Amerigo Resources Ltd.

Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in thousands of U.S. dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements, the Management's Discussion and Analysis and the information contained in the company's annual filing of financial results have been prepared by the management of the company.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent members, meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the Financial Statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the Financial Statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews and evaluation of these controls and report on their findings to management and the Audit Committee.

"Rob Henderson"
Rob Henderson
President and Chief Executive Officer

February 19, 2019

"Aurora Davidson"
Aurora Davidson
Chief Financial Officer

February 19, 2019

Independent auditor's report

To the Shareholders of Amerigo Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Amerigo Resources Ltd. and its subsidiaries, (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis for the year ended December 31, 2018.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
February 19, 2019

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

	Notes	December 31, 2018 $	December 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents	6	21,338	27,524
Trade and settlement receivables	7	8,915	7,710
Taxes receivable	7	1,544	1,627
Prepaid expenses		1,537	1,408
Inventories	8	8,843	7,792
Interest rate swap	12	115	-
		42,292	46,061
Non-current assets			
Property, plant and equipment	10	208,729	176,011
Intangible assets		4,245	4,509
Investments	9	1,433	3,014
Other non-current assets		905	931
Deferred income tax asset	15	9	23
Total assets		257,613	230,549
Liabilities			
Current liabilities			
Current portion of borrowings	12	23,521	20,810
Trade and other payables	11	19,462	13,052
DET royalties	5, 11	11,551	11,990
Current income tax liabilities	15	3,292	3,368
Current portion of related party derivative liability	11, 13	1,382	1,151
Interest rate swap	12	-	190
		59,208	50,561
Non-current liabilities			
Borrowings	12	42,691	42,257
Deferred income tax liability	15	28,484	26,876
Related party derivative liability	11, 13	9,668	11,042
Other non-current liabilities	11	7,386	656
Severance provisions	11	966	981
Total liabilities		148,403	132,373
Equity	14		
Share capital		79,296	78,954
Other reserves		9,202	7,916
Accumulated other comprehensive loss		(2,081)	(992)
Retained earnings		22,793	12,298
Total equity		109,210	98,176
Total equity and liabilities		257,613	230,549
Commitments	12, 23		

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

Approved by the Board of Directors

"Robert Gayton" — Director

"George Ireland" — Director

Amerigo Resources Ltd.

Consolidated Statements of Comprehensive Income

(expressed in thousands of U.S. dollars)

	Notes	Years ended December 31, 2018	2017
		$	$
Revenue	17	136,833	134,027
Tolling and production costs	18 (a)	(111,855)	(107,986)
Gross profit		24,978	26,041
Other expenses			
General and administration	18 (c)	(4,669)	(3,523)
Other (losses) gains	18 (d)	(621)	216
Related party derivative including changes in fair value	18 (b)	60	(4,782)
		(5,230)	(8,089)
Operating profit		19,748	17,952
Finance expense	18 (e)	(4,306)	(5,112)
		(4,306)	(5,112)
Income before income tax		15,442	12,840
Income tax expense	15	(4,947)	(4,851)
Net income		10,495	7,989
Other comprehensive income			
Unrealized (losses) gains on investments, net of tax		(1,581)	1,496
Items that may be reclassified subsequently to net income:			
Cumulative translation adjustment		473	(407)
Actuarial gains (losses) on severance provision		19	(34)
Other comprehensive (loss) income		(1,089)	1,055
Comprehensive income		9,406	9,044
Weighted average number of shares outstanding, basic		177,061,219	175,593,970
Weighted average number of shares outstanding, diluted		183,341,640	179,283,743
Earnings per share			
Basic		0.06	0.05
Diluted		0.06	0.04

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

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Years ended December 31, 2018	2017
	$	$
Cash flows from operating activities		
Net income	10,495	7,989
Adjustment for items not affecting cash:		
Depreciation and amortization	14,759	14,321
Deferred income tax expense	1,617	1,368
Unrealized foreign exchange expense (gain)	1,623	(1,549)
Share-based payments	1,328	627
Changes in fair value of related party derivative liability	(1,157)	3,788
Other	(588)	(483)
Finance gains	(283)	(208)
Impairment charges	-	534
	27,794	26,387
Changes in non-cash working capital		
Trade, other receivables and taxes receivable	(2,512)	5,161
Inventories	(1,117)	1,356
Trade and other payables	3,426	(877)
DET royalties	(439)	717
	(642)	6,357
Net cash from operating activities	27,152	32,744
Cash flows used in investing activities		
Purchase of plant and equipment	(35,309)	(14,693)
Payment of capitalized interest	(648)	-
Net cash used in investing activities	(35,957)	(14,693)
Cash flows from (used in) financing activities		
Proceeds from borrowings, net of transaction costs	23,300	10,736
Repayment of borrowings	(19,733)	(18,733)
Issuance of shares	98	432
Net cash from (used in) financing activities	3,665	(7,565)
Net (decrease) increase in cash and cash equivalents	(5,140)	10,486
Effect of exchange rate changes on cash	(1,046)	1,117
Cash and cash equivalents - Beginning of year	27,524	15,921
Cash and cash equivalents - End of year	21,338	27,524

Supplementary cash flow information (Note 22)

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

Amerigo Resources Ltd.

