

# **Amerigo Resources Ltd.**

**Consolidated Financial Statements**  
**For the year ended December 31, 2015**  
(expressed in thousands of U.S. dollars)

## 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

*"Aurora Davidson"*  
Aurora Davidson  
Chief Financial Officer

February 23, 2016

February 23, 2016



February 23, 2016

## **Independent Auditor's Report**

### **To the Shareholders of Amerigo Resources Ltd.**

We have audited the accompanying consolidated financial statements of Amerigo Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive loss, cash flows and equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Amerigo Resources Ltd. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*signed "PricewaterhouseCoopers LLP"*

**Chartered Professional Accountants**

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*PricewaterhouseCoopers LLP  
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# Amerigo Resources Ltd.

## Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

|                                       | Notes  | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|---------------------------------------|--------|----------------------------|----------------------------|
| <b>Assets</b>                         |        |                            |                            |
| <b>Current assets</b>                 |        |                            |                            |
| Cash and cash equivalents             | 7      | 9,032                      | 18,308                     |
| Trade and other receivables           | 8      | 911                        | 6,595                      |
| Taxes receivable                      | 8      | 13,846                     | 4,322                      |
| Prepaid expenses                      |        | 464                        | 614                        |
| Inventories                           | 9      | 7,502                      | 8,706                      |
|                                       |        | <u>31,755</u>              | <u>38,545</u>              |
| <b>Non-current assets</b>             |        |                            |                            |
| Investments                           | 10     | 992                        | 2,011                      |
| Property, plant and equipment         | 12     | 181,494                    | 133,359                    |
| Intangible assets                     | 13     | 5,025                      | 5,222                      |
| Deferred income tax asset             | 19     | 49                         | 37                         |
| Other non-current assets              |        | 895                        | 981                        |
| <b>Total assets</b>                   |        | <u>220,210</u>             | <u>180,155</u>             |
| <b>Liabilities</b>                    |        |                            |                            |
| <b>Current liabilities</b>            |        |                            |                            |
| Trade and other payables              | 14     | 14,543                     | 17,882                     |
| DET royalties                         | 5, 14  | 4,205                      | 16,920                     |
| Current portion of borrowings         | 15     | 17,964                     | -                          |
| Current portion of interest rate swap | 16     | 76                         | -                          |
| Current income tax liabilities        | 19     | 87                         | 112                        |
| Royalty derivative to related parties | 14, 17 | 879                        | 863                        |
|                                       |        | <u>37,754</u>              | <u>35,777</u>              |
| <b>Non-current liabilities</b>        |        |                            |                            |
| Severance provisions                  | 14     | 662                        | 1,341                      |
| Borrowings                            | 15     | 54,681                     | -                          |
| Interest rate swap                    | 16     | 635                        | -                          |
| Royalty derivative to related parties | 17     | 8,011                      | 10,096                     |
| Deferred income tax liability         | 19     | 23,523                     | 21,391                     |
| Other non-current liabilities         |        | 50                         | 57                         |
| <b>Total liabilities</b>              |        | <u>125,316</u>             | <u>68,662</u>              |
| <b>Equity</b>                         |        |                            |                            |
| Share Capital                         | 18     | 78,057                     | 78,057                     |
| Other reserves                        |        | 7,289                      | 7,088                      |
| Retained earnings                     |        | 11,840                     | 28,773                     |
| Accumulated other comprehensive loss  |        | (2,292)                    | (2,425)                    |
| Total equity                          |        | <u>94,894</u>              | <u>111,493</u>             |
| <b>Total equity and liabilities</b>   |        | <u>220,210</u>             | <u>180,155</u>             |
| <b>Commitments</b>                    | 27     |                            |                            |
| <b>Subsequent events</b>              | 28     |                            |                            |

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 Loss

(expressed in thousands of U.S. dollars)

|   | Notes  | Years ended December 31, |             |
|---|--------|--------------------------|-------------|
|   |        | 2015                     | 2014        |
|   |        | \$                       | \$          |
| <b>Revenue</b>  | 21     | 52,623                   | 119,622     |
| <b>Tolling and production costs</b>                                   | 22 (a) | (65,656)                 | (113,047)   |
| <b>Gross (loss) profit</b>  |        | (13,033)                 | 6,575       |
| <b>Other expenses</b>   |        |                          |             |
| General and administration  | 22 (b) | (2,988)                  | (4,037)     |
| Other (expenses) gains  | 22 (c) | (3,381)                  | 333         |
| Royalty derivative to related parties including changes in fair value | 22 (d) | 1,533                    | 1,374       |
| Loss from change in estimates   | 6      | -                        | (8,066)     |
|   |        | (4,836)                  | (10,396)    |
| <b>Operating loss</b>   |        | (17,869)                 | (3,821)     |
| Finance expense   | 22 (e) | (1,023)                  | (237)       |
|   |        | (1,023)                  | (237)       |
| <b>Loss before tax</b>  |        | (18,892)                 | (4,058)     |
| Income tax recovery (expense)   | 19     | 1,959                    | (6,644)     |
| <b>Net loss</b>   |        | (16,933)                 | (10,702)    |
| <b>Other comprehensive loss, net of tax</b>                           |        |                          |             |
| <b>Items that may be reclassified subsequently to net loss</b>        |        |                          |             |
| Cumulative translation adjustment                                     |        | 896                      | 399         |
| Unrealized losses on investments                                      | 10     | (709)                    | (917)       |
| Severance provision   |        | (54)                     | (80)        |
| <b>Other comprehensive income (loss), net of tax</b>                  |        | 133                      | (598)       |
| <b>Comprehensive loss</b>   |        | (16,800)                 | (11,300)    |
| Weighted average number of shares outstanding, basic                  |        | 173,610,629              | 173,196,224 |
| Weighted average number of shares outstanding, diluted                |        | 173,610,629              | 173,196,224 |
| <b>Loss per share</b>   |        |                          |             |
| Basic   |        | (0.10)                   | (0.06)      |
| Diluted   |        | (0.10)                   | (0.06)      |

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, |                 |
|---|--------------------------|-----------------|
|   | 2015                     | 2014            |
|   | \$                       | \$              |
| <b>Cash flows from operating activities</b>                 |                          |                 |
| Net loss  | (16,933)                 | (10,702)        |
| Adjustment for items not affecting cash:                    |                          |                 |
| Depreciation and amortization                               | 6,699                    | 11,065          |
| Impairment charges  | 2,989                    | 703             |
| Deferred income tax expense                                 | 2,114                    | 7,125           |
| Unrealized foreign exchange expense                         | 2,031                    | 2,103           |
| Loss from change in estimates                               | -                        | 5,629           |
| Changes in fair value of royalties to related parties       | (2,066)                  | (1,995)         |
| Interest rate swap  | (243)                    | -               |
| Share-based payments  | 201                      | 597             |
| Accretion   | -                        | 126             |
| Other   | 210                      | 135             |
|   | <u>(4,998)</u>           | <u>14,786</u>   |
| Changes in non-cash working capital                         |                          |                 |
| Trade, other receivables and taxes receivable               | (3,537)                  | 1,642           |
| Inventories   | (200)                    | 2,317           |
| Trade and other payables                                    | (5,014)                  | (4,434)         |
| DET royalties   | (12,715)                 | 3,779           |
| <b>Net cash from operating activities</b>                   | <u>(26,464)</u>          | <u>18,090</u>   |
| <b>Cash flows from investing activities</b>                 |                          |                 |
| Purchase of plant and equipment                             | (52,391)                 | (11,739)        |
| Capitalized interest on borrowings                          | (1,691)                  | -               |
| <b>Net cash from investing activities</b>                   | <u>(54,082)</u>          | <u>(11,739)</u> |
| <b>Cash flows from financing activities</b>                 |                          |                 |
| Proceeds from borrowings, net of transaction costs          | 72,904                   | -               |
| Exercise of share purchase options                          | -                        | 255             |
| <b>Net cash from financing activities</b>                   | <u>72,904</u>            | <u>255</u>      |
| <b>Net (decrease) increase in cash and cash equivalents</b> | (7,642)                  | 6,606           |
| <b>Effect of exchange rate changes on cash</b>              | (1,634)                  | (1,446)         |
| <b>Cash and cash equivalents – Beginning of year</b>        | <u>18,308</u>            | <u>13,148</u>   |
| <b>Cash and cash equivalents – End of year</b>              | <u>9,032</u>             | <u>18,308</u>   |
| <b>Supplementary cash flow information (Note 26)</b>        |                          |                 |

