Amerigo Resources Ltd.

Consolidated Financial Statements
For the year ended December 31, 2012
(expressed in U.S. dollars)

Amerigo Resources Ltd.
Commerce Place, Suite 1950 - 400 Burrard Street, Vancouver, B.C. Canada V6C 3A6 P + 1.604.681.2802 F + 604.682.2802

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

"Klaus Zeitler"
Klaus Zeitler
President and Chief Executive Officer

February 25, 2013

"Aurora Davidson"
Aurora Davidson
Chief Financial Officer

February 25, 2013

February 25, 2013

Independent Auditor's Report

To the Shareholders of Amerigo Resources Ltd:

We have audited the accompanying consolidated financial statements of Amerigo Resources Ltd ("Amerigo" or the "Company"), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive (loss) income, cash flows and changes in equity for the years ended December 31, 2012 and 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in U.S. dollars)

	Notes	December 31, 2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	5	9,249,540	20,819,467
Trade and other receivables	6	13,862,805	18,885,945
Prepaid expenses		337,540	380,797
Inventories	7	11,323,858	9,564,669
		34,773,743	49,650,878
Non-current assets			
Investments	8	4,149,388	8,722,744
Property, plant and equipment	10	157,073,232	138,638,900
Intangible assets	11	7,401,548	7,726,251
Other non-current assets		1,018,408	590,846
Total assets		204,416,319	205,329,619
Liabilities			
Current liabilities			
Trade and other payables	12	20,632,626	21,338,603
El Teniente royalties payable	9, 12	16,498,336	9,523,714
Current income tax liabilities	17, 12	335,057	667,573
Royalites to related parties	15, 12	731,588	646,214
Borrowings	13	1,482,624	3,854,551
		39,680,231	36,030,655
Non-current liabilities			
Borrowings	13	-	764,598
Severance provisions	12	4,300,283	2,538,590
Royalties to related parties	15	5,285,236	5,141,220
Asset retirement obligation	14	6,926,150	6,841,707
Deferred income tax liability	17	16,026,063	15,031,235
Total liabilities		72,217,963	66,348,005
Equity	16		
Share Capital		77,513,839	77,513,839
Other reserves		6,524,823	5,484,972
Retained earnings		38,482,624	53,519,770
Accumulated other comprehensive income		9,677,070	2,463,033
Total equity		132,198,356	138,981,614
Total equity and liabilities		204,416,319	205,329,619
Commitments	26		
Subsequent event	27		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

Consolidated Statements of Comprehensive (Loss) Income

(expressed in U.S. dollars)

	Notes	Years ended December 31, 2012	2011
		$	$
Revenue		181,760,724	166,073,816
Cost of sales	19	182,850,919	156,296,713
Gross (loss) profit		(1,090,195)	9,777,103
Other expenses			
General and administration	19, 20	4,847,169	6,964,749
Other gains	22	(1,096,208)	(72,879)
		3,750,961	6,891,870
Operating (loss) profit		(4,841,156)	2,885,233
Finance expense	21	1,056,030	1,307,233
Gain on sale of investments	8	-	(9,750,931)
		1,056,030	(8,443,698)
(Loss) profit before tax		(5,897,186)	11,328,931
Income tax expense	17	2,295,210	2,628,413
(Loss) profit		(8,192,396)	8,700,518
Cumulative translation adjustment		10,339,066	(14,397,838)
Unrealized losses on investments, net of taxes		(3,125,029)	(4,136,127)
Transfer of other comprehensive income on sale of investments, net of taxes		-	(8,371,680)
Other comprehensive income (loss)		7,214,037	(26,905,645)
Comprehensive (loss) income		(978,359)	(18,205,127)
Weghted average number of shares outstanding basic		172,290,344	172,047,604
Weighted average number of shares outstanding diluted		172,290,344	172,537,078
(Loss) earnings per share			
Basic		(0.05)	0.05
Diluted		(0.05)	0.05