Consolidated Statements of Equity

(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	174,682,044	78,168	7,447	(2,047)	4,309	87,877
Share-based payments	-	-	627	-	-	627
Expenses settled with shares (Note 12(c))	403,577	196	-	-	-	196
Exercise of share purchase options	1,300,000	590	(158)	-	-	432
Cumulative translation adjustment	-	-	-	(407)	-	(407)
Unrealized gains on investments	-	-	-	1,496	-	1,496
Actuarial losses on severance provision	-	-	-	(34)	-	(34)
Net income	-	-	-	-	7,989	7,989
Balance - December 31, 2017	176,385,621	78,954	7,916	(992)	12,298	98,176
Balance - January 1, 2018	176,385,621	78,954	7,916	(992)	12,298	98,176
Share-based payments	-	-	1,328	-	-	1,328
Expenses settled with shares (Note 12(c))	265,119	201	-	-	-	201
Exercise of share purchase options	630,000	141	(42)	-	-	99
Cumulative translation adjustment	-	-	-	473	-	473
Unrealized losses on investments	-	-	-	(1,581)	-	(1,581)
Actuarial gains on severance provision	-	-	-	19	-	19
Net income	-	-	-	-	10,495	10,495
Balance - December 31, 2018	177,280,740	79,296	9,202	(2,081)	22,793	109,210

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

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

1) General Information

Amerigo Resources Ltd. ("Amerigo") is a company domiciled in Canada and its shares are listed for trading on the Toronto Stock Exchange ("TSX") and traded in the United States on the OTCQX. Amerigo's principal office is located at Suite 1260 – 355 Burrard Street, Vancouver, British Columbia. These consolidated financial statements ("financial statements") include the accounts of Amerigo and its subsidiaries (collectively the "Company").

Amerigo owns a 100% interest in Minera Valle Central S.A. ("MVC"), a producer of copper and molybdenum concentrates. MVC, located in Chile, has a long-term contract with the El Teniente Division ("DET") of Corporación Nacional del Cobre de Chile ("Codelco") to process fresh and historic tailings from El Teniente (Note 5). El Teniente, in production since 1905, is the world's largest underground copper mine.

These financial statements were authorized for issue by the board of directors on February 19, 2019 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2) Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

These financial statements have been prepared in accordance with IFRS on a historical cost basis, except for financial instruments which have been measured at fair value and are presented in U.S. dollars except when otherwise indicated.

Consolidation

These financial statements incorporate the financial statements of Amerigo and the entities controlled by Amerigo (Note 19). The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. Amerigo's principal operating subsidiary is MVC (100% owned, Chile).

Segment Reporting

The Company operates in one segment, the production of copper concentrates under a tolling agreement with DET (Note 5), with the production of molybdenum concentrates as a by-product.

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

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of the parent entity is the Canadian dollar ("Cdn $"), the functional currency of Colihues Energia S.A. is the Chilean peso and the functional currency of MVC and other subsidiaries (Note 19) is the United States Dollar ("$").

Amerigo's financial statements are presented in U. S. dollars, which is Amerigo's presentation currency. These financial statements have been translated to the U.S. dollar in accordance with International Accounting Standards 21 "The Effects of Changes in Foreign Exchange Rates" which requires that when translating financial statements of companies that have functional currencies other than the presentation currency, assets and liabilities be translated using the exchange rate at period end, income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period) and resulting gains and losses on translation are included as a component of equity.

Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of foreign currency transactions within entities are included in profit or loss.

Property, Plant and Equipment

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads. The costs of day-to-day servicing are recognized in profit or loss as incurred. Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

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

MVC depreciates its property, plant and equipment using the straight-line method as follows:

- Plant and infrastructure: Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Machinery, equipment and other assets (except vehicles and mobile equipment): Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Vehicles and mobile equipment: 7 years.

The depreciation method, useful life and residual values are assessed annually.

Asset Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other long-lived assets in the unit on a pro-rata basis.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach as a fair value when an active market or binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mine plan estimates, and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible Assets

Intangible assets reflect the value assigned to the DET contracts. This contractual right is amortized on a units of production basis over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired.

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

Financial Assets and other Financial Liabilities

Classification

a) Financial Assets at Amortized Cost

Cash and cash equivalents, trade, settlement and other receivables with fixed or determinable payments that are not quoted in an active market are classified as held at amortized cost. Such assets are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss relating to receivables, if any, is based on a review of all outstanding amounts at period end. Trade receivables are recorded net of lifetime expected credit losses. Settlement receivables arise from copper tolling and molybdenum concentrate sales contracts where amounts receivable vary based on underlying commodity prices. Settlement receivables are classified as fair value through profit and loss ("FVTPL") and are recorded at fair value at each reporting period based on quoted commodity prices up to the date of final pricing. The changes in fair value are recorded in other operating income (loss). Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

b) Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI"*)*

Financial assets at FVOCI are equity securities that are not held for trading and which the Company has irrevocably elected at initial recognition to recognize in this category. Gains and losses arising from changes in fair value are recorded in other comprehensive income ("OCI"). When these equity securities are disposed, any related balance within FVOCI is reclassified to retained earnings. In the prior financial year, the Company had designated these investments as available for sale where management intended to hold them for the medium to long-term.

c) Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL, such as instruments held for trading or derivatives, or where the Company has opted to measure such liabilities at FVTPL.

Financial liabilities at amortized cost include trade and other payables, DET royalties and borrowings. Trade payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. DET royalties are recognized at the amount required under the agreements with DET. Borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

d) Derivatives

The Company's copper trade receivables contain embedded derivatives because the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded through profit and loss and shown as a separate component of revenue.

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

The Company uses derivatives in the form of interest rate swaps to manage risks related to variable rate debt. Gains and losses on re-measurement are included in finance income (expense).

The Company has a derivative liability in respect of a related party (Note 13(a)), which is classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in other expenses.

Recognition and Measurement

a) De-Recognition of Financial Assets and Liabilities

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Share-Based Payments

Amerigo grants stock options to buy its common shares to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the holders earn the options.

