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Amerigo Resources Ltd.
Management's Discussion and Analysis
For the Year Ended December 31, 2017

T A B L E of C O N T E N T S

This Management's Discussion & Analysis ("MD&A") is comprised of the following sections:

THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS. REFER TO THE CAUTIONARY LANGUAGE UNDER THE HEADING "CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION" BELOW.

AMOUNTS REPORTED IN U.S. DOLLARS, EXCEPT WHERE INDICATED OTHERWISE.

CORPORATE PROFILE

Amerigo Resources Ltd. (the "Company") owns a 100% interest in Minera Valle Central S.A. ("MVC"), a Chilean producer of copper concentrates.

MVC has a long-term contractual relationship with Codelco's DET to process fresh and historic tailings from El Teniente, the world's largest underground copper mine, in production since 1905.

MVC also has a molybdenum sales agreement with Chile's Molibdenos y Metales S.A. that expires on December 31, 2019. In addition, up to June 30, 2017, MVC had an agreement with Chile's Minera Maricunga ("Maricunga"), under which MVC tolled Maricunga copper concentrate, dried the material and delivered blended concentrates through its tolling contract with DET.

Effective January 1, 2015 and up to December 31, 2022, MVC's production of copper concentrates is being conducted under a tolling agreement with DET under which title to the copper concentrates produced by MVC remains with DET and MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs). Refer to **Agreements with Codelco's DET** (page 19).

MVC is undertaking a significant expansion of its operations to extract and process the higher grade Cauquenes historic tailings. The expansion has two phases. In 2015, MVC completed the first phase of the expansion, extending MVC's economic life to at least 2037. Construction of the second phase of the expansion ("Phase Two") is underway. Phase Two will improve flotation recovery efficiency allowing MVC to increase production to 85.0 to 90.0 million pounds of copper per year, at an estimated cash cost of $1.45 to $1.60 per pound ("/lb").

The Company's shares are listed for trading on the Toronto Stock Exchange ("TSX") and traded in the United States on the OTCQX.

INTRODUCTION

The following MD&A of the results of operations and financial position of the Company together with its subsidiaries (collectively, the "Group"), is prepared as of February 19, 2018, and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2017 and 2016.

This MD&A's objective is to help the reader understand the factors affecting the Group's current and future financial performance.

The Company's financial statements are reported in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial data in this MD&A is derived from the Company's financial statements, except non-GAAP measures which are indicated as such.

Non-GAAP measures: Reference is made in this MD&A to cash cost and total cost, two non-GAAP financial measures which do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Cash cost and total cost are commonly used as performance indicators in the mining industry and are an important performance metric for the Group. A tabular reconciliation of the Group's cash and total costs to tolling and production costs in 2017 and 2016 is presented on page 12.

HIGHLIGHTS and SIGNIFICANT EVENTS

Comparative Annual Overview

	Years ended December 31,			
	2017	2016	Change	%
Copper produced (million pounds)[1]	62.5	56.8	5.7	10%
Copper delivered (million pounds)	62.9	56.3	6.6	12%
Percentage of production from historic tailings	63%	58%	5%	
Revenue ($ thousands) [2]	134,027	91,388	42,639	47%
DET notional copper royalties ($ thousands)	36,388	20,646	15,742	76%
Tolling and production costs ($ thousands)	107,986	92,011	15,975	17%
Gross profit (loss) ($ thousands)	26,041	(623)	26,664	-
Net income (loss) ($ thousands)	7,989	(7,531)	15,520	-
Operating cash flow ($ thousands) [3]	26,387	9,555	16,832	176%
Cash flow paid for purchase of plant and equipment ($ thousands)	(14,693)	(8,339)	6,354	76%
Cash and cash equivalents ($ thousands)[4]	27,524	15,921	11,603	73%
Borrowings ($ thousands)[5]	63,067	69,847	(6,780)	(10%)
MVC's copper price ($/lb) [6]	2.83	2.25	0.58	26%

1 Copper production is conducted under tolling agreements with DET and in 2016 and H1-2017, Maricunga.
2 Revenue is reported net of notional items (smelting and refining charges, DET notional copper royalties and transportation costs).
3 Operating cash flows before changes in non-cash working capital.
4 Includes $20.2 million held in operating cash accounts and $7.3 million held in a debt service reserve account.
5 Includes short and long-term portions of $20.8 and $42.3 million respectively.
6 Copper price before smelting and refining, DET notional copper royalties, transportation costs and settlement adjustments to prior period sales.

Financial results

- Revenue was $134.0 million (2016: $91.4 million), including copper revenue of $119.5 million (2016: $83.0 million) and molybdenum and other revenue of $14.5 million (2016: $8.4 million).

- Copper revenue is calculated from MVC's gross value of copper produced of $179.8 million (2016: $124.4 million) less notional items including DET royalties of $36.4 million (2016: $20.6 million), smelting and refining of $21.7 million (2016: $19.2 million) and transportation of $2.2 million (2016: $1.6 million).

- In 2017, MVC's copper price was $2.83/lb (2016: $2.25/lb).

- Tolling and production costs were $108.0 million (2016: $92.0 million), driven by higher power and lime costs. Unit tolling and production costs were $1.72/lb (2016: $1.64/lb) (page 10).

- Cash cost (a non-GAAP measure equal to the aggregate of smelting and refining charges, tolling/production costs net of inventory adjustments and administration costs, net of by-product credits, page 12) before DET notional copper royalties and DET molybdenum royalties decreased to $1.64/lb (2016: $1.73/lb) due to higher by-product credits.

- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET notional copper royalties and DET molybdenum royalties of $0.62/lb and depreciation of $0.24/lb, page 12) increased to $2.50/lb (2016: $2.36/lb), due to higher DET notional royalties.

- Gross profit was $26.0 million (2016: gross loss of $0.6 million). Net income was $8.0 million (2016: net loss of $7.5 million), as a result of stronger metal prices and higher production.

- In 2017, the Group generated operating cash before changes in non-cash working capital of $26.4 million (2016: $9.6 million).

Production

- 2017 production was 62.5 million pounds of copper, within the Company's guidance of 60.0 to 65.0 million pounds, and 10% higher than the 56.8 million pounds produced in 2016.

- 2017 copper production includes 39.3 million pounds from Cauquenes, 21.8 million pounds from fresh tailings and 1.5 million from Maricunga.

- Molybdenum production was 1.6 million pounds (2016: 0.5 million pounds).

- At December 31, 2017, the Phase Two expansion project was on time, on budget and 34% complete.