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

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Years ended December 31,	
	2012	2011
	$	$
Cash flows from operating activities		
(Loss) profit for the year	(8,192,396)	8,700,518
Adjustment for items not affecting cash:		
Gain on investment	-	(9,750,931)
Depreciation and amortization	16,055,282	14,820,614
Bad debt (recovery) expense	-	1,548,751
Deferred income tax expense	1,714,511	1,871,101
Share-based payments	1,039,851	1,763,165
Other	1,666,318	1,092,870
	12,283,566	20,046,088
Changes in non-cash working capital		
Trade, other receivables and advances	6,539,334	(4,586,748)
Inventories	(964,091)	(4,063,641)
Trade and other payables	(1,246,774)	3,648,189
El Teniente royalty payables	6,112,806	(993,404)
Net cash from operating activities	22,724,841	14,050,484
Cash flows from investing activities		
Purchase of plant and equipment	(16,052,208)	(12,718,768)
Exploration and evaluation	(7,655,446)	(8,627,431)
Proceeds from sale of plant and equipment	-	21,365
Proceeds from sale of investments	-	10,405,571
Net cash from investing activities	(23,707,654)	(10,919,263)
Cash flows from financing activities		
Repayments, net	(3,347,914)	(9,757,661)
Dividends	(6,844,750)	(6,850,264)
Issuance of shares on exercise of share options	-	264,992
Net cash from financing activities	(10,192,664)	(16,342,933)
Net decrease in cash and cash equivalents	(11,175,477)	(13,211,712)
Effect of exchange rate changes on cash	(394,450)	(1,013,618)
Cash and cash equivalents – Beginning of year	20,819,467	35,044,797
Cash and cash equivalents - End of year	9,249,540	20,819,467

Supplementary cash flow information (Note 25)

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

Amerigo Resources Ltd.

Consolidated Statements of Changes in Equity

(expressed in U.S. dollars)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive income	Retained earnings	Total equity
		$	$	$	$	$
Balance January 1, 2011	171,510,344	77,166,170	3,804,484	29,368,678	51,669,516	162,008,848
Issue of shares-						
Exercise of share options	780,000	347,669	(82,677)	-	-	264,992
Share-based payments	-	-	1,763,165	-	-	1,763,165
Cumulative translation adjustment	-	-	-	(14,397,838)	-	(14,397,838)
Unrealized losses on investments (net of tax recoveries of $946,071)	-	-	-	(4,136,127)	-	(4,136,127)
Transfer of other comprehensive income on sale of investments (net of tax of $2,092,920)	-	-	-	(8,371,680)	-	(8,371,680)
Net earnings for the year	-	-	-	-	8,700,518	8,700,518
Dividends	-	-	-	-	(6,850,264)	(6,850,264)
Balance December 31, 2011	172,290,344	77,513,839	5,484,972	2,463,033	53,519,770	138,981,614
Balance January 1, 2012	172,290,344	77,513,839	5,484,972	2,463,033	53,519,770	138,981,614
Share-based payments	-	-	1,039,851	-	-	1,039,851
Cumulative translation adjustment	-	-	-	10,339,066	-	10,339,066
Unrealized losses on investments (net of tax recoveries of $1,448,327)	-	-	-	(3,125,029)	-	(3,125,029)
Net loss for the year	-	-	-	-	(8,192,396)	(8,192,396)
Dividends	-	-	-	-	(6,844,750)	(6,844,750)
Balance December 31, 2012	172,290,344	77,513,839	6,524,823	9,677,070	38,482,624	132,198,356

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

(expressed in U.S. dollars)

1) GENERAL INFORMATION

Amerigo Resources Ltd. (the "Company") is a company incorporated pursuant to the laws of British Columbia, 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. The address of the Company's principal office is Suite 1950 – 400 Burrard Street, Vancouver, British Columbia.

The Company is a producer of copper and molybdenum concentrates with operations in Chile. Its operating subsidiary Minera Valle Central S.A. ("MVC") has a contract with Corporacion Nacional del Cobre de Chile ("Codelco"), Chile's state-owned copper producer, through 2021 to process the tailings from El Teniente, the world's largest underground copper mine.

