Amerigo Resources Ltd.

Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2018 and 2017
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	March 31, 2018 $	December 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents	12	29,869	27,524
Trade and settlement receivables		5,111	7,710
Taxes receivable		2,174	1,627
Prepaid expenses		963	1,408
Inventories	4	6,934	7,792
Interest rate swap	6	144	-
		45,195	46,061
Non-current assets			
Property, plant and equipment	5	183,993	176,011
Intangible assets		4,447	4,509
Investments		2,482	3,014
Other non-current assets		935	931
Deferred income tax asset		44	23
Total assets		237,096	230,549
Liabilities			
Current liabilities			
Current portion of borrowings	6	18,111	20,810
Trade and other payables		14,200	13,052
DET royalties	2	11,525	11,990
Current income tax liabilities		4,009	3,368
Current portion of derivative	7, 13	1,015	1,151
Interest rate swap	6	6	190
		48,866	50,561
Non-current liabilities			
Borrowings	6	47,936	42,257
Deferred income tax liability		27,464	26,876
Derivative	7, 13	11,353	11,042
Severance provisions		1,042	981
Other non-current liabilities		420	656
Total liabilities		137,081	132,373
Equity	8		
Share capital		79,258	78,954
Other reserves		8,569	7,916
Accumulated other comprehensive loss		(1,327)	(992)
Retained earnings		13,515	12,298
Total equity		100,015	98,176
Total equity and liabilities		237,096	230,549
Commitments	14		

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

Approved by the Board of Directors

"Robert Gayton"	"George Ireland"
Director	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 March 31, 2018	2017
		$	$
Revenue	10	33,881	29,744
Tolling and production costs	11 (a)	(28,717)	(27,761)
Gross profit		5,164	1,983
Other expenses			
General and administration	11 (b)	(1,558)	(953)
Derivative to related parties including changes in fair value	11 (c)	(414)	(1,093)
Other gains	11 (d)	266	33
		(1,706)	(2,013)
Operating profit (loss)		3,458	(30)
Finance expense	11 (e)	(985)	(1,353)
		(985)	(1,353)
Income (loss) before income tax		2,473	(1,383)
Income tax (expense) recovery		(1,256)	73
Net income (loss)		1,217	(1,310)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net income (loss):			
Unrealized (losses) gains on investments, net of tax		(532)	292
Cumulative translation adjustment		204	(50)
Actuarial losses on severance provision		(7)	(4)
Other comprehensive (loss) income		(335)	238
Comprehensive income (loss)		882	(1,072)
Weighted average number of shares outstanding, basic		176,493,697	174,781,661
Weighted average number of shares outstanding, diluted		180,460,697	174,781,661
Earnings (loss) per share			
Basic		0.01	(0.01)
Diluted		0.01	(0.01)

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 March 31,	
	2018	2017
	$	$
Cash flows from operating activities		
Net income (loss)	1,217	(1,310)
Adjustment for items not affecting cash:		
Depreciation and amortization	3,566	3,584
Share-based payments	684	241
Deferred income tax expense (recovery)	567	(97)
Changes in fair value of derivative	178	864
Finance expense	39	1,099
Other	(184)	58
Unrealized foreign exchange gain	(123)	(184)
	5,944	4,255
Changes in non-cash working capital		
Trade, settlement receivables and taxes receivable	2,191	(201)
Inventories	878	1,574
Trade and other payables	890	(163)
DET royalties	(466)	1,973
Net cash from operating activities	9,437	7,438
Cash flows used in investing activities		
Purchase of plant and equipment	(10,274)	(451)
Net cash used in investing activities	(10,274)	(451)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	5,810	-
Repayment of borrowings	(3,000)	-
Issuance of shares	72	57
Net cash from financing activities	2,882	57
Net increase in cash and cash equivalents	2,045	7,044
Effect of exchange rate changes on cash	300	132
Cash and cash equivalents - Beginning of period	27,524	15,921
Cash and cash equivalents - End of period	29,869	23,097

Supplementary cash flow information (Note 12)

