Amerigo Resources Ltd.

Consolidated Financial Statements
For the year ended December 31, 2016
(expressed in thousands of U.S. dollars)

Amerigo Resources Ltd. Marine Building Suite 1260-355 Burrard Street Vancouver, B.C. Canada V6C 2G8 P+1.604.681.2802 F+1.604.682.2802

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"	*"Aurora Davidson"*
Rob Henderson	Aurora Davidson
President and Chief Executive Officer	Chief Financial Officer
February 20, 2017	February 20, 2017

February 20, 2017

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, 2016 and December 31, 2015 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, 2016 and December 31, 2015 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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

	Notes	December 31, 2016 $	December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents	6	15,921	9,032
Trade and other receivables	7	8,008	911
Taxes receivable	7	6,476	13,846
Prepaid expenses		170	464
Inventories	8	9,648	7,502
		40,223	31,755
Non-current assets			
Investments	9	1,518	992
Property, plant and equipment	10	174,222	181,494
Intangible assets	11	4,767	5,025
Deferred income tax asset	16	50	49
Other non-current assets		906	895
Total assets		221,686	220,210
Liabilities			
Current liabilities			
Trade and other payables	12	15,819	14,543
DET royalties	5, 12	11,273	4,205
Current portion of borrowings	13	10,733	17,964
Current portion of interest rate swap	13	76	76
Current income tax liabilities	16	76	87
Royalty derivative to related parties	12, 14	1,617	879
		39,594	37,754
Non-current liabilities			
Severance provisions		811	662
Borrowings	13	59,114	54,681
Interest rate swap	13	132	635
Royalty derivative to related parties	12, 14	7,376	8,011
Deferred income tax liability	16	25,539	23,523
Other non-current liabilities		1,243	50
Total liabilities		133,809	125,316
Equity	15		
Share Capital		78,168	78,057
Other reserves		7,447	7,289
Accumulated other comprehensive loss		(2,047)	(2,292)
Retained earnings		4,309	11,840
Total equity		87,877	94,894
Total equity and liabilities		221,686	220,210
Commitments	13, 23		

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

Approved by the Board of Directors

"Robert Gayton"	"George Ireland"
Director	Director

Amerigo Resources Ltd.

Consolidated Statements of Comprehensive Loss

(expressed in thousands of U.S. dollars)

	Notes	Years ended December 31, 2016	2015
		$	$
Revenue			
Gross tolling revenue		124,429	73,839
Notional items deducted from gross tolling revenue			
Smelting and refining		(19,217)	(12,864)
DET royalties - copper		(20,646)	(13,674)
Transportation		(1,618)	(1,050)
		82,948	46,251
Molybdenum and other revenue		8,440	6,372
		91,388	52,623
Tolling and production costs			
Tolling and production costs		(73,856)	(54,756)
DET royalties - molybdenum		(277)	-
Depreciation and amortization		(13,207)	(6,699)
Administration		(4,671)	(4,201)
		(92,011)	(65,656)
Gross loss		(623)	(13,033)
Other expenses			
General and administration	18 (a)	(3,113)	(2,988)
Other gains (expenses)	18 (b)	942	(3,381)
Royalty derivative to related parties including changes in fair value	18 (c)	(455)	1,533
		(2,626)	(4,836)
Operating loss		(3,249)	(17,869)
Finance expense	18 (d)	(4,955)	(1,023)
		(4,955)	(1,023)
Loss before tax		(8,204)	(18,892)
Income tax recovery	16	673	1,959
Net loss		(7,531)	(16,933)
Other comprehensive income, net of tax items that may be reclassified subsequently to net loss			
Unrealized gains (losses) on investments		526	(709)
Cumulative translation adjustment		(244)	896
Severance provision		(37)	(54)
Other comprehensive income, net of tax		245	133
Comprehensive loss		(7,286)	(16,800)
Weighted average number of shares outstanding, basic		174,506,414	173,610,629
Weighted average number of shares outstanding, diluted		174,506,414	173,610,629
Loss per share			
Basic		(0.04)	(0.10)
Diluted		(0.04)	(0.10)