These consolidated financial statements were authorised for issue by the board of directors on February 25, 2013 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with IFRS.

The consolidated financial statements have been prepared on an historical cost basis, except for financial instruments which have been measured at fair value. The consolidated financial statements are presented in U.S. dollars except when otherwise indicated.

Consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. The Company's principal operating subsidiaries are Minera Valle Central S.A. (100% owned, Chile) and MVC Generacion S.A. (100% owned, Chile).

Segment Reporting

The Company operates in one segment which is the production of copper concentrates, with the production of molybdenum concentrates as a by-product.

(expressed in U.S. dollars)

Foreign Currency Translation

Functional and Presentation Currency

The Company's presentation currency is the U.S. dollar ("$"). The functional currencies of the Company and MVC are the Canadian dollar and Chilean peso ("CLP"), respectively. 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.

Transactions and Balances

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

Property, Plant and Equipment

Exploration and Evaluation Costs

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

Property, Plant and Equipment

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

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

MVC depreciates its property, plant and equipment using the straight-line method over the estimated useful life of the assets, not to exceed the term of the current contract with El Teniente.

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

(expressed in U.S. dollars)

Asset Impairment

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

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

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

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Intangible Assets

Intangible assets reflect the value assigned to the MVC and Codelco contract for the processing of tailings from the El Teniente mine. This contractual right is amortized on a units of production basis over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired. In addition to the amortization of the contractual right, royalties payable to El Teniente under the contract are recorded based on production in the year and included in cost of sales (Note 11).

Financial Assets and other Financial Liabilities

Classification

a) Loans and Receivables

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

(expressed in U.S. dollars)

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

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

c) Other Financial Liabilities

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

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

e) Derivatives

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

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

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

Recognition and Measurement

a) Effective Interest Method

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

(expressed in U.S. dollars)

b) Impairment of Financial Assets

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

Objective evidence of impairment could include the following:

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

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

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

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

c) De-Recognition of Financial Assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the holders earn the options.
The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

(expressed in U.S. dollars)

Inventories

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

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

Cash and Cash Equivalents

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

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

Current and Deferred Income Tax

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

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

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

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

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

(expressed in U.S. dollars)

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

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

MVC has a future obligation to retire the assets located at its facility at the end of its contract with El Teniente in 2021. This obligation has been recorded as a liability at present value in the Company's consolidated statement of financial position. The value of asset retirement 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 the liability. The fair value of the liability is added to the carrying amount of plant and equipment, and this additional carrying amount is depreciated over time to 2021. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in finance expense.

MVC has a future obligation with its workers for statutory severance payments based on their employee contracts and/or Chilean labour law at the term of the current contract with El Teniente in 2021. This obligation has been recorded as a liability at present value in the Company's consolidated statement of financial position. The value of the severance provision is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The increase or decrease over time in the present value of the liability is recorded each period in cost of sales.

Earnings (Loss) per Share

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

Revenue Recognition

Revenue from the sale of the Company's copper and molybdenum concentrates is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. In 2012 the majority of the Company's concentrates were sold at known market prices.

(expressed in U.S. dollars)

In circumstances where final prices are determined by quoted market prices in a period subsequent to the date of sale, prices are determined on a provisional basis at the date of sale and revenues are recorded based on forward prices. Adjustments are made to the sale price in subsequent periods based on movements in quoted market prices up to date of the final pricing. Under these circumstances, the value of the Company's amounts receivable change as the underlying commodity market prices vary. This adjustment mechanism has the characteristics of a derivative. Accordingly, the fair value of the receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue.

Copper produced by the Company is sold under a written sales agreement with Chile's Empresa Nacional de Minería ("Enami"). The agreement with Enami establishes a delivery schedule of monthly sales quotas and in 2012 set the Company's copper sale price at the average market price for the month preceding delivery ("M-1"). Where production falls short of the monthly quota for a scheduled month of delivery, the quota is carried forward to a subsequent calendar month and the Company receives a sale price calculated for the originally scheduled month of delivery until the quota is met.