The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

Inventories

Inventories comprising work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates are valued at the lower of cost and net realizable value. Consumables are valued at the lower of average cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Tolling and production cost is determined primarily on a weighted-average cost basis and includes direct tolling and production costs, direct labour costs and an allocation of variable and fixed tolling and production overhead including depreciation. Net realizable value is the estimated selling price net of any estimated selling costs in the ordinary course of business.

When inventories have been written down to net realizable value, the Company makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

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

Cash and Cash Equivalents

Cash and cash equivalents are unrestricted as to use and consist of cash on hand, demand deposits and short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition and which can be readily liquidated to known amounts of cash.

Redeemable interest-bearing investments with maturities of up to one year are considered cash equivalents if they can readily be liquidated at any point in time to known amounts of cash, the initial period subject to an interest penalty on redemption is less than 90 days, and they are redeemable thereafter until maturity for invested value plus accrued interest.

Current and Deferred Income Tax

Income tax expense consists of current and deferred tax. Current and deferred tax are recognized in the statement of comprehensive income (loss) except to the extent they relate to items recognized directly in equity or in OCI, in which case the related taxes are recognized in equity or OCI.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry- forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable future taxable profits will be available against which the asset can be utilized. The amount of a deferred tax asset is reduced to the extent that Amerigo does not consider it probable the deferred tax asset will be recovered.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities that relate to income taxes levied by the same taxation authority, and Amerigo intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash

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

flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

At December 31, 2018, MVC has an obligation with some of its managers for severance payments based on their employee contracts upon the manager leaving the employ of MVC under any circumstance. This obligation has been recorded as a liability at present value in Amerigo's statement of financial position. The value of the severance provision is evaluated on an annual basis or as additional information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The increase or decrease over time in the present value of the liability is recorded each period in cost of sales, except for actuarial gains (losses), which are recorded as other comprehensive income (loss).

Earnings per Share

Basic earnings per share is computed by dividing the net income attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed like basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Revenue Recognition

MVC produces copper concentrates 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) (Note 5 and Note 17). Revenue is billed weekly based on the tolling activity of the preceding week, which is measured by the production of copper concentrates. Additional billings are done on a monthly basis based on the tolling activity for the full month, less weekly billings, and to bill for pricing term differences, as disclosed in the following paragraph.

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges. In 2018, it was based on the average London Metal Exchange ("LME") copper price for the third month following delivery of copper concentrates produced under the tolling agreement ("M+3"). Accordingly, final pricing for copper produced by MVC in 2018 is being determined based on the average LME copper price of the third month following delivery of copper, which for December 2018 deliveries will be the average LME copper price for March 2019. This variable difference gives rise to an embedded derivative which is recorded at FVTPL, as settlement receivable.

Molybdenum produced by MVC is sold under a written sales agreement with Chile's Molibdenos y Metales S.A. Revenue is billed monthly based on the amount of concentrates delivered during the preceding month. Molymet can elect different pricing terms on a monthly basis. In 2018, pricing terms included M+1, M+2 and M+3 in respect of the average Platts molybdenum dealer oxide price of the month of sale. This variable difference also gives rise to an embedded derivative.

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

At December 31, 2018, the provisional copper price used by MVC was $2.77/lb. Financial performance is very sensitive to changes in copper prices. For example, a 10% increase or decrease in provisional copper prices would result in price-driven revenue settlement adjustments of $4.9 million. The provisional price used by MVC at December 31, 2018 for molybdenum sales was $12.09/lb, and a 10% increase or decrease in this price would result in price-driven revenue settlement adjustments of $0.4 million.

3) Adoption of New and Revised Standards and Interpretations

b) New IFRS pronouncements

Amerigo 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").

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 ("FVOCI") 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 Amerigo'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.

Amerigo 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.

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

	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	FVOCI
Financial Liabilities		
Trade payables	Amortized cost	Amortized cost
Debt	Amortized cost	Amortized cost
Derivative instruments	FVTPL	FVTPL

The Company 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 Amerigo's financial statements.

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

The Company's significant counterparties in respect of cash and cash equivalents are reputable financial institutions with investment grade ratings. The Company has two main customers with high credit quality, strong financial position and liquidity and long-term contractual relationships with the Company. The Company's customers are considered to have a low default risk and the Company has historical default rates of zero. Historically, the Company has not recorded lifetime expected credit loss allowances. Accordingly, the Company 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 introduced 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 management's analysis, the timing of recognition and amount of revenue did not change under IFRS 15, and no restatement to prior year revenue was required. Note 17 addresses the Company's disclosure requirements under IFRS 15.

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

c) New IFRS pronouncements

Significant new IFRS pronouncements that have been issued but are not yet effective are listed below. The Company will apply these standards or interpretations in the annual period in which they are first required.

IFRS 16, Leases ("IFRS 16"): The IASB issued IFRS 16 in January 2016, which provides that all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company's significant leases at December 31, 2018 are already recognized in its statement of financial position and the adoption of IFRS 16 for remaining leases is not expected to materially impact the Company's financial statements.

There are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

4) 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 financial statements, Amerigo makes judgements, estimates and assumptions concerning the future which may vary from actual results. Judgements, estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful Lives of Long-Lived Assets

MVC estimates the economic life of most of property, plant and equipment based on their useful life, not to exceed the term of MVC's contractual relationship with DET (December 31, 2037).

b) Related Party Derivative Liability

The Company has an obligation to make payments to a related party, based on a fixed payment for each pound of copper equivalent produced from DET tailings by MVC (Note 13(a)). This constitutes a derivative financial instrument measured at fair value. As required under IFRS, Amerigo reassesses its estimate for the derivative on each reporting date (Note 13(a)).

c) Impairment of Property, Plant and Equipment

In accordance with Amerigo's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of its fair value less costs to sell and its value in use.