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, 2016 $	2015 $
Cash flows from operating activities		
Net loss	(7,531)	(16,933)
Adjustment for items not affecting cash:		
Depreciation and amortization	13,207	6,699
Deferred income tax expense	2,018	2,114
Finance expense (gain)	969	(243)
Impairment charges	782	2,989
Unrealized foreign exchange (gain) expense	(113)	2,031
Changes in fair value of royalties to related parties	(517)	(2,066)
Share-based payments	158	201
Other	582	210
	9,555	(4,998)
Changes in non-cash working capital		
Trade, other receivables and taxes receivable	306	(3,537)
Inventories	(2,883)	(200)
Trade and other payables	6,002	(5,014)
DET royalties	7,068	(12,715)
	10,493	(21,466)
Payment of long-term employee benefits	(642)	-
Net cash from operating activities	19,406	(26,464)
Cash flows from investing activities		
Purchase of plant and equipment	(8,339)	(52,391)
Capitalized interest on borrowings	-	(1,691)
Net cash from investing activities	(8,339)	(54,082)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	14,771	72,904
Repayment of borrowings	(19,430)	-
Net cash from financing activities	(4,659)	72,904
Net increase (decrease) in cash and cash equivalents	6,408	(7,642)
Effect of exchange rate changes on cash	481	(1,634)
Cash and cash equivalents – Beginning of year	9,032	18,308
Cash and cash equivalents - End of year	15,921	9,032

Supplementary cash flow information (Note 22)

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

Amerigo Resources Ltd.

Consolidated Statements of Equity

(expressed in thousands of U.S. dollars)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive income	Retained earnings	Total equity
		$	$	$	$	$
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
Balance - January 1, 2016	173,610,629	78,057	7,289	(2,292)	11,840	94,894
Share-based payments	-	-	158	-	-	158
Compensation settled with shares	1,071,429	111	-	-	-	111
Cumulative translation adjustment	-	-	-	(244)	-	(244)
Unrealized gains on investments	-	-	-	526	-	526
Severance provision	-	-	-	(37)	-	(37)
Net loss	-	-	-	-	(7,531)	(7,531)
Balance - December 31, 2016	174,682,058	78,168	7,447	(2,047)	4,309	87,877

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

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

1) General Information

Amerigo Resources Ltd. (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 Company's principal office is located at Suite 1260 – 355 Burrard Street, Vancouver, British Columbia. These consolidated financial statements "(financial statements") of the Company as at December 31, 2016 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 20, 2017 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 19). 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).

(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 $"), the functional currency of Colihues Energia is the Chilean peso ("CLP") and the functional currency of MVC and other subsidiaries is the United States Dollar ("$").

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

Property, Plant and Equipment

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

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

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

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

- Plant and infrastructure: Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).

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

- Vehicles and mobile equipment: 7 years.

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

Asset Impairment

The 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.

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.

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

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

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.

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).

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

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.

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.

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

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 copper concentrates in process 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.

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

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

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, 2016, 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, except for actuarial gains (losses), which are recorded as other comprehensive income (loss).

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.

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

Revenue Recognition

Production of copper concentrates by MVC is being conducted under a tolling agreement with DET for the period from January 1, 2015 to December 31, 2022, under which title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs) (Note 5). Tolling revenue is recognized when the tolling process has been completed.

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges, and in 2016 is based on the average London Metal Exchange ("LME") copper price for the third month following the delivery of copper concentrates produced under the tolling agreement ("M+3"). Accordingly, final pricing for copper produced by MVC in 2016 is being determined based on the average LME copper price of the third month following delivery of copper produced under the tolling agreement.

Revenue from the sale of molybdenum concentrates is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. Molybdenum produced by MVC is sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"). MVC's molybdenum plant was shut down in response to weak molybdenum prices from April 2015 to August 2016.

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 values 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, 2016, the provisional copper price used by MVC was $2.57/lb. A 10% increase or decrease in provisional copper prices would result in price-driven revenue settlement adjustments of $3.5 million.

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.

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

3) Adoption of New and Revised Standards and Interpretations

There were no new or revised IASB standards and interpretations adopted by the Company on January 1, 2016.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these interim financial statements.

IAS 7, Statement of Cash Flows: Disclosures Related to Financing Activities: Amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Effective for accounting periods beginning on or after January 1, 2017. Adoption will not have a significant effect on the Company's financial statements.

IAS 12, Income Taxes – Deferred Taxes: Amended to clarify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of accounting for deferred tax assets. Effective for accounting periods beginning on or after January 1, 2017. Adoption will not have a significant effect on the Company's financial statements.

IFRS 2, Share-based Payments: Amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. The standard is effective for accounting periods beginning on or after January 1, 2018. Adoption will not have a significant effect on the Company's financial statements.

IFRS 9 – Financial Instruments - classification and measurement ("IFRS 9"): 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 is in the process of assessing IFRS 9's impact on its financial statements.