Molybdenum produced by the Company is predominantly sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"). In 2012, the sale price to Molymet was the average market price for the third month following delivery ("M+3"). In normal supply conditions and in circumstances where the quotational period for sales goes beyond the sale price for the month of delivery, sales for copper and molybdenum concentrates are provisionally priced at the time of sale based on the prevailing copper forward market price or the current molybdenum market price, as specified in the sales contracts, where applicable. Variations between the price recorded at the time of sale and the actual final price received from Enami or Molymet are caused by changes in copper and molybdenum market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. In a period of rising prices, not only will the Company record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for copper and molybdenum concentrates delivered in the prior period. Similarly, in a period of declining prices, the Company will record lower revenues for current deliveries and negative adjustments to revenue for prior period deliveries.

Comprehensive Income (Loss)

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

(expressed in U.S. dollars)

3) APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued the following standards which have not yet been adopted by the Company. Unless otherwise stated, each of the new standards is effective for annual periods beginning on or after January 1, 2013. The Company is completing its assessment of the impact that the new and amended standards will have on its consolidated financial statements.

The following is a brief summary of the new standards:

IFRS 7 Amendments

The IASB has issued Disclosures – Offsetting Financial Assets and Liabilities as Amendments to IFRS 7, intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position.

IFRS 9 – Financial instruments - classification and measurement

In November 2009 and October 2010, the IASB issued IFRS 9 – Financial instruments ("IFRS 9"), Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also proposes a new expected loss impairment method to be used, replacing the existing incurred loss model in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income ("OCI"), instead of net profit, unless this would create an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. A venture accounts for a joint venture using the equity method of accounting, whereas for a joint operation a venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

(expressed in U.S. dollars)

IFRS 12 – Disclosure of interests in other entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair value measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 – Presentation of financial statements

Effective for annual periods beginning on or after July 1, 2012, requires that elements of other comprehensive income that may subsequently be recycled through profit or loss be differentiated from those items that will not be recycled.

IAS 32 – Offsetting financial assets and liabilities

The IASB has clarified its requirements for offsetting financial instruments by issuing Amendments to IAS 32 that address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments Presentation. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 11.

(expressed in U.S. dollars)

4) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that 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.

Useful Life of Assets

As at December 31, 2012, the contract with El Teniente has been estimated to terminate as of December 31, 2021. The useful lives of assets have been determined based on their estimated economic life, not to exceed December 31, 2021. The remaining life of the contract with El Teniente may change based on executed term extensions.

Asset Retirement Obligation ("ARO")

The Company assesses its provision for ARO annually and fair values the liability at the end of each reporting year, using the current risk-free discount rates. The ARO results from the obligation to remove property and equipment at the term of the El Teniente contract and from environmental regulations set by Chilean authorities. AROs include costs related to MVC's plant and equipment. The ARO is a critical accounting estimate for the Company. There are significant uncertainties related to the ARO and the impact on the financial statements could be material. The eventual timing and costs of the ARO could differ from current estimates. The main factors that could cause expected ARO cash flows to change include changes to laws and legislation and additions of new plant and equipment.

The future value of the provision for ARO was determined using an estimated annual inflation rate of 3.5%, a risk premium estimated at 7% and discounted at the risk-free rate of 5.37%.

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 and value in use requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, 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 will alter these projections, which may 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.

(expressed in U.S. dollars)

As at December 31, 2012, management of the Company determined that the decline in the Company's share price constituted an impairment indicator, and completed an impairment assessment for MVC.

