Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2014 and 2013
Unaudited – Prepared by Management

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in thousands of United States dollars)

	Notes	June 30, 2014 $	December 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents		7,265	13,148
Trade and other receivables		10,856	13,035
Prepaid expenses		463	319
Inventories	5	10,536	11,481
		29,120	37,983
Non-current assets			
Investments	6	3,505	3,207
Exploration and evaluation assets	3, 4, 7	-	21,375
Property, plant and equipment	8	128,109	116,601
Intangible assets	9	5,638	5,903
Other non-current assets		1,108	1,040
Total assets		167,480	186,109
Liabilities			
Current liabilities			
Trade and other payables		15,356	20,493
El Teniente royalties payable	2	8,314	13,142
Current income tax liabilities		233	721
Royalties to related parties	3, 4, 11	863	655
		24,766	35,011
Non-current liabilities			
Severance provisions	3, 4	1,406	3,611
Royalties to related parties	3, 4, 11	12,141	4,224
Asset retirement obligation	3, 4	-	7,295
Deferred income tax liability		14,947	14,229
Other non-current liabilities		113	-
Total liabilities		53,373	64,370
Equity	12		
Share Capital		78,057	77,514
Other reserves		6,878	6,577
Retained earnings		30,796	39,475
Accumulated other comprehensive loss		(1,624)	(1,827)
Total equity		114,107	121,739
Total equity and liabilities		167,480	186,109
Commitments	18		
Subsequent events	19		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income - Unaudited

(expressed in thousands of United States dollars, except share and per share amounts)

	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
		$	$	$	$
Revenue		27,325	31,446	59,695	74,607
Cost of sales	3, 4, 14	26,127	31,203	57,833	69,240
Gross profit (loss)		1,198	243	1,862	5,367
Other expenses					
Loss from change in estimates	3, 4	8,066	-	8,066	-
General and administration	14	1,320	274	2,322	1,186
Other (gains) expenses	16	(365)	902	(642)	693
		9,021	1,176	9,746	1,879
Operating (loss) profit		(7,823)	(933)	(7,884)	3,488
Finance expense	15	95	114	244	299
		95	114	244	299
(Loss) profit before tax		(7,918)	(1,047)	(8,128)	3,189
Income tax expense	3, 4	372	(210)	551	788
Net (loss) profit		(8,290)	(837)	(8,679)	2,401
Other comprehensive income (loss), net of tax					
Items that may be reclassified subsequently to net income (loss)					
Severance provision		127	-	(52)	-
Cumulative translation adjustment		(211)	(8,828)	(43)	(6,628)
Unrealized gains (losses) on investments	6	409	(1,782)	298	(1,074)
Other comprehensive income (loss), net of tax		325	(10,610)	203	(7,702)
Comprehensive loss		(7,965)	(11,447)	(8,476)	(5,301)
Weghted average number of shares outstanding, basic		173,185,536	172,290,344	172,810,869	172,290,344
Weighted average number of shares outstanding, diluted		173,185,536	172,290,344	172,810,869	172,896,866
(Loss) earnings per share					
Basic		(0.05)	(0.01)	(0.05)	0.01
Diluted		(0.05)	(0.01)	(0.05)	0.01

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows - Unaudited

(expressed in thousands of United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	$	$	$	$
Cash flows from operating activities				
Net (loss) profit	(8,290)	(837)	(8,679)	2,401
Adjustment for items not affecting cash:				
Depreciation and amortization	2,669	4,462	7,407	8,623
Deferred income tax expense	834	49	718	47
Loss from change in estimates	5,629	-	5,629	-
Unrealized foreign exchange (gain) expense	(199)	734	74	892
Accretion	204	(360)	192	(373)
Share-based payments	387	21	387	52
Other	239	73	248	(165)
	1,473	4,142	5,976	11,477
Changes in non-cash working capital				
Trade, other receivables and advances	3,615	(1,934)	1,973	(1,264)
Inventories	(52)	(1,182)	889	(49)
Trade and other payables	(2,407)	(321)	(4,104)	(327)
El Teniente royalty payables	(1,020)	(5,414)	(4,827)	(5,933)
	1,609	(4,709)	(93)	3,904
Payment of long-term employee benefits	-	(55)	-	(465)
Net cash from operating activities	1,609	(4,764)	(93)	3,439
Cash flows from investing activities				
Purchase of plant and equipment and evaluation assets	(2,723)	(3,676)	(6,125)	(7,321)
Proceeds from the sale of plant and equipment	106	-	106	-
Net cash from investing activities	(2,617)	(3,676)	(6,019)	(7,321)
Cash flows from financing activities				
Exercise of share purchase options	157	-	255	-
Repayments, net of cash proceeds	-	(993)	-	(1,497)
Net cash from financing activities	157	(993)	255	(1,497)
Net decrease in cash and cash equivalents	(851)	(9,433)	(5,857)	(5,379)
Effect of exchange rate changes on cash	(26)	34	(26)	10
Cash and cash equivalents – Beginning of period	8,142	13,280	13,148	9,250
Cash and cash equivalents - End of period	7,265	3,881	7,265	3,881