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)

|                                       | <u>Share capital</u> |        | Other<br>reserves | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Total equity |
|---------------------------------------|----------------------|--------|-------------------|---|----------------------|--------------|
|                                       | Number of<br>shares  | Amount |                   |   |                      |              |
|                                       |                      | \$     |                   |   |                      |              |
| Balance January 1, 2014               | 172,290,344          | 77,514 | 6,577             | (1,827)   | 39,475               | 121,739      |
| Share based payments                  | -                    | -      | 597               | -   | -                    | 597          |
| Exercise of share purchase options    | 900,000              | 341    | (86)              | -   | -                    | 255          |
| Compensation settled with shares      | 462,500              | 202    | -                 | -   | -                    | 202          |
| Cancellation of shares held in escrow | (42,215)             | -      | -                 | -   | -                    | -            |
| Cumulative translation adjustment     | -                    | -      | -                 | 399   | -                    | 399          |
| Unrealized losses on investments      | -                    | -      | -                 | (917)   | -                    | (917)        |
| Severance provision                   | -                    | -      | -                 | (80)  | -                    | (80)         |
| Net loss                              | -                    | -      | -                 | -   | (10,702)             | (10,702)     |
| Balance December 31, 2014             | 173,610,629          | 78,057 | 7,088             | (2,425)   | 28,773               | 111,493      |
| Balance January 1, 2015               | 173,610,629          | 78,057 | 7,088             | (2,425)   | 28,773               | 111,493      |
| Share-based payments                  | -                    | -      | 201               | -   | -                    | 201          |
| Cumulative translation adjustment     | -                    | -      | -                 | 896   | -                    | 896          |
| Unrealized losses on investments      | -                    | -      | -                 | (709)   | -                    | (709)        |
| Severance provision                   | -                    | -      | -                 | (54)  | -                    | (54)         |
| Net loss                              | -                    | -      | -                 | -   | (16,933)             | (16,933)     |
| Balance December 31, 2015             | 173,610,629          | 78,057 | 7,289             | (2,292)   | 11,840               | 94,894       |

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

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

December 31, 2015

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

### 1) GENERAL INFORMATION

Amerigo Resources Ltd. (the "Company") is a company domiciled in Canada and its shares are listed for trading on the Toronto Stock Exchange ("TSX") and the OTCQX stock exchange in the United States. The address of the Company's principal office is Suite 1950 – 400 Burrard Street, Vancouver, British Columbia. These consolidated financial statements ("financial statements") of the Company as at December 31, 2015 include the accounts of the Company and its subsidiaries (collectively the "Group").

The Group is principally engaged in the production of copper and molybdenum 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 5). As of January 1, 2015, copper production from MVC is conducted under a tolling agreement with DET.

These financial statements were authorised for issue by the board of directors on February 23, 2016 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 of the Company and its subsidiaries (the "Group") have been prepared in accordance with IFRS on an 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 the Company and the entities controlled by the Company (Note 23). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to 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. The Company's principal operating subsidiaries are MVC (100% owned, Chile) and Colihues Energia S.A. ("Colihues Energia", 100% owned, Chile).

#### **Segment Reporting**

The Group operates in one segment, the production of copper concentrates under a tolling agreement with DET (Note 5).



# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

December 31, 2015

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(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 Group'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 MVC is the United States Dollar ("\$\$") and the functional currency of Colihues Energia is the Chilean peso ("CLP").

The Company's financial statements are presented in U. S. dollars, which is the Company's presentation currency. The U.S. dollar is widely used as a presentation currency in the mining industry, allowing for appropriate benchmarking with other companies operating in a variety of jurisdictions. These financial statements have been translated to the U.S. dollar in accordance with IAS 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**

#### *Exploration and Evaluation Costs*

Exploration and evaluation costs related to specific properties or projects are capitalized and are considered to be tangible assets. These assets are not depreciated as they are currently not available for use. The Group's exploration and evaluation assets ("EEA") are reclassified to property, plant and equipment ("PPE") when production decisions on projects or properties are made, or expensed in the period in which it is determined they have no future economic value.

#### *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.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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

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.

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 Group'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 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 cash generating unit ("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. An impairment loss with respect to goodwill is never reversed.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

December 31, 2015

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

### **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. In addition to the amortization of the contractual right, royalties payable to DET under the contracts are recorded based on production under the tolling agreement with DET in the year and included in tolling and production costs.

### **Financial Assets and other Financial Liabilities**

#### *Classification*

#### a) Loans and Receivables

Cash and cash equivalents, trade receivables, loans, and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### b) Available-for-Sale Financial Assets (“AFS”)

Investments and other assets held by the Group are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income (“OCI”) and are accumulated in the investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date.

#### c) Other Financial Liabilities

Other financial liabilities at amortized cost include trade and other payables, DET royalties payable 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 payable are recognized at the amount required to be paid. Borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Other 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 Group’s copper trade receivables are embedded derivatives given that 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.

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## Notes to Consolidated Financial Statements

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

The Group 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 Group's royalties to related parties are a derivative liability, classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in finance income (expense).

### *Recognition and Measurement*

#### a) Effective Interest Method

The effective interest method calculates the amortized cost of a financial asset (or liability) and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts (payments) over the expected life of the financial asset (liability), or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income (expense) is recognized on an effective interest basis for debt instruments other than those financial assets or liabilities classified as fair-value-through-profit-and-loss (FVTPL) investments.

#### b) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer;
- default or delinquency in interest or principal payments; or
- it has become probable that the issuer will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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

### c) 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 Group 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

The Company grants stock options to buy common shares of the Company 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 concentrates in process and in 2014 copper 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 Group 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.

### 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 operations and 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.

# Amerigo Resources Ltd.

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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 the Company 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 the Company 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, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash 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, 2015, MVC has a future obligation with some of its managers for statutory severance payments based on their employee contracts. This obligation has been recorded as a liability at present value in the Company's statement of financial position. The value of the severance provision is evaluated on an annual basis or as new 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.

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### **Earnings (Loss) per Share**

Basic earnings or (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. 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 has entered into an agreement pursuant to which it delivers to DET all the copper concentrates produced during the period from January 1, 2015 to December 31, 2022 under a “maquila” or tolling arrangement (Note 5). Accordingly, MVC’s revenue for the delivery of copper concentrates to DET is now recognized as a tolling fee which is calculated as gross revenue for copper delivered under the tolling agreement net of notional items (treatment and refining charges, DET royalties and transportation costs). In prior years, the nature of the agreements with Enami and DET resulted in DET royalties and transportation costs being reported as components of production costs. This revenue is recognized when the tolling process has been completed.

Revenue from the sale of copper concentrates (until December 31, 2014) and molybdenum concentrates is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable.

MVC’s compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges, and in 2015 is based on the average copper market price for the third month following the production of copper concentrates under the tolling agreement (“M+3”).

When final tolling fees or prices are determined by quoted market prices in a period subsequent to the date of provision of tolling services or sale, such fees or prices are first determined on a provisional basis at the date of completion of tolling or sale and revenues are recorded based on forward prices. Adjustments are made to the tolling fee or sale price in subsequent periods based on movements in quoted market prices up to date of the final pricing. Under these circumstances, the value of MVC’s amounts receivable changes as the underlying commodity market prices vary. This adjustment mechanism has the characteristics of a derivative. Accordingly, the fair value of the receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue. In a period of rising prices, not only will MVC record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for tolling services or copper and molybdenum concentrates delivered in the prior period. Similarly, in a period of declining prices, MVC will record lower revenues for current deliveries and negative adjustments to revenue for prior period tolling services or deliveries. At December 31, 2015, a 10% increase or decrease in provisional copper prices would result in price-driven revenue settlement adjustments of \$2.3 million.

Molybdenum produced by MVC was sold under a written sales agreement with Chile’s Molibdenos y Metales S.A. (“Molymet”). MVC shut its molybdenum plant in response to weak molybdenum prices effective April 1, 2015.

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### Comprehensive Income (Loss)

Comprehensive income (loss) includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the statements of comprehensive income (loss) and the statements of changes in equity.

### 3) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Effective January 1, 2015, the Company adopted the new and revised IASB standards and interpretations listed below. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

**Annual Improvements 2010-2012 Cycle:** In the 2010-2012 annual improvements cycle, the IASB issued amendments to four standards, including IFRS 8 - Operating segments and IAS 24 - Related party transactions. The amendments to IAS 24 (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. The amendments to IFRS 8 require (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendments are effective for years beginning on or after July 1, 2014. These amendments did not have an impact on the Company's financial statements.

**Annual Improvements 2011-2013 Cycle:** In the 2011-2013 annual improvements cycle, the IASB issued amendments to three standards: IFRS 3- Business combinations, IFRS 13 - Fair value measurements and IAS 40 - Investment property. The amendments are effective for years beginning on or after July 1, 2014. These amendments did not have an impact on the Company's financial statements.