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, 2017	174,682,058	78,168	7,447	(2,047)	4,309	87,877
Share-based payments	-	-	241	-	-	241
Expenses settled with shares (Note 6 (c))	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
Actuarial losses on 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
Share-based payments	-	-	386	-	-	386
Exercise of share purchase options	950,000	509	(134)	-	-	375
Cumulative translation adjustment	-	-	-	(357)	-	(357)
Unrealized gains on investments	-	-	-	1,204	-	1,204
Actuarial losses on severance provision	-	-	-	(30)	-	(30)
Net income	-	-	-	-	9,299	9,299
Balance - December 31, 2017	176,385,635	78,954	7,916	(992)	12,298	98,176
Balance - January 1, 2018	176,385,635	78,954	7,916	(992)	12,298	98,176
Share-based payments	-	-	684	-	-	684
Expenses settled with shares (Note 6 (c))	265,119	201	-	-	-	201
Exercise of share purchase options	550,000	103	(31)	-	-	72
Cumulative translation adjustment	-	-	-	204	-	204
Unrealized losses on investments	-	-	-	(532)	-	(532)
Actuarial losses on severance provision	-	-	-	(7)	-	(7)
Net income	-	-	-	-	1,217	1,217
Balance - March 31, 2018	177,200,754	79,258	8,569	(1,327)	13,515	100,015

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 traded in the United States on the OTCQX. These condensed interim consolidated financial statements (“interim financial statements”) of the Company as at and for the three months ended March 31, 2018 (“Q1-2018”) 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). Since January 1, 2015, copper production from MVC has been conducted under a tolling agreement with DET.

b) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements and should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2017, 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, 2017.

These interim financial statements were authorised for issue by Amerigo’s board of directors on May 7, 2018.

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 Company adopted the following new IASB standards and interpretations on January 1, 2018, in accordance with the standards’ transitional provisions:

IFRS 9, Financial Instruments - Classification and Measurement (“IFRS 9”): Addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”).

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

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income ("OCI"). 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 the IAS 39 requirements. The main change is that, in cases 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 OCI 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. IFRS 9 no longer requires a triggering event to occur before credit losses are recognized. Entities are 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 financial instruments. Additional disclosure on expected credit losses and credit risk are required.

The Company assessed the classification and measurement of its financial assets and liabilities under IFRS 9 and has summarized the original investment categories under IAS 39 and the new measurement categories under IFRS 9 in the following table.

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial Assets		
Cash	Amortized cost	Amortized cost
Cash equivalents	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Settlement receivables	FVTPL	FVTPL
Marketable equity securities	Available-for-sale	FVTOCI
Financial Liabilities		
Trade payables	Amortized cost	Amortized cost
Debt	Amortized cost	Amortized cost
Derivative instruments	FVTPL	FVTPL

The Group made an irrevocable classification choice to record fair value changes on its current portfolio of investments in marketable equity securities through OCI. This election did not have an effect on the Company's interim financial statements.

The Group's credit risk arises from cash, cash equivalents and trade receivables. While the Group is exposed to credit losses due to the non-performance of its counterparties and there are significant concentrations of credit risk, the Group does not consider this risk to be material.

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

The Group's significant counterparties in respect of cash and cash equivalents are reputable financial institutions with investment grade ratings. The Group has two main customers with high credit quality, strong financial position and liquidity and long-term contractual relationships with the Group. The Group's customers are considered to have a low default risk and the Group does not have historical default rates. Historically, the Group has not recorded lifetime expected credit loss allowances. Accordingly, the Group did not record adjustments related to the implementation of the expected credit loss model for trade receivables.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"): The new revenue standard introduces a single principles-based, 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 identification of the contract/contracts with customers, identification of the performance obligations under the contract, determination of the transaction price, allocation of the transaction price and recognition of revenue when the performance obligation is satisfied. The standard also requires enhanced revenue disclosures to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on our analysis, the timing and amount of Group revenue did not change under IFRS 15, and no restatement to prior year revenue was required. Note 10 addresses the Group's disclosure requirements under IFRS 15.

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 DET'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 copper price for the month of concentrates production 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 2015 to 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 the gross value of copper produced at applicable market prices, net of notional items (DET copper royalties, smelting and refining charges 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 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%).