Cash and Working Capital

- At December 31, 2017, the Group's cash balance was $27.5 million (2016: $15.9 million), including $20.2 million in operating accounts and $7.3 million in a debt service reserve account ("DSRA") which must be used to: /i/ pay the principal and interest of MVC's bank loans and the amounts owing under related interest rate swaps ("IRS") if MVC has insufficient funds to make these payments and /ii/ fund MVC's operating expenses. If it becomes necessary to fund MVC's operations with funds from the DSRA, MVC must replenish the DSRA at each month end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal and interest pursuant to the bank loans and the IRS that are payable in the following six months.

- At December 31, 2017, the Group had a working capital deficiency of $4.5 million (2016: working capital of $0.6 million), caused by the Group's current estimated DET Price Support Facility repayment schedule (January to September 2018), which may change depending on MVC's actual cash flows. The Group does not consider its working capital deficiency constitutes a liquidity risk, as it is only required to repay the DET Price Support Facility by December 2019 and at a rate of $1.0 million per month, and the Group anticipates generating sufficient operating cash flow to meet current liabilities as they come due. Working capital deficiencies are not uncommon in companies with short-term debt.

- At December 31, 2017, the Company had a $13.0 million undrawn standby Line of Credit (page 19).

Outlook

- In 2018, the Company expects to produce 65.0 to 70.0 million pounds of copper at a cash cost of $1.45 to $1.60/lb. Annual molybdenum production is expected to be 1.5 million pounds. The Group expects to post stronger production and lower cash costs in H2-2018 when MVC accesses better quality material in Cauquenes and plant recoveries improve on completion of Phase Two of the Cauquenes expansion.

- Construction of Phase Two is underway and on track for completion in Q3-2018, with full production expected in Q4-2018. MVC expects to complete the project within budget of $35.3 million including contingencies. Phase Two will improve flotation recovery efficiency, allowing MVC to increase production to 85.0 to 90.0 million pounds of copper per year, at an estimated cash cost of $1.45 to $1.60/lb.

- In 2018, MVC expects to incur up to $23.5 million of the remaining Phase Two capital expenditures ("Capex") and $5.5 million in sustaining Capex. MVC is also planning to invest an additional $1.5 million in various smaller Capex projects to improve safety and process efficiencies at MVC. In addition, MVC plans to undertake an expansion of its molybdenum plant at a Capex of $7.9 million financed by way of a seven-year lease and operating contract.

- Refer to **Cautionary Statement on Forward Looking Information** (page 25).

SUMMARY OF FINANCIAL RESULTS Q4-2016 TO Q4-2017

	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016
Copper production, million pounds	15,625	15.487	16.262	15.141	13.591
Copper deliveries, million pounds	16,284	15.251	16.197	15.175	13.417
MVC's copper price ($/lb)	3.10	3.00	2.59	2.65	2.57
Financial results ($ thousands)					
Revenue					
Gross value of copper produced	51,615	50,256	39,267	38,650	36,571
Notional items deducted from gross value of copper produced:					
DET royalties - copper	(11,453)	(9,365)	(7,856)	(7,715)	(5,731)
Smelting and refining	(5,765)	(5,455)	(5,410)	(5,087)	(4,678)
Transportation	(572)	(564)	(534)	(503)	(393)
Copper tolling revenue	33,825	34,872	25,467	25,345	25,769
Molybdenum and other revenue	3,176	2,549	4,393	4,399	3,704
	37,001	37,421	29,860	29,744	29,473
Tolling and production costs					
Tolling and production costs	(23,221)	(20,352)	(21,068)	(22,666)	(18,763)
Depreciation and amortization	(3,583)	(3,576)	(3,578)	(3,584)	(3,319)
Administration	(1,338)	(1,257)	(1,182)	(1,377)	(1,340)
DET royalties - molybdenum	(397)	(334)	(338)	(134)	(193)
	(28,539)	(25,519)	(26,166)	(27,761)	(23,615)
Gross profit	8,462	11,902	3,694	1,983	5,858
Other expenses					
Derivative to related parties including changes in fair value	(1,003)	(214)	(2,472)	(1,093)	(231)
Salaries, management and professional fees	(839)	(466)	(388)	(418)	(925)
Office and general expenses	(141)	(232)	(118)	(294)	(101)
Share-based payment compensation	(47)	(117)	(223)	(241)	(11)
	(1,027)	(815)	(729)	(953)	(1,037)
Foreign exchange (expense) gain	(293)	384	(28)	18	(128)
Other gains	7	106	8	15	10
	(286)	490	(20)	33	(118)
	(2,316)	(539)	(3,221)	(2,013)	(1,386)
Operating profit (loss)	6,146	11,363	473	(30)	4,472
Finance expense	(1,243)	(854)	(1,662)	(1,353)	(1,105)
Income (loss) before income tax	4,903	10,509	(1,189)	(1,383)	3,367
Income tax (expense) recovery	(1,805)	(2,655)	(464)	73	(383)
Net income (loss)	3,098	7,854	(1,653)	(1,310)	2,984
Earnings (loss) per share - basic	0.02	0.04	(0.01)	(0.01)	0.02
Earnings (loss) per share - diluted	0.02	0.04	(0.01)	(0.01)	0.02
Unit tolling and production costs	1.75	1.67	1.62	1.83	1.76
Cash cost ($/lb) [1]	1.66	1.69	1.53	1.71	1.87
Total cost ($/lb) [1]	2.64	2.55	2.28	2.52	2.60
Uses and sources of cash ($thousands)					
Operating cash flow before working capital changes	6,640	11,021	4,470	4,255	7,051
Operating cash flow after working capital changes	13,568	5,316	6,422	7,438	567
Cash used in investing activities	(6,945)	(5,291)	(2,006)	(451)	(1,145)
Cash (used in) received from financing activities	(2,329)	2,074	(7,367)	57	(4,367)
Ending cash balance [2]	27,524	22,702	20,144	23,097	15,921

1 Cash and total costs are non-GAAP measures. Refer to page 12 for the basis of reconciliation of these measures to tolling and production costs.
2 Includes $20.2 million held in operating cash accounts and $7.3 million held in a DSRA.

A discussion on key quarterly variances (revenue and tolling and production costs) can be found on page 16.

OVERALL PERFORMANCE

In 2017 the Group posted net income of $8.0 million (2016: net loss of $7.5 million). The improvement in financial performance is the result of an MVC copper price of $2.83/lb in 2017 (2016: $2.25/lb) and stronger production.

Revenue in 2017 was $134.0 million (2016: $91.4 million).

The Group generated operating cash before changes in non-cash working capital accounts of $26.4 million (2016: $9.6 million). Including the effect of changes in non-cash working capital accounts, the Group generated operating cash flow of $32.7 million (2016: $19.4 million).

At December 31, 2017, the Group had cash and cash equivalents of $27.5 million (2016: $15.9 million) and a working capital deficiency of $4.5 million (2016: working capital of $0.6 million).

