that may be reclassified subsequently to net loss:			
Unrealized gains on investments, net of tax		292	338
Cumulative translation adjustment		(50)	(421)
Actuarial losses on severance provision		(4)	(29)
Other comprehensive income (loss)		238	(112)
Comprehensive loss		(1,072)	(4,469)
Weighted average number of shares outstanding, basic		174,781,661	173,975,621
Weighted average number of shares outstanding, diluted		174,781,661	173,975,621
Loss per share			
Basic		(0.01)	(0.03)
Diluted		(0.01)	(0.03)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended March 31, 2017	2016
	$	$
Cash flows from operating activities		
Net loss	(1,310)	(4,357)
Adjustment for items not affecting cash:		
Depreciation and amortization	3,584	3,292
Finance expense	1,099	1,060
Deferred income tax (recovery) expense	(97)	460
Share-based payments	241	60
Other	31	161
Impairment charges	27	518
Changes in fair value of royalties to related parties	864	691
Unrealized foreign exchange gain	(184)	(442)
	4,255	1,443
Changes in non-cash working capital		
Trade, other receivables and taxes receivable	(201)	(5,729)
Inventories	1,574	(137)
Trade and other payables	(163)	3,517
DET royalties	1,973	3,061
	3,183	712
Payment of long-term employee benefits	-	(642)
Net cash from operating activities	7,438	1,513
Cash flows from investing activities		
Purchase of plant and equipment	(451)	(3,714)
Net cash from investing activities	(451)	(3,714)
Cash flows from financing activities		
Issuance of shares	57	-
Proceeds from borrowings, net of transaction costs	-	7,770
Repayment of borrowings	-	(3,390)
Net cash from financing activities	57	4,380
Net increase in cash and cash equivalents	7,044	2,179
Effect of exchange rate changes on cash	132	546
Cash and cash equivalents – Beginning of period	15,921	9,032
Cash and cash equivalents - End of period	23,097	11,757

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 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	-	-	60	-	-	60
Compensation settled with shares	1,071,429	111	-	-	-	111
Cumulative translation adjustment	-	-	-	(421)	-	(421)
Unrealized gains on investments	-	-	-	338	-	338
Severance provision	-	-	-	(29)	-	(29)
Net loss	-	-	-	-	(4,357)	(4,357)
Balance - March 31, 2016	174,682,058	78,168	7,349	(2,404)	7,483	90,596
Share-based payments	-	-	98	-	-	98
Cumulative translation adjustment	-	-	-	177	-	177
Unrealized gains on investments	-	-	-	188	-	188
Severance provision	-	-	-	(8)	-	(8)
Net loss	-	-	-	-	(3,174)	(3,174)
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	-	-	241	-	-	241
Expenses settled with shares	403,577	196	-	-	-	196
Exercise of share purchase options	350,000	81	(24)	-	-	57
Cumulative translation adjustment	-	-	-	(50)	-	(50)
Unrealized gains on investments	-	-	-	292	-	292
Severance provision	-	-	-	(4)	-	(4)
Net loss	-	-	-	-	(1,310)	(1,310)
Balance - March 31, 2017	175,435,635	78,445	7,664	(1,809)	2,999	87,299

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 and the OTCQX stock exchange in the United States. These condensed consolidated financial statements ("interim financial statements") of the Company as at and for the three months ended March 31, 2017 ("Q1-2017") 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. 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 May 1, 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, as outlined below. The interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

d) New IFRS pronouncements

The following new or revised IASB standards and interpretations were adopted by the Company on January 1, 2017:

IAS 7, Statement of Cash Flows: Disclosures Related to Financing Activities: Amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Adoption did not have a significant effect on the Company's financial statements.

IAS 12, Income Taxes – Deferred Taxes: Amended to clarify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of accounting for deferred tax assets. Adoption did not have a significant effect on the Company's financial statements.

(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.

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

In 2015, DET provided to MVC a copper price support agreement of up to $17.0 million (the "DET Price Support Facility") under which MVC drew down $1.0 million from the DET Price Support Facility in each month in which the average final settlement copper price to MVC was less than $2.80/lb, up to the $17.0 million maximum. The DET Price Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC's bank financing. The DET Price Support Facility is scheduled to be repaid 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 March 31, 2017. MVC may repay the DET Price Support Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments.

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

At March 31, 2017, the accrual for DET notional copper royalties and DET molybdenum royalties, including deferred amounts, was $13.2 million (December 31, 2016: $11.3 million), representing seven months of notional copper royalties and four months of molybdenum royalties (December 31, 2016: seven months of notional copper royalties and five months of molybdenum royalties).