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

The determination of fair value less cost to sell and value in use requires management to make estimates and assumptions about expected tolling, production and sales volumes, metals prices, mine plan estimates, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances may alter these projections and impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced, with the impact recorded in profit or loss.

As at December 31, 2018, management identified no impairment indicators and consequently, impairment testing was not required.

5) AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

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

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

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

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

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

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

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

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

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

At December 31, 2018, the accrual for DET notional copper royalties and DET molybdenum royalties, was $11.6 million (2017: $12.0 million).

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

6) Cash And Cash Equivalents

	December 31, 2018 $	December 31, 2017 $
Cash at bank and on hand	7,809	19,595
Short-term bank deposits	129	629
	7,938	20,224
Cash held in a debt service reserve account (Note12(a))	13,400	7,300
	21,338	27,524

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 December 31, 2018, MVC held DSRA funds in the required amount of $13.4 million.

Short-term bank deposits are redeemable on demand.

7) Receivables

a) Trade and other receivables

	December 31, 2018 $	December 31, 2017 $
Current		
Trade and other receivables	8,915	7,710
Non-current		
Other non-current receivables	196	221

The Company has reviewed the collectability of its current and non-current receivables and has determined that a provision for doubtful accounts is not required.

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

The aging analysis of current receivables is as follows:

	December 31, 2018 $	December 31, 2017 $
Up to 3 months	8,307	6,952
3 to 6 months	527	667
Greater than 6 months	81	91
	8,915	7,710

The carrying amounts of the Company's current receivables are denominated in the following currencies:

Currency	December 31, 2018 $	December 31, 2017 $
Chilean Peso	8,915	7,708
Other	-	2
	8,915	7,710

The fair values of the Company's current receivables approximate their carrying value of $8.9 million (2017: $7.7 million).

Trade and other receivables included $4.7 million of receivables for sale of copper concentrates under a tolling agreement with DET that were provisionally priced at December 31, 2018 (2017: $3.9 million) and $3.4 million of receivables for sale of molybdenum concentrates that were also provisionally priced (2017: $2.7 million).

The effective interest rates on current receivables were nil % (2017: nil %).

b) Taxes receivable

The components of the Company's taxes receivable are:

	December 31, 2018 $	December 31, 2017 $
Income tax receivable	1,453	1,600
Value added tax receivable	77	6
Other taxes receivable	14	21
	1,544	1,627

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

8) Inventories

	December 31, 2018 $	December 31, 2017 $
Plant supplies and consumables	3,041	4,057
Work-in-progress	5,343	3,701
Molybdenum concentrates	459	34
	8,843	7,792

At December 31, 2018 and 2017, work-in-progress on the production of copper concentrates under a tolling agreement and molybdenum concentrates were valued at cost.

In 2017, the Company recorded a charge of $0.5 million in tolling and production costs as a result of an impairment of specific plant and supplies consumables.

9) Investments

	December 31, 2018 $	December 31, 2017 $
Start of year	3,014	1,518
Changes in fair value	(1,581)	1,496
End of year	1,433	3,014

Financial assets at FVOCI consist of the following:

	December 31, 2018 $	December 31, 2017 $
Candente Copper Corp.	257	712
Los Andes Copper Ltd.	1,176	2,302
	1,433	3,014

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

a) At December 31, 2018, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.06 and the fair value of the Company's approximately 4% investment in Candente Copper was $0.2 million. During 2018, the Company recorded OCL of $0.5 million (2017: OCI of$0.2 million) for the changes in fair value of this investment.

b) At December 31, 2018, Los Andes Copper Ltd. ("Los Andes"), a company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.20, and the fair value of the Company's approximately 3% investment in Los Andes was $1.2 million. During 2018, the Company recorded OCL of $1.1 million (2017: OCI of $1.3 million) for the changes in the fair value of this investment.

10) Property, Plant And Equipment

	Plant and infrastructure $	Machinery and equipment and other assets $	Total $
Year ended December 31, 2017			
Opening net book amount	152,348	21,874	174,222
Exchange differences	-	13	13
Additions	15,715	258	15,973
Disposals	-	(134)	(134)
Depreciation charge	(8,275)	(5,788)	(14,063)
Closing net book amount	159,788	16,223	176,011
At December 31, 2017			
Cost	262,882	56,552	319,434
Accumulated depreciation	(103,094)	(40,329)	(143,423)
Net book amount	159,788	16,223	176,011
Year ended December 31, 2018			
Opening net book amount	159,788	16,223	176,011
Exchange differences	-	(14)	(14)
Additions	15,357	32,009	47,366
Disposals	-	(140)	(140)
Depreciation charge	(8,553)	(5,941)	(14,494)
Closing net book amount	166,592	42,137	208,729
At December 31, 2018			
Cost	278,458	87,912	366,370
Accumulated depreciation	(111,866)	(45,775)	(157,641)
Net book amount	166,592	42,137	208,729

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

At December 31, 2018, PP&E of $3.2 million was categorized as construction in progress and not subject to depreciation (2017: $11.5 million).

Total interest and charges of $1.4 million was capitalized in 2018 and included in property, plant and equipment at December 31, 2018 (2017: $0.2 million).