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. The Company is in the process of assessing IFRS 15's impact on its financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Considerations: Provides guidance on how to determine the date of the transaction when an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The standard is effective for accounting periods beginning on or after January 1, 2018. The Company does not expect the adoption of IFRIC 22 will have a significant effect on its financial statements.

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

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 does not expect the adoption of IFRS 16 will have a significant effect on its financial statements.

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

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

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 2016, the Company undertook judgement and estimate revisions 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 14(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.

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, 2016, management determined that 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.

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

Key assumptions incorporated in the impairment model included the following:

- Copper prices ($/lb): 2017: $2.40; 2018: $2.52; 2019: $2.67; 2020: $2.82; 2021: $2.88/lb; 2022 to 2037: $3.00.
- Power costs (excluding benefit from self-generation): From 2017 to 2027 costs are per contractual estimates (2017: $0.101173/kWh, 2018 to 2037: $0.11317/kWh).
- Operating costs based on historical costs incurred and estimated forecasts
- Tolling/production volume and recoveries as indicated in MVC's mining plan from 2017 to 2037, including processing of fresh tailings and old tailings from the Colihues and Cauquenes deposits
- Discount rate: 7% after tax

Based on the assumptions described above, management's impairment evaluation at December 31, 2016 did not result in the identification of an impairment loss. Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgements. The Group's impairment model is 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.

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 18(b)).

d) Interest rate swap

MVC has an interest rate swap ("IRS") (Note 13(a)) to fix the interest rate on 75% of the facility undertaken to finance the Cauquenes expansion. Management makes estimates to determine the fair value of the IRS at inception and at each reporting date.

e) 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. Construction, commissioning and testing continued to December 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. This date 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 determined the appropriate start date of the Cauquenes operations to be January 1, 2016.

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

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 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 historic tailings deposits (the "Colihues Contract"). In 2014 MVC and DET entered into a contract (the "Master Agreement") for the purchase by MVC of the rights to process tailings from an additional historic tailings deposit, Cauquenes, for a term to the earlier of its depletion or 2033, and extending the Fresh Tailings Contract from 2021 to 2037 and the Colihues Contract to the earlier of its depletion or 2037.

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

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

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

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

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

MVC pays a sliding scale global molybdenum royalty for molybdenum prices between $7.31/lb (9%) and $40.0/lb (19.7%).

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

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

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

In 2014, DET and MVC entered into a first modification to the Master Agreement, which provided for deferral of payment of up to $9.1 million in DET royalties in 2014. The deferred amounts were paid in full in the quarter ended March 31, 2015.

In 2015, MVC and DET entered into a second modification to the Master Agreement under which MVC's production of copper concentrates is conducted under a tolling agreement with DET -as described in preceding paragraphs- and DET provided a copper price support agreement of up to $17.0 million (the "DET Price Support Facility"). Starting in 2015, MVC drew down $1.0 million from the DET Price Support Facility for each month in which the average final settlement copper price to MVC was less than $2.80/lb, up to the $17.0 million maximum. The DET Price Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC's bank financing. At December 31, 2016, MVC had drawn down $17.0 million from the DET Price Support Facility (December 31, 2015: $7.0 million) (Note 13(c)). The DET Price Support Facility is scheduled to be repaid from January 2017 to December 31, 2019 at a rate of $1.0 million per month, provided this repayment schedule does not preclude MVC from making the semi-annual principal debt repayments described in Note 13(a). MVC does not currently anticipate making principal repayments to the DET Price Support Facility within the twelve months following December 31, 2016. MVC may repay the DET Price Support Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments.

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

At December 31, 2016, the accrual for DET notional copper royalties and DET molybdenum royalties, including deferred amounts, was $11.3 million (December 31, 2015: $4.2 million), representing seven months of notional copper royalties and five months of molybdenum royalties (December 31, 2015: three months of notional copper royalties).

6) CASH AND CASH EQUIVALENTS

	December 31, 2016 $	December 31, 2015 $
Cash at bank and on hand	8,966	8,811
Cash held in a debt service reserve account (Note13(a))	6,700	-
Short term bank deposits	255	221
	15,921	9,032

MVC has a debt service reserve account ("DSRA") as required under the terms and provisions of the Cauquenes Expansion Loan (Note 13(a)). Funds in the DSRA must be used to: /i/ pay the principal and interest of the Cauquenes Expansion Loan and the amounts owing under the IRS if MVC has insufficient funds to make these payments and /ii/ fund MVC's operating expenses. If it becomes necessary to fund MVC's operations with funds from the DSRA, MVC must replenish into the DSRA at each month end the funds necessary to maintain a balance equal to one hundred percent of the sum of the principal and interest pursuant to the Cauquenes Expansion Loan and the IRS that are payable in respect of the following six months.