Other standards, amendments and interpretations effective January 1, 2015 are not material to the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these interim financial statements. None of these is expected to have a significant effect on the Company's financial statements, except as set out below:

**IFRS 9 – Financial Instruments - classification and measurement:** Addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through P&L. The standard introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has yet to assess IFRS 9's impact on its financial statements.



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**IFRS 15, Revenue from Contracts with Customers (“IFRS 15”):** Deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Management is assessing the impact of IFRS 15.

**IFRS 16, Leases (“IFRS 16”):** On January 13, 2016 the IASB issued IFRS 16, according to which, all leases will be on the balance sheet 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 has yet to assess the impact of adoption.

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 consolidated financial statements, the Company 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.

In 2015, the Company undertook judgement and estimate revisions arising from an interest rate swap described in Note 16 and in respect of the start date of Cauquenes operations.

a) Useful Life of 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) 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 17(a)). The royalty is a derivative financial instrument measured at fair value, and the Company is required under IFRS to reassess its estimate for the royalty derivative at each reporting date based on revised production under the tolling agreement estimates.

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### c) 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 December 31, 2015, management of the Company determined that the decrease in the market price of copper and the continued depressed market price for the Company's shares, resulting in market capitalization for the Company below its net asset value, constituted an impairment indicator, and completed an impairment assessment for MVC that included a determination of fair value less costs to sell.

Key assumptions incorporated in the impairment model included the following:

- Copper prices (\$/lb): 2016: \$2.37; 2017: \$2.51; 2018: \$2.69; 2019: \$2.76; 2020: \$2.86; 2021 to 2037: \$3.00.
- Power costs (excluding benefit from self-generation): From 2016 to 2027 costs are per contractual estimates (2016: \$0.09774/kWh, 2017: \$0.09773/kWh, 2018 to 2037: \$0.11317/kWh).
- Operating costs based on historical costs incurred and estimated forecasts
- Tolling/production volume and recoveries as indicated in MVC's mining plan from 2016 to 2037, including processing of fresh tailings and old tailings from the Colihues and Cauquenes deposits
- Discount rate: 9% after tax

Based on the assumptions described above, management's impairment evaluation did not result in the identification of an impairment loss as of December 31, 2015. 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 very 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. A change in the Company's long-term assumptions for copper price from \$3.00/lb to \$2.88/lb would have resulted in an impairment charge of approximately \$4.1 million.

An impairment charge of \$1.4 million was recognised in 2015 following a technical review of the Colihues equipment that is not expected to be used in future operations, as the recoverable amount of the equipment was less than its carrying amount. The impairment charge was recorded in the statement of loss under other expenses (Note 22(c)).

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d) Power Cost Assumptions

Certain components of MVC's power costs require complex calculations involving data from the Chilean National Energy Commission, the central power grid operating network and MVC's power supplier. MVC relies on the advice of external power consultants to estimate these costs, in particular in the case of newly introduced charges without historical precedent. Final costs may vary from estimated costs and any such variances are included in earnings in the period in which final costs are determined.

e) Interest rate swap

MVC entered into an interest rate swap (Note 16) to fix the interest rate on 75% of the facility undertaken to finance the Cauquenes expansion. Estimates are made by management to determine the fair value of the interest rate swap at inception and at each reporting date.

f) Start date of Cauquenes operations

MVC commenced processing tailings from the Cauquenes deposit during September 2015 from one of the two sumps built as part of the Cauquenes phase one expansion. The second sump became operational in October 2015. Construction, commissioning and testing continued through Q4-2015. When a project nears the end of construction, management has to exercise judgment to determine the date in which the asset was in the location and condition necessary to operate as intended by management. The identification of this date is important since it establishes the point in time at which costs cease to be capitalized unless they provide an enhancement to the economic benefits of the asset, borrowing costs cease to be capitalized, processing costs begin to stabilize, the capitalization of pre-start-up revenue ceases and depreciation of the asset commences. Management has determined the appropriate start date of the Cauquenes operations to be January 1, 2016.

## 5) 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 that through several contract modifications was extended to 2021 (collectively, the "Fresh Tailings Contract"). In 2009, MVC and DET entered into an agreement to process the tailings from Colihues, one of El Teniente's historical tailings deposits (the "Colihues Contract").

On April 8, 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 historical tailings deposit, Cauquenes, for a term to the earlier of its depletion or 2033, and extending the Fresh Tailings Contract from 2021 to 2037 and the Colihues Contract to the earlier of its depletion or 2037.

Until December 31, 2014, DET royalties were recorded as components of tolling and production costs. Royalties were payable to DET in respect of copper concentrates produced by MVC and were calculated using the London Metal Exchange ("LME") price for copper for the month of delivery of the tailings. Adjustments to the DET royalties were recorded on a monthly basis for changes in copper concentrate deliveries during the settlement period.

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As of January 1, 2015, copper production from MVC is conducted under a tolling agreement with DET and MVC's revenue for the delivery of copper concentrates to DET is recognized as a tolling fee. The tolling fee is calculated as gross revenue for copper delivered under the tolling agreement net of notional items (treatment and refining charges, DET royalties and transportation costs) (Note 21). The notional DET royalties replace the former royalties payable to DET and precisely mimics the former royalty arrangements.

Royalties under the Fresh Tailings Contract are determined through a sliding scale formula tied to copper prices. Until August 1, 2015, no royalties applied on copper produced from fresh tailings when the copper price was below \$0.80/lb and the royalty increased to a maximum of 13.5% at copper prices of \$1.30/lb or higher. These terms were amended in the Master Agreement, as described below.

The Colihues Contract establishes a sliding scale royalty of 3% for a copper price below \$0.80/lb that increases to approximately 30% at a copper price of \$4.27/lb. The parties are required to review and potentially adjust costs and royalty structures for copper tolling or production from Colihues tailings if the copper price remains below \$1.95/lb or over \$4.27/lb for three consecutive months. These terms were not amended by the Master Agreement.

Until August 1, 2015, MVC paid a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates produced from fresh tailings and 11.9% on net molybdenum revenue from Colihues tailings. These terms were also amended by the Master Agreement.

Additional terms of the Master Agreement include the following:

- Changes in the royalty for copper produced from fresh tailings, including a change in the royalty calculation to a sliding scale for a range of copper prices from \$1.95/lb (13.5% royalty) to \$4.80/lb (28.4% royalty), elimination of exchange rate provisions that increased royalties, and an increase in the threshold below which no royalty is applicable from \$0.80/lb to \$1.95/lb, the same minimum level as that for the Cauquenes royalty. The change in fresh tailings royalty became effective on August 1, 2015;
- A sliding scale royalty for copper produced from Cauquenes tailings for copper prices ranging from \$1.95/lb (16% royalty) to \$5.50/lb (39% royalty);
- A sliding scale global molybdenum royalty for molybdenum prices between \$7.31/lb (9% royalty) and \$40/lb (19.7% royalty), effective August 1, 2015;
- Provisions requiring the parties to meet and review cost and 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 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; and
- 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.

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On August 29, 2014, DET and MVC entered into a first modification to the Master Agreement, which provided for the deferral of up to \$9.1 million in DET royalties in 2014 in order for MVC to expedite certain works associated with the Cauquenes expansion. The deferred amounts were subject to interest at a rate of 0.6% per month. A total of \$8.1 million was deferred during 2014, and all deferred amounts and applicable interest owing to DET were paid in full in the quarter ended March 31, 2015.

On February 3, 2015, MVC and DET entered into a second modification to the Master Agreement which provides for the following:

- i) The delivery to DET of all copper concentrates produced by MVC during the period from January 1, 2015 to December 31, 2022 pursuant to a “maquila” or tolling arrangement, subject to terms and conditions similar to those contained in the concentrate sales agreement MVC had to December 31, 2014 with Chile’s Empresa Nacional de Minería (“Enami”).
- ii) A copper price support agreement provided by DET to assist MVC with the Cauquenes expansion in an amount of up to \$17.0 million (the “DET Facility”). MVC will draw down \$1.0 million from the DET Facility for each month during the years 2015 and 2016 in which the average final settlement copper price to MVC is less than \$2.80/lb, up to the \$17.0 million maximum. The DET Facility bears interest at a rate of 0.6% per month and is subordinate to MVC’s bank financing. As at December 31, 2015, MVC had drawn down \$7.0 million from the DET Facility (Note 15(d)). The DET Facility will be repaid starting in January 2017 and up to December 31, 2019 at a rate of \$1.0 million per month, provided this repayment rate does not preclude MVC from making the semi-annual capital debt repayments described in Note 15(a). MVC may repay the DET Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments.