11) TRADE AND OTHER PAYABLES

	December 31, 2018 $	December 31, 2017 $
Current		
Trade and other payables	19,462	13,052
DET royalties (Note 5)	11,551	11,990
Current portion of derivative	1,382	1,151
	32,395	26,193
Non-current		
Derivative	9,668	11,042
Other non-current liabilities	7,386	656
Severance provisions	966	981
	18,020	12,679

MVC has a material capital lease of 201,903 Chilean Unidades de Foment ("UF") (approximately $7.8. million at December 31, 2018) undertaken in 2018 to finance the expansion of MVC's molybdenum plant. Terms of the lease include a term to November 2023, monthly capital payments of approximately $0.1 million, a balloon payment at the end of the lease term of approximately $1.5 million and interest at a rate of 0.45% per month. The lease can be prepaid without penalty. At December 31, 2018, the current portion of the lease obligation was $1.7 million, included in trade and other payables. The long-term portion of the lease obligation was $7.3 million, included under other non-current liabilities.

Amerigo has accrued for severance provisions in respect of estimated statutory severance payments to certain MVC managers based on their employment agreements. The estimate of severance provisions is calculated through an actuarial model that considers variables such as retirement age, salary adjustments and discount rates.

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

12) Borrowings

	December 31, 2018 $	December 31, 2017 $
Cauquenes Phase One Loan (Note 12 (a))	31,317	41,527
Cauquenes Phase Two Loan (Note 12 (a))	34,895	11,601
	66,212	53,128
DET Price Support Facility (Note 12 (b))	-	9,939
	66,212	63,067
Comprise:		
Short-term debt and current portion of long-term debt	23,521	20,810
Long-term debt	42,691	42,257
	66,212	63,067

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

The Cauquenes Phase One Loan has a maximum repayment term of six years consisting of twelve equal semi-annual principal payments of $5.4 million which commenced on June 30, 2016. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on June and December 31.

Interest on the Phase One Loan is synthetically fixed through an interest rate swap (“IRS”), accounted for at fair value through profit or loss (“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 six-month rate, which at December 31, 2018 was 6.37% per annum. The IRS on the Phase One Loan expired on December 27, 2018.

The balance of the Cauquenes Phase One Loan (net of transaction costs) at December 31, 2018 was $31.3 million (December 31, 2017: $41.5 million).

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

The Cauquenes Phase Two Loan has a maximum repayment term of three years consisting of six equal semi-annual principal payments of $5.9 million to commence on June 30, 2019. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on June and December 31.

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

Interest on the Phase Two Loan is 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 six-month rate which at December 31, 2018 was 6.37% per annum. The IRS on the Phase Two Loan has a term to January 3, 2022.

The balance of the Cauquenes Phase Two Loan (net of transaction costs) at December 31, 2018 was $34.9 million (December 31, 2017: $11.6 million).

MVC has provided security for the Cauquenes Phase One and Phase Two loans in the form of a charge on all of MVC's assets.

MVC is required to meet three bank covenants: current ratio (starting on December 31, 2019), tangible net worth and debt service coverage ratio, measured semi-annually on June 30 and December 31. At December 31, 2018, MVC met the required debt service coverage ratio of 1.2 and the tangible net worth requirement of $120.0 million.

MVC is also required to have a debt service reserve account ("DSRA") which must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the interest rate swaps if MVC has insufficient funds to make these payments and /ii/ fund MVC's operating expenses. If it becomes necessary to fund MVC's operations with funds from the DSRA, MVC must replenish the DSRA at each month end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal, interest and interest rate swaps that are payable in the following six months. At December 31, 2018, MVC held DSRA funds in the required amount of $13.4 million (December 31, 2017: $7.3 million).

b) In 2015, DET provided to MVC a copper price support facility of $17.0 million (the "DET Price Support Facility"), which was fully repaid in September 2018 (December 31, 2017: $9.9 million). It bore interest at a rate of 0.6% per month.

In 2018, MVC repaid $9.0 million towards the DET Price Support Facility (2017: $8.0 million).

c) Amerigo had a $13.0 million standby line of credit (the "Line of Credit"), available from three shareholders. Availability was to the later of December 31, 2018 or the date of commencement of commercial production from the Phase Two expansion, up to March 31, 2019 (December 21, 2018).

In 2018, Amerigo incurred an annual commitment fee of $0.2 million on the Line of Credit. This was settled with the issuance of 265,119 Amerigo shares (2017: $0.2 million, settled with 403,577 Amerigo shares).

No funds were drawn from the Line of Credit.

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

13) RELATED PARTY TRANSACTIONS

a) Derivative Liability

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

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

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

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

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

In 2018, $1.1 million was paid or accrued to the Class A shareholder (2017: $1.0 million) and the derivative's fair value decreased $1.2 million (2017: increase of $3.8 million), for a total derivative gain of $0.1 million (2017: expense of $4.8 million) (Note 18(b)).

At December 31, 2018, the derivative liability totalled $11.1 million (2017: $12.2 million), with a current portion of $1.4 million (2017: $1.2 million) and a long-term portion of $9.7 million (2017: $11.0 million).

Actual monthly payments outstanding at December 31, 2018 and 2017 were $0.1 million.

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

b) Purchases of Goods and Services

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

Entity	Nature of Transactions
Zeitler Holdings Corp.	Management
Delphis Financial Strategies Inc.	Management

	2018	2017
	$	$
Salaries and management fees	1,642	1,415

c) Key Management Compensation

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

	2018	2017
	$	$
Salaries and management fees	1,642	1,415
Directors' fees	251	238
Share-based payments	1,328	627
	3,221	2,280

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

14) EQUITY

a) Share Capital

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

In 2018, Amerigo issued 265,119 shares valued at $0.2 million to three shareholders to settle the annual stand-by charge of the Line of Credit described in Note 12(c) (2017: 403,577 shares valued at $0.2 million).

Amerigo also issued 630,000 shares valued at $0.1 million in connection with various share option exercises by employees and directors (2017: 1,150,000 shares valued at $0.4 million).