Short-term bank deposits are redeemable on demand.

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

7) RECEIVABLES

a) Trade and other receivables

	December 31, 2016 $	December 31, 2015 $
Current		
Trade and other receivables	8,008	911
Non-current		
Other non-current receivables	203	192

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

The ageing analysis of current receivables is as follows:

	December 31, 2016 $	December 31, 2015 $
Up to 3 months	7,934	607
3 to 6 months	71	166
Greater than 6 months	3	138
	8,008	911

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

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

Currency	December 31, 2016 $	December 31, 2015 $
Chilean Peso	8,005	897
Other	3	14
	8,008	911

The fair values of the Group's current receivables approximate their carrying value of $8,008 (2015: $911).

Trade and other receivables included $6.4 million of receivables for sale of copper concentrates under a tolling agreement with DET that were provisionally priced at December 31, 2016 (2015: $0.9 million) and $1.3 million of receivables for sale of molybdenum concentrates that were also provisionally priced (2015: $nil).

The effective interest rates on current receivables were nil % (December 31, 2015: nil %).

b) Taxes receivable

The components of the Group's taxes receivable are:

	December 31, 2016 $	December 31, 2015 $
Value added taxes receivable	131	8,604
Income tax receivable	6,289	5,174
Other taxes receivable	56	68
	6,476	13,846

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

8) INVENTORIES

	December 31, 2016 $	December 31, 2015 $
Plant supplies and consumables	4,907	4,745
Work in progress	4,675	2,757
Concentrate inventories	66	-
	9,648	7,502

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

At December 31, 2015, copper work in progress inventories were valued at net realizable value ("NRV"). During the year ended December 31, 2015 ("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.

9) INVESTMENTS

	December 31, 2016 $	December 31, 2015 $
Start of year	992	2,011
Changes in fair value	526	(709)
Impairment of investment	-	(310)
End of year	1,518	992

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

Available-for-sale financial assets include the following:

	December 31, 2016 $	December 31, 2015 $
Candente Copper Corp.	474	184
Los Andes Copper Ltd.	1,044	808
	1,518	992

a) At December 31, 2016, Candente Copper Corp. (“Candente Copper”), a company listed on the TSX, had a closing share price of Cdn$0.10 and the fair value of the Group’s approximately 4% investment in Candente Copper was $0.5 million. During 2016, the Group recorded other comprehensive income of $0.3 million (2015: impairment charge of $0.3 million) for the changes in fair value of this investment. Impairment charges of $0.3 million in 2015 were included in the statement of loss under other expense (Note 18(b)).

b) At December 31, 2016, Los Andes Copper Ltd. (“Los Andes”), a company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.175, and the fair value of the Group’s approximately 3% investment in Los Andes was $1.0 million. During 2016, the Group recorded other comprehensive income of $0.2 million (2015: loss of $0.7 million) for the changes in the fair value of this investment.

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

10) Property, Plant And Equipment

	Plant and infrastructure $	Machinery and equipment and other assets $	Total $
Year ended December 31, 2015			
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)
Closing net book amount	159,436	22,058	181,494
At December 31, 2015			
Cost	246,484	51,763	298,247
Accumulated depreciation	(87,048)	(29,705)	(116,753)
Net book amount	159,436	22,058	181,494
Year ended December 31, 2016			
Opening net book amount	159,436	22,058	181,494
Exchange differences	-	6	6
Additions	22	5,712	5,734
Disposals		(63)	(63)
Depreciation charge	(7,110)	(5,839)	(12,949)
Closing net book amount	152,348	21,874	174,222
At December 31, 2016			
Cost	246,506	57,418	303,924
Accumulated depreciation	(94,158)	(35,544)	(129,702)
Net book amount	152,348	21,874	174,222

At December 31, 2015, PPE of $84.7 million was categorized as construction in progress (“CIP”) and not subject to depreciation. The Group’s CIP was reclassified to depreciable PPE in 2016. At December 31, 2016, the Group did not have CIP.

Total interest and charges of $2.8 million was capitalised in 2015 and included in property, plant and equipment at December 31, 2015 (2016: $nil).