The impairment assessment included a fair value less cost to sell determination. Key assumptions incorporated in the model included the following:

- Copper prices ($/lb)– 2013: $3.76; 2014: $3.60: 2015: $3.40; 2016: $3.36: 2017 to 2021: $2.95
- Power costs – From 2013 to 2017 costs are per contractual estimates (2013: $0.096/kWh, 2014: $0.094/kWh, 2015: $0.093/kWh, 2016: $0.088/kWh, 2017: $0.089/kWh). From 2018 to 2021: estimates based on adjusted costs of $0.1020-$0.1030/kWh
- Operating costs based on historical costs incurred and estimated forecasts
- Production volume and recoveries as indicated in MVC's mining plan to 2021
- Discount rate – 9% after tax rate

Management's impairment evaluation did not result in the identification of an impairment loss as of December 31, 2012. Although management believes the estimates applied in these impairment assessments are reasonable, such estimates are subject to significant uncertainties and judgments. Sensitivities to changes in estimated operating costs, particularly estimated power costs beyond MVC's current power contracts could trigger an impairment which could be material.

Exploration and Evaluation Assets

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 from future processing operations. 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.

Reserve Estimates

Reserves are estimates of the amount of copper and molybdenum concentrates than can be produced by MVC under its agreements with El Teniente. The estimate of reserves is prepared by members of MVC management. Changes in the reserve estimates may impact upon impairment of property, plant and equipment analysis, amortization of intangible assets and valuation of royalties to related parties.

5) CASH AND CASH EQUIVALENTS

(expressed in U.S. dollars)

	December 31, 2012 $	December 31, 2011 $
Cash at bank and on hand	2,156,345	3,150,994
Short term bank deposits	7,093,195	17,668,473
	9,249,540	20,819,467

6) TRADE AND OTHER RECEIVABLES

	December 31, 2012 $	December 31, 2011 $
Current		
Accounts receivable	13,862,805	20,329,713
Less: Provision for impairment of trade receivables	-	(1,443,768)
Accounts receivable - net	13,862,805	18,885,945
Non-current		
Other non-current assets	1,018,408	590,846

As of December 31, 2012, there were trade receivables of $nil impaired and provided for (December 31, 2011: $1,443,768).

The ageing analysis of these trade receivables is as follows:

	December 31, 2012 $	December 31, 2011 $
Up to 3 months	8,946,737	12,846,922
3 to 6 months	3,520,622	4,313,217
Greater than 6 months	1,395,446	1,725,806
	13,862,805	18,885,945

The carrying amounts of the Company’s trade and other receivables are denominated in the following currencies:

(expressed in U.S. dollars)

Currency	December 31, 2012 $	December 31, 2011 $
Chilean Peso	13,818,964	18,799,369
Other	43,841	86,576
	13,862,805	18,885,945

(expressed in U.S. dollars)

The fair values of trade and other receivables are as follows:

	December 31, 2012 $	December 31, 2011 $
Trade receivables	9,612,181	12,210,272
Other	4,250,624	6,675,673
	13,862,805	18,885,945

The effective interest rates on trade and other receivables were nil% (December 31, 2011: nil%).

7) INVENTORIES

	December 31, 2012 $	December 31, 2011 $
Plant supplies and consumables at cost	7,957,332	5,697,799
	7,957,332	5,697,799
Concentrate inventories at cost	3,366,526	3,866,870
	3,366,526	3,866,870
	11,323,858	9,564,669

Concentrates in process at the various processing stages of MVC's operations and finished product inventories are valued at the lower of cost and net realizable value.

The amount of inventories recognised in operating expenses amounted to $nil (December 31, 2011: $nil).

8) INVESTMENTS

	December 31, 2012 $	December 31, 2011 $
Start of period	8,722,744	25,583,511
Exchange differences	141,504	245,285
Disposals	-	(11,119,240)
Changes in fair value	(4,714,860)	(5,986,812)
End of period	4,149,388	8,722,744

(expressed in U.S. dollars)

Available-for-sale financial assets include the following:

