Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 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	June 30, 2017 $	December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	11(a)	20,144	15,921
Trade and other receivables		5,434	8,008
Taxes receivable		1,447	6,476
Prepaid expenses		214	170
Inventories	4	8,966	9,648
		36,205	40,223
Non-current assets			
Investments		1,975	1,518
Property, plant and equipment	5	169,852	174,222
Intangible assets		4,640	4,767
Deferred income tax asset		50	50
Other non-current assets		908	906
Total assets		213,630	221,686
Liabilities			
Current liabilities			
Trade and other payables		12,365	15,819
DET royalties	2	12,647	11,273
Current portion of borrowings	6	22,733	10,733
Current portion of interest rate swap	6	76	76
Current income tax liabilities		15	76
Royalty derivative to related parties	7	1,053	1,617
		48,889	39,594
Non-current liabilities			
Severance provisions		882	811
Borrowings	6	40,634	59,114
Interest rate swap	6	37	132
Royalty derivative to related parties	7	10,425	7,376
Deferred income tax liability		25,807	25,539
Other non-current liabilities		1,095	1,243
Total liabilities		127,769	133,809
Equity	8		
Share capital		78,445	78,168
Other reserves		7,887	7,447
Accumulated other comprehensive loss		(1,817)	(2,047)
Retained earnings		1,346	4,309
Total equity		85,861	87,877
Total equity and liabilities		213,630	221,686
Commitments	13		
Subsequent events	14		

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

Approved by the Board of Directors

"Robert Gayton"	"George Ireland"
Director	Director

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
		$	$	$	$
Revenue					
Gross tolling revenue		39,267	28,361	77,917	55,358
Notional items deducted from gross tolling revenue					
Smelting and refining		(5,410)	(4,784)	(10,497)	(9,293)
DET royalties - copper		(7,856)	(4,985)	(15,571)	(9,420)
Transportation		(534)	(401)	(1,037)	(765)
		25,467	18,191	50,812	35,880
Molybdenum and other revenue		4,393	1,085	8,792	2,651
		29,860	19,276	59,604	38,531
Tolling and production costs					
Tolling and production costs		(21,068)	(18,018)	(43,734)	(35,247)
DET royalties - molybdenum		(338)	-	(472)	-
Depreciation and amortization		(3,578)	(3,301)	(7,162)	(6,593)
Administration		(1,182)	(1,119)	(2,559)	(2,255)
		(26,166)	(22,438)	(53,927)	(44,095)
Gross profit (loss)		3,694	(3,162)	5,677	(5,564)
Other expenses					
General and administration	10 (a)	(729)	(570)	(1,682)	(1,424)
Other (expenses) gains	10 (b)	(20)	475	13	1,076
Royalty derivative to related parties including changes in fair value	10 (c)	(2,472)	439	(3,565)	(478)
		(3,221)	344	(5,234)	(826)
Operating profit (loss)		473	(2,818)	443	(6,390)
Finance expense	10 (d)	(1,662)	(1,389)	(3,015)	(2,877)
		(1,662)	(1,389)	(3,015)	(2,877)
Loss before tax		(1,189)	(4,207)	(2,572)	(9,267)
Income tax (expense) recovery		(464)	594	(391)	1,297
Net loss		(1,653)	(3,613)	(2,963)	(7,970)
Other comprehensive (loss) income					
Items that may be reclassified subsequently to net (loss) income:					
Unrealized gains (losses) on investments, net of tax		165	(66)	457	654
Cumulative translation adjustment		(165)	316	(215)	(486)
Actuarial (losses) gains on severance provision		(8)	6	(12)	(23)
Other comprehensive (loss) income		(8)	256	230	145
Comprehensive loss		(1,661)	(3,357)	(2,733)	(7,825)
Weighted average number of shares outstanding, basic		175,435,635	174,682,058	175,110,455	174,324,915
Weighted average number of shares outstanding, diluted		183,834,246	174,682,058	175,110,455	174,324,915
Loss per share					
Basic		(0.01)	(0.02)	(0.02)	(0.05)
Diluted		(0.01)	(0.02)	(0.02)	(0.05)