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

The Master Agreement contains provisions requiring the parties to meet and review cost and notional royalty/royalty structures in the event monthly average prices fall below certain ranges and projections indicate the permanence of such prices over time. The review of all notional royalty/royalty structures is to be carried out in a manner that gives priority to the Master Agreement's viability 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 facility of $17.0 million (the "DET Price Support Facility") which 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). In Q1-2018, MVC repaid $3.0 million towards the DET Price Support Facility (Q1-2017: $nil), and MVC currently anticipates the DET Price Support Facility may be fully repaid before its contractual maturity. MVC may repay the DET Price Support Facility in advance and without penalty. The loan's balance at March 31, 2018 was $6.6 million (December 31, 2017: $9.9 million), including $0.6 million in accrued interest (December 31, 2017: $0.9 million), shown as a current liability in the Company's statement of financial position.

At March 31, 2018, the accrual for DET notional copper royalties and DET molybdenum royalties, was $11.5 million (December 31, 2017: $12.0 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 2017 annual consolidated financial statements.

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

4) INVENTORIES

	March 31, 2018 $	December 31, 2017 $
Plant supplies and consumables	3,731	4,057
Work in progress	3,056	3,701
Molybdenum concentrates	147	34
	6,934	7,792

At March 31, 2018 and December 31, 2017, 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 $
Three months ended March 31, 2018			
Opening net book amount	159,788	16,223	176,011
Exchange differences	-	(5)	(5)
Additions	10,423	1,126	11,549
Disposals	-	(59)	(59)
Depreciation charge	(2,069)	(1,434)	(3,503)
Closing net book amount	168,142	15,851	183,993
At March 31, 2018			
Cost	273,359	57,411	330,770
Accumulated depreciation	(105,217)	(41,560)	(146,777)
Net book amount	168,142	15,851	183,993

At March 31, 2018, property, plant and equipment of $18.4 million was categorized as construction in progress and not subject to depreciation (December 31, 2017: $11.5 million).

Total interest and charges of $0.4 million was capitalized in the three months ended March 31, 2018 and included in property, plant and equipment at March 31, 2018 (year ended December 31, 2017: $0.2 million).

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

6) BORROWINGS

	March 31, 2018 $	December 31, 2017 $
Cauquenes Phase One Loan (Note 6(a))	42,238	41,527
Cauquenes Phase Two Loan (Note 6(a))	17,213	11,601
	59,451	53,128
DET Price Support Facility (Note 6(b))	6,596	9,939
	66,047	63,067
Comprise:		
Short-term debt and current portion of long-term debt	18,111	20,810
Long-term debt	47,936	42,257
	66,047	63,067

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 phase one of the Cauquenes expansion. Loan terms include interest synthetically fixed through an IRS, accounted for at FVTPL 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, 2018 was 5.34% 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 loan’s term 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 loan provisions. The balance of the Cauquenes Phase One Loan (net of transaction costs) at March 31, 2018 was $42.2 million (December 31, 2017: $41.5 million). The IRS on the Phase One Loan 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”). Loan terms include interest synthetically fixed through a second IRS, accounted for at FVTPL, 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 March 31, 2018 was 5.34% per annum. Interest is 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 loan’s term 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 loan provisions. The balance of the Cauquenes Phase Two Loan (net of transaction costs) at March 31, 2018 was $17.2 million (December 31, 2017: $11.6 million). On March 31, 2018, the fair value of the second IRS was determined to be $0.2 million (December 31, 2017: liability of $0.2 million). The IRS on the Phase Two Loan 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.

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

Original loan terms and provisions 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. 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. At December 31, 2017, MVC met the debt service coverage ratio (requirement of 1.2) and the tangible net worth ratio (requirement of $110.0 million).

MVC has 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 and interest pursuant to the loans and interest rate swaps that are payable in the following six months. At March 31, 2018 and December 31, 2017, MVC held DSRA funds in the required amount of $7.3 million.

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

c) The Company has a $13.0 million standby line of credit (the "Line of Credit") from three Company shareholders which is available through to the later of December 31, 2018 and 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, are subject to a drawdown fee equivalent to 1.5% of drawn funds and interest at a rate of 1.5% per month, payable semi-annually in arrears. Principal is payable 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 1-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 March 31, 2018, no funds had been drawn from the Line of Credit. In 2018, the Company incurred an annual commitment fee of $0.2 million in respect of the Line of Credit, settled with the issuance of 265,119 Company shares (2017: $0.2 million, settled with 403,577 Company shares).