Supplementary cash flow information (Note 17)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity - Unaudited

(expressed in thousands of United States dollars, except share amounts)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive (loss) income	Retained earnings	Total equity
		$	$	$	$	$
Balance January 1, 2013	172,290,344	77,514	6,525	9,677	38,482	132,198
Share based payments	-	-	52	-	-	52
Cumulative translation adjustment	-	-	-	(6,628)	-	(6,628)
Unrealized losses on investments	-	-	-	(1,074)	-	(1,074)
Net earnings	-	-	-	-	2,401	2,401
Balance June 30, 2013	172,290,344	77,514	6,577	1,975	40,883	126,949
Cumulative translation adjustment	-	-	-	(3,985)	-	(3,985)
Unrealized gains on investments	-	-	-	183	-	183
Net loss	-	-	-	-	(1,408)	(1,408)
Balance December 31, 2013	172,290,344	77,514	6,577	(1,827)	39,475	121,739
Balance January 1, 2014	172,290,344	77,514	6,577	(1,827)	39,475	121,739
Share based payments	-	-	387	-	-	387
Exercise of share purchase options	900,000	341	(86)	-	-	255
Compensation settled with shares	462,500	202	-	-	-	202
Cumulative translation adjustment	-	-	-	(43)	-	(43)
Unrealized gains on investments	-	-	-	298	-	298
Severance provision	-	-	-	(52)	-	(52)
Net loss	-	-	-	-	(8,679)	(8,679)
Balance June 30, 2014	173,652,844	78,057	6,878	(1,624)	30,796	114,107

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

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

1) Reporting Entity and Basis of Presentation

a) Reporting entity

Amerigo Resources Ltd. (the "Company") is a company domiciled in Canada and its shares are listed for trading on the Toronto Stock Exchange ("TSX"), the OTCQX stock exchange in the United States and the Lima Stock Exchange. These condensed consolidated financial statements ("interim financial statements") of the Company as at and for the three and six months ended June 30, 2014 include the accounts of the Company and its subsidiaries (the "Group).

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

b) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2013.

These interim financial statements were authorised for issue by the board of directors of the Company on August 5, 2014.

c) Significant accounting policies.

These interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as described in the following paragraphs of this note. Accordingly, the interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

Functional 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 the entity operates (the "functional currency"). The functional currency of Amerigo Resources Ltd., the parent entity, is the Canadian dollar. The functional currency of Colihues Energia S.A. ("Colihues Energia", formerly Minera Valle Central Generacion S.A.) is the Chilean peso ("CLP"). Effective January 1, 2014, the functional currency of MVC was changed prospectively from the CLP to the U.S. dollar in anticipation of the level of U.S denominated indebtedness to be undertaken by MVC in 2014 to finance the Cauquenes expansion and from a review of the currency-related fact patterns of MVC's current concentrate sales contracts and contracts with DET. While payments from current clients to MVC for concentrate sales and payments by MVC of DET royalties have to be documented and settled in CLP (due to Chilean regulatory provisions requiring all invoices within Chilean parties to be denominated in CLP) the underlying currency in these significant revenue and cost contracts is the U.S. dollar.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

The Company's consolidated financial statements are presented in United States 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 consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Resulting gains and losses on translation are included as a component of equity.

2) AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

In 1991, MVC entered into a contractual relationship with DET to process the fresh tailings from El Teniente, the world's largest underground copper mine, for a term that through several contract modifications was extended to 2021 (collectively, the "Fresh Tailings Contract"). In 2009, MVC and DET entered into an agreement to process the tailings from Colihues, El Teniente's historical tailings deposit (the "Colihues Contract").

On April 8, 2014 MVC and DET entered into a contract (the "Master Agreement") granting to MVC the rights to process tailings from an additional historical tailings deposit, Cauquenes, for a term to the earlier of its depletion or 2033, extending MVC's rights to process tailings from 2021 to 2037 and amending each of the Fresh Tailings Contract and the Colihues Contract.