As at December 31, 2015, the accrual for DET royalties was \$4.2 million (December 31, 2014: \$16.9 million), representing approximately three months of royalties (2014: eight months of royalties).

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### 6) GAINS AND LOSSES FROM CHANGES IN ESTIMATES

The Master Agreement (Note 5) is expected to provide substantial economic benefits to the Company as a result of the extension of MVC's productive life from 2021 to 2037 and from processing of the tailings contained in the Cauquenes deposit. These benefits will be recognized as income is earned.

Upon entering into the Master Agreement in April 2014, the Company reassessed a series of material accounting estimates (Note 4), as summarized in the following table:

| Change in Estimate                       | Effect on Financial Position  | Effect on Earnings                              | Tax Effect on Earnings       |
|--|---|---|------------------------------|
| Asset retirement obligation "ARO"        | Unwinding of ARO asset of \$2.2 million   | -   | -                            |
|  | Unwinding of ARO liability of \$7.4 million   | -   | -                            |
|  | Unwinding of the two items described above resulted in a \$5.2 million credit to PPE which will be unwound through 2037 as depreciation recovery. | -   | -                            |
| Severance liability                      | Unwinding of \$2.3 million statutory severance liability  |   | -                            |
|  | Increase of \$80,000 in other comprehensive income associated with severance liability  | Gain of \$2.4 million included in cost of sales | -                            |
|  | Reduction of \$182,000 in contractual severance liability   |   | -                            |
|  | Reduction of \$503,000 in associated deferred income tax asset  | -   | Expense of \$0.5 million     |
| Royalty derivative to related parties    | Increased derivative by \$8.1 million   | Loss of \$8.1million included in other expenses | -                            |
|  |   | Loss of \$5.7 million                           | Tax expense of \$0.5 million |
| <b>Total negative impact on earnings</b> |   |   | <b>\$6.2 million</b>         |

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### 7) CASH AND CASH EQUIVALENTS

|                          | December 31,<br>2015 | December 31,<br>2014 |
|--------------------------|----------------------|----------------------|
|                          | \$                   | \$                   |
| Cash at bank and on hand | 8,811                | 1,927                |
| Short term bank deposits | 221                  | 16,381               |
|                          | 9,032                | 18,308               |

Short-term bank deposits are redeemable on demand.

### 8) RECEIVABLES

#### a) Trade and other receivables

|                               | December 31,<br>2015 | December 31,<br>2014 |
|-------------------------------|----------------------|----------------------|
|                               | \$                   | \$                   |
| <b>Current</b>                |                      |                      |
| Trade and other receivables   | 911                  | 6,595                |
| <b>Non-current</b>            |                      |                      |
| Other non-current receivables | 192                  | 277                  |

The Company has not recorded a provision for impairment of current or non-current receivables.

The ageing analysis of current receivables is as follows:

|                       | December 31,<br>2015 | December 31,<br>2014 |
|-----------------------|----------------------|----------------------|
|                       | \$                   | \$                   |
| Up to 3 months        | 607                  | 5,239                |
| 3 to 6 months         | 166                  | 744                  |
| Greater than 6 months | 138                  | 612                  |
|                       | 911                  | 6,595                |

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

|              | December 31,<br>2015 | December 31,<br>2014 |
|--------------|----------------------|----------------------|
| Currency     | \$                   | \$                   |
| Chilean Peso | 897                  | 6,584                |
| Other        | 14                   | 11                   |
|              | 911                  | 6,595                |

The fair values of the Company's current receivables approximate their carrying value, as follows:

|                             | December 31,<br>2015 | December 31,<br>2014 |
|-----------------------------|----------------------|----------------------|
|                             | \$                   | \$                   |
| Trade and other receivables | 911                  | 6,595                |
|                             | 911                  | 6,595                |

Trade and other receivables included \$0.9 million of receivables for sale of copper concentrates under a tolling agreement with DET that were provisionally priced at December 31, 2015 (2014: \$nil). At December 31, 2014 trade receivables included \$1.0 million of receivables for sale of molybdenum concentrates that were also provisionally priced.

The effective interest rates on current receivables were nil % (December 31, 2014: nil %).

### b) Taxes receivable

The components of the Company's tax receivable are:

|                              | December 31,<br>2015 | December 31,<br>2014 |
|------------------------------|----------------------|----------------------|
|                              | \$                   | \$                   |
| Value added taxes receivable | 8,604                | 398                  |
| Income tax receivable        | 5,174                | 3,846                |
| Other taxes receivable       | 68                   | 78                   |
|                              | 13,846               | 4,322                |



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### 9) INVENTORIES

|                                | 2015         | 2014         |
|--------------------------------|--------------|--------------|
|                                | \$           | \$           |
| Plant supplies and consumables | 4,745        | 5,395        |
| Work in progress               | 2,757        | -            |
| Concentrate inventories        | -            | 3,311        |
|                                | <u>7,502</u> | <u>8,706</u> |

At December 31, 2015, work in progress inventories were valued at net realizable value (“NRV”). During the year ended December 31, 2015, the Group recorded a charge of \$1.0 million in tolling and production costs as a result of NRV adjustments in the months in which NRV was lower than cost, and a charge of \$0.2 million to tolling and production costs from writing-down the molybdenum in-circuit inventory determined not to be saleable, following MVC’s decision to suspend production of molybdenum concentrates in response to prevailing low market prices. The Group also recorded a charge of \$0.1 million in tolling and production costs as a result of an impairment of specific plant and supplies consumables.

At December 31, 2014 inventories were valued at cost. During the year ended December 31, 2014, the Group recorded a charge of \$0.3 million in tolling and production costs as a result of an impairment of specific plant supplies and consumables.

### 10) INVESTMENTS

|                          | December 31,<br>2015 | December 31,<br>2014 |
|--------------------------|----------------------|----------------------|
|                          | \$                   | \$                   |
| <b>Start of year</b>     | 2,011                | 3,207                |
| Changes in fair value    | (709)                | (917)                |
| Impairment of investment | (310)                | (279)                |
| <b>End of year</b>       | <u>992</u>           | <u>2,011</u>         |

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Available-for-sale financial assets include the following:

|                       | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|-----------------------|------------------------------|------------------------------|
|                       | <b>\$</b>                    | <b>\$</b>                    |
| Candente Copper Corp. | 184                          | 494                          |
| Los Andes Copper Ltd. | 808                          | 1,517                        |
|                       | <b>992</b>                   | <b>2,011</b>                 |

- a) At December 31, 2015, Candente Copper Corp. (“Candente Copper”), a company listed on the TSX, had a closing share price of Cdn\$0.04 and the fair value of the Group’s approximately 4% investment in Candente Copper was \$0.2 million. During the year ended December 31, 2015, the Group recorded an impairment charge of \$0.3 million (year ended December 31, 2014: other comprehensive loss of \$0.8 million and an impairment charge of \$0.3 million) for the changes in fair value of this investment. Impairment charges have been included in the statement of loss under other expense (Note 22(c)).
- b) At December 31, 2015, Los Andes Copper Ltd. (“Los Andes”), a company listed on the TSX Venture Exchange, had a closing share price of Cdn\$0.14, and the fair value of the Group’s approximately 4% investment in Los Andes was \$0.8 million. During the year ended December 31, 2015, the Group recorded other comprehensive loss of \$0.7 million (year ended December 31, 2014: \$0.1 million) for the changes in the fair value of this investment.

### 11) EXPLORATION AND EVALUATION ASSETS

|   | <b>\$</b> |
|---|-----------|
| <b>Year ended December 31, 2014</b>                 |           |
| Opening net book amount                             | 21,375    |
| Additions   | 1,209     |
| Transfer to property, plant and equipment (Note 12) | (22,584)  |
| <b>Year ended December 31, 2015</b>                 | <b>-</b>  |

The Company’s exploration and evaluation assets (“EEA”) related to costs incurred to conduct pilot tests, and for engineering and other associated costs to evaluate potential options for the processing of tailings in DET’s Cauquenes tailings deposit prior to MVC and DET entering into the Master Agreement (Note 5). MVC had the legal right to explore this area while it conducted negotiations to obtain the right to process these tailings. EEA was reclassified to PPE in April 2014.