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

b) Share Options

A total of 2,950,000 options were granted in 2018 (2017: 2,950,000 options), 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:

	December 31, 2018		**December 31, 2017**	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the year	11,050,000	0.37	12,600,000	0.44
Granted	2,950,000	1.06	2,950,000	0.53
Exercised	(630,000)	0.20	(1,300,000)	0.42
Expired	-	-	(3,200,000)	0.77
At end of the year	13,370,000	0.53	11,050,000	0.37
Vested and exercisable	13,370,000	0.53	11,050,000	0.37

The weighted average trading price of Amerigo’s stock on the dates in which options were exercised in 2018 was Cdn$1.02 per share (2017: Cdn$0.71 per share).

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

Information relating to share options outstanding at December 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	2.16
1,700,000	1,700,000	0.27 - 0.40	0.37	0.37	1.25
3,200,000	3,200,000	0.41 - 0.48	0.44	0.44	0.36
2,920,000	2,920,000	0.49 - 0.80	0.53	0.53	3.15
2,950,000	2,950,000	0.81 - 1.06	1.06	1.06	4.15
13,370,000	13,370,000		0.53	0.53	2.27

c) Earnings per Share

i) Basic

Basic earnings per share is calculated by dividing the income attributable to equity owners of the Company by the weighted average number of shares in issue during the period excluding shares purchased by the Company and held as treasury shares.

	2018 $	2017 $
Net income for the year	10,495	7,989
Weighted average number of shares	177,061,219	175,593,970
Basic earnings per share	0.06	0.05

ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Potentially dilutive shares relate to the exercise of outstanding share purchase options.

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

	2018 $	2017 $
Net income for the year	10,495	7,989
Weighted average number of shares	177,061,219	175,593,970
Effect of dilutive securities:		
Share options	6,280,421	3,689,773
Weighted average diluted shares outstanding	183,341,640	179,283,743
Diluted earnings per share	0.06	0.04

15) Income Taxes

a) The income tax expense charged to income during the year is as follows:

	2018 $	2017 $
Current		
Foreign income and resource tax	(3,330)	(3,483)
Total current tax expense	(3,330)	(3,483)
Deferred		
Foreign income and resource tax	(1,617)	(1,368)
Total deferred tax expense	(1,617)	(1,368)
Income tax expense	(4,947)	(4,851)

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

b) The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018 $	2017 $
Income before tax	15,442	12,840
Statutory tax rate	27.00%	26.00%
Expected income tax expense	(4,169)	(3,338)
Tax effect of:		
Effect of the change in income tax rate in Chile	-	102
Difference in tax rates in foreign jurisdictions	18	112
Non-deductible expenses	(346)	(1,275)
Change in benefits not recognized	(83)	(150)
Withholding tax and other foreign taxes	(78)	(98)
Other	(289)	(204)
	(4,947)	(4,851)

c) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	December 31, 2018 $	December 31, 2017 $
Deferred tax assets		
- Deferred tax assets to be recovered within 12 months	9	23
- Deferred tax assets to be recovered after more than 12 months	271	413
	280	436
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	(28,755)	(27,289)
Deferred tax liabilities/asset- net	(28,475)	(26,853)

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

d) The movement in the net deferred income tax position is as follows:

	2018 $	2017 $
At start of the year	(26,853)	(25,489)
Charged to income	(1,617)	(1,368)
Exchange differences	(5)	4
At end of the year	(28,475)	(26,853)

e) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Property, plant and equipment** $	**Intangible assets** $	**Other** $	**Total** $
At December 31, 2016	(24,444)	(1,287)	(224)	(25,955)
Charged to income	(1,449)	70	45	(1,334)
At December 31, 2017	(25,893)	(1,217)	(179)	(27,289)
Charged to income	(1,522)	72	(16)	(1,466)
At December 31, 2018	(27,415)	(1,145)	(195)	(28,755)

Deferred tax assets	**Other deferred tax assets** $
At December 31, 2016	470
Charged to income	(34)
At December 31, 2017	436
Charged to income	(156)
At December 31, 2018	280

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

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

f) Unrecognized deductible temporary differences

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

	2018	2017
	$	$
Non-capital losses	11,505	12,431
Capital losses	1,146	1,121
Other temporary deductible differences	8,042	7,406
	20,693	20,958

g) Loss carry-forwards

At December 31, 2018, Amerigo had $11.6 million (2017: $12.5 million) of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2019 and 2037. Net operating loss carry-forwards have not been recognized, as it is not probable that taxable profit will be available against which they can be utilized in the legal entity in which they arose.

At December 31, 2018 and 2017, Amerigo had $1.1 million of Canadian federal net capital losses. These losses could be carried back 3 years and forward indefinitely against future taxable capital gains. Net capital loss carry-forwards have not been recognized, as it is not probable that taxable capital gains will be available against which they can be utilized in the legal entity in which they arose.

h) Non-resident subsidiaries

Amerigo has non-resident subsidiaries that have undistributed earnings. Taxable temporary differences in relation to these investments for which deferred tax liabilities have not been recognized are $97.0 million at December 31, 2018 (2017: $85.0 million), as earnings are not expected to be distributed in the foreseeable future.

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

16) Segment Information

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

The Company has one operating segment: the production of copper concentrates under a tolling agreement with DET, with the production of molybdenum concentrates as a by-product (Note 5).