SELECTED ANNUAL FINANCIAL INFORMATION

The following information has been extracted from the Company's audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Revenue (thousands)	$134,027	$91,388	$52,623
Net income (loss) (thousands)	7,989	(7,531)	(16,933)
Earnings (loss) per share	0.05	(0.04)	(0.10)
Diluted earnings (loss) per share	0.04	(0.04)	(0.10)

	At December 31, 2017	At December 31, 2016	At December 31, 2015
Total assets	$230,549	$221,686	$220,210
Total long-term financial liabilities	54,936	68,676	64,039

Long term financial liabilities at December 31, 2017 were comprised of: long-term portion of borrowings of $42.3 million (2016: $59.1 million, 2015: $54.7 million), severance provisions of $1.0 million (2016: $0.8 million, 2015: $0.7 million), derivative to related parties of $11.0 million (2016: $7.4 million, 2015: $8.0 million), interest rate swap of $nil (2016: $0.1 million, 2015: $0.6 million) and other non-current liabilities of $0.7 million (2016: $1.2 million, 2015: $0.1 million).

OPERATING RESULTS

In 2017, MVC produced 62.5 million pounds of copper under tolling agreements with DET and Maricunga, (H1-2017 only), 10% higher than 2016 production. Copper deliveries were 62.9 million pounds. 63% of MVC's copper production in 2017 was from the higher-grade Cauquenes historic tailings (2016: 58%).

Production from Cauquenes was 39.3 million pounds (2016: 32.7 million pounds). Fresh tailings production was 21.8 million pounds (2016: 21.1 million pounds). MVC's tolling contract with Maricunga ended in Q2-2017 as a result of Maricunga suspending operations. In 2017, MVC produced 1.5 million pounds of copper pursuant to the agreement with Maricunga (2016: 3.0 million pounds).

Molybdenum production was 1.6 million pounds (2016: 0.5 million pounds).

While tolling and production costs increased to $108.0 million (2016: $92.0 million) because of higher production, MVC's 2017's unit cash cost (page 12) decreased to $1.64/lb (2016: $1.73/lb).

Production

	2017	2016
FRESH TAILINGS FROM EL TENIENTE		
Tonnes processed	43,718,322	42,031,933
Copper grade (%)	0.118%	0.116%
Copper recovery	19.2%	19.6%
Copper produced (lbs)	21,784,124	21,088,624
HISTORIC TAILINGS FROM EL TENIENTE		
Tonnes processed	22,658,605	20,639,169
Copper grade (%)	0.249%	0.232%
Copper recovery	31.6%	31.1%
Copper produced (lbs)	39,265,260	32,746,180
TOLL PROCESSING FROM MARICUNGA		
Copper produced (lbs)	1,465,764	2,993,644
COPPER		
Total copper produced (lbs)	62,515,148	56,828,448
Total copper delivered to DET (lbs)	62,906,274	56,271,691
MOLYBDENUM		
Total molybdenum produced (lbs)	1,551,885	469,175
Total molybdenum sold (lbs)	1,555,047	458,348

FINANCIAL RESULTS – 2017

The Group posted net income of $8.0 million ($0.05 basic and $0.04 diluted earnings per share) (2016: net loss of $7.5 million; $0.04 basic and diluted loss per share) because of stronger metal prices and higher production.

Revenue

Revenue in 2017 was $134.0 million (2016: $91.4 million).

		2017		2016
Average LME copper price per pound	$	2.80	$	2.21
Gross vaue of copper produced (thousands)	$	179,789	$	124,429
Notional items deducted from gross value of copper produced:				
DET royalties - copper (thousands)		(36,388)		(20,646)
Smelting and refining (thousands)		(21,717)		(19,217)
Transportation (thousands)		(2,173)		(1,618)
Copper tolling revenue		119,511		82,948
Molybdenum and other revenue (thousands)		14,516		8,440
Revenue (thousands)	$	134,027	$	91,388
MVC's copper price ($/lb)	$	2.83	$	2.25
MVC's molybdenum price ($/lb) [1]	$	8.20	$	6.72

[1] Molybdenum price for the period before roasting charges and settlement adjustments to prior period sales.

Production of copper concentrates by MVC is 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 the gross value of copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs).

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges, and in 2017 was based on the average 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 is being determined based on the average LME copper price of the third month following delivery of copper produced under the tolling agreement, which for December 2017 deliveries will be the average LME copper price for March 2018.

The average LME copper price in 2017 was $2.80/lb (2016: $2.21/lb) and MVC's copper price was $2.83/lb (2016: $2.25/lb). Differences between the average LME copper price and MVC's copper price result from the pricing terms that applied in the period.

At December 31, 2017, the provisional copper price used by MVC was $3.10/lb. A 10% increase or decrease from that price would result in price-driven revenue settlement adjustments of $5.0 million.

DET royalties on copper production are a notional item deducted from MVC's gross value of copper produced. In 2017, DET notional copper royalties were $36.4 million, $15.7 million higher than in 2016, due to higher copper prices. The terms for DET notional copper royalties and molybdenum royalties are disclosed under **Agreements with Codelco's DET** (page 19).

Transportation was $2.2 million in 2017 (2016: $1.6 million).

In 2017, MVC's molybdenum sales price was $8.20/lb and MVC's molybdenum sales agreement provided that the sale price was the average market price for the third month after delivery. At December 31, 2017, sales of molybdenum were provisionally priced at the average Platt's molybdenum dealer oxide price of $9.37/lb.

Tolling and Production Costs

(Expressed in thousands)		2017		2016
Direct tolling and production costs				
Power costs	$	31,151	$	28,064
Labour costs		10,381		10,582
Lime costs		8,724		4,922
Grinding media		6,743		7,753
Other direct tolling / production costs		30,308		22,535
		87,307		73,856
Depreciation and amortization		14,321		13,207
Administration		5,155		4,671
DET royalties - molybdenum		1,203		277
Tolling and production costs	$	107,986	$	92,011
Unit tolling and production costs ($/lb)		1.72		1.64

Direct tolling and production costs were $87.3 million (2016: $73.9 million), an increase of 18%. Costs were impacted by higher power and lime costs and an appreciation of 4% of the Chilean peso ("CLP") to the United States dollar.

Power costs increased by $3.1 million or 11% compared to 2016, following an increase of 10% in copper production, and a lower contribution from the Group's power generators.

Lime is a significant cost due to the acidic nature of the Cauquenes tailings, with a cost increase of $3.8 million, as both lime consumption and lime supply cost increased in 2017.

Grinding media costs of $6.7 million were 13% lower than in 2016 despite higher production, due to lower grinding ball consumption associated with processing the finer Cauquenes tailings.