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	$	$	$	$
Cash flows from operating activities				
Net loss	(1,653)	(3,613)	(2,963)	(7,970)
Adjustment for items not affecting cash:				
Depreciation and amortization	3,578	3,301	7,162	6,593
Changes in fair value of royalties to related parties	2,215	(691)	3,079	1
Deferred income tax expense	365	827	268	1,287
Share-based payments	223	58	464	118
Finance expense (gain)	36	(712)	1,135	348
Unrealized foreign exchange (gain) expense	(171)	90	(355)	(352)
Other	(123)	145	(92)	305
Impairment charges	-	-	27	518
	4,470	(595)	8,725	848
Changes in non-cash working capital				
Trade, other receivables and taxes receivable	7,763	5,597	7,562	(132)
Inventories	(913)	202	661	65
Trade and other payables	(3,957)	(1,044)	(4,120)	2,473
DET royalties	(941)	2,979	1,032	6,040
	1,952	7,734	5,135	8,446
Payment of long-term employee benefits	-	-	-	(642)
Net cash from operating activities	6,422	7,139	13,860	8,652
Cash flows used in investing activities				
Purchase of plant and equipment	(2,006)	(2,138)	(2,457)	(5,852)
Net cash used in investing activities	(2,006)	(2,138)	(2,457)	(5,852)
Cash flows (used in) from financing activities				
Issuance of shares	-	-	57	-
Proceeds from borrowings, net of transaction costs	-	3,000	-	10,770
Repayment of borrowings	(7,367)	(10,673)	(7,367)	(14,063)
Net cash used in financing activities	(7,367)	(7,673)	(7,310)	(3,293)
Net (decrease) increase in cash and cash equivalents	(2,951)	(2,672)	4,093	(493)
Effect of exchange rate changes on cash	(2)	(42)	130	504
Cash and cash equivalents – Beginning of period	23,097	11,757	15,921	9,032
Cash and cash equivalents - End of period	20,144	9,043	20,144	9,043

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	-	-	118	-	-	118
Compensation settled with shares	1,071,429	111	-	-	-	111
Cumulative translation adjustment	-	-	-	(486)	-	(486)
Unrealized gains on investments	-	-	-	654	-	654
Severance provision	-	-	-	(23)	-	(23)
Net loss	-	-	-	-	(7,970)	(7,970)
Balance - June 30, 2016	174,682,058	78,168	7,407	(2,147)	3,870	87,298
Share-based payments	-	-	40	-	-	40
Cumulative translation adjustment	-	-	-	242	-	242
Unrealized loss on investments	-	-	-	(128)	-	(128)
Severance provision	-	-	-	(14)	-	(14)
Net income	-	-	-	-	439	439
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	-	-	464	-	-	464
Expenses settled with shares (Note 6(c))	403,577	196	-	-	-	196
Exercise of share purchase options	350,000	81	(24)	-	-	57
Cumulative translation adjustment	-	-	-	(215)	-	(215)
Unrealized gains on investments	-	-	-	457	-	457
Severance provision	-	-	-	(12)	-	(12)
Net loss	-	-	-	-	(2,963)	(2,963)
Balance - June 30, 2017	175,435,635	78,445	7,887	(1,817)	1,346	85,861

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 interim financial statements ("interim financial statements") of the Company as at and for the three and six months ended June 30, 2017 include the accounts of the Company and its subsidiaries (collectively the "Group").

The Group is principally engaged in the production of copper concentrates through its operating subsidiary Minera Valle Central S.A. ("MVC"), pursuant to a long-term contractual relationship with the El Teniente Division ("DET") of Corporación Nacional del Cobre de Chile ("Codelco") (Note 2).

b) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. 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 August 8, 2017.

c) Significant accounting policies

These interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except for the adoption of new IFRS pronouncements on January 1, 2017, none of which had a significant effect on the Company's financial statements.

These interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

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.

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

Until December 31, 2014, royalties were payable to DET in respect of copper concentrates produced by MVC. DET royalties were calculated using the average London Metal Exchange ("LME") copper price for the month of production of the concentrates, and were recorded as components of production costs.

In 2015, MVC and DET entered into a modification to the Master Agreement which changed the legal relationship between the parties for the period from January 1, 2015 to December 31, 2022. During this period, production of copper concentrates by MVC has and will be conducted under a tolling agreement with DET. Title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs). The notional DET copper royalties precisely mimic the former royalty arrangements between MVC and DET.