As consideration for the rights to process fresh and historical tailings from DET, MVC has committed to pay to DET royalties based on MVC's copper and molybdenum concentrates production. Royalty payments for copper concentrates production are calculated using the London Metal Exchange ("LME") price for copper for the month of delivery of the tailings. Payments to DET are made within 10 days of receipt of invoices. Accordingly, the price base used for the calculation of the DET royalty is, in most instances, not the same price base used for the pricing of copper concentrate sales. Adjustments to the DET royalties are recorded on a monthly basis for changes in copper concentrate deliveries during the settlement period. The DET royalties are recorded as a component of cost of sales.

Major terms of the Master Agreement include the following:

- Extension of the Fresh Tailings Contract from 2021 to 2037;
- Extension of the Colihues Contract to the earlier of its depletion or 2037;
- A sliding scale royalty to DET for copper produced from Cauquenes tailings for LME prices ranging from $1.95/lb (16% royalty) to $5.50/lb (39% royalty);
- Changes in the royalty payable to DET for copper produced from fresh tailings, including a change in the royalty calculation to a sliding scale for a range of LME prices from $1.95/lb (13.5% royalty) to $4.80/lb (28.4% royalty), elimination of exchange rate provisions that increased royalty costs, and an increase in the threshold below which no royalty is payable from $0.80/lb to $1.95/lb, the same minimum level as that for the Cauquenes royalty. The change in fresh tailings royalty is effective the earlier of August 1, 2015 or the date of the start of operations for the exploitation of the Cauquenes deposit;

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- A global molybdenum royalty that will also be sliding scale for molybdenum prices between $7.31/lb (9% royalty) and $40/lb (19.7% royalty), effective at the earlier of August 1, 2015 or the date of the start of operations for the exploitation of tailings from the Cauquenes deposit. Until then, the Company will continue to pay a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates produced from fresh tailings and 11.9% on net molybdenum revenue from Colihues tailings;

- Provisions requiring the parties to meet and review cost and royalty structures for copper production from fresh and Cauquenes tailings and for all molybdenum production in the event monthly average prices fall below $1.95/lb for copper or $7.31/lb for molybdenum, or exceed the upper royalty limits for copper ($4.80/lb for fresh tailings and $5.50/lb for Cauquenes tailings) and $40/lb for molybdenum during 2 consecutive months, and projections indicate the permanence of such prices over time;

- Three early exit options for DET only exercisable in the event of changes unforeseen as of the date of the Master Agreement. The Company has currently judged the probabilities of these early exit options occurring as remote. A summary of the early exit options is provided in the following table:

Exit Option	Notice Date	Termination Date	Terms of Exit	Consideration to MVC
1	Within 2021	1 year from notice date	DET would acquire 100% of MVC's PPE	90% of NPV of future cash flows
2	Within 2024	3 years from notice date	Termination of contractual relationship between DET and MVC	MVC retains ownership of its assets provided they are removed from site within a year of termination.
3	Within 2024 and every 3 years thereafter	1 year from notice date	DET would acquire 100% of MVC's PPE	The lesser of 80% of the NPV of future cash flows and the commercial value

The formula for the computation of royalties payable to DET from copper produced from Colihues tailings remains unchanged under the Master Agreement. MVC is required to pay a sliding scale royalty which is 3% for an LME price below $0.80/lb and increases to approximately 30% at an LME price of $4.27/lb. The parties are also required to review and potentially adjust costs and royalty structure for copper production from Colihues tailings where the LME price remains below $1.95/lb or over $4.27/lb for three consecutive months.

Cost and royalty adjustments for all copper and molybdenum production where prices are outside of royalty limits are to be made such that the Parties give priority to the viability of the Master Agreement and maintain the equilibrium of the benefits between the Parties.

From time to time MVC has entered into short term modifications to the legal structure of the royalty arrangements with DET. The Company's view is that these arrangements do not change the substance of the underlying royalty arrangements.

As at June 30, 2014, royalties payable to El Teniente were $8.3 million (December 31, 2013: $13.1 million), representing approximately four months of royalties.