Direct labour costs were $10.4 million in 2017 (2016: $ 10.6 million), despite a stronger Chilean Peso to the US dollar, due to a reduction of maintenance staff in the year.

The most relevant other direct tolling and production costs are summarized in the following tables:

(Expressed in thousands)		2017		2016
Other direct production costs				
Maintenance, excluding labour	$	6,785	$	5,635
Molybdenum production costs		5,577		2,094
Historic tailings extraction		4,984		4,323
Maricunga tolling cost		2,900		4,673
Copper reagents		2,186		1,870
Subcontractors and support services		2,008		1,772
Industrial water		1,970		2,173
Process control, environmental and safety		1,872		1,627
Inventory adjustments		1,413		(1,984)
Filtration and all other direct tolling costs		613		352
	$	30,308	$	22,535

($/lb Cu)	2017	2016
Other direct production costs		
Maintenance, excluding labour	0.11	0.10
Molybdenum production costs	0.09	0.04
Historic tailings extraction	0.08	0.08
Maricunga tolling cost	0.05	0.09
Copper reagents	0.04	0.03
Subcontractors and support services	0.03	0.03
Industrial water	0.03	0.04
Process control, environmental and safety	0.03	0.03
Inventory adjustments	0.02	(0.04)
Filtration and all other direct copper tolling costs	0.01	0.01
	0.50	0.42

Other direct tolling costs increased by $7.8 million to $30.3 million. The most significant increases were: $3.5 million in molybdenum production costs as a result of higher production, $3.4 million due to inventory adjustments given deliveries in 2017 exceeded production (and the reverse occurred in 2016) and $1.2 million in maintenance costs.

Depreciation and amortization increased to $14.3 million (2016: $13.2 million), from a higher asset base.

Administration expenses were $5.2 million in 2017 (2016: $4.7 million) as a result of higher labour costs.

Other expenses

Other expenses of $8.1 million (2016: $2.6 million) are costs not related to MVC's production operations. The increase of $5.5 million in other expenses in 2017 was driven mostly by an increase of $3.8 million in the fair value of the derivative to related parties, compared to a $0.5 million decrease in fair value in 2016.

Other expenses are comprised of the following:

- A $4.8 million expense associated with the derivative to related parties (2016: $0.5 million), which includes actual amounts paid or accrued to related parties of $1.0 million in both years and a $3.8 million increase in fair value (2016: decrease in fair value of $0.5 million). In 2017, the fair value increase in the derivative was caused by the estimated increase in future production at MVC resulting from the Phase Two expansion.

- General and administration expenses of $3.5 million (2016: $3.1 million) which include salaries, management and professional fees of $2.1 million (2016: $2.2 million), office and general expenses of $0.8 million in both years and share-based payments of $0.6 million (2016: $0.2 million).

- Other gains of $0.2 million (2016: $0.9 million) are comprised of a foreign exchange gain of $0.1 million (2016: $0.7 million) and other gains of $0.1 million (2016: $0.2 million).

Finance expense

The Group's finance expense was $5.1 million (2016: $5.0 million) which includes finance, commitment and interest charges and changes in value on interest rate swaps.

Taxes

Income tax expense was $4.9 million (2016: recovery of $0.7 million), including current income tax expense of $3.5 million (2016: recovery of $2.7 million) and deferred tax expense of $1.4 million (2016: $2.0 million) in respect of changes to deferred income tax liabilities, which arise predominantly from the differences between the book and tax values of MVC's property, plant and equipment. Deferred tax liabilities do not represent income tax payable.

Cash Cost and Total Cost

Cash cost and total cost are non-GAAP measures prepared on a basis consistent with the industry standard Brook Hunt definitions. The Group believes that these measures provide additional information to evaluate corporate performance. Management also uses these measures to monitor internal performance.

Cash cost is the aggregate of copper and molybdenum tolling and production costs, smelting and refining notional charges, administration and transportation costs, minus by-product credits. Total cost is the aggregate of cash cost, DET notional copper royalties and molybdenum royalties, depreciation and amortization.

A reconciliation of tolling and production costs to cash cost and total cost in 2017 and 2016 is presented below:

		2017		2016
Tolling and production costs (thousands)	$	107,986	$	92,011
Add (deduct):				
DET notional royalties - copper (thousands)		36,388		20,646
Smelting and refining charges (thousands)		21,717		19,217
Transportation costs (thousands)		2,173		1,618
Inventory adjustments (thousands):		(1,413)		1,984
By-product credits (thousands)		(14,516)		(8,440)
Total cost (thousands)	$	152,335	$	127,036
Deduct:				
DET notional royalties - copper (thousands)		(36,388)		(20,646)
DET royalties - molybdenum (thousands)		(1,203)		(277)
		(37,591)		(20,923)
Depreciation and amortization (thousands)		(14,321)		(13,207)
Cash cost (thousands)	$	100,423	$	92,906
Pounds of copper tolled from fresh and old tailings (millions) [1]		61.1M		53.8 M
Cash cost ($/lb)		**1.64**		**1.73**
Total cost ($/lb)		**2.50**		**2.36**

[1] Excludes 1.5 million pounds produced in H1-2017 from Maricunga toll processing, a by-product (2016: 3.0 million pounds).

The Group’s trailing annual and quarterly cash costs ($/lb of copper produced) were:

	2017	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Power costs	0.51	0.50	0.54	0.49	0.52
Lime	0.14	0.15	0.15	0.14	0.14
Grinding media	0.11	0.11	0.10	0.11	0.12
Other direct costs	0.64	0.60	0.60	0.62	0.76
By-product credits	(0.24)	(0.20)	(0.17)	(0.28)	(0.31)
Smelting & refining	0.36	0.37	0.35	0.34	0.36
Administration	0.08	0.09	0.08	0.08	0.09
Transportation	0.04	0.04	0.04	0.03	0.03
Cash Cost	**$1.64**	**$1.66**	**$1.69**	**$1.53**	**$1.71**

	2016	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Power costs	0.52	0.52	0.50	0.50	0.56
Lime	0.09	0.13	0.11	0.07	0.05
Grinding media	0.15	0.12	0.12	0.15	0.19
Other direct costs	0.65	0.88	0.57	0.55	0.64
By-product credits	(0.16)	(0.29)	(0.14)	(0.08)	(0.13)
Smelting & refining	0.36	0.37	0.34	0.35	0.38
Administration	0.09	0.11	0.07	0.08	0.09
Transportation	0.03	0.03	0.03	0.03	0.03
Cash Cost	**$1.73**	**$1.87**	**$1.60**	**$1.65**	**$1.81**

Cash cost (page 12) in 2017 was $1.64/lb (2016: $1.73/lb).