# Amerigo Resources Ltd.

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

### 12) PROPERTY, PLANT AND EQUIPMENT

|                                     | <b>Plant and<br/>infrastructure</b> | <b>Machinery and<br/>Equipment and<br/>other assets</b> | <b>Total</b>   |
|-------------------------------------|-------------------------------------|---|----------------|
|                                     | \$                                  | \$  | \$             |
| <b>Year ended December 31, 2014</b> |                                     |   |                |
| Opening net book amount             | 92,918                              | 23,683  | 116,601        |
| Exchange differences                | -                                   | (19)  | (19)           |
| Elimination of ARO asset            | (2,213)                             | -   | (2,213)        |
| Recognition of ARO credit to PPE    | (5,233)                             | -   | (5,233)        |
| Transfer from EEA (Notes 11 and 12) | 22,584                              | -   | 22,584         |
| Disposals                           | -                                   | (143)   | (143)          |
| Additions                           | 11,406                              | 759   | 12,165         |
| Depreciation charge                 | (7,576)                             | (2,807)   | (10,383)       |
| <b>Closing net book amount</b>      | <b>111,886</b>                      | <b>21,473</b>   | <b>133,359</b> |
| <b>At December 31, 2014</b>         |                                     |   |                |
| Cost                                | 194,157                             | 51,143  | 245,300        |
| Accumulated depreciation            | (82,272)                            | (29,669)  | (111,941)      |
| <b>Net book amount</b>              | <b>111,885</b>                      | <b>21,474</b>   | <b>133,359</b> |
| <b>Year ended December 31, 2015</b> |                                     |   |                |
| Opening net book amount             | 111,885                             | 21,474  | 133,359        |
| Exchange differences                | -                                   | (30)  | (30)           |
| Additions                           | 52,257                              | 3,829   | 56,086         |
| Disposals                           | -                                   | (23)  | (23)           |
| Impairment (Note 4(c))              | -                                   | (1,396)   | (1,396)        |
| Depreciation charge                 | (4,706)                             | (1,796)   | (6,502)        |
| <b>Closing net book amount</b>      | <b>159,436</b>                      | <b>22,058</b>   | <b>181,494</b> |
| <b>At December 31, 2015</b>         |                                     |   |                |
| Cost                                | 246,484                             | 51,763  | 298,247        |
| Accumulated depreciation            | (87,048)                            | (29,705)  | (116,753)      |
| <b>Net book amount</b>              | <b>159,436</b>                      | <b>22,058</b>   | <b>181,494</b> |

At December 31, 2015, PPE of \$84.7 million is categorized as construction in progress and not subject to depreciation (December 31, 2014: \$31.2 million).

Total interest and charges of \$2.8 million was capitalised in 2015 (2014: \$0.1 million) and is included in property, plant and equipment at December 31, 2015.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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### 13) INTANGIBLE ASSETS

|   |       |
|---|-------|
|   | \$    |
| <b>Net book amount, December 31, 2013</b> | 5,903 |
| Charged to earnings                       | (681) |
| <b>Net book amount, December 31, 2014</b> | 5,222 |
| Charged to earnings                       | (197) |
| <b>Net book amount, December 31, 2015</b> | 5,025 |

### 14) TRADE AND OTHER PAYABLES

|  | 2015   | 2014   |
|--|--------|--------|
|  | \$     | \$     |
| <b>Current</b>                         |        |        |
| Trade and other payables               | 14,543 | 17,882 |
| El Teniente royalties payable (Note 5) | 4,205  | 16,920 |
| Royalty derivative to related parties  | 879    | 863    |
|  | 19,627 | 35,665 |
| <b>Non-current</b>                     |        |        |
| Severance provisions                   | 662    | 1,341  |
| Royalty derivative to related parties  | 8,011  | 10,096 |
| Other non-current liabilities          | 50     | 57     |
|  | 8,723  | 11,494 |

The Company 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.

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### 15) BORROWINGS

|   | December 31,<br>2015 | December 31,<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Cauquenes Expansion Loan (Note 15(a))                 | 57,471               | -                    |
| Cauquenes Expansion VAT Facility (Note 15(b))         | 8,026                | -                    |
| DET Expansion Support Facility (Note 15(d))           | 7,148                | -                    |
|   | 72,645               | -                    |
| Comprised of:   |                      |                      |
| Short-term debt and current portion of long-term debt | 17,964               | -                    |
| Long-term debt  | 54,681               | -                    |
|   | 72,645               | -                    |

- a) On March 25, 2015, MVC closed a bank syndicate financing with Mandated Lead Arrangers Banco Bilbao Vizcaya Argentaria (“BBVA”) and Export Development Canada (“EDC”) for a loan facility (the “Cauquenes Expansion Loan”) of up to \$64.4 million to be used in the expansion of MVC’s operations for the processing of tailings from the Cauquenes deposit. Terms of the loan include interest at a fixed rate of 5.81% per annum during construction and 5.56% per annum thereafter for 75% of the facility, both fixed through the use of an interest rate swap (Note 16). The remaining 25% of the facility is subject to a variable rate based on the US Libor 6 month rate, which at December 31, 2015 was 4.35% per annum (and would be 4.10% per annum during operation). Interest is paid semi-annually starting on June 30, 2015. The Cauquenes Expansion Loan has a maximum repayment term of 6 years consisting of 12 equal semi-annual capital payments commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the finance agreement.

As of December 31, 2015, funding of \$59.6 million was received.

MVC incurred due diligence, bank fees and legal costs of \$2.4 million, of which \$2.2 million were recognized as transaction costs as of December 31, 2015 based on the percentage of funds drawn to date. The remaining \$0.2 million was recognized as prepaid finance expenses and will be transferred to transaction costs on the same percentage basis as funds are drawn from the facility. Transaction costs will be amortized over the term of the loan using the effective interest rate method.

Interest on the loan is being fully capitalized during construction and commissioning, for a total of \$1.5 million paid to December 31, 2015.

The balance of the loan (net of transaction costs) at December 31, 2015 was \$57.5 million (December 31, 2014: \$nil).

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) to be measured semi-annually starting on December 31, 2015.

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At December 31, 2015, MVC was in compliance with the tangible net worth ratio (\$90.0 million), and received waivers from BBVA and EDC in respect of non-compliance with the current ratio (requirement of 1.0) and debt service coverage ratio (requirement of 1.2).

MVC has a requirement to fund a debt service reserve account (“DSRA”) for an estimated amount of \$7.0 million from the proceeds of the final disbursement from the Cauquenes Expansion Loan. The Group is in negotiations with BBVA and EDC to waive the final disbursement funding requirement and defer funding of the DSRA to the second half of 2016.

- b) Also on March 25, 2015, MVC entered into a CLP 5,700.0 million (approximately \$9.0 million at the loan grant date) facility with BBVA to finance the value added tax expected to be incurred by MVC in connection with the Cauquenes expansion (the “VAT Facility”). The VAT Facility is due on or before June 30, 2016 and is subject to interest at a variable rate of the Chilean Association of Banks and Financial Institutions Tasa Bancaria plus 1.75%, which at December 31, 2015 was 6.18% per annum. Interest on the VAT Facility is being fully capitalized during construction and commissioning and paid quarterly starting on June 30, 2015. Interest of \$0.2 million was paid up to December 31, 2015, at which date the balance of the loan was \$8.0 million (December 31, 2014: \$nil).
- c) On March 24, 2015, Colihues Energía obtained from a Chilean bank a working capital loan of CLP 123.0 million (the equivalent of \$0.2 million at the loan grant date) at an interest rate of 4.44% per annum. The loan was repaid on June 19, 2015. No security was provided in connection with the loan.
- d) The Group has \$30.0 million in additional credit facilities for the expansion, including a \$17.0 million copper price support agreement with DET (Note 5), and a \$13.0 million standby line of credit from three Amerigo shareholders. The shareholders line of credit had an original availability date to March 25, 2016 and subsequent to year end was extended to March 25, 2017 (Note 28(a)). No security was provided in connection with these facilities. At December 31, 2015, \$7.0 million had been drawn from the DET Facility (December 31, 2014: \$nil) and no funds had been drawn from the shareholders line of credit. The Group incurred an annual commitment fee of \$0.1 million in respect of the standby line of credit.

### 16) INTEREST RATE SWAP

Concurrently with the Cauquenes Expansion Loan (Note 15(a)), MVC entered into an interest rate swap (“IRS”) with BBVA to fix 75% of the interest payable on that facility. MVC recognized a fair value of \$1.0 million at inception for the IRS, which was accounted for as a prepaid finance expense, and is being treated as transaction costs as funds are drawn from the facility. At December 31, 2015, MVC had recognized \$0.9 million as transaction costs, and the balance of \$0.1 million was recognized as a prepaid finance expense. On December 31, 2015, the fair value of the IRS was determined to be \$0.7 million and mark-to-market adjustments of \$0.2 million were recognized in earnings, as a component of finance gains. The interest rate swap has a term to December 27, 2018.