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3) Estimates and Judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013, except for estimate revisions arising from the changes to the Company's contractual relationship with DET as of April 8, 2014 (Note 2).

a) Useful Life of Assets

MVC estimates the economic life of most of its property, plant and equipment ("PPE") based on their useful life, not to exceed the term of MVC's contractual relationship with DET. During the three months ended June 30, 2014 ("Q2-2014"), the Company changed its estimate for the termination of MVC's contractual relationship with DET from December 31, 2021 to December 31, 2037 as a consequence of entering into the Master Agreement.

Due to the extension of the term of the contract with DET, most of the economic lives of PPE were prospectively extended, resulting in lower depreciation expense as of April 2014.

b) Asset Retirement Obligation ("ARO")

During Q2-2014 the Company reassessed its ARO obligations under the Master Agreement, which provides that MVC will transfer its PPE to DET on December 31, 2037 at no cost and free and clear of all encumbrances, unless DET decides not to take ownership of the PPE and provides 3-year notice to MVC to this effect. The Master Agreement also contains three early exit options which may only be exercised by DET at specific future dates (Note 2). If early exit options 1 or 3 were to be exercised, DET would then acquire all of MVC's PPE. In all of these cases, MVC would not have an ARO. MVC would only have an ARO if DET were to decide not to take ownership of PPE in 2037 or exercise early exit option 2.

The Company has concluded that there is a very low probability DET will decide not to take ownership of PPE or exercise exit option 2 in the future, and as a result the ARO weighted for probability is immaterial. The Company's judgment in relation to DET choosing to exercise an exit option will be reassessed as at each reporting date going forward.

The Company has also concluded that there are no constructive obligations arising from past events that would trigger the recognition of an ARO under the Master Agreement.

As a result of this reassessment, the Company eliminated its former estimates for an ARO asset ($2.2 million) and an ARO liability ($7.4 million) with a resulting credit of $5.2 million to PPE (the "ARO Credit"), as required under IFRS (Note 4). The ARO Credit will be extinguished through the term of the Master Agreement as a depreciation recovery, further reducing depreciation expense prospectively from April 2014.

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c) Severance Provisions

MVC has a future obligation with some of its managers for severance payments based on their employee contracts, irrespective of whether the employment relationship is terminated by MVC or by the employee. MVC records management severance obligations as liabilities at present value in the Company's consolidated statements of financial position. The value of management severance obligations is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge such obligations. The increase or decrease over time in the present value of the obligations is recorded each period in cost of sales.

MVC also has statutory obligations prescribed by Chilean labour law for severance payments in the event employees are terminated by MVC. Given the former term of its contractual relationship with DET to 2021, MVC had conservatively assessed that it was more probable than not that current employees of MVC would be terminated as of December 31, 2021 as there was no factual evidence suggesting the contract with DET would be extended beyond that date. Accordingly, MVC had also previously recorded the statutory severance obligations as a liability at present value in the Company's consolidated statements of financial position. During April 2014, the Company reassessed this position given the extension of the contractual relationship with DET to 2037 and concluded that it is currently highly unlikely existing workers at MVC will still be employed by MVC in 2037. There is also evidence in place suggesting 2037 is not necessarily a definitive date to provide for severance payments prescribed by law. Based on these facts, the Company believes that the provision for statutory severance to MVC workers is immaterial at this time. The Company will revisit this estimate as at each balance sheet date.

As a result of its reassessment of severance provision, the Company reduced its estimates for severance liability by $2.4 million with a resulting gain from change in estimates of $2.4 million included in cost of sales. The Company also eliminated an associated $503,000 estimate for deferred income tax asset with a resulting deferred income tax expense of $503,000 (Note 4).

d) Royalties to Related Parties

The Company 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 11). The royalty is a derivative financial instrument measured at fair value, therefore in April 2014 the Company was required under IFRS to reassess its estimate for royalties to related parties based on the revised production estimates associated with the changes in the contractual relationship with DET. As a result of the increase in MVC's estimated future production from El Teniente tailings, the estimate for royalties due to related parties increased by $8.1 million with a resulting loss from change in estimates of $8.1 million included in other expenses (Note 4).

e) Exploration and Evaluation Assets ("EEA")

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely to arise as a result of these expenditures. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable processing operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available. EEA are included in the Company's impairment test along with PPE.

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EEA were transferred to PPE once the Group obtained the legal right to process the related tailings and an economically viable processing operation was established.

The Group's EEA of $22.6 million related exclusively to the Cauquenes project and were therefore reclassified to PPE in April 2014, the month in which the Master Agreement was signed (Notes 7 and 8).

f) 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 production and sales volumes, metals prices, mine plan estimates, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances may alter these projections and impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of income.