Power is MVC's most significant cost and was $0.1016/kWh in 2017 (2016: $0.0976/kWh). MVC operates its generators when the grid price exceeds the generators’ operating costs. There was an economic contribution from operating the generators of $0.4 million in 2017 (2016: $0.8 million). Unit power costs were $0.51/lb (2016: $0.52/lb, from higher copper production.

Lime costs were $0.14/lb (2016: $0.09/lb). MVC’s lime consumption has increased due to the more acidic nature of the Cauquenes tailings, and the cost of lime also increased in 2017.

Unit grinding media costs were $0.11/lb (2016: $0.15/lb), as a result of lower grinding ball consumption associated with processing the finer Cauquenes tailings.

By-product credits improved to $0.24/lb (2016: $0.16/lb) from higher molybdenum production and prices, despite the termination of the Maricunga processing contract in H2-2017.

Other direct costs were $0.64/lb (2016: $0.65/lb).

The Group's trailing annual and quarterly total costs ($/lb of copper produced) were:

	2017	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Cash cost	1.64	1.66	1.69	1.53	1.71
DET notional royalties/royalties	0.62	0.75	0.63	0.52	0.55
Amortization/depreciation	0.24	0.23	0.23	0.23	0.26
Total Cost	**$2.50**	**$2.64**	**$2.55**	**$2.28**	**$2.52**

	2016	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Cash cost	1.73	1.87	1.60	1.65	1.81
DET notional royalties/royalties	0.38	0.47	0.36	0.36	0.37
Amortization/depreciation	0.25	0.26	0.22	0.24	0.27
Total Cost	**$2.36**	**$2.60**	**$2.18**	**$2.25**	**$2.45**

Total cost was $2.50/lb (2016: $2.36/lb), due to higher DET notional royalties/royalties as a result of stronger metal prices.

F I N A N C I A L R E S U L T S – QUARTER ENDED DECEMBER 31, 2017

In Q4-2017 MVC produced 15.6 million pounds of copper under a tolling agreement with DET (Q4-2016: 13.6 million pounds).

The Group posted net earnings of $3.1 million or $0.02 basic and diluted earnings per share (Q4-2016: $3.0 million and basic and diluted earnings per share of $0.02).

In Q4-2017, the Group generated operating cash flow before working capital changes of $6.6 million (Q4-2016: $7.1 million), and operating cash flow after changes in working capital of $13.6 million (Q4-2016: $0.6 million).

Revenue

Revenue in Q4-2017 was $37.0 million (2016: $29.5 million) due to higher copper prices and stronger production.

Tolling and Production Costs

(Expressed in thousands)		Q4-2017		Q4-2016
Direct tolling and production costs				
Power costs	$	7,867	$	6,645
Labour costs		3,009		3,679
Lime costs		2,335		1,638
Grinding media		1,717		1,573
Other direct tolling / production costs		8,293		5,228
		23,221		18,763
Depreciation and amortization		3,583		3,319
Administration		1,338		1,340
DET royalties - molybdenum		397		193
Tolling and production costs	$	28,539	$	23,615
Unit tolling and production costs ($/lb)		1.75		1.76

Direct tolling and production costs were $23.2 million (2016: $18.8 million), due to higher power, lime, grinding media and other direct tolling and production costs.

Cash Cost and Total Cost (non-GAAP measures, page 12)

Cash cost in Q4-2017 was $1.66/lb (Q4-2016: $1.87/lb).

	Q4-2017	Q4-2016
Power costs	0.50	0.52
Lime	0.15	0.13
Grinding media	0.11	0.12
Other direct costs	0.60	0.88
By-product credits	(0.20)	(0.29)
Smelting & refining	0.37	0.37
Administration	0.09	0.11
Transportation	0.04	0.03
Cash Cost	**$1.66**	**$1.87**

A reduction in other direct costs contributed to a decrease of $0.21/lb in cash cost between the comparative quarters.

In Q4-2017, the Group's total cost was $2.64/lb in Q4-2017 (Q4-2016: $2.60/lb).

	Q4-2017	Q4-2016
Cash cost	1.66	1.87
El Teniente notional royalites/ royalties	0.75	0.47
Amortization/depreciation	0.23	0.26
Total Cost	**$2.64**	**$2.60**

Other

In Q4-2017 general and administrative expenses were $1.0 million (Q4-2016: $1.0 million), other expenses were $0.3 million (Q4-2016: $0.1 million), there was a derivative to related parties expense of $0.3 million (Q4-2016: gain of $0.2 million) and finance expense was $1.2 million (Q4-2016: $1.1 million).

In Q4-2017, the Group's income tax expense was $1.8 million (Q4-2016: $0.4 million).

COMPARATIVE PERIODS

The Company's financial statements are reported under IFRS issued by the IASB. The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters.

	Q4-2017 $	Q3-2017 $	Q2-2017 $	Q1-2017 $
Total revenue (thousands)	37,001	37,421	29,860	29,744
Net earnings (loss) (thousands)	3,098	7,854	(1,653)	(1,310)
Earnings (loss) per share	0.02	0.04	(0.01)	(0.01)
Diluted earnings (loss) per share	0.02	0.04	(0.01)	(0.01)

	Q4-2016 $	Q3-2016 $	Q2-2016 $	Q1-2016 $
Total revenue (thousands)	29,473	23,383	19,276	19,255
Net earnings (loss) (thousands)	2,984	(2,545)	(3,613)	(4,357)
Earnings (loss) per share	0.02	(0.01)	(0.02)	(0.03)
Diluted earnings (loss) per share	0.02	(0.01)	(0.02)	(0.03)

Quarterly revenue variances result mostly from varying volumes of copper sales or deliveries (a factor of quarterly production) and MVC's copper price (a factor of market prices). The Group's revenues are highly sensitive to these two variables, as summarized below:

	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Copper sales/deliveries[1]	16.28	15.25	16.20	15.18	13.42	15.60	14.51	12.75
MVC's copper price [2]	$3.10	$3.00	$2.59	$2.65	$2.57	$2.14	$2.10	$2.24
Settlement adjustments [3]	$1.19	$4.54	($1.19)	$0.92	$4.02	$0.43	($0.96)	-

1 Million pounds of copper sold under tolling agreements with DET and Maricunga (2016 and H1-2017).
2 Copper price before smelting and refining charges and settlement adjustments to prior quarters' sales.
3 Settlement adjustments to prior quarter's sales, expressed in millions of dollars

Q1-2016 to Q3-2016 revenue was positively impacted by stronger copper production from Cauquenes. Q4-2016 revenue was negatively affected by 16 days of lost production due to a strike at MVC and annual maintenance shutdown at El Teniente but benefited from higher copper prices, both for quarterly deliveries and in respect of positive price-driven settlement adjustments to Q3-2016 deliveries. Production returned to expected levels in Q1-2017, positively affecting revenue, which also benefitted from stronger copper prices and positive settlement adjustments to prior quarter sales. Q2-2017 revenue was positively impacted by higher volumes of copper tolled, partially offset by lower average copper prices and the effect of negative price-driven settlement adjustments. Q3-2017 and Q4-2017 revenue were positively impacted by higher copper prices and positive settlement adjustments to prior quarter's sales.