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## Notes to Consolidated Financial Statements

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|                                       | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|---------------------------------------|----------------------------|----------------------------|
| Current portion of interest rate swap | 76                         | -                          |
| Long-term, interest rate swap         | 635                        | -                          |
|                                       | 711                        | -                          |

### 17) 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, 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 or more.

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at December 31, 2015 was \$8.9 million (December 31, 2014: \$11.0 million), with a current portion of \$0.9 million (December 31, 2014: \$0.9 million) and a long-term portion of \$8.0 million (December 31, 2014: \$10.1 million).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the year ended December 31, 2015, royalties totalling \$0.5 million were paid or accrued to the Amerigo International Class A shareholders (year ended December 31, 2014: \$0.6 million). At December 31, 2015, \$0.1 million of this amount remained payable (December 31, 2014: \$0.1 million).

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The royalty derivative to related parties includes the royalty dividends described above and changes in fair value of the derivative. The fair value of the derivative decreased by \$2.1 million in the year ended December 31, 2015 (year ended December 31, 2014: reduction in fair value of \$2.0 million), for a total royalty derivative recovery of \$1.5 million (year ended December 31, 2014: recovery of \$1.4 million).

### 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 |
| Michael J. Kuta Law Corporation   | 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 an officer. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

|                              | Year<br>ended<br>December 31,<br>2015<br>\$ | Year<br>ended<br>December 31,<br>2014<br>\$ |
|------------------------------|---|---|
| Salaries and management fees | 1,187                                       | 1,446                                       |

### c) Key Management Compensation

The remuneration of directors and other members of key management during the year ended December 31, 2015 and 2014 was as follows:

|                                | Year<br>ended<br>December 31,<br>2015<br>\$ | Year<br>ended<br>December 31,<br>2014<br>\$ |
|--------------------------------|---|---|
| Management and directors' fees | 1,513                                       | 1,806                                       |
| Share-based payments           | 195   | 580   |
|                                | 1,708                                       | 2,386                                       |

Share-based payments are the fair value of options vested to key management personnel.



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- d) The Group has in place a \$13.0 million standby line of credit from three Amerigo shareholders (Note 15(d)) and Note 28(a)).

### 18) EQUITY

- a) Share Capital

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

- b) Share Options

A total of 1,850,000 options were granted in the year ended December 31, 2015 (2014: 3,500,000 options), with a weighted average fair value estimated at Cdn\$0.14 (2014: Cdn\$0.28) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

|                                 | 2015   | 2014   |
|---------------------------------|--------|--------|
|                                 | \$     | \$     |
| Weighted average share price    | 0.37   | 0.44   |
| Weighted average exercise price | 0.37   | 0.44   |
| Dividend yield                  | 0%     | 0%     |
| Risk free interest rate         | 0.65%  | 1.59%  |
| Pre-vest forfeiture rate        | 0%     | 0%     |
| Expected life (years)           | 4.12   | 4.73   |
| Expected volatility             | 46.87% | 49.20% |

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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Outstanding share options:

|                           | December 31, 2015 |                                       | December 31, 2014 |                                       |
|---------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|
|                           | Share options     | Weighted average exercise price Cdn\$ | Share options     | Weighted average exercise price Cdn\$ |
| At start of the year      | 13,765,000        | 0.78                                  | 11,265,000        | 0.84                                  |
| Exercised                 | -                 | -                                     | (900,000)         | 0.31                                  |
| Expired                   | (3,165,000)       | 0.70                                  | (100,000)         | 0.68                                  |
| Granted                   | 1,850,000         | 0.37                                  | 3,500,000         | 0.44                                  |
| <b>At end of the year</b> | <b>12,450,000</b> | <b>0.73</b>                           | <b>13,765,000</b> | <b>0.78</b>                           |
| Vested and exercisable    | 12,450,000        | 0.73                                  | 13,765,000        | 0.78                                  |

For the 900,000 share options exercised during the year ended December 31, 2014, the weighted average closing share price at the date of exercise was Cdn\$0.46.

Information relating to share options outstanding at December 31, 2015 is as follows:

| Outstanding share options | Vested share options | Price range Cdn\$ | Weighted average exercise price on outstanding options Cdn\$ | Weighted average exercise price on vested options Cdn\$ | Weighted Average remaining life of outstanding options (years) |
|---------------------------|----------------------|-------------------|--|---|--|
| 1,850,000                 | 1,850,000            | 0.37 - 0.40       | 0.37   | 0.37  | 4.25   |
| 3,500,000                 | 3,500,000            | 0.41 - 0.48       | 0.44   | 0.44  | 3.36   |
| 3,900,000                 | 3,900,000            | 0.49 - 0.95       | 0.73   | 0.73  | 1.23   |
| 600,000                   | 600,000              | 0.96 - 1.22       | 1.12   | 1.12  | 0.36   |
| 2,600,000                 | 2,600,000            | 1.23 - 1.32       | 1.32   | 1.32  | 0.17   |
| <b>12,450,000</b>         | <b>12,450,000</b>    |                   | <b>0.73</b>  | <b>0.73</b>   | <b>2.01</b>  |

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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

Further information about share options is as follows:

|                               | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|-------------------------------|--|--|
| Total compensation recognized | 201                                      | 597                                      |

c) Loss per Share

i) Basic

Basic loss per share is calculated by dividing the loss 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.

|                                   | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|-----------------------------------|----------------------------|----------------------------|
| Loss for the year                 | (16,933)                   | (10,702)                   |
| Weighted average number of shares | 173,610,629                | 173,196,224                |
| Basic loss per share              | (0.10)                     | (0.06)                     |

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ii) Diluted

Diluted loss 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.

|   | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|---|------------------------------|------------------------------|
|   | \$                           | \$                           |
| Loss for the year                           | (16,933)                     | (10,702)                     |
| Weighted average number of ordinary shares  | 173,610,629                  | 173,196,224                  |
| Effect of dilutive securities:              |                              |                              |
| Share options                               | -                            | -                            |
| Weighted average diluted shares outstanding | 173,610,629                  | 173,196,224                  |
| Diluted loss per share                      | (0.10)                       | (0.06)                       |

There were no potentially dilutive securities in the diluted loss per share calculation for the years ended December 31, 2015 and 2014.

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## 19) INCOME TAXES

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

|                                      | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|--------------------------------------|--|--|
| <b>Current</b>                       |  |  |
| Canadian income tax                  | -  | -  |
| Foreign income and resource tax      | 4,079                                    | 481                                      |
| <b>Total current tax recovery</b>    | <b>4,079</b>                             | <b>481</b>                               |
| <b>Deferred</b>                      |  |  |
| Canadian income tax                  | -  | -  |
| Foreign income and resource tax      | (2,120)                                  | (7,125)                                  |
| <b>Total deferred tax expense</b>    | <b>(2,120)</b>                           | <b>(7,125)</b>                           |
| <b>Income tax recovery (expense)</b> | <b>1,959</b>                             | <b>(6,644)</b>                           |

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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:

|   | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|---|--|--|
| Loss before tax   | (18,892)                                 | (4,058)                                  |
| Statutory tax rate  | 26.00%                                   | 26.00%                                   |
| Expected income tax recovery                              | 4,912                                    | 1,091                                    |
| Tax effect of:  |  |  |
| Effect on the change in deferred income tax rate in Chile | (1,688)                                  | (5,703)                                  |
| Change in estimates                                       | (228)                                    | (1,830)                                  |
| Difference in tax rates in foreign jurisdictions          | (612)                                    | 592                                      |
| Non-deductible expenses                                   | 116                                      | (426)                                    |
| Change in benefits not recognized                         | (446)                                    | (396)                                    |
| Withholding tax and other foreign taxes                   | (222)                                    | (12)                                     |
| Other   | 127                                      | 40                                       |
|   | 1,959                                    | (6,644)                                  |

- 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,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|----------------------------|----------------------------|
| Deferred tax assets  |                            |                            |
| - Deferred tax assets to be recovered within 12 months               | 49                         | 37                         |
| - Deferred tax assets to be recovered after more than 12 months      | 264                        | 273                        |
|  | 313                        | 310                        |
| Deferred tax liabilities   |                            |                            |
| - Deferred tax liabilities to be recovered after more than 12 months | (23,787)                   | (21,664)                   |
| <b>Deferred tax liabilities/asset- net</b>                           | <b>(23,474)</b>            | <b>(21,354)</b>            |

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

|                             | 2015     | 2014     |
|-----------------------------|----------|----------|
|                             | \$       | \$       |
| <b>At start of the year</b> | (21,354) | (14,229) |
| Charged to loss             | (2,120)  | (7,125)  |
| <b>At end of the year</b>   | (23,474) | (21,354) |