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

	Property, plant and equipment		Other	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Chile	208,583	175,834	5,150	5,441
Canada	146	177	-	-
	208,729	176,011	5,150	5,441

17) Revenue

a) Revenue composition:

	2018 $	2017 $
Gross value of copper produced	188,593	172,665
Adjustments to fair value of settlement receivables	(5,298)	7,124
	183,295	179,789
Notional items deducted from gross value of copper produced:		
DET royalties - copper	(41,088)	(36,388)
Smelting and refining	(21,520)	(21,717)
Transportation	(2,239)	(2,173)
Copper tolling revenue	118,448	119,511
Molybdenum and other revenue	18,385	14,516
	136,833	134,027

b) Total revenue by product type and business unit:

The Company has a single business unit, consistent with its single reportable segment (Note 16).

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

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

	2018 $	2017 $
Copper	118,448	119,511
Molybdenum	18,385	14,516
	136,833	134,027

c) Total revenue by region:

All of the Company's revenue originates in Chile.

In 2018, the Company's revenue from one customer represented 87% of reported revenue (2017: 92%).

18) (EXPENSES) GAINS BY NATURE

a) Tolling and production costs consist of the following:

	2018 $	2017 $
Tolling and production costs	(88,160)	(87,307)
Depreciation and amortization	(14,759)	(14,321)
Administration	(5,895)	(5,155)
DET royalties - molybdenum	(3,041)	(1,203)
	(111,855)	(107,986)

b) Related party derivative (Note (13(a)) consists of the following:

	2018 $	2017 $
Fair value adjustments to derivative	1,157	(3,788)
Royalty payments to related parties	(1,097)	(994)
	60	(4,782)

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

c) General and administration expenses consist of the following:

	2018 $	2017 $
Salaries, management and professional fees	(2,493)	(2,110)
Share-based payment compensation	(1,328)	(627)
Office and general expenses	(848)	(786)
	(4,669)	(3,523)

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

	2018 $	2017 $
Foreign exchange (losses) gains	(749)	80
Other gains	128	136
	(621)	216

e) Finance expense consists of the following:

	2018 $	2017 $
Finance, commitment and interest charges	(4,611)	(5,673)
Fair value adjustments to interest rate swaps	305	561
	(4,306)	(5,112)

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

19) DISCLOSURE OF INTEREST IN OTHER ENTITIES

Amerigo has eight subsidiaries, all of which are wholly-owned with the exception of Amerigo International. Amerigo International is wholly-owned by Amerigo except for certain outstanding Class A shares, as disclosed in Note 13(a).

	Jurisdiction of incorporation
Amerigo International Holdings Corp.	Canada
Amerigo Investments Ltd.	Barbados
Amerigo Banking Corporation	St. Lucia
Amerigo Resources Ltd. I Chile Limitada	Chile
Amerigo Resources Ltd. II Chile SPA	Chile
Amerigo International Inversiones Limitada (inactive)	Chile
Minera Valle Central S.A.	Chile
Colihues Energia S.A.	Chile

As of December 31, 2018, under the terms of the Cauquenes Phase One and Phase Two loans MVC was restricted from transferring cash of $20.6 million to Amerigo or other Company subsidiaries. Other than in respect to this restriction, Amerigo did not have restrictions on its ability to transfer cash to or from its subsidiaries, or to pay dividends, advance loans or make loan repayment within the companies.

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

20) Fair Value Measurement

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

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that Amerigo can access at the measurement date. Amerigo values its investments using quoted market prices in active markets.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Copper and molybdenum trade and settlement receivables are 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 separate component of revenue.

- Level 3 – Significant unobservable inputs that are not based on observable market data. Amerigo includes the related party derivative liability in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis based on management's best estimates, which are unobservable inputs. Fair value is calculated by applying the discounted cash flow approach on a valuation model that considers the present value of the net cash flows expected to be paid to a related party (Note 13(a)). Amerigo has also included the IRS in Level 3 of the fair value hierarchy due to the lack of observable market quotes on these instruments. The fair 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
	$	$	$	$
December 31, 2018				
Investments	1,433	-	-	1,433
Trade receivables	-	8,095	-	8,095
Interest rate swap	-	-	115	115
Derivative to related parties			(11,050)	(11,050)
	1,433	8,095	(10,935)	(1,407)

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

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and DET royalties approximate their fair value due to their short-term maturity.

The following table reconciles the starting to the ending balances for Level 3 fair value measurements:

	Related party derivative liability
Balance at January 1, 2018	(12,193)
Paid	1,083
Credit to earnings	60
Balance at December 31, 2018	(11,050)

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

	Interest rate swap
Balance at January 1, 2018	(190)
Paid	36
Credit to earnings	269
Balance at December 31, 2018	115

The valuation technique used in the determination of fair values within Level 2 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The Company's copper and molybdenum trade receivables contain embedded derivatives because the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue.

Key observable inputs: For copper: average LME spot and 3-month copper prices assessed monthly. For molybdenum: average Platt's molybdenum dealer oxide molybdenum price assessed monthly.

Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value increases as copper and molybdenum prices increase.

The calculation of the fair value of trade and other receivables is performed monthly by MVC's Finance Manager.

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The fair value is calculated by applying the discounted cash flow approach. The valuation model considers the present value of the net cash flows expected to be paid to a related party (Note 13(a)) and in respect of the IRS (Note 12(a)).

Key unobservable inputs: For the related party derivative liability: estimated copper equivalent tolling/production to 2037, assumed copper and molybdenum prices and discount rate. For the IRS, the valuation model takes into account a forward interest rate curve.

Inter-relationship between key unobservable inputs and fair value measurement: For the related party derivative liability: the estimated fair value increases the lower the discount rate, the higher the estimated tolling/production and the higher the copper equivalent for molybdenum production calculated from the relationship of molybdenum to copper prices. In the case of the IRS, the contract's fair value fluctuates with changes in market interest rates.