7) RELATED PARTY TRANSACTIONS

a) Derivative

The Company 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 founders (including the Company'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 the Company 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

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

- $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. In Q1-2018, $0.2 million was paid or accrued to the Class A shareholders (three months ended March 31, 2017 ("Q1-2017"): $0.2 million) and the derivatives' fair value increased $0.2 million (Q1-2017: $0.9 million), for a total derivative expense of $0.4 million (Q1-2017: $1.1 million) (Note 11(b)).

In Q1-2017, the increase in the derivatives' fair value was caused by the estimated increase in future production at MVC resulting from the Cauquenes Phase Two expansion currently underway.

At March 31, 2018, the derivative totalled $12.4 million (December 31, 2017: $12.2 million), with a current portion of $1.0 million (December 31, 2017: $1.2 million) and a long-term portion of $11.4 million (December 31, 2017: $11.0 million). Actual monthly payments outstanding at March 31, 2018 and December 31, 2017 were $0.1 million.

b) Purchases of Goods and Services

The Company 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.

	Q1-2018	**Q1-2017**
	$	**$**
Salaries and management fees	350	189

c) Key Management Compensation

The remuneration of directors and other members of key management during Q1-2018 and Q1-2017 was as follows:

	Q1-2018	**Q1-2017**
	$	**$**
Management and directors' fees	415	254
Share-based payments	684	241
	1,099	495

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

d) The Group has in place a $13.0 million standby line of credit from three Company 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.

In Q1-2018, the Company issued 265,119 shares valued at $0.2 million to three Company shareholders to settle the annual stand-by charge of a $13.0 million line of credit described in Note 6(c) (Q1-2017: 403,577 shares valued at $0.2 million). The Company also issued 550,000 shares valued at $0.1 million in connection with various share option exercises by employees and directors (Q1-2017: 350,000 shares valued at $0.1 million).

b) Share Options

A total of 2,950,000 options were granted in each of Q1-2018 and Q1-2017, with a weighted average fair value estimated at Cdn$0.59 (2017: Cdn$0.28) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2018 $	2017 $
Weighted average share price	1.06	0.53
Weighted average exercise price	1.06	0.53
Dividend yield	0%	0%
Risk free interest rate	1.98%	1.01%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.28	4.27
Expected volatility	70.60%	66.82%

Outstanding share options:

	March 31, 2018		December 31, 2017	
	Share options	Weighted average exercise price Cdn$	Share options	Weighted average exercise price Cdn$
At start of the period	11,050,000	0.37	12,600,000	0.44
Granted	2,950,000	1.06	2,950,000	0.53
Exercised	(550,000)	0.17	(1,300,000)	0.42
Expired	-	-	(3,200,000)	0.77
At end of the period	13,450,000	0.53	11,050,000	0.37
Vested and exercisable	11,237,500	0.42	11,050,000	0.37

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

The weighted average trading price of the Company's stock on the dates in which options were exercised in Q1-2018 was Cdn$1.03 per share (Q1-2017: Cdn$0.71 per share).

Information relating to share options outstanding at March 31, 2018 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)
2,600,000	2,600,000	0.14 - 0.26	0.14	0.14	2.92
1,750,000	1,750,000	0.27 - 0.40	0.37	0.37	2.00
3,200,000	3,200,000	0.41 - 0.48	0.44	0.44	1.11
2,950,000	2,950,000	0.49 - 0.80	0.53	0.53	3.90
2,950,000	737,500	0.81 - 1.06	1.06	1.06	4.90
13,450,000	11,237,500		0.53	0.42	3.02

Further information about share options is as follows:

	Q1-2018 $	Q1-2017 $
Total compensation recognized	684	241

(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, 2018	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**
Chile	183,822	175,834	5,382	5,441
Canada	171	177	-	-
	183,993	176,011	5,382	5,441

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

10) REVENUE

The Company adopted IFRS 15 on January 1, 2018 as outlined in Note 1(d). The following disclosures presents the Group's revenue information as required under the new standard.

a) Revenue Composition

	Q1-2018 $	Q1-2017 $
Gross value of copper produced	45,862	38,650
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(10,797)	(7,715)
Smelting and refining	(5,040)	(5,087)
Transportation	(554)	(503)
Copper tolling revenue	29,471	25,345
Molybdenum and other revenue	4,410	4,399
	33,881	29,744

b) Total Revenue by Product Type and Business Unit

The following table presents the Group's revenue composition disaggregated by product type. The Group has a single business unit, consistent with the Group's single reportable segment (Note 9). A business unit can have revenue from more than one commodity as it can include an operation that produces more than one product.