- 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:

|                             | Property,<br>plant and<br>equipment | Intangible<br>assets | Other | Total                                |
|-----------------------------|-------------------------------------|----------------------|-------|--------------------------------------|
|                             | \$                                  | \$                   | \$    | \$                                   |
| Deferred tax liabilities    |                                     |                      |       |                                      |
| <b>At December 31, 2013</b> | (14,721)                            | (1,181)              | -     | (15,902)                             |
| Credited to loss            | (5,414)                             | (230)                | (118) | (5,762)                              |
| <b>At December 31, 2014</b> | (20,135)                            | (1,411)              | (118) | (21,664)                             |
| Credited to loss            | (2,171)                             | 54                   | (6)   | (2,123)                              |
| <b>At December 31, 2015</b> | (22,306)                            | (1,357)              | (124) | (23,787)                             |
| Deferred tax assets         |                                     |                      |       | <b>Other deferred<br/>tax assets</b> |
|                             |                                     |                      |       | \$                                   |
| <b>At December 31, 2013</b> |                                     |                      |       | 671                                  |
| Credited to loss            |                                     |                      |       | (361)                                |
| <b>At December 31, 2014</b> |                                     |                      |       | -                                    |
| Credited to loss            |                                     |                      |       | 3                                    |
| <b>At December 31, 2015</b> |                                     |                      |       | 3                                    |

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

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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:

|  | 2015          | 2014          |
|--|---------------|---------------|
|  | \$            | \$            |
| Non-capital losses                     | 10,747        | 11,675        |
| Capital losses                         | 825           | 492           |
| Other temporary deductible differences | 8,318         | 8,563         |
|  | <u>19,890</u> | <u>20,730</u> |

g) Loss carry-forwards

At December 31, 2015, the Company had \$10.7 million (2014: \$11.7 million) of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2016 and 2033. 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, 2015, the Company had \$0.8 million (2014: \$0.5 million) of Canadian federal net capital losses. These losses could be carried back three 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

The Company 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 \$80.0 million at December 31, 2015 (2014: \$96.0 million), as earnings are not expected to be distributed in the foreseeable future.



# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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### 20) 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 5).

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

|        | Property, plant and equipment |                      | Other                |                      |
|--------|-------------------------------|----------------------|----------------------|----------------------|
|        | December 31,<br>2015          | December 31,<br>2014 | December 31,<br>2015 | December 31,<br>2014 |
| Chile  | 181,353                       | 133,161              | 5,920                | 6,203                |
| Canada | 141                           | 198                  | -                    | -                    |
|        | 181,494                       | 133,359              | 5,920                | 6,203                |

All of the Group's revenue originates in Chile.

In the year ended December 31, 2015, the Group's sales to one customer represented 99% of reported revenue (2014: 95%).

### 21) REVENUE

|                                   | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|-----------------------------------|--|--|
| Gross tolling fee (Notes 2 and 5) | 73,839                                   | -  |
| Gross copper sales                | -  | 122,594                                  |
| Smelting and refining             | (12,864)                                 | (14,548)                                 |
| DET royalties                     | (13,674)                                 | -  |
| Transportation                    | (1,050)                                  | -  |
|                                   | 46,251                                   | 108,046                                  |
| Molybdenum and other revenue      | 6,372                                    | 11,576                                   |
|                                   | 52,623                                   | 119,622                                  |

# Amerigo Resources Ltd.

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### 22) EXPENSES BY NATURE

a) Tolling and production costs consist of the following:

|                               | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|-------------------------------|--|--|
| Tolling/production costs      | (54,756)                                 | (70,295)                                 |
| DET royalties (Note 5)        | -  | (25,345)                                 |
| Depreciation and amortization | (6,699)                                  | (11,065)                                 |
| Administration                | (4,201)                                  | (4,929)                                  |
| Transportation                | -  | (1,413)                                  |
|                               | <u>(65,656)</u>                          | <u>(113,047)</u>                         |

b) General and administration expenses consist of the following:

|  | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|--|--|--|
| Office and general expenses                | (768)                                    | (1,012)                                  |
| Salaries, management and professional fees | (2,019)                                  | (2,428)                                  |
| Share-based payment compensation           | (201)                                    | (597)                                    |
|  | <u>(2,988)</u>                           | <u>(4,037)</u>                           |

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

|                                 | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|---------------------------------|--|--|
| Foreign exchange (expense) gain | (1,805)                                  | 254                                      |
| Impairment charges              | (1,707)                                  | (279)                                    |
| Other gains                     | 131                                      | 358                                      |
|                                 | (3,381)                                  | 333                                      |

Impairment charges of \$1.7 million (2014: \$0.3 million) include a \$1.4 million impairment of Colihues equipment determined not be usable in future operations (Note 4(c)), and an impairment charge of \$0.3 million on the Candente Copper investment (Note 10).

d) Royalty derivative to related parties gains consist of the following:

|  | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|--|--|--|
| Royalties to related parties                 | (533)                                    | (621)                                    |
| Fair value adjustments to royalty derivative | 2,066                                    | 1,995                                    |
|  | 1,533                                    | 1,374                                    |

e) Finance expense consists of the following:

|  | Year ended<br>December 31,<br>2015<br>\$ | Year ended<br>December 31,<br>2014<br>\$ |
|--|--|--|
| Finance, commitment and interest charges   | (833)                                    | (112)                                    |
| Interest rate swap                         | (190)                                    | -  |
| Asset retirement obligation accretion cost | -  | (125)                                    |
|  | (1,023)                                  | (237)                                    |

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### 23) DISCLOSURE OF INTEREST IN OTHER ENTITIES

The Company has nine subsidiaries, all of which are wholly-owned with the exception of Amerigo International. Amerigo International is wholly-owned by the Company except for certain outstanding Class A shares, as disclosed in Note 17(a).

|   | <b>Jurisdiction<br/>of incorporation</b> |
|---|--|
| Amerigo International Holdings Corp.                  | Canada                                   |
| Amerigo Investments Ltd.                              | Barbados                                 |
| Amerigo Banking Corporation                           | St. Lucia                                |
| Amerigo Inversiones SPA (inactive)                    | Chile                                    |
| 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, 2015 the Company was restricted from transferring cash of \$7.3 million from MVC under the terms of the Cauquenes Expansion Loan. Other than in respect to MVC, the Company 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 Group companies.

### 24) 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.

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- 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 tradable 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 17(a)). The Company has also included the interest rate swap in Level 3 of the fair value hierarchy due to the lack of observable market quotes on this instrument. The fair value of the interest rate swap was determined with the assistance of third parties who performed a discounted cash flow valuation based on a forward interest rate curve.

|                                       | Level 1 | Level 2 | Level 3 | Total   |
|---------------------------------------|---------|---------|---------|---------|
|                                       | \$      | \$      | \$      | \$      |
| <b>December 31, 2015</b>              |         |         |         |         |
| Investments                           | 992     | -       | -       | 992     |
| Trade and other receivables           | -       | 911     | -       | 911     |
| Interest rate swap                    | -       | -       | (711)   | (711)   |
| Royalty derivative to related parties | -       | -       | (8,890) | (8,890) |
|                                       | 992     | 911     | (9,601) | (7,698) |

|                                       | Level 1 | Level 2 | Level 3  | Total    |
|---------------------------------------|---------|---------|----------|----------|
|                                       | \$      | \$      | \$       | \$       |
| <b>December 31, 2014</b>              |         |         |          |          |
| Investments                           | 2,011   | -       | -        | 2,011    |
| Trade and other receivables           | -       | 950     | -        | 950      |
| Royalty derivative to related parties | -       | -       | (10,959) | (10,959) |
|                                       | 2,011   | 950     | (10,959) | (7,998)  |

The Company's policy is to recognize transfers out of Level 3 as of the date of the event or change in the circumstances that caused the transfer.

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

|                                     | <b>Royalty derivative<br/>to related parties</b> |
|-------------------------------------|--|
| <b>Balance at January 1, 2015</b>   | (10,959)   |
| Paid                                | 533  |
| Credited to earnings                | 1,536  |
| <b>Balance at December 31, 2015</b> | <b>(8,890)</b>                                   |

|                                     | <b>Interest rate<br/>swap</b> |
|-------------------------------------|-------------------------------|
| <b>Balance at January 1, 2015</b>   | -                             |
| Inception                           | (955)                         |
| Paid                                | 434                           |
| Credited to earnings                | (190)                         |
| <b>Balance at December 31, 2015</b> | <b>(711)</b>                  |

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 Group's copper and molybdenum trade receivables contain 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. At December 31, 2015 copper receivables were considered embedded derivatives and at December 31, 2014, only molybdenum receivables were considered embedded derivatives.