As at June 30, 2014, management of the Company 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.

Key assumptions incorporated in the impairment model included the following:

- Copper prices ($/lb): 2014: $3.18; 2015: $3.22; 2016: $3.22; 2017: $3.08; 2018 to 2037: $2.95
- Power costs (excluding benefit from self-generation): From 2014 to 2017 costs are per contractual estimates (2014: $0.1006/kWh, 2015: $0.1148/kWh, 2016: $0.1267/kWh, 2017: $0.1277/kWh). From 2018 to 2037: estimated at $0.1300/kWh
- Operating costs based on historical costs incurred and estimated forecasts
- Production volume and recoveries as indicated in MVC's mining plan from 2013 to 2037, including processing of fresh tailings and old tailings from the Colihues and Cauquenes deposits
- Discount rate: 9% after tax

Management's impairment evaluation did not result in the identification of an impairment loss as of June 30, 2014. Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. Sensitivities to changes in estimated metal prices, operating costs, particularly estimated power costs beyond MVC's current power contracts, operating results from the Cauquenes deposit that differ from current projections, and increases to estimated expansion capital costs might trigger an impairment that could be material.

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g) Power Cost Assumptions

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

4) GAINS AND LOSSES FROM CHANGES IN ESTIMATES

The Master Agreement (Note 2) is expected to provide substantial economic benefits to the Company as a result of the extension of MVC's productive life from 2021 to 2037 and from processing of the tailings contained in the Cauquenes deposit. These benefits will be recognized as income is earned.

Upon entering into the Master Agreement, the Company proceeded to reassess a series of material accounting estimates (Note 3). There were three major types of estimate revisions:

a) Reclassification of accounts: Some estimate revisions only required reclassification from one account to another, as was the case with $22.6 million transferred from EEA to PPE. There was no gain or loss arising from this reclassification (Notes 3(e) and 7).

b) Prospective changes: Certain estimate revisions resulted in prospective changes, as was the case with an increase in the useful life of assets, which has resulted in reduced monthly depreciation expense as of April 2014 (Note 3(a)).

c) Changes in estimates affecting earnings or financial position on the reassessment date: These included changes to ARO (Note 3(b)), severance liabilities (Note 3(c)) and royalties to related parties (Note 3(d)). These estimate changes resulted in a gain of $2.4 million (included in cost of sales), a loss of $8.1 million (included in other expenses) and deferred tax expense of $503,000 in Q2-2014, as summarized in the following table.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

Change in Estimate	Effect on Financial Position	Effect on Earnings (Q2-2014)	Tax Effect on Earnings (Q2-2014)
ARO	Unwinding of ARO asset of $2.2 million	-	-
	Unwinding of ARO liability of $7.4 million	-	-
	Unwinding of the two items described above resulted in a $5.2 million credit to PPE which will be unwound through 2037 as depreciation recovery.	-	-
Severance liability	Unwinding of $2.3 million statutory severance liability		-
	Increase of $80,000 in other comprehensive income associated with severance liability	Gain of $2.4 million included in cost of sales	-
	Reduction of $182,000 in contractual severance liability		-
	Reduction of $503,000 in associated deferred income tax asset	-	Expense of $0.5 million
Royalties to related parties	Increased royalty liabilities by $8.1 million	Loss of $8.1million included in other expenses	-
		Loss of $5.7 million	Tax expense of $0.5 million
	Total negative impact on earnings	**$6.2 million**	

5) INVENTORIES

	June 30, 2014 $	December 31, 2013 $
Plant supplies and consumables	6,537	7,310
Concentrate inventories	3,999	4,171
	10,536	11,481

Copper and molybdenum inventories were valued at cost at June 30, 2014 and December 31, 2013, as cost was lower than net realizable value.

During the year ended December 31, 2013, the Company recorded $274,000 in cost of sales as a result of an impairment of specific plant supplies and consumables

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

6) INVESTMENTS

	June 30, 2014 $	December 31, 2013 $
Start of period	3,207	4,149
Exchange differences	-	(51)
Changes in fair value	298	(891)
End of period	3,505	3,207

Available-for-sale financial assets include the following:

	June 30, 2014 $	December 31, 2013 $
Candente Copper Corp.	975	1,555
Los Andes Copper Ltd.	2,530	1,652
	3,505	3,207

a) At June 30, 2014, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.26 and the fair value of the Company's approximately 4% investment in Candente Copper was $975,000. During the six months ended June 30, 2014, the Company recorded other comprehensive loss of $580,000 (six months ended June 30, 2013: other comprehensive loss of $940,000) for the changes in fair value of this investment.