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

11) Intangible Assets

	$
Net book amount, December 31, 2014	5,222
Charged to earnings	(197)
Net book amount, December 31, 2015	5,025
Charged to earnings	(258)
Net book amount, December 31, 2016	4,767

12) Trade And Other Payables

	December 31, 2016 $	December 31, 2015 $
Current		
Trade and other payables	15,819	14,543
DET royalties (Note 5)	11,273	4,205
Royalty derivative to related parties	1,617	879
	28,709	19,627
Non-current		
Severance provisions	811	662
Royalty derivative to related parties	7,376	8,011
Other non-current liabilities	1,243	50
	9,430	8,723

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.

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

13) BORROWINGS

	December 31, 2016 $	December 31, 2015 $
Cauquenes Expansion Loan (Note 13(a))	51,739	57,471
Cauquenes Expansion VAT Facility (Note 13(b))	-	8,026
DET Expansion Support Facility (Note 13(c))	18,108	7,148
	69,847	72,645
Comprised of:		
Short-term debt and current portion of long-term debt	10,733	17,964
Long-term debt	59,114	54,681
	69,847	72,645

a) On March 25, 2015, MVC closed a bank syndicate financing with Banco Bilbao Vizcaya Argentaria (“BBVA”) and Export Development Canada (“EDC”) for a loan facility (the “Cauquenes Expansion Loan”) of $64.4 million for the phase one of the expansion of MVC’s operations for the processing of tailings from the Cauquenes deposit. Terms of the loan include interest fixed through IRS at a rate of 5.81% per annum (reduced to 5.56% per annum upon MVC meeting the completion criteria set in the Cauquenes Expansion Loan) for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at December 31, 2016 was 4.67% per annum (4.42% per annum upon meeting the completion criteria).

MVC incurred due diligence, bank fees and legal costs of $2.4 million, recognized as transaction costs that are being amortized over the term of the loan using the effective interest rate method.

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 principal payments of $5.4 million, commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the Cauquenes Expansion Loan.

The balance of the loan (net of transaction costs) at December 31, 2016 was $51.7 million (December 31, 2015: $57.5 million).

MVC has provided security for the Cauquenes Expansion Loan in the form of a charge on all of MVC’s assets, and MVC is subject to bank covenants (current ratio, tangible net worth and debt service coverage ratio) measured semi-annually starting on December 31, 2015. At December 31, 2016, MVC was in compliance with the tangible net worth ratio ($105.0 million), and received waivers from BBVA and EDC in respect of the current ratio (requirement of 1.0) and debt service coverage ratio (requirement of 1.2).

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

MVC had a requirement to fund a DSRA (Note 6) from the proceeds of the final disbursement from the Cauquenes Expansion Loan. BBVA and EDC waived the final disbursement funding requirement and deferred funding of the DSRA to the second half of 2016. At December 31, 2016, MVC held DSRA funds in the amount of $6.7 million.

Concurrently with the Cauquenes Expansion Loan, MVC entered into an IRS with BBVA to fix 75% of the interest payable on that facility. On December 31, 2016, the fair value of the IRS was determined to be $0.2 million, with a short-term portion of $0.1 million and a long-term portion of $0.1 million. The IRS has a term to December 27, 2018.

	December 31, 2016	**December 31, 2015**
	$	**$**
Current portion of interest rate swap	76	76
Long-term, interest rate swap	132	635
	208	711

b) On March 25, 2015, MVC entered into a Chilean Peso 5,700.0 million facility (approximately $9.0 million at the loan grant date) with BBVA to finance the value-added tax incurred by MVC in connection with the Cauquenes phase one expansion (the “VAT Facility”). The VAT Facility was repaid in full on June 30, 2016.

c) The Group secured $30.0 million in additional credit facilities, including the $17.0 million DET Price Support Facility described in Note 5, and a $13.0 million standby line of credit from three Amerigo shareholders. The standby line of credit had an original availability date to March 25, 2016 and was extended to March 25, 2017. Amounts drawn from the standby line of credit, if any, will be repaid in the amounts and at such times as permitted under the terms and conditions of the Cauquenes Expansion Loan. All obligations arising from the standby line of credit are to be paid in full on or before the date that is the earlier of December 31, 2019 and the one-year anniversary of the date in which MVC has paid in full all amounts due and owing under the Cauquenes Expansion Loan. No security was provided in connection with these facilities. At December 31, 2016, $17.0 million had been drawn from the DET Price Support Facility (December 31, 2015: $7.0 million) and no funds had been drawn from the standby line of credit. The Group incurred an annual commitment fee of $0.1 million in respect of the standby line of credit in each of 2016 and 2015.