	December 31, 2012 $	December 31, 2011 $
Candente Copper Corp.	2,210,104	5,527,254
Candente Gold Corp.	260,162	499,158
Los Andes Copper Ltd.	1,609,329	2,519,688
Cobriza Metals Corp.	69,793	176,644
	4,149,388	8,722,744

a) During the year ended December 31, 2011, the Company sold 5,000,000 shares of Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, and recognized a gain of $9,750,931 in earnings. At December 31, 2012, Candente Copper's closing share price was Cdn$0.38 and the fair value of the Company's approximately 5% investment in Candente Copper was $2,210,104. During the year ended December 31, 2012, the Company recorded other comprehensive loss of $3,317,150 (2011: other comprehensive loss of $2,990,139) for the changes in fair value of this investment.

b) At December 31, 2012, Candente Gold Corp. ("Candente Gold"), a company listed on the TSX, had a closing share price of Cdn$0.12, and the fair value of the Company's approximately 3% investment in Candente Gold was $260,162. During the year ended December 31, 2012, the Company recorded other comprehensive loss of $238,996 (2011: other comprehensive loss of $1,680,292) for the changes in the fair value of this investment.

c) At December 31, 2012, Los Andes Copper Ltd. ("Los Andes"), a Company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.20, and the fair value of the Company's approximately 5% investment was $1,609,329. During the year ended December 31, 2012, the Company recorded other comprehensive loss of $910,359 (2011: other comprehensive loss of $1,247,740) for the changes in the fair value of this investment.

d) On October 6, 2011, the Company received a total of 1,157,656 shares of Cobriza Metals Corp. ("Cobriza"), a company listed on the TSX Venture Exchange, following Cobriza's spinout from Candente Copper. At December 31, 2012, Cobriza's closing share price was Cdn$0.06, and the fair value of the Company's approximately 4% investment in Cobriza was $69,793. The Company recorded other comprehensive loss of $106,851 for the decrease in the fair value of this investment during the year ended December 31, 2012 (2011: other comprehensive income of $176,644).

(expressed in U.S. dollars)

9) El Teniente Royalties Payable

MVC has a contract with Codelco – El Teniente ("DET") until 2021 to process tailings from the current production of the El Teniente mine in Chile ("fresh tailings"). MVC pays a royalty to DET on copper and molybdenum concentrates produced by MVC. The amount of the copper royalty on fresh tailings is determined pursuant to a formula that considers both the price of copper and the copper content in the fresh tailings. No royalties are payable on fresh tailings if the copper price is below $0.80/lb (for copper content in fresh tailings between 0.09% and 0.1499%); if the copper price is between $0.80/lb and $0.95/lb, the royalty varies on a sliding scale from 0% to 10%; if the copper price is between $0.95/lb and $1.30/lb, the royalty varies on a sliding scale from 10% to 13.5%; and if the copper price is $1.30/lb or higher, a maximum royalty of 13.5% is payable.

Royalty payments for copper concentrates production are calculated using the LME Price for copper for the month of delivery of the tailings, and invoiced by DET in Chilean Pesos ("CLP") using the higher of either the "Dolar Acuerdo" or the "Dolar Observado" exchange rates, on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings. Payment to DET is made within 10 days of receipt of invoices. Accordingly, the price base used for the calculation of the El Teniente royalty is, in most instances, not the same price base used for the pricing of copper concentrate sales.

Adjustments to the El Teniente royalty are recorded on a monthly basis for changes in copper concentrate deliveries during the settlement period.

MVC also pays to DET a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates produced from fresh tailings.
The El Teniente royalties are recorded as a component of cost of sales.

During the quarter ended June 30, 2009, MVC reached an agreement with DET with respect to the processing of tailings from the Colihues tailings impoundment ("old tailings"), which provides for a sliding scale copper royalty on old tailings that is 3% if the LME Price is less than $0.80/lb, and rises to approximately 30% at an LME Price of $4.27/lb, but also contains a provision that the parties will review and potentially adjust the formula where the LME Price remains lower than $1.95/lb or higher than $4.27/lb for three consecutive months. For molybdenum prices lower than $35/lb, the royalty on old tailings is 11.9% and for molybdenum prices greater than or equal to $35/lb, the royalty is 12.4%. The agreement further provides that in December of each year the parties will revise the formula's grade and recovery parameters if necessary.