b) At June 30, 2014, Los Andes Copper Ltd. ("Los Andes"), a Company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.26, and the fair value of the Company's approximately 4% investment in Los Andes was $2.5 million. During the six months ended June 30, 2014, the Company recorded other comprehensive income of $878,000 (six months ended June 30, 2013: other comprehensive income of $197,000) for the changes in the fair value of this investment.

c) During the six months ended June 30, 2013, the Group recorded other comprehensive loss of $90,000 for the changes in the fair value of its investment in Candente Gold Corp. and wrote-off this investment on June 30, 2013.

d) During the six months ended June 30, 2013, the Group recorded other comprehensive loss of $33,000 for the changes in the fair value of its investment in Cobriza Metals Corp. and wrote-off this investment on June 30, 2013.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

7) EXPLORATION AND EVALUATION ASSETS

	$
Year ended December 31, 2013	
Opening net book amount	18,736
Exchange differences	(1,806)
Additions	4,445
	21,375
Six months ended June 30, 2014	
Opening net book amount	21,375
Additions	1,209
Transfer to property, plant and equipment (Note 3)	(22,584)
	-

The Company's EEA related to costs incurred to conduct pilot tests, and for engineering and other associated costs to evaluate potential options for the processing of tailings in DET's Cauquenes tailings deposit prior to MVC and DET entering into the Master Agreement (Note 2). MVC had the legal right to explore this area while it conducted negotiations to obtain the right to process these tailings. EEA was reclassified to PPE in Q2-2014. There was no information at the time of transfer to PPE suggesting that the recovery of EEA would be unlikely. EEA were included in the Company's impairment test along with PPE.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

8) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure $	Equipment and other assets $	Total $
Year ended December 31, 2013			
Opening net book amount	109,553	28,784	138,337
Exchange differences	(8,859)	(2,067)	(10,926)
Additions	4,839	1,050	5,889
Disposals	-	(17)	(17)
Impairment	-	(668)	(668)
Transfer to other assets	-	(74)	(74)
Depreciation charge	(12,616)	(3,324)	(15,940)
Closing net book amount	92,917	23,684	116,601
At December 31, 2013			
Cost	167,892	50,549	218,441
Accumulated depreciation	(74,974)	(26,866)	(101,840)
Net book amount	92,918	23,683	116,601
Six months ended June 30, 2014			
Opening net book amount	92,918	23,683	116,601
Elimination of ARO asset (Note 3)	(2,213)	-	(2,213)
Recognition of ARO credit to PPE (Note 3)	(5,233)		(5,233)
Transfer from EEA (Notes 3 and 7)	22,584	-	22,584
Disposals	-	(128)	(128)
Additions	2,999	641	3,640
Depreciation charge	(5,190)	(1,952)	(7,142)
Closing net book amount	105,865	22,244	128,109
At June 30, 2014			
Cost	185,750	51,058	236,808
Accumulated depreciation	(79,885)	(28,814)	(108,699)
Net book amount	105,865	22,244	128,109

An impairment charge of $668,000 was booked in 2013 for obsolescence of specific assets.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

9) Intangible Assets

	$
Net book amount, December 31, 2012	7,402
Exchange differences	(560)
Charged to earnings	(939)
Net book amount, December 31, 2013	5,903
Charged to earnings	(265)
Net book amount, June 30, 2014	5,638

10) Borrowings

a) In December 2008, MVC obtained a $5 million loan from a Chilean bank. In May 2009, the loan was converted into a CLP loan and in May 2010 it was restructured as a three year loan. MVC entered into an interest rate swap through which it fixed the rate of the loan to an annual rate of 9.96%. The loan was repaid in full and the interest rate swap was settled during the quarter ended June 30, 2013.

b) In January 2012, Colihues Energia obtained from a Chilean bank a working capital loan of CLP 301 million (the equivalent of $616,000 at the loan grant date) at an interest rate of 0.61% per month. This loan was repaid in full during the quarter ended June 30, 2013.

c) In July 2011 MVC entered into an agreement with a Chilean bank to secure a revolving working capital line of credit for up to $20 million or its equivalent in CLP (the "Line of Credit"). The Line of Credit had a term to July 4, 2014. For borrowings in CLP, interest was payable at a variable rate of the Chilean Tasa Activa Bancaria (TAB) plus an applicable margin, and for borrowings in US dollars interest was payable at a variable rate of LIBOR-30 days plus applicable margin (approximately 1.81% per annum on CLP draws and 0.49% per month on US dollar draws). The Line of Credit required MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios. MVC was in compliance with these covenants at June 30, 2014 and December 31, 2013. No funds were drawn down on this line of credit.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