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

14) RELATED PARTY TRANSACTIONS

a) Royalty Derivative to Related Parties

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

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

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

The Royalty is calculated as follows:

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

In the quarter ended March 31, 2016, the Group and the Class A shareholders entered into an agreement to defer payment of the Royalty derived from Cauquenes production (the "Cauquenes Royalty) with effect from January 15, 2016 to February 27, 2017 (the "Deferral Termination Date"). The Cauquenes Royalty that is deferred and which remains unpaid at the Deferral Termination Date will be increased by the amount of $0.005 per pound. At December 31, 2016, the incremental royalty resulting from this agreement was $0.1 million.

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During 2016, royalties totalling $1.0 million were paid or accrued to the Class A shareholders (2015: $0.5 million). At December 31, 2016, $0.7 million of this amount remained payable (December 31, 2015: $0.1 million).

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

The royalty derivative to related parties includes the Royalty dividends described above and changes in the fair value of the derivative. In 2016, the fair value of the derivative decreased $0.5 million (2015: $2.1 million), for a total royalty derivative expense of $0.5 million (2015: recovery of $1.5 million).

At December 31, 2016, the Royalty and the derivative were $9.0 million (December 31, 2015: $8.9 million), with a current portion of $1.6 million (December 31, 2015: $0.9 million) and a long-term portion of $7.4 million (December 31, 2015: $8.0 million).

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

b) Purchases of Goods and Services

The Company's related parties consist of companies owned by executive officers and directors, as follows:

Nature of Transactions	
Zeitler Holdings Corp.	Management
Delphis Financial Strategies Inc.	Management
Michael J. Kuta Law Corporation [1]	Management

[1] A law corporation controlled by Michael J. Kuta, former General Counsel and Corporate Secretary of the Company, in respect of 2015.

The Group incurred the following fees in connection with companies owned by executive officers and directors and in respect of salaries paid to officers. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

	2016	2015
	$	$
Salaries and management fees	1,436	1,187

c) Key Management Compensation

The remuneration of directors and other members of key management during the years ended December 31, 2016 and 2015 was as follows:

	2016	2015
	$	$
Management and directors' fees	1,648	1,513
Share-based payments	158	195
	1,806	1,708

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

d) The Group has in place a $13.0 million standby line of credit from three Amerigo shareholders (Note 13(c)).

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

15) EQUITY

a) Share Capital

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

b) Share Options

A total of 3,350,000 options were granted in 2016 (2015: 1,850,000 options), with a weighted average fair value estimated at Cdn$0.06 (2015: Cdn$0.14) per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2016	**2015**
	$	$
Weighted average share price	0.14	0.37
Weighted average exercise price	0.14	0.37
Dividend yield	0%	0%
Risk free interest rate	0.60%	0.65%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	4.27	4.12
Expected volatility	54.96%	46.87%

Outstanding share options:

	December 31, 2016		**December 31, 2015**	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the year	12,450,000	0.73	13,765,000	0.78
Expired	(3,200,000)	1.28	(3,165,000)	0.70
Granted	3,350,000	0.14	1,850,000	0.37
At end of the year	12,600,000	0.44	12,450,000	0.73
Vested and exercisable	12,600,000	0.44	12,450,000	0.73

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

Information relating to share options outstanding at December 31, 2016 is as follows:

Outstanding share options	Vested share options	Price range Cdn$	Weighted average exercise price on outstanding options Cdn$	Weighted average exercise price on vested options Cdn$	Weighted Average remaining life of outstanding options (years)
3,350,000	3,350,000	0.14 - 0.26	0.14	0.14	4.16
1,850,000	1,850,000	0.27 - 0.40	0.37	0.37	3.24
3,500,000	3,500,000	0.41 - 0.48	0.44	0.44	2.36
3,900,000	3,900,000	0.49 - 0.77	0.73	0.73	0.22
12,600,000	12,600,000		0.44	0.44	2.31

Further information about share options is as follows:

	2016 $	2015 $
Total compensation recognized	158	201

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.

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

	2016 $	2015 $
Loss for the year	(7,531)	(16,933)
Weighted average number of shares	174,506,414	173,610,629
Basic loss per share	(0.04)	(0.10)

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.

	2016 $	2015 $
Loss for the year	(7,531)	(16,933)
Weighted average number of ordinary shares	174,506,414	173,610,629
Effect of dilutive securities:		
Share options	-	-
Weighted average diluted shares outstanding	174,506,414	173,610,629
Diluted loss per share	(0.04)	(0.10)

The number of potentially dilutive securities excluded from the diluted loss per share calculation for the year ended December 31, 2016 was 3,350,000 share options. There were no potentially dilutive securities in the diluted loss per share calculation for the year ended December 31, 2015.