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 consolidated 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) Royalty Derivative to Related Parties

The Group has an obligation to pay royalties 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)). The royalty is a derivative financial instrument measured at fair value, and the Company is required under IFRS to reassess its estimate for the royalty derivative at each reporting date based on revised production under the tolling agreement estimates.

b) 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.

(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 the statement of income. As at March 31, 2017, management determined that the Company's market capitalization 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): 2017: $2.58; 2018: $2.66; 2019: $2.79; 2020: $3.07; 2021: $2.95/lb; 2022 to 2037: $3.00.
- Power costs (excluding benefit from self-generation): From 2017 to 2027 costs are per contractual estimates (2017: $0.101173/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 2017 to 2037, including processing of fresh tailings and old tailings from the Colihues and Cauquenes deposits
- Discount rate: 7% after tax

Based on the assumptions described above, management's impairment evaluation at March 31, 2017 did not result in the identification of an impairment loss. 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 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.

4) INVENTORIES

	March 31, 2017 $	December 31, 2016 $
Plant supplies and consumables	4,152	4,907
Work in progress	3,845	4,675
Concentrate inventories	56	66
	8,053	9,648

At March 31, 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
Three months ended March 31, 2017			
Opening net book amount	152,348	21,874	174,222
Exchange differences	-	2	2
Additions	575	103	678
Disposals	-	(78)	(78)
Depreciation charge	(2,069)	(1,451)	(3,520)
Closing net book amount	150,854	20,450	171,304
At March 31, 2017			
Cost	247,576	56,772	304,348
Accumulated depreciation	(96,722)	(36,322)	(133,044)
Net book amount	150,854	20,450	171,304

At March 31, 2016, PPE of $0.2 million was categorized as construction in progress ("CIP") and not subject to depreciation (December 31, 2016: $nil).

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

6) BORROWINGS

	March 31, 2017 $	December 31, 2016 $
Cauquenes Expansion Loan (Note 7(a))	52,516	51,739
DET Price Support Facility (Note 7(b))	18,426	18,108
	70,942	69,847
Comprised of:		
Short-term debt and current portion of long-term debt	11,380	10,733
Long-term debt	59,562	59,114
	70,942	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 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 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 March 31, 2017 was 4.82% 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 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 March 31, 2017 was $52.5 million (December 31, 2016: $51.7 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 on June 30 and December 31. At December 31, 2016, MVC was in compliance with the tangible net worth ratio ($105.0 million), and received waivers from BBVA and EDC in respect of the current ratio (requirement of 1.0) and debt service coverage ratio (requirement of 1.2). MVC is in the process of discussing with the lenders the covenants requirements for June 30, 2017 and beyond.

MVC has a debt service reserve account (“DSRA”) as required under the terms and provisions of the Cauquenes Expansion Loan. 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 the DSRA at each month end with funds necessary to maintain a

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

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. At March 31, 2017, MVC held DSRA funds in the required amount of $6.7 million.

Concurrently with the Cauquenes Expansion Loan, MVC entered into an IRS with BBVA to fix 75% of the interest payable on that facility. On March 31, 2017, the fair value of the IRS was determined to be $0.2 million, with a short-term portion of $0.1 million and a long-term portion of $0.1 million. The IRS has a term to December 27, 2018.

	March 31, 2017	**December 31, 2016**
	$	**$**
Current portion of interest rate swap	76	76
Long-term, interest rate swap	137	132
	213	208

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 from three Amerigo shareholders. The standby line of credit had an original availability date to March 25, 2016, was extended to March 25, 2017 and was further extended 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 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 March 31, 2017, no funds had been drawn from the standby line of credit. In 2017, the Company incurred an annual commitment fee of $0.2 million in respect of the standby line of credit, which was 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) Royalty Derivative to Related Parties

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

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

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

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.

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During Q1-2017 and Q1-2016, royalties totalling $0.2 million were paid or accrued to the Class A shareholders. At March 31, 2017, $0.1 million of this amount remained payable (December 31, 2016: $0.7 million).

The Royalty is a derivative financial instrument measured at fair value, with changes in fair value recorded in profit for the period.

The royalty derivative to related parties includes the Royalty dividends described above and changes in the fair value of the derivative. The fair value of the derivative increased $0.9 million in Q1-2017 (Q1-2016: $0.7 million), for a total royalty derivative expense of $1.1 million (Q1-2016: $0.9 million). The increase in the fair value of the derivative in Q1-2017 was caused by the probability weighted estimated increase to future production.