11) RELATED PARTY TRANSACTIONS

a) Royalties to Related Parties

The Group 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 and Chief Executive Officer, an associate of the Chairman and Chief Executive Officer, a former director of the Company and an associate of that former director. The Class A shares were issued as part of a tax-efficient structure for the payment of the royalty (the "Royalty") granted in exchange for the transfer to the Company of an option to purchase MVC.

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

The Royalty is calculated as follows:

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

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

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at June 30, 2014 was $13 million (December 31, 2013: $4.9 million), with a current portion of $863,000 (December 31, 2013: $655,000) and a long-term portion of $12.1 million (2013: $4.2 million). In Q2-2014 the fair value of the derivative liability increased by $8.1 million as a result of the increase in MVC's estimated future production from El Teniente tailings, following the contract extension with DET (Notes 2 and 3(d)).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the six months ended June 30, 2014, royalties totalling $296,000 were paid or accrued to the Amerigo International Class A shareholders (2013: $360,000). At June 30, 2014, $44,000 of this amount remained payable (December 31, 2013: $52,000).

Royalties to related parties include the actual royalty dividends described above and changes in fair value of $67,000 (2013: recovery of $559,000), for total royalty expense of $363,000 (2013: recovery of $199,000).

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

b) Purchases of Goods and Services

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

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

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

	Six months ended June 30, 2014 $	**Six months ended June 30, 2013 $**
Salaries and management fees	522	426

c) Key Management Compensation

The remuneration of directors and other members of key management during the periods ended June 30, 2014 and 2013 were as follows:

	Six months ended June 30, 2014 $	**Six months ended June 30, 2013 $**
Management and directors' fees	712	560
Share-based payments	369	52
	1,081	612

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

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

12) EQUITY

a) Share Capital

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

b) Share Options

There were 3,500,000 options granted in the three months ended June 30, 2014. The weighted average fair value of the options granted in this period was estimated at Cdn$0.19 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2014 $	2013 $
Weighted average share price	0.44	-
Weighted average exercise price	0.44	-
Dividend yield	0%	-
Risk free interest rate	1.59%	-
Pre-vest forfeiture rate	0%	-
Expected life (years)	4.73	-
Expected volatility	49.20%	-

Outstanding share options:

	June 30, 2014		December 31, 2013	
	Share options	Weighted average exercise price Cdn$	Share options	Weighted average exercise price Cdn$
At start of the period	11,265,000	0.84	12,300,000	0.95
Exercised	(900,000)	0.31	-	-
Granted	3,500,000	0.44	(1,035,000)	2.13
At end of the period	13,865,000	0.77	11,265,000	0.84
Vested and exercisable	12,115,000	0.82	11,265,000	0.84

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

Information relating to share options outstanding at June 30, 2014 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)
3,500,000	1,750,000	0.44-0.48	0.44	0.44	4.87
3,965,000	3,965,000	0.49-0.74	0.67	0.67	1.07
3,200,000	3,200,000	0.75-0.95	0.77	0.77	2.69
600,000	600,000	0.96-1.22	1.12	1.12	1.86
2,600,000	2,600,000	1.23-1.32	1.32	1.32	1.67
13,865,000	12,115,000		0.77	0.82	2.55

The weighted average remaining life of vested options at June 30, 2014 was 2.21 years.

Further information about share options is as follows:

	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Total compensation recognized	387	52

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

c) (Loss) earnings per Share

i) Basic

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

	Three Months ended June 30, 2014 $	Three Months ended June 30, 2013 $	Six Months ended June 30, 2014 $	Six Months ended June 30, 2013 $
(Loss) profit for the period	(8,290)	(837)	(8,679)	2,401
Weighted average number of shares	173,185,536	172,290,344	172,810,869	172,290,344
Basic (loss) earnings per share	(0.05)	(0.01)	(0.05)	0.01

ii) Diluted

Diluted (loss) earnings per share are 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.