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

16) INCOME TAXES

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

	2016 $	2015 $
Current		
Foreign income and resource tax	2,691	4,079
Total current tax recovery	2,691	4,079
Deferred		
Foreign income and resource tax	(2,018)	(2,120)
Total deferred tax expense	(2,018)	(2,120)
Income tax recovery	673	1,959

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

	2016 $	2015 $
Loss before tax	(8,204)	(18,892)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	2,133	4,912
Tax effect of:		
Effect of the change in income tax rate in Chile	(1,152)	(1,688)
Change in estimates	(34)	(228)
Difference in tax rates in foreign jurisdictions	(201)	(612)
Non-deductible expenses	32	116
Change in benefits not recognized	(69)	(446)
Withholding tax and other foreign taxes	(56)	(222)
Other	20	127
	673	1,959

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

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, 2016 $	**December 31, 2015 $**
Deferred tax assets		
- Deferred tax assets to be recovered within 12 months	50	49
- Deferred tax assets to be recovered after more than 12 months	416	264
	466	313
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	(25,955)	(23,787)
Deferred tax liabilities/asset- net	(25,489)	(23,474)

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

	2016 $	**2015 $**
At start of the year	(23,474)	(21,354)
Charged to loss	(2,018)	(2,120)
Exchange differences	3	-
At end of the year	(25,489)	(23,474)

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

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

Deferred tax liabilities	**Property, plant and equipment** $	**Intangible assets** $	**Other** $	**Total** $
At December 31, 2014	(20,135)	(1,411)	(118)	(21,664)
Credited to loss	(2,171)	54	(6)	(2,123)
At December 31, 2015	(22,306)	(1,357)	(124)	(23,787)
Credited to loss	(2,137)	70	(100)	(2,167)
At December 31, 2016	(24,443)	(1,287)	(224)	(25,954)

Deferred tax assets	**Other deferred tax assets** $
At December 31, 2014	310
Credited to loss	3
At December 31, 2015	313
Credited to loss	154
At December 31, 2016	467

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.

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

f) Unrecognized deductible temporary differences

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

	2016 $	2015 $
Non-capital losses	11,350	10,747
Capital losses	868	825
Other temporary deductible differences	8,182	8,318
	20,400	19,890

g) Loss carry-forwards

At December 31, 2016, the Company had $11.4 million (2015: $10.7 million) of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2017 and 2036. 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, 2016, the Company had $0.9 million (2015: $0.8 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 $72.0 million at December 31, 2016 (2015: $80.0 million), as earnings are not expected to be distributed in the foreseeable future.

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

17) 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, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Chile	174,035	181,353	5,673	5,920
Canada	187	141	-	-
	174,222	181,494	5,673	5,920

The Group's revenue originates exclusively in Chile.

In 2016, the Group's sales to one customer represented 97% of reported revenue (2015: 99%).

18) EXPENSES BY NATURE

a) General and administration expenses consist of the following:

	2016 $	2015 $
Office and general expenses	(772)	(768)
Salaries, management and professional fees	(2,183)	(2,019)
Share-based payment compensation	(158)	(201)
	(3,113)	(2,988)

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

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

	2016 $	2015 $
Foreign exchange gain (expense)	709	(1,805)
Impairment charges	-	(1,707)
Other gains	233	131
	942	(3,381)

In 2015, impairment charges of $1.7 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 9).

c) Royalty derivative to related parties consist of the following:

	2016 $	2015 $
Royalties to related parties	(972)	(533)
Fair value adjustments to royalty derivative	517	2,066
	(455)	1,533

d) Finance expense consists of the following:

	2016 $	2015 $
Finance, commitment and interest charges	(5,459)	(833)
Interest rate swap	504	(190)
	(4,955)	(1,023)

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

19) 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 14(a).

	Jurisdiction of incorporation
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, 2016, the Company was restricted from transferring cash of $14.2 million (2015: $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.

20) 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.