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

Notional royalties for copper concentrates produced from Colihues historic tailings are determined through a sliding scale for copper prices ranging from $0.80/lb (3%) to $4.27lb (30%). The parties are required to review costs and potentially adjust notional royalty structures for copper production from Colihues tailings if the copper price remains below $1.95/lb or over $4.27/lb for three consecutive months.

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

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

The Master Agreement contains provisions requiring the parties to meet and review cost and notional royalty/royalty structures in the event monthly average prices fall below certain ranges and projections indicate the permanence of such prices over time. The review of all notional royalty/royalty structures is to be carried out in a manner that gives priority to the viability of the Master Agreement and maintains the equilibrium of the benefits between the Parties.

The Master Agreement also contains three early exit options exercisable by DET within 2021 and every three years thereafter only in the event of changes unforeseen as of the date of the Master Agreement. The Company has currently judged the probabilities of DET exercising any of these early exit options as remote.

In 2015, DET provided to MVC a copper price support agreement of up to $17.0 million (the "DET Price Support Facility") under which MVC drew down $1.0 million from the DET Price Support Facility in each month in which the average final settlement copper price to MVC was less than $2.80/lb, up to the $17.0 million maximum. The DET Price Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC's bank financing. The DET Price Support Facility is scheduled to be repaid in the period from January 1, 2017 to December 31, 2019 at a rate of $1.0 million per month, provided this repayment schedule does not preclude MVC from making the semi-annual principal debt repayments described in Note 6(a). During the six months ended June 30, 2017 ("YTD-2017") MVC repaid $2.0 million towards the DET Price Support Facility, and MVC currently anticipates the DET Price Support Facility may be fully repaid before its contractual maturity of December 31, 2019. MVC may repay the DET Price Support Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments. The balance of the loan at June 30, 2017 was $16.7 million (December 31, 2016: $18.1 million), including $1.7 million in accrued interest (December 31, 2016: $1.1 million).

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

In 2016, MVC and DET reached an agreement to defer DET notional copper royalties during a four-month period, for a total deferral of $5.4 million. In June 2017, MVC and DET agreed on a repayment schedule comprised of four equal monthly repayments of $1.4 million from June to September 2017, plus interest at a rate of 0.6% per month effective from the dates in which royalties were deferred.

At June 30, 2017, the accrual for DET notional copper royalties and DET molybdenum royalties, including deferred amounts and interest, was $12.6 million (December 31, 2016: $11.3 million).

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these 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. As required under IFRS, YTD-2017 the Company has reassessed its estimate for the royalty derivative based on the estimated increase in future production at MVC.

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.

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 June 30, 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.

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

Key assumptions incorporated in the impairment model included the following:

- Copper prices ($/lb): 2017: $2.58; 2018: $2.65; 2019: $2.77; 2020: $2.95; 2021: $2.89; 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: $0.096/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 June 30, 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

	June 30, 2017	December 31, 2016
	$	$
Plant supplies and consumables	4,900	4,907
Work in progress	4,054	4,675
Concentrate inventories	12	66
	8,966	9,648

At June 30, 2017 and December 31, 2016, copper work in progress inventories and molybdenum concentrate inventories were valued at cost. During 2016, the Group recorded a charge of $0.8 million in tolling and production costs as a result of net realizable value ("NRV") adjustments in the months in which NRV was lower than cost.

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

5) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure $	Machinery and Equipment and other assets $	Total $
Year ended December 31, 2016			
Opening net book amount	159,436	22,058	181,494
Exchange differences	-	6	6
Additions	22	5,712	5,734
Disposals	-	(63)	(63)
Depreciation charge	(7,110)	(5,839)	(12,949)
Closing net book amount	152,348	21,874	174,222
At December 31, 2016			
Cost	246,506	57,418	303,924
Accumulated depreciation	(94,158)	(35,544)	(129,702)
Net book amount	152,348	21,874	174,222
Six months ended June 30, 2017			
Opening net book amount	152,348	21,874	174,222
Exchange differences	-	6	6
Additions	2,653	118	2,771
Disposals	-	(112)	(112)
Depreciation charge	(4,138)	(2,897)	(7,035)
Closing net book amount	150,863	18,989	169,852
At June 30, 2017			
Cost	249,709	56,628	306,337
Accumulated depreciation	(98,846)	(37,639)	(136,485)
Net book amount	150,863	18,989	169,852