In addition to revenue variances, the Group's quarterly results in the most recent eight quarters were also affected by variations in cost of sales:

	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Tolling and production costs [1]	$28.54	$25.52	$26.17	$27.76	$23.61	$24.30	$22.44	$21.66
Unit tolling and production cost [2]	$1.75	$1.67	$1.62	$1.70	$1.83	$1.88	$1.55	$1.70

[1] Millions of dollars.
[2] Tolling and production costs divided over number of pounds of copper delivered.

Tolling and production costs are affected by production levels, input costs (particularly power, lime and grinding media costs), copper prices and the depreciation or appreciation of the CLP to the U.S. dollar. In Q1, Q2 and Q3-2016 total tolling and production cost increased due to a substantial increase in production, which also resulted in lower unit costs. Q4-2016 costs were lower due to 16 days of lost production due to a strike of MVC workers, however lower production resulted in higher unit costs. In Q1-2017 tolling and production costs increased due to higher production levels and unit costs were affected by inventory variations. Q2-2017 costs were lower than in the preceding quarter despite higher production due to MVC's ongoing cost containment efforts. Q3-2017 costs were also lower than the prior quarter, due to lower copper production and the termination of the Maricunga tolling contract. Q4-2017 costs increased due to higher production, and higher power, lime and other direct costs.

LIQUIDITY and FINANCIAL POSITION

Cash Flow from Operations

The Group generated cash of $32.7 million from operations (2016: $19.4 million).

Excluding the effect of changes in working capital accounts, the Group generated cash of $26.4 million (2016: $9.6 million).

Cash Flow from Financing Activities

In 2017, the Group received $10.7 million in debt proceeds net of transaction costs (2016: $14.8 million) and made debt repayments of $18.7 million (2016: $19.4 million). In 2017, the Company received $0.4 million from the exercise of stock options.

Cash Flow used in Investing Activities

In 2017, the Group used cash of $14.7 million for payments of Capex (2016: $8.3 million). Capex payments in 2017 included $10.8 million of payments associated with Phase Two and $3.9 million in payments of sustaining Capex.

Liquidity and Financial Position

The Group's cash and cash equivalents at December 31, 2017 totaled $27.5 million (2016: $15.9 million), including $7.3 million held in a DSRA (2016: $6.7 million). The Group had a working capital deficiency of $4.5 million at December 31, 2017 (2016: working capital of $0.6 million), caused by the Group's current estimated DET Price Support Facility repayment schedule (January to September 2018), which may change depending on MVC's actual cash flows.

The Group does not consider its working capital deficiency constitutes a liquidity risk, as it is only required to repay the DET Price Support Facility by December 2019 and at a rate of $1.0 million per month, and the Group anticipates generating sufficient operating cash flow to meet current liabilities as they come due. Working capital deficiencies are not uncommon in companies with short-term debt.

The Group operates in a cyclical industry where cash flow generating capacity correlates closely to market copper prices. In recent years and up to Q3-2016, the Group's liquidity and financial position were affected by low copper prices. As copper prices started to recover in Q4-2016 (average quarterly LME price of $2.40/lb) the Group's financial results and cash flow generating capacity have strengthened. Average quarterly LME prices in 2017 were Q1: $2.65/lb; Q2: $2.57/lb; Q3: $2.88/lb and Q4: $3.09.

In 2018, MVC estimates to produce 65.0 to 70.0 million pounds of copper at an annual cash cost (page 12) of $1.45to $1.60/lb, following completion of Phase Two in Q3-2018. Under these assumptions, the Group should be able to meet its financial obligations as they become due.

At December 31, 2017, the Group had $36.3 million of undrawn, committed credit facilities ($23.3 million from the Phase Two expansion loan and $13.0 million from a shareholders' standby line of credit, both described below).

Borrowings

Borrowing outstanding (Thousands)	December 31, 2017 $	December 31, 2016 $
Cauquenes Phase One Loan (a)	41,527	51,739
Cauquenes Phase Two Loan (a)	11,601	-
	53,128	51,739
DET Price Support Facility (b)	9,939	18,108
	63,067	69,847
Comprise:		
Short-term debt and current portion of long-term debt	20,810	10,733
Long-term debt	42,257	59,114
	63,067	69,847

a) On March 25, 2015, MVC closed a bank syndicate financing with Banco Bilbao Vizcaya Argentaria ("BBVA") and Export Development Canada ("EDC") for a loan facility (the "Cauquenes Phase One Loan") of $64.4 million for phase one of the Cauquenes expansion. Terms of the loan include interest synthetically fixed through IRS, accounted for at FVTPL, at a rate of 5.56% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at December 31, 2017 was 4.95% per annum. Interest is paid semi-annually on June and December 30. MVC incurred due diligence, bank fees and legal costs of $2.4 million, recognized as transaction costs that are being amortized over the term of the loan using the effective interest rate method. The Cauquenes Phase One Loan has a maximum repayment term of 6 years consisting of 12 equal semi-annual principal payments of $5.4 million, commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the loan. The balance of the Cauquenes Phase One Loan (net of transaction costs) at December 31, 2017 was $41.5 million (2016: $51.7 million). The IRS on the Phase One Loan has a term to December 27, 2018.

On August 3, 2017, MVC closed a second financing tranche with BBVA and EDC for a facility (the "Cauquenes Phase Two Loan") of up to $35.3 million for the second phase of the Cauquenes expansion. Terms of the loan include interest synthetically fixed through an IRS, accounted for at FVTPL, at a rate of 6.02% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at December 31, 2017 was 4.95% per annum. Interest is paid semi-annually on June and December 30. MVC incurred due diligence, bank fees and legal costs of $1.3 million, recognized as transaction costs that are being amortized over the term of the loan using the effective interest rate method. The Cauquenes Phase Two Loan has a maximum repayment term of 3 years consisting of 6 equal semi-annual principal payments to commence on June 30, 2019. The repayment term may be shortened without penalty in accordance with the provisions of the loan. The balance of the Cauquenes Phase Two Loan (net of transaction costs) at December 31, 2017 was $11.6 million (2016: $nil). On December 31, 2017, the fair value of the second IRS was determined to be $0.2 million. The IRS on the Phase Two Loan has a term to January 3, 2022.