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

- Level 3 – Significant unobservable inputs that are not based on observable market data. The Company includes the royalty derivative to related parties in Level 3 of the fair value hierarchy because it is not tradeable or associated with observable price transparency. Management reviews the fair value of this derivative on a quarterly basis based on management's best estimates, which are unobservable inputs. Fair value is calculated by applying the discounted cash flow approach on a valuation model that considers the present value of the net cash flows expected to be paid as royalties to related parties (Note 14(a)). The Company has also included the IRS in Level 3 of the fair value hierarchy due to the lack of observable market quotes on this instrument. The fair value of the IRS was determined with the assistance of third parties who performed a discounted cash flow valuation based on a forward interest rate curve.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
December 31, 2016				
Investments	1,518	-	-	1,518
Trade and other receivables	-	7,681	-	7,681
Interest rate swap	-	-	(208)	(208)
Royalty derivative to related parties	-	-	(8,993)	(8,993)
	1,518	7,681	(9,201)	(2)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
December 31, 2015				
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)

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.

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

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

	Royalty derivative to related parties
Balance at January 1, 2016	(8,890)
Paid	352
Credited to earnings	(455)
Balance at December 31, 2016	(8,993)

	Interest rate swap
Balance at January 1, 2016	(711)
Paid	557
Credited to earnings	(54)
Balance at December 31, 2016	(208)

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, 2016 copper and molybdenum receivables were considered embedded derivatives.

Key observable inputs: For copper, average LME spot and three-month copper prices assessed on a monthly basis. For molybdenum: average Platt's molybdenum dealer oxide molybdenum price assessed on a monthly basis.

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

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

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

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 14(a)) and in respect of the IRS (Note 13(a)).

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 IRS 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 IRS, 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 IRS, 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, 2016, 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, 2016 estimate are provided in Note 4(c), and molybdenum prices used were: 2017: $6.60/lb; 2018: $6.97/lb; 2019: $7.68/lb; 2020: $8.29 and 2021 to 2037: $7.97/lb.

- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 8.72% in 2017 with gradual increases up to 10.88% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately $0.1 million in the royalty derivative to related parties.

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

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

21) 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. From January to October 2016, the Group's liquidity and financial position were affected by low copper prices. During this period, MVC received financing proceeds of $10.0 million from the DET price support facility described in Note 13(c) and reached and agreement to defer settlement of $5.4 million of royalties to DET.

Copper prices strengthened in November and December 2016, and have continued to improve in 2017, substantially improving the Group's ability to generate cash flow from operations.

In 2016, the Company generated $9.6 million of operating cash flow before changes in non-cash working capital, and $19.4 million in operating cash flow including changes in non-cash working capital.

In 2016, the Group was able to meet its obligations as they became due. The Group expects that it will continue to be able to meet obligations for the next 12 months from operating cash flow. 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:

At December 31, 2016	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	15,819	15,819	-	-	-
DET royalties	11,273	11,273	-	-	-
Borrowings	69,847	10,348	15,348	44,151	-
Interest rate swap	208	76	132	-	-
Royalty derivative to related parties	8,993	1,617	884	2,225	4,267
Severance provisions	811	-	-	-	811
	106,951	39,133	16,364	46,376	5,078

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

At December 31, 2015	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	14,543	14,543	-	-	-
DET royalties	4,205	4,205	-	-	-
Borrowings	72,195	17,964	9,938	36,962	7,331
Interest rate swap	711	76	635	-	-
Royalty derivative 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

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, 2016, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately $nil and $0.1 million in loss and comprehensive loss, respectively.

Interest Rate Risk

At December 31, 2016, the Company's interest rate risk mainly arises from the interest rate impact on borrowings, and is mitigated by an IRS (Note 13(a)). As at December 31, 2016, with other variables unchanged, a 1% change in Prime rates on borrowings not protected by the IRS would have had an impact of $0.1 million on 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 is affected by the quotational periods in place. In 2016 the quotational periods for copper tolling services and molybdenum sales were "M+3".

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

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

	Price		Increase (decrease) on after-tax net earnings	
	2016	**2015**	**2016**	**2015**
	$/lb	**$/lb**	**$**	**$**
Copper	2.6	2.1	3,452	2,255
Molybdenum	6.6	N/A	215	N/A

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 2016, 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.

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 Group 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.

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

22) Supplementary Cash Flow Information

	2016 $	2015 $
(a) Interest and taxes paid		
Interest paid	3,641	2,136
Income taxes paid	1,076	1,242
(b) Other		
(Decrease) increase in accounts payable related to the acquisition of plant and equipment	(3,380)	903
Cash paid during the year for royalty dividends to related parties	351	535

23) Commitments

a) 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 $0.4 million per month.

b) MVC entered into an agreement with its current power provider to supply MVC’s annual power requirements during the period from January 1, 2018 to December 31, 2027. The agreement establishes minimum charges based on peak hour power supply calculations, currently estimated to be approximately $1.4 million per month.

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

d) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess, 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.