At March 31, 2017, the Royalty and the derivative were $9.3 million (December 31, 2016: $9.0 million), with a current portion of $0.9 million (December 31, 2016: $1.6 million) and a long-term portion of $8.4 million (December 31, 2016: $7.4 million).

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

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

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.

	Q1-2017	**Q1-2016**
	$	**$**
Salaries and management fees	189	279

c) Management Compensation

The remuneration of directors and other members of management during Q1-2017 and Q1-2016 was as follows:

	Q1-2017	**Q1-2016**
	$	**$**
Management and directors' fees	254	335
Share-based payments	241	58
	495	393

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(d)).

(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.

In Q1-2017, the Company issued 403,577 shares valued at $0.2 million to three Amerigo shareholders to settle the annual stand-by charge of a $13.0 million line of credit described in Note 6(d). The Company also issued 350,000 shares valued at $0.1 million in connection with various share option exercises by an employee and directors of the Company.

b) Share Options

A total of 2,950,000 options were granted in Q1-2017 (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%

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

Outstanding share options:

	March 31, 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	(350,000)	0.22	-	-
Granted	2,950,000	0.53	3,350,000	0.14
At end of the period	12,000,000	0.38	12,600,000	0.44
Vested and exercisable	9,787,500	0.34	12,600,000	0.44

The weighted average trading price of the Company's stock on the dates in which options were exercised in Q1-2017 was Cdn$0.65 per share.

Information relating to share options outstanding at March 31, 2017 is as follows:

Outstanding share options	Vested share options	Price range Cdn$	Weighted average exercise price on outstanding options Cdn$	Weighted average exercise price on vested options Cdn$	Weighted Average remaining life of outstanding options (years)
3,100,000	3,100,000	0.14 - 0.26	0.14	0.14	3.92
1,800,000	1,800,000	0.27 - 0.40	0.37	0.37	3.00
3,450,000	3,450,000	0.41 - 0.48	0.44	0.44	2.11
3,650,000	1,437,500	0.49 - 0.53	0.53	0.53	4.00
12,000,000	9,787,500		0.38	0.34	3.29

Further information about share options is as follows:

	Q1-2017	Q1-2016
	$	$
Total compensation recognized	241	60

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

9) SEGMENT INFORMATION

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group has one operating segment, the production of copper concentrates under a tolling agreement with DET (Note 2).

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

	Property, plant and equipment		Other	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Chile	171,121	174,035	5,611	5,673
Canada	183	187	-	-
	171,304	174,222	5,611	5,673

All of the Group's revenue originates in Chile. In Q1-2017, the Group's revenue from one customer represented 99% of reported revenue (2016: 97%).

10) EXPENSES BY NATURE

a) General and administration expenses consist of the following:

	Q1-2017 $	Q1-2016 $
Office and general expenses	(294)	(281)
Salaries, management and professional fees	(418)	(513)
Share-based payment compensation	(241)	(60)
	(953)	(854)

b) Other gains consist of the following:

	Q1-2017 $	Q1-2016 $
Foreign exchange gain	18	571
Other gains	15	30
	33	601

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

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

	Q1-2017 $	Q1-2016 $
Royalties to related parties	(229)	(225)
Fair value adjustments to royalty derivative	(864)	(692)
	(1,093)	(917)

d) Finance expense consists of the following:

	Q1-2017 $	Q1-2016 $
Finance, commitment and interest charges	(1,348)	(1,284)
Interest rate swap	(5)	(204)
	(1,353)	(1,488)

11) SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2017 $	December 31, 2016 $
a) Cash and cash equivalents are comprised of:		
Cash at bank and on hand	16,140	8,966
Cash held in a debt services reserve account (Note (6(a))	6,700	6,700
Short-term bank deposits	257	255
	23,097	15,921

	Q1-2017 $	Q1-2016 $
(b) Interest and taxes paid		
Interest paid	-	120
Income taxes paid	305	197
(c) Other		
Increase (decrease) in accounts payable related to the acquisition of PPE	141	(2,841)
Cash paid during the period for royalty dividends to related parties	815	78

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

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 royalty 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 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 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.

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
March 31, 2017				
Investments	1,809	-	-	1,809
Trade and other receivables	-	7,562	-	7,562
Interest rate swap	-	-	(213)	(213)
Royalty derivative to related parties	-	-	(9,271)	(9,271)
	1,809	7,562	(9,484)	(113)

	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)
Royalty 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, currently estimated to be $1.4 million per month.

b) 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.

c) 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 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.