From time to time the Company may enter into short term modifications to the legal structure of the royalty arrangements with El Teniente. The Company's view is that these arrangements do not change the nature of the underlying Royalty arrangement.

As at December 31, 2012, royalties payable to El Teniente were $16,498,336 (December 31, 2011: $9,523,714), representing approximately four months of royalties.

(expressed in U.S. dollars)

10) PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation $	Plant and infrastructure $	Machinery and equipment and other assets $	Total $
Year ended December 31, 2011				
Opening net book amount	1,209,927	112,142,551	27,321,165	140,673,643
Exchange differences	(235,330)	(10,821,380)	(2,508,032)	(13,564,742)
Additions	8,627,431	12,081,212	5,029,752	25,738,395
Disposals	-	-	(36,335)	(36,335)
Depreciation charge	-	(11,492,306)	(2,679,755)	(14,172,061)
Closing net book amount	9,602,028	101,910,077	27,126,795	138,638,900
At December 31, 2011				
Cost	10,130,971	154,533,713	48,582,632	213,247,316
Accumulated depreciation	-	(52,623,636)	(21,984,780)	(74,608,416)
Net book amount	10,130,971	101,910,077	26,597,852	138,638,900
Year ended December 31, 2012				
Opening net book amount	10,130,971	101,910,077	26,597,852	138,638,900
Exchange differences	949,894	8,767,188	1,914,700	11,631,782
Additions	7,655,446	11,297,375	2,967,212	21,920,033
Depreciation charge	-	(12,422,059)	(2,695,424)	(15,117,483)
Closing net book amount	18,736,311	109,552,581	28,784,340	157,073,232
At December 31, 2012				
Cost	18,736,311	178,780,420	55,230,969	252,747,700
Accumulated depreciation	-	(69,227,838)	(26,446,630)	(95,674,468)
Net book amount	18,736,311	109,552,582	28,784,339	157,073,232

Total interest of $206,360 was capitalised to December 31, 2012 (December 31, 2011: $160,006) and is included in property, plant and equipment at December 31, 2012.

In connection with one of the bank loans described in Note 13, MVC has provided collateral on machinery and equipment valued at approximately $6,267,000.

(expressed in U.S. dollars)

11) Intangible Assets

	$
Net book amount, December 31, 2010	9,233,924
Exchange differences	(859,120)
Charged to earnings	(648,553)
Net book amount, December 31, 2011	7,726,251
Exchange differences	613,094
Charged to earnings	(937,797)
Net book amount, December 31, 2012	7,401,548

12) Trade And Other Payables

	2012	**2011**
	$	**$**
Current		
Trade and other payables	20,632,626	21,338,603
Current income tax liabilities	335,057	667,573
El Teniente royalties payable (Note 9)	16,498,336	9,523,714
Royalties to related parties	731,588	646,214
	38,197,607	32,176,104
Non-current		
Severance provisions	4,300,283	2,538,590
Royalties to related parties	5,285,236	5,141,220
	9,585,519	7,679,810

The Company has accrued for severance provisions in respect of estimated statutory severance payments in MVC at the termination of its current contract with El Teniente in 2021. The estimate of severance provisions is calculated through an actuarial model that considers variables such as the current population statistics of MVC employees, estimated employee turnover and voluntary retirement from MVC, death rates, retirement age, salary adjustments and discount rates. The severance provision at December 31, 2012 was $4,300,283 (2011: $2,538,590).