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

Original terms and provisions of the loan required MVC to be in compliance with bank covenants (current ratio, tangible net worth and debt service coverage ratio) measured semi-annually on June 30 and December 31. Certain covenants were amended on closing of the second financing tranche, including modifications to the tangible net worth requirements starting on December 31, 2017 and non-measurement of the current ratio on December 31, 2017; June 30, 2018; December 31, 2018 and June 30, 2019. At December 31, 2017, MVC met the debt service coverage ratio (requirement of 1.2) and the tangible net worth ratio (requirement of $110.0 million).

MVC has a DSRA described in page 5.

b) MVC has a Price Support Facility with DET described under **Agreements with Codelco's DET.**

c) The Company has a $13.0 million standby line of credit (the "Line of Credit") from three Company shareholders which is currently available through to the later of December 31, 2018 and the date of commencement of commercial production of Phase Two of the Cauquenes expansion, provided such date occurs no later than March 31, 2019. Amounts drawn from the Line of Credit, if any, will be repaid in the amounts and at such times as permitted under the terms and conditions of the Cauquenes Phase One and Phase Two loans. All obligations arising from the Line of Credit are to be paid in full on or before the date that is the earlier of December 31, 2019 and the 1-year anniversary of the date in which MVC has paid in full all amounts due and owing under the Cauquenes Phase One and Phase Two loans. No security was provided in connection with this facility. At December 31, 2017, no funds had been drawn from the Line of Credit. In 2017, the Company incurred an annual commitment fee of $0.2 million in respect of the Line of Credit, settled with the issuance of 403,577 Company shares (2016: $0.1 million, settled with cash).

AGREEMENTS WITH CODELCO'S DET

In 1991, MVC entered into a contract with DET to process the fresh tailings from El Teniente for a term to 2021 (the "Fresh Tailings Contract"). In 2009, MVC and DET entered into an agreement to process the tailings from Colihues, one of DET's historic tailings deposits (the "Colihues Contract"). In 2014, MVC and DET entered into a contract (the "Master Agreement") for the purchase by MVC of the rights to process tailings from an additional historic tailings deposit, Cauquenes, for a term to the earlier of its depletion or 2033 and extending the Fresh Tailings Contract from 2021 to 2037 and the Colihues Contract to the earlier of its depletion or 2037.

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

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

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

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

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

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

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

In 2015, DET provided to MVC a copper price support agreement of up to $17.0 million (the "DET Price Support Facility") under which MVC drew down $1.0 million from the DET Price Support Facility in each month in which the average final settlement copper price to MVC was less than $2.80/lb, up to the $17.0 million maximum. The DET Price Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC's bank financing. The DET Price Support Facility is scheduled to be repaid in the period from January 1, 2017 to December 31, 2019 at a rate of $1.0 million per month, provided this repayment schedule does not preclude MVC from making the semi-annual principal debt repayments described in **Borrowings (a).** In 2017, MVC repaid $8.0 million towards the DET Price Support Facility, and MVC currently anticipates the DET Price Support Facility may be fully repaid before its contractual maturity of December 31, 2019. MVC may repay the DET Price Support Facility in advance and without penalty. The balance of the loan at December 31, 2017 was $9.9 million (2016: $18.1 million), including $0.9 million in accrued interest (2016: $1.1 million), shown as a current liability in the Company's statement of financial position.

In 2016, MVC and DET reached an agreement to defer DET notional copper royalties during a 4-month period, for a total deferral of $5.4 million. The deferred royalties and accrued interest at a rate of 0.6% per month were paid by MVC in 2017.

At December 31, 2017, the accrual for DET notional copper royalties and DET molybdenum royalties, was $12.0 million (2016: $11.3 million).

CAUQUENES EXPANSION

MVC is undertaking a significant expansion of its operations to extract and process the higher grade Cauquenes tailings. The expansion has two phases. Phase One was completed in December 2015 on time and under budget, enabling MVC to extract Cauquenes tailings for processing in MVC's existing processing plant, increasing MVC's copper production. The Phase One Capex budget was $71.1 million and actual Capex was $66.6 million. Phase One enabled MVC to reach production of 56.8 million pounds of copper in 2016 and 62.5 million pounds copper in 2017.

Phase Two is currently under construction and is advancing according to program and within budget. It will improve flotation recovery efficiency and expand MVC's existing facilities to an output of 85.0 to 90.0 million pounds of copper per year at an estimated cash cost of $1.45 to $1.60/lb. Phase Two has a Capex of $35.3 million including all contingencies and is on track for completion in Q3-2018 with full production expected in Q4-2018. At December 31, 2017, the project was 34% complete.

Currently, MVC's molybdenum plant has a processing capacity of 330 tonnes per day. Once Phase Two is operational, the molybdenum plant's capacity will need to be expanded by 35% to 450 tonnes per day in order for MVC to continue extracting all of the molybdenum that will be available as a result of the expected copper production. The expansion of the molybdenum plant capacity has an estimated Capex of $7.9 million which is expected to be undertaken by way of a seven-year build, lease and operating contract, with Capex payable over seven years, or earlier at the discretion of MVC based on available cash flow.

SUMMARY OF OBLIGATIONS *(Expressed in thousands)*

	Total	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	13,052	13,052	-	-	-
Current income tax payable	3,401	3,401	-	-	-
DET royalties	11,990	11,990	-	-	-
Derivative to related parties	12,193	1,151	1,146	3,221	6,675
Severance provisions	981	-	-	-	981
Minimum power payments [1]	320,745	19,851	21,500	64,479	214,915
Borrowings [2]	74,338	23,215	15,473	35,650	-
Molybdenum plant expansion [3]	10,184	756	1,461	3,969	3,998
Total contractual obligations	446,884	73,416	39,580	107,319	226,569

[1] MVC entered into an agreement with its current power provider to supply MVC's annual power requirements from 2018 to 2032. The agreement establishes minimum charges based on peak hour power supply calculations, currently estimated to range from $1.4 to $1.8 million per month.

[2, 3] Includes principal and estimated interest charges.

Impairment Analysis

As at December 31, 2017, management identified no impairment indicators and consequently, impairment testing was not required.

Investments

At December 31, 2017, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.14 and the fair value of the Group's approximately 4% investment in Candente Copper was $0.7 million. During 2017, the Group recorded other comprehensive income of $0.2 million (2016: $0.3 million) for the changes in fair value of this investment.

At December 31, 2017, Los Andes Copper Ltd. ("Los Andes"), a company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.36, and the fair value of the Group's approximately 3% investment in Los Andes was $2.3 million. During 2017, the Group recorded other comprehensive income of $1.3 million (2016: $0.2 million) for the changes in the fair value of this investment.