	Q1-2018 $	Q1-2017 $
Copper	29,471	27,777
Molybdenum	4,410	1,967
	33,881	29,744

c) Total revenue by regions

All of the Group's revenue originates in Chile. In Q1-2018, the Group's revenue from one customer represented 87% of reported revenue (Q1-2017: 99%).

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

11) (EXPENSES) GAINS BY NATURE

a) Tolling and production costs consist of the following:

	Q1-2018 $	Q1-2017 $
Tolling and production costs	(22,839)	(22,666)
Depreciation and amortization	(3,566)	(3,584)
Administration	(1,696)	(1,377)
DET royalties - molybdenum	(616)	(134)
	(28,717)	(27,761)

b) General and administration expenses consist of the following:

	Q1-2018 $	Q1-2017 $
Share-based payment compensation	(684)	(241)
Salaries, management and professional fees	(575)	(418)
Office and general expenses	(299)	(294)
	(1,558)	(953)

c) Derivative to related parties (Note (7(a)) consist of the following:

	Q1-2018 $	Q1-2017 $
Fair value adjustments to derivative	(178)	(864)
Royalty payments to related parties	(236)	(229)
	(414)	(1,093)

d) Other gains consist of the following:

	Q1-2018 $	Q1-2017 $
Other gains	168	15
Foreign exchange gains	98	18
	266	33

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

e) Finance expense consists of the following:

	Q1-2018 $	Q1-2017 $
Finance, commitment and interest charges	(1,314)	(1,348)
Fair value adjustments to interest rate swaps	329	(5)
	(985)	(1,353)

12) Supplementary Cash Flow Information

a) Cash and cash equivalents

	March 31, 2018 $	December 31, 2017 $
Cash at bank and on hand	21,929	19,595
Short-term bank deposits	640	629
	22,569	20,224
Cash held in a debt service reserve account (Note 6(a))	7,300	7,300
	29,869	27,524

b) Cash payments of interest and taxes

	Q1-2018 $	Q1-2017 $
Interest and taxes paid		
Interest paid	669	-
Income taxes paid	376	305
Other		
Increase in accounts payable related to the acquisition of plant and equipment	1,107	141
Cash paid during the year in connection with the derivative to related parties	239	815

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

13) FAIR VALUE MEASUREMENT

Certain of the Group's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy has three levels that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and valuation techniques used to value the Group's financial assets and liabilities are the following:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Group 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 and settlement 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 Group 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 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 Group 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 values of IRS were determined with the assistance of third parties who performed a discounted cash flow valuation based on forward interest rate curves.

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

	Level 1 $	Level 2 $	Level 3 $	Total $
March 31, 2018				
Investments	2,482	-	-	2,482
Trade and settlement receivables	-	3,540	-	3,540
Interest rate swaps	-	-	138	138
Derivative to related parties	-	-	(12,368)	(12,368)
	2,482	3,540	(12,230)	(6,208)

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2017				
Investments	3,014	-	-	3,014
Trade and settlement receivables	-	6,581	-	6,581
Interest rate swaps	-	-	(190)	(190)
Derivative to related parties	-	-	(12,193)	(12,193)
	3,014	6,581	(12,383)	(2,788)

14) COMMITMENTS

a) MVC has a long-term power supply agreement to supply 100% of MVC's power requirements for the period from January 1, 2018 to December 31, 2032. The agreement establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to range from $1.4 million to $1.8 million per month.

b) At March 31, 2018, MVC had commitments of $13.0 million in respect of purchase orders for the Cauquenes Phase Two expansion and had entered into a letter of intent for the construction and financing of the $7.9 million molybdenum plant expansion.

c) The Company entered into an agreement for the lease of office premises in Vancouver for a 5-year period which commenced on December 1, 2016. The Company's remaining 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 Cauquenes and compare it to the current plan in the possession of DET. In the case of any variation in the interests of DET due to MVC's activities extracting and processing tailings contained in Cauquenes, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until the estimation of the new closure plan is available, and the parties agree on the terms of compensation resulting from the revised plan, it is the Company's view there is no obligation to record a provision because the amount, if any, is not possible to determine.