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

Valuation processes: Amerigo's finance department is responsible for valuation of fair value measurements included in the financial statements, including Level 3 fair values. In the case of the IRS, Amerigo relies on the valuation performed by Scotiabank Chile, the bank with which MVC entered into the swap. The valuation processes and results for recurring measurements are reviewed and approved by the Chief Financial Officer (CFO) at least once every quarter, in line with Amerigo's quarterly reporting dates. The valuation processes and results for non-recurring measurements are reviewed and approved by the CFO in the quarter in which the measurement occurs. All Level 3 valuation results are discussed with the Audit Committee as part of its quarterly review of Amerigo's financial statements.

Key unobservable inputs for valuation of the related party derivative liability correspond to:

- Estimated copper equivalent tolling/production as provided by MVC's mining plan. Based on the estimates as at December 31, 2018, a 1% increase (decrease) in estimated copper equivalent tolling/production would have no significant impact in the related party derivative liability.

- Assumed copper and molybdenum prices for the calculation of copper equivalent from molybdenum production, as provided by consensus long-term copper and molybdenum price market data. The copper prices used in the December 31, 2018 calculation were 2019: $3.00/lb; 2020: $3.12/lb; 2021: $3.24/lb; 2022: $3.27/lb and 2023 to 2037: $3.07/lb. Molybdenum prices used were: 2019: $10.73/lb; 2020: $10.11/lb; 2021: $9.75; 2022: $9.95/lb and 2023 to 2037: $8.59/lb.

- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 9.11% in 2019 with gradual increases up to 9.30% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately $0.1 million in the related party derivative liability.

In the case of the IRS, key inputs for valuation correspond to a forward interest rate curve, term of the IRS, loan amortization schedule and MVC's credit spread.

21) FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, foreign exchange risk, interest rate risk, commodity price risk and credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company operates in a cyclical industry where levels of cash flow are closely correlated to the market prices for copper.

In 2018, the Company generated $27.8 million of operating cash flow before changes in non-cash working capital (2017: $26.4 million), and $27.2 million in operating cash flow including changes in non-cash working capital (2017: 32.7 million).

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

In 2018, the Company was able to meet its obligations as they became due. The Company expects that it will continue to be able to meet obligations for the next 12 months from operating cash flow. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections.

The Company's liabilities fall due as indicated in the following tables:

At December 31, 2018	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	19,462	19,462	-	-	-
DET royalties	11,551	11,551	-	-	-
Borrowings	66,212	18,576	17,555	30,081	-
Other non-current liabilities	7,386	-	1,645	1,565	4,176
Related party derivative liability	11,050	1,382	1,155	2,845	5,668
Severance provisions	966	-	-	-	966
	116,627	50,971	20,355	34,491	10,810

At December 31, 2017	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	13,052	13,052	-	-	-
DET royalties	11,990	11,990	-	-	-
Borrowings	63,067	18,248	12,171	32,648	-
Interest rate swap	190	190	-	-	-
Related party derivative liability	12,193	1,151	1,146	3,221	6,675
Severance provisions	981	-	-	-	981
	101,473	44,631	13,317	35,869	7,656

Foreign Exchange Risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Company's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. Amerigo has elected not to actively manage this exposure at this time. Notwithstanding, Amerigo continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2018, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately $nil and $0.1 million on income and comprehensive loss, respectively.

Interest Rate Risk

At December 31, 2018, the Company's interest rate risk mainly arises from the interest rate impact on borrowings and is mitigated by an IRS (Note 12(a)).

As at December 31, 2018, with other variables unchanged, a 1% change in prime rates on borrowings not protected by the IRS would have had an impact of $0.1 million on income and no effect on OCI.

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

Commodity Price Risk

MVC faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of performance of tolling services or delivery of concentrates to the time of final price settlement. This risk is affected by the quotational periods in place. In 2018, the quotational periods for copper tolling services and molybdenum sales were "M+3".

The following represents the effect of financial instruments on after-tax net income from a 10% increase to monthly average commodity prices:

	Price		Increase (decrease) on after-tax net earnings	
	2018	2017	2018	2017
	$/lb	$/lb	$	$
Copper	2.8	3.1	4,866	5,042
Molybdenum	12.1	9.4	354	401

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade receivable. The Company has an investment policy which requires that cash and cash equivalents can only be deposited in investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions in Canada and Chile and are redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. In 2018, MVC processed copper concentrates under a tolling agreement with DET and does not consider it has any significant credit risk exposure on its accounts receivable.

Capital Risk Management

Amerigo considers that its capital consists of the items included in shareholders' equity, borrowings when applicable, net of cash and cash equivalents, and investments. Amerigo manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Amerigo's assets.

Amerigo's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis.

To effectively manage its capital requirements, Amerigo has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and expansion objectives. Amerigo's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

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

22) Supplementary Cash Flow Information

	2018 $	2017 $
(a) Interest and taxes paid		
Interest paid	4,113	4,677
Income taxes paid	3,225	1,435
(b) Other		
Increase in accounts payable related to the acquisition of plant and equipment	2,650	968
Cash paid during the year in connection with the derivative to related parties	1,083	1,582

23) Commitments

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

b) Amerigo has an agreement for the lease of office premises in Vancouver to December 1, 2021. Rent commitments under the agreement are approximately $0.3 million.

c) The DET Agreement has a Closure Plan clause requiring MVC and DET to jointly assess the revision of the closure plan for Cauquenes and compare it to the current DET plan. In the case of any variation in the interests of DET due to MVC's activities in the Cauquenes deposit, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until the estimation of the new closure plan is available, and the parties agree on the terms of compensation resulting from the revised plan, it is Amerigo's view there is no obligation to record a provision because the amount, if any, is not possible to determine.