	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six Months ended June 30, 2014 $	Six Months ended June 30, 2013 $
(Loss) profit for the period	(8,290)	(837)	(8,679)	2,401
Weighted average number of ordinary shares in issue	173,185,536	172,290,344	172,810,869	172,290,344
Effect of dilutive securities:				
Share options	-	-	-	606,522
Weighted average diluted shares outstanding	173,185,536	172,290,344	172,810,869	172,896,866
Diluted (loss) earnings per share	(0.05)	(0.01)	(0.05)	0.01

The number of anti-dilutive securities excluded from diluted loss per share calculation for the three and six months ended June 30, 2014 was 3,383,333 share options (three months ended June 30, 2013: 606,522 share options).

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

13) Segment Information

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions. The Company has one operating segment, the production of copper concentrates with the production of molybdenum concentrates as a by-product.

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

	Property, plant and equipment		Other	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Chile	127,874	116,344	6,746	28,318
Canada	235	257	-	-
	128,109	116,601	6,746	28,318

All of the Group's revenue originates in Chile.

In the three months ended June 30, 2014, the Group's sales to one customer represented 95% of reported revenue (2013: 97%).

14) Expenses By Nature

Cost of sales consists of the following:

	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Production costs	15,565	17,867	34,566	39,199
El Teniente royalty	6,250	7,317	12,671	18,017
Depreciation and amortization	2,668	4,462	7,406	8,623
Administration	1,297	1,195	2,489	2,579
Transportation	347	362	701	822
	26,127	31,203	57,833	69,240

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

General and administration expenses consist of the following:

	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Office and general expenses	164	186	583	592
Salaries, management and professional fees	451	418	989	793
Share-based payment compensation	387	21	387	52
Bad debt recovery	-	(52)	-	(52)
Royalties to related parties	318	(299)	363	(199)
	1,320	274	2,322	1,186

15) FINANCE EXPENSE

	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Interest charges	64	72	119	229
Interest rate swap-change in fair value	-	(51)	-	(116)
Asset retirement obligation accretion cost	31	93	125	186
	95	114	244	299

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

16) OTHER (GAINS) EXPENSES

	Three months ended June 30, 2014 $	Three months ended June, 2013 $	Six months ended June 30, 2014 $	Six months ended June, 2013 $
Foreign exchange (gain) expense	(318)	1,003	(515)	905
Other gains	(47)	(101)	(127)	(212)
	(365)	902	(642)	693

17) SUPPLEMENTARY CASH FLOW INFORMATION

	2014 $	2013 $
(a) Interest and taxes paid		
Interest paid	72	102
Income taxes paid	1,079	1,290
(b) Other		
Decrease in accounts payable related to the acquisition of plant and equipment	(1,302)	(2,280)
Cash paid during the year for royalty dividends to related parties	304	370

18) 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 $365,000 per month for the period January 1, 2014 to December 31, 2017.

b) The Company has entered into a joint lease agreement together with an unrelated corporation for the lease of office premises in Vancouver. The lease is for a five year term commencing August 1, 2011, and the Company's share of basic rent commitments for the remaining term of the contract is approximately $264,000.

c) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess, under the new 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 or compensation of such variation. Until such time as the estimation of the new closure plan is available and the Parties agree on the terms of compensation resulting from the revised plan, it is the Company's view there is no obligation to record a provision because the amount, if any, is not possible to determine.

(tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

19) SUBSEQUENT EVENTS

a) On July 4, 2014, the line of credit described in Note 10(c) expired.

b) On July 8, 2014, the Chilean Ministry of Finance and Senate reached an agreement on modifications to the Tax Reform Bill (the "Bill") originally submitted to Congress in April 2014. Highlights of the modifications include the following:

- A 10% withholding tax payable on total income attributed to final shareholders would be eliminated from the Bill;
- Payment of tax on attributed income at the time income is earned would be optional to the taxpayer. In case a taxpayer does not opt for the attributed system, it would be subject to a "partial integrated system" whereby the First Category Income Tax ("FCIT") would apply at a 27% rate on an accrued basis. Shareholders would be subject to final taxes (Additional Tax or Global Complementary Tax) upon distribution, but the credit against for the FCIT would be limited to a 65% FCIT paid;
- The one-year instant depreciation transitional provision would be eliminated from the Bill;
- The General Anti Evasion Standard included in the original Bill would be modified recognizing that taxpayers may opt between legal available options without being re-characterized by the Chilean IRS. The burden of proof on tax abuse transactions subject to re-characterization would fall on the IRS.

c) On July 9, 2014, Chile's Regional Environmental Commission, COREMA, provided environmental approval of the Cauquenes expansion project, enabling MVC to apply for the permits necessary for the construction and operation of its expanded operations.