At June 30, 2017, PPE of $1.2 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

	June 30, 2017 $	December 31, 2016 $
Cauquenes Expansion Loan (Note 6(a))	46,633	51,739
DET Price Support Facility (Note 6(b))	16,734	18,108
	63,367	69,847
Comprised of:		
Short-term debt and current portion of long-term debt	22,733	10,733
Long-term debt	40,634	59,114
	63,367	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 interest rate swap ("IRS") at a rate of 5.56% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at June 30, 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 June 30, 2017 was $46.6 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 June 30, 2017, MVC was in compliance with the debt service coverage ratio (requirement of 1.2) and received waivers from BBVA and EDC in respect of the current ratio (requirement of 1.15) and tangible net worth ratio (requirement of $125.0 million). Subsequent to June 30, 2017, new covenant requirements for each semi-annual period from December 31, 2017 to the earlier of the repayment of the Cauquenes Expansion Loan or June 30, 2021 became effective (Note 14).

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 balance equal to

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

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 June 30, 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 June 30, 2017, the fair value of the IRS was determined to be $0.1 million. The IRS has a term to December 27, 2018.

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 June 30, 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, 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. YTD-2017 royalties totalling $0.5 million were paid or accrued to the Class A shareholders (six months ended June 30, 2016 ("YTD-2016"): $0.5 million). At June 30, 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 $3.1 million YTD-2017 (YTD-2016: $nil), for a total royalty derivative expense of $3.6 million (YTD-2016 $0.5 million). The increase in the fair value of the derivative YTD-2017 was caused by the estimated increase in future production at MVC resulting from the Cauquenes phase II expansion now underway.

At June 30, 2017, the Royalty and the derivative were $11.5 million (December 31, 2016: $9.0 million), with a current portion of $1.1 million (December 31, 2016: $1.6 million) and a long-term portion of $10.4 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.

	YTD-2017	**YTD-2016**
	$	**$**
Salaries and management fees	429	491

c) Management Compensation

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

	YTD-2017	**YTD-2016**
	$	**$**
Management and directors' fees	548	598
Share-based payments	464	118
	1,012	716

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.

b) Share Options

A total of 2,950,000 options were granted YTD-2017 (2016: 3,350,000 options), with a weighted average fair value estimated at Cdn$0.28 (2016: Cdn$0.06) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2017	**2016**
	$	$
Weighted average share price	0.53	0.14
Weighted average exercise price	0.53	0.14
Dividend yield	0%	0%
Risk free interest rate	1.01%	0.60%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.27	4.27
Expected volatility	66.82%	54.96%

Outstanding share options:

	June 30, 2017		**December 31, 2016**	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the period	12,600,000	0.44	12,450,000	0.73
Expired	(3,200,000)	0.77	(3,200,000)	1.28
Exercised	(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	10,525,000	0.34	12,600,000	0.44

The term of 700,000 options with an exercise price of Cdn$0.53 and an original expiry date of June 5, 2017, has been extended in accordance with the provisions of Amerigo's Stock Option Plan, as the original expiry date occurred within a prescribed blackout period. The term of the options will be extended to the date which is ten business days after the date on which the blackout period ends, which is currently estimated to occur in August 2017.

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

Information relating to share options outstanding at June 30, 2017 is as follows:

Outstanding share options	Vested share options	Price range Cdn$	Weighted average exercise price on outstanding options Cdn$	Weighted average exercise price on vested options Cdn$	Weighted Average remaining life of outstanding options (years)
3,100,000	3,100,000	0.14 - 0.26	0.14	0.14	3.67
1,800,000	1,800,000	0.27 - 0.40	0.37	0.37	2.75
3,450,000	3,450,000	0.41 - 0.48	0.44	0.44	1.86
3,650,000	2,175,000	0.49 - 0.53	0.53	0.53	4.65
12,000,000	10,525,000		0.38	0.34	3.01

Further information about share options is as follows:

	YTD-2017	YTD-2016
	$	$
Total compensation recognized	464	118

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	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Chile	169,670	174,035	5,548	5,673
Canada	182	187	-	-
	169,852	174,222	5,548	5,673

All of the Group's revenue originates in Chile. In YTD-2017, the Group's revenue from one customer represented 92% of reported revenue (YTD-2016: 100%).