Transactions with Related Parties

a) Derivative

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

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

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

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

The derivative includes the actual monthly payments as described above and the changes in the fair value of the derivative. In 2017 and 2016, $1.0 million were paid or accrued to the Class A shareholders and the fair value of the derivative increased $3.0 million (2016: decrease in fair value of $0.5 million), for a total derivative expense of $4.0 million (2016: $0.5 million). The increase in the fair value of the derivative in 2017 was caused by the estimated increase in future production at MVC resulting from the Cauquenes Phase Two expansion currently underway.

At December 31, 2017, the derivative totalled $11.4 million (2016: $9.0 million), with a current portion of $1.1 million (2016: $1.6 million) and a long-term portion of $10.4 million (2016: $7.4 million). Actual monthly payments outstanding at December 31, 2017 were $0.1 million (2016: $0.7 million).

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b) Directors’ fees and remuneration to officers

In 2017 and 2016, the Group paid or accrued $1.4 million in salaries and fees to companies associated with certain Company directors and officers.

Management fees are paid to the below noted companies owned by executive officers, as follows:

- Zeitler Holdings Corp. – Controlled by Dr. Klaus Zeitler, the Company’s Executive Chairman
- Delphis Financial Strategies Inc. – Controlled by Aurora Davidson, the Company’s Executive Vice President and Chief Financial Officer

In the same periods, the Company paid or accrued $0.3 million in directors’ fees to independent directors. In the Company’s consolidated financial statements directors’ fees and remuneration to officers are categorized as salaries, management and professional fees. These transactions were in the ordinary course of business and measured at the exchange amounts agreed to by the parties.

In 2017, 2,950,000 options were granted to directors and officers of the Company (2016: 3,350,000).

c) As of December 31, 2017, one of the Company’s officers acted as an officer and one of the Company’s directors acted as a director and Chairman of Los Andes Copper Ltd., an investee of the Company.

Critical Accounting Estimates and Judgments

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.

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) Derivative to Related Parties

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

c) Interest Rate Swaps

MVC has two IRS to synthetically fix the interest rate on 75% of the facilities undertaken to finance the Cauquenes expansion. Management makes estimates to determine the fair value of the IRS at inception and at each reporting date.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management and to allow timely decisions regarding required disclosure.

The Company has a formal corporate disclosure policy in place which includes the setting up of a Disclosure Policy Committee currently consisting of the members of the Company's Board of Directors, Rob Henderson, the Company's President and CEO and Aurora Davidson, the Company's Executive Vice President and CFO.

Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis as of the end of the period covered by this report.

Internal Controls over Financial Reporting ("ICFR")

ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's ICFR includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect the additions to and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An evaluation of the design and operating effectiveness of the Company's ICFR was conducted as of December 31, 2017 by the Company's management, including the CEO and CFO. Based on this evaluation, management has concluded that the design and operation of the Company's ICFR was effective.

There were no changes during the year ended December 31, 2017 that have materially affected, or are reasonably likely to affect, the Company's ICFR.

Commitments

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

b) At December 31, 2017, MVC had commitments of $13.0 million in respect of purchase orders for the Cauquenes Phase Two expansion and had entered into a letter of intent for the construction and financing of the $7.9 million molybdenum plant expansion.

c) The Company entered into an agreement for the lease of office premises in Vancouver for a 5-year period which commenced on December 1, 2016. The Company's remaining rent commitments during the term of the lease are expected to be approximately $0.5 million.

d) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess the revision of the closure plan for Cauquenes and compare it to the current plan in the possession of DET. In the case of any variation in the interests of DET due to MVC's activities extracting and processing tailings contained in Cauquenes, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until 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.

Other

As of February 20, 2018, the Company has 176,435,635 common shares and 11,000,000 options (exercisable at prices ranging from Cdn$0.14 to Cdn$0.53 per share) outstanding.

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at www.sedar.com.

Cautionary Statement on Forward Looking Information

This MD&A contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company's control, the Company cannot assure that it will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. These forward-looking statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- a forecasted increase in production and a reduction in operating costs;
- our strategies and objectives;
- the expected improvement of flotation recovery efficiency from the Phase Two expansion;
- our estimates of the availability, quantity and grade of tailings (including, but not limited to, the estimated higher grades from the Cauquenes deposit), and the quality of our mine plan estimates;
- prices and price volatility for copper and other commodities and of materials we use in our operations;
- the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources and our expected ability to meet our obligations for the next 12 months;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- the timing and costs of construction and tolling/production of, and the issuance and maintenance of the necessary permits and other authorizations required for, our expansion projects, including the expansion for the Cauquenes deposit and the timing of ramp-up to full production from Cauquenes;
- our ability to procure or have access to financing and to comply with our loan covenants;
- the probability of DET exercising any of its early exit options under the Master Agreement;

- the anticipated repayment of the DET Price Support Facility in full before its contractual maturity of December 31, 2019;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- hazards inherent in the mining industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties and suspension of operations
- our planned Capex (including our plan to upgrade our existing plant and operations) including the timing and cost of completion of our capital projects;
- estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- repudiation, nullification, modification or renegotiation of contracts;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning metal sales, treatment charges and royalties;
- disruptions to the Group's information technology systems, including those related to cybersecurity;
- our dividend policy; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, negotiations with government and other third parties, unanticipated metallurgical difficulties, delays associated with permits, approvals and permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of and our ability to obtain both tailings from DET's current production and historic tailings from tailings deposit; risks with respect to completion of Phase Two of the Cauquenes expansion, the ability of the Group to draw down funds from the Standby Line of Credit; the availability of and ability of the Group to obtain adequate funding on reasonable terms for expansions and acquisitions; mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings. Many of these risks and uncertainties apply not only to the Group and its operations, but also to Codelco and its operations. Codelco's ongoing mining operations provide a significant portion of the materials the Group processes and its resulting metals production, therefore these risks and uncertainties may also affect their operations and in turn have a material effect on the Group.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;

- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- the ability of the Group to profitably extract and process material from the Cauquenes tailings deposit;
- the timing of the receipt of and retention of permits and other regulatory and governmental approvals;
- the availability of and ability of the Group to obtain adequate funding on reasonable terms for expansions and acquisitions;
- the ability of the Group to draw down funds from bank facilities and the Standby Line of Credit;
- our costs of production and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- the satisfactory negotiation of collective agreements with unionized employees;
- the impact of changes in foreign exchange rates and capital repatriation on our costs and results;
- engineering and construction timetables and capital costs for our expansion projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our preliminary economic assessment (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the outcome of our copper concentrate sales and treatment and refining charge negotiations;
- the resolution of environmental and other proceedings or disputes;
- the future supply of reasonably priced power;
- our ability to obtain, comply with and renew permits and licenses in a timely manner; and
- our ongoing relations with our employees and entities with which we do business.

Future production levels and cost estimates assume there are no adverse mining or other events which significantly affect budgeted production levels.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. Except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.