*Key observable inputs:* For copper, average LME spot and three-month copper prices for the month when sales are made. For molybdenum: average Platt's molybdenum dealer oxide molybdenum price for the month when sales are made.

*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 by MVC's Finance Manager, on a monthly basis.

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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 as royalties to related parties (Note 17(a)) and in respect of the interest rate swap (Note 16).

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

*Inter-relationship between key unobservable inputs and fair value measurement:* For royalties to related parties: 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 interest rate swap, the contract's fair value fluctuates with changes in market interest rates.

*Valuation processes:* The Company'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 interest rate swap, the Company relies on the valuation performed by BBVA, 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 the Company'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 the Company's financial statements.

Key unobservable inputs for valuation of the royalties to relate parties correspond to:

- Estimated copper equivalent tolling/production as provided by MVC's mining plan. Based on the estimates as at December 31, 2015, a 1% increase (decrease) in estimated copper equivalent tolling/production would have no significant impact in the royalty derivative to related parties.
- 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, 2015 estimate are provided in Note 4(c), no molybdenum production is expected in 2016 and 2017 and a molybdenum price of \$10.83/lb has been estimated as of 2018.
- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 9.87% in 2016 with gradual increases up to 11.67% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately \$54,000 in the royalty derivative to related parties.

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

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

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### 25) FINANCIAL AND CAPITAL RISK MANAGEMENT

#### Financial Risk Management

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

#### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group operates in a cyclical industry where levels of cash flow are closely correlated to the market prices for copper. In 2015, the Group's liquidity and financial position were affected by a sharp decrease in copper price, which translated to the Group posting operating cash deficiencies before changes in working capital of \$5.0 million and after changes in working capital of \$26.5 million for the year. During 2016, the Group's projected increase in production under the tolling agreement with DET following the Cauquenes phase one expansion and the effect of continued cost reductions (Note 28(c)), are expected to result in a return to the generation of positive operating cash flow before changes in working capital. The Company also reached agreement to defer four months of royalties to DET into 2017 (Note 28(b)). Under these conditions, the Group expects to be able to meet its obligations for the next 12 months, together with the remaining funds available through the various debt facilities described in Notes 15(a) and 15(d). The Group manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections.

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

| <b>At December 31, 2015</b>              | <b>Total</b> | <b>Less than 1<br/>year</b> | <b>Between 1<br/>and 2 years</b> | <b>Between 2<br/>and 5 years</b> | <b>Over 5<br/>years</b> |
|--|--------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|
| Trade and other payables                 | 14,543       | 14,543                      | -                                | -                                | -                       |
| El Teniente royalties payable            | 4,205        | 4,205                       | -                                | -                                | -                       |
| Borrowings                               | 72,195       | 17,964                      | 9,938                            | 36,962                           | 7,331                   |
| Interest rate swap                       | 711          | 76                          | 635                              | -                                | -                       |
| Royalty derivative<br>to related parties | 8,890        | 823                         | 794                              | 2,206                            | 5,067                   |
| Severance provisions                     | 662          | -                           | -                                | -                                | 662                     |
|  | 101,206      | 37,611                      | 11,367                           | 39,168                           | 13,060                  |

| <b>At December 31, 2014</b>              | <b>Total</b> | <b>Less than 1<br/>year</b> | <b>Between 1<br/>and 2 years</b> | <b>Between 2<br/>and 5 years</b> | <b>Over 5<br/>years</b> |
|--|--------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|
| Trade and other payables                 | 17,882       | 17,882                      | -                                | -                                | -                       |
| El Teniente royalties payable            | 16,920       | 16,920                      | -                                | -                                | -                       |
| Royalty derivative<br>to related parties | 10,959       | 913                         | 1,273                            | 2,888                            | 5,885                   |
| Severance provisions                     | 1,341        | -                           | -                                | -                                | 1,341                   |
|  | 47,102       | 35,715                      | 1,273                            | 2,888                            | 7,226                   |



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### *Foreign Exchange Risk*

The Group faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Group's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. The Company has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2015, 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 \$51,000 and \$66,000 in loss and comprehensive loss, respectively.

### *Interest Rate Risk*

At December 31, 2015, the Company's interest rate risk mainly arises from the interest rate impact on borrowings, and is mitigated by an interest rate swap (Note 16). As at December 31, 2015, with other variables unchanged, a 1% change in Prime rates on borrowings not protected by the interest rate swap would have had an impact of \$20,000 on net earnings and no effect on other comprehensive income.

### *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 may be mitigated by the quotational periods in place, as was the case for copper sales in 2014, which had a "M-1" quotational period. In 2015 the quotational periods for copper tolling services and molybdenum sales was "M+3". There is no commodity price risk associated with molybdenum in 2015 as MVC suspended molybdenum production in April 2015.

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

|            | <b>2015</b>  | <b>2014</b>  | <b>2015</b> | <b>2014</b> |
|------------|--------------|--------------|-------------|-------------|
|            | <b>\$/lb</b> | <b>\$/lb</b> | <b>\$</b>   | <b>\$</b>   |
| Copper     | 2.1          | N/A          | 2,255       | N/A         |
| Molybdenum | N/A          | 8.96         | N/A         | 121         |

### *Credit Risk*

Financial instruments that potentially subject the Group to credit risk consist of cash and cash equivalents and amounts receivable. The Group 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 Group's maximum exposure to credit risk. In 2015, MVC sold its copper concentrates under a tolling agreement with DET and does not consider it has any significant credit risk exposure on its accounts receivable.

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### Capital Risk Management

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

The Company's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis as well as continue with the Company's expansion through the Cauquenes Project.

To effectively manage its capital requirements, the Company 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. The Company'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.

### 26) SUPPLEMENTARY CASH FLOW INFORMATION

|  | 2015  | 2014  |
|--|-------|-------|
|  | \$    | \$    |
| (a) Interest and taxes paid  |       |       |
| Interest paid  | 2,136 | 80    |
| Income taxes paid  | 1,242 | 2,259 |
| (b) Other  |       |       |
| Decrease in accounts payable related to the acquisition of plant and equipment | 903   | 1,504 |
| Cash paid during the year for royalty dividends to related parties             | 535   | 621   |

### 27) COMMITMENTS

- MVC entered into an agreement with its current power provider with a term from January 1, 2010 to December 31, 2017 which establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately \$0.3 million per month.
- MVC entered into an agreement with its current power provider to supply approximately 70% of MVC's estimated annual power requirements during the period from January 1, 2018 to December 31, 2024. The agreement establishes minimum charges based on peak hour power supply calculations, currently estimated to be approximately \$0.9 million per month.
- In 2011 Amerigo and an unrelated corporation entered into a joint agreement for the lease of office premises in Vancouver. The Company's share of basic rent commitments for the remaining term of the lease to July 31, 2016 is approximately \$0.1 million.

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- d) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess, under the new tolling/production scenario, 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.

### 28) SUBSEQUENT EVENTS

Subsequent to December 31, 2015:

- a) The availability term of the \$13.0 million shareholders line of credit described in Note 15(d) was extended for a year, to March 25, 2017.
- b) MVC and DET reached an agreement to defer DET royalty adjustments to gross revenue during a four-month period, from March to June 2016.
- c) MVC and Empresa Eléctrica Pehuenche, S.A., MVC's current power provider, reached an agreement to modify the existing MVC power supply contracts. In respect of the current power contract, which runs to December 31, 2017, the parties agreed to defer payment on 20% of MVC's power invoices for the months of January 2016 to June 2016. The deferred amounts will be repaid during the months of July to December 2016, in the same order as they were deferred. Pehuenche agreed to reduce the power rate by \$5/MwH, an expected annual power cost reduction of \$1.5 million during 2016 and 2017.

With respect to the long-term power supply contract, the parties agreed to: extend the term of the contract from the original 7 year term to a term of 10 years (2018 to 2027), a rate reduction from \$99.56/MwH to \$91.1/MwH (at February 2016 indexed rates) for the first 33.5 MW/year supplied to MVC and to extend the power supply beyond the original 33.5 MW, to cover 100% of MVC's power requirements during the term of the contract. Power supplied in excess of the first 33.5 MW/year will be subject to a rate of \$89.5/MwH (at February 2016 indexed rates).

- d) 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.
- e) MVC received a value added tax ("VAT") refund from the Chilean Internal Revenue Service for approximately \$3.2 million. In accordance to the terms of the VAT Facility described in Note 15(b), the proceeds of the refund were used to make a capital payment on the VAT Facility.