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

10) EXPENSES BY NATURE

a) General and administration expenses consist of the following:

	Q2-2017 $	Q2-2016 $	YTD-2017 $	YTD-2016 $
Office and general expenses	(118)	(113)	(412)	(394)
Salaries, management and professional fees	(388)	(399)	(806)	(912)
Share-based payment compensation	(223)	(58)	(464)	(118)
	(729)	(570)	(1,682)	(1,424)

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

	Q2-2017 $	Q2-2016 $	YTD-2017 $	YTD-2016 $
Foreign exchange (expense) gain	(28)	378	(10)	949
Other gains	8	97	23	127
	(20)	475	13	1,076

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

	Q2-2017 $	Q2-2016 $	YTD-2017 $	YTD-2016 $
Royalties to related parties	(257)	(252)	(487)	(477)
Fair value adjustments to royalty derivative	(2,215)	691	(3,078)	(1)
	(2,472)	439	(3,565)	(478)

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

d) Finance expense consists of the following:

	Q2-2017 $	Q2-2016 $	YTD-2017 $	YTD-2016 $
Finance, commitment and interest charges	(1,762)	(1,615)	(3,109)	(2,899)
Interest rate swap	100	226	94	22
	(1,662)	(1,389)	(3,015)	(2,877)

11) SUPPLEMENTARY CASH FLOW INFORMATION

	June 30, 2017 $	December 31, 2016 $
a) Cash and cash equivalents are comprised of:		
Cash at bank and on hand	13,186	8,966
Short-term bank deposits	258	255
	13,444	9,221
Cash held in a debt services reserve account (Note (6(a))	6,700	6,700
	20,144	15,921

	YTD-2017 $	YTD-2016 $
(b) Interest and taxes paid		
Interest paid	1,582	1,974
Income taxes paid	649	522
(c) Other		
Increase (decrease) in accounts payable related to the acquisition of PPE	201	(3,335)
Cash paid during the period for royalty dividends to related parties	815	163

(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
	$	$	$	$
June 30, 2017				
Investments	1,975	-	-	1,975
Trade and other receivables	-	4,992	-	4,992
Interest rate swap	-	-	(208)	(208)
Royalty derivative to related parties	-	-	(11,478)	(11,478)
	1,975	4,992	(11,686)	(4,719)

	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, estimated at June 30, 2017 to be $1.4 million per month.

b) At June 30, 2017, MVC had commitments of $6.3 million in respect of purchase orders for long delivery equipment for the Cauquenes phase two expansion. The orders had cancelation provisions with an associated cancelation cost to MVC of $1.1 million.

c) Amerigo entered into an agreement for the lease of office premises in Vancouver for a five-year period commencing December 1, 2016. Amerigo's rent commitments during the term of the lease are expected to be approximately $0.5 million.

d) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess the revision of the closure plan for the Cauquenes Deposit and compare it to the current plan in the possession 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.

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

14) Subsequent Events

Subsequent to June 30, 2017, MVC closed a loan facility for funding of the second phase of the planned expansion of MVC's operations for the processing of Cauquenes tailings (the "Phase Two Bank Facility") with BBVA and EDC. The Phase Two Bank Facility will allow MVC to draw up to $35.3 million to fund the costs of phase two of the expansion, and is being provided as a new tranche of MVC's existing financing agreement with BBVA and EDC described in Note 6(a). The Phase Two Bank Facility is scheduled to be repaid in six equal semi-annual installments commencing on June 30, 2019 and ending on December 31, 2021. The repayment schedule may be shortened without penalty in accordance with the provisions of the finance agreement. Interest for 75% of the facility will be fixed through an IRS at a rate of 6.02% per annum, and the remaining 25% of the facility will be subject to a variable rate based on the US Libor 6-month rate, currently 4.82% per annum. Semi-annual interest payments will commence on December 31, 2017. MVC has provided security for the Phase Two Bank Facility in the form of a charge on all of MVC's assets, and MVC is subject to certain bank covenants to be measured semi-annually starting on December 31, 2017.