(expressed in U.S. dollars)

13) BORROWINGS

	December 31, 2012 $	December 31, 2011 $
Bank loans (Note 13(b), (c) and (d))	1,482,624	4,619,149
	1,482,624	4,619,149
Less: Short-term debt and current portion of long-term debt	(1,482,624)	(3,854,551)
	-	764,598

a) In October 2009, MVC obtained from a Chilean bank a loan denominated in Unidades de Fomento ("UF"), the Chilean indexed monetary unit. The principal amount of this loan was UF167,600 (the equivalent of CLP 3,500,000,000 or $6,508,957 at the loan grant date). This loan was repaid in full during the quarter ended December 31, 2011.

b) In November 2010, MVC obtained from the same bank described in note 13(a) an additional loan denominated in U.S. dollars in the principal amount of $4,000,000 to assist with the financing of a pilot plant to evaluate the viability of processing tailings from a new project. This loan was repaid in full during the quarter ended December 31, 2012. Total borrowing costs of $206,360 on this loan have been capitalized, at a capitalization rate of 100%.

c) In December 2008, MVC obtained a $5,000,000 loan from a Chilean bank. In May 2009, the loan was converted into a CLP loan and on May 12, 2010 it was restructured as a three year loan. The principal amount of this loan is CLP2,858,250,000 and it is repayable in 36 equal monthly instalments of CLP79,395,833 from June 2010 to May 2013. The loan agreement provides for interest at a variable rate of Chilean Association of Banks and Financial Institutions Tasa Bancaria ("TAB") plus 2.5%. Concurrently with the loan agreement, the Company entered into an interest rate swap ("IRS") through which it fixed the rate of the loan to an annual rate of 9.96%. The Company has recognized the IRS in the balance sheet at fair value with changes in its fair value recognized in earnings. MVC provided the bank with security in certain machinery and equipment with a value of approximately $6,267,000 as collateral. The balance of the loan and accrued interest at December 31, 2012 was the CLP equivalent of $842,714 (December 31, 2011: $2,614,989).

d) In January 2012, Minera Valle Central Generacion S.A. ("MVC Generacion"), a wholly-owned subsidiary, obtained from a Chilean bank a working capital loan of CLP 301,000,000 (the equivalent of $615,555 at the loan grant date) at an interest rate of 0.63% per month. This loan was renewed on January 17, 2013 (Note 27). The balance of the loan and accrued interest at December 31, 2012 was the CLP equivalent of $639,910 (December 31, 2011: $nil).

e) 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 has a term to July 4, 2014. For borrowings in CLP, this loan provides for interest at a variable rate of TAB plus an applicable margin, and for borrowings in US dollars provides for interest at a variable rate of LIBOR-30 days plus applicable margin. Current borrowing rates would be 0.62% per month on CLP draws and 0.18% per month on US dollar draws. The Line of Credit requires MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios. MVC was in compliance with these covenants at December 31, 2012. No funds have been drawn down on this line of credit.

(expressed in U.S. dollars)

14) Asset Retirement Obligation

MVC is obligated through its operating contract with Codelco to remove the facilities and equipment used in its operations and to leave the land occupied by MVC's operations clean and clear within six months of expiry of the contract or any extensions to it.

In 2011 the Company obtained an independent assessment of site restoration costs which was updated in 2012 by MVC's engineering department. The 2012 revised report indicated costs of $7,604,975 as at the end of 2012, which were adjusted to reflect inflation (estimated at an annual rate of 3.5%), risk premium (estimated at 7%) and discounted at the risk-free rate of 5.37%. The 2012 revised assessment of asset recovery values indicated it was necessary to make adjustments to prospective amortization charges. In 2012, the Company recorded a further decrease to property, plant and equipment of $249,342, with a corresponding decrease to the asset retirement liability.

The liability is being accreted over time to 2021, the current term of the contract with El Teniente.

	$
At January 1, 2012	6,841,707
Charged to (loss) profit	
- Accretion	333,785
Change in estimate	(249,342)
At December 31, 2012	6,926,150

15) Related Party Transactions

a) Royalties to Related Parties

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

Amerigo International is wholly-owned by Amerigo except for certain outstanding Class A shares which are owned indirectly by Amerigo's President and Chief Executive Officer, an associate of the President and Chief Executive Officer, a former director of Amerigo 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.

(expressed in U.S. dollars)

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in (loss) profit for the period. The fair value of the liability at December 31, 2012 is $6,016,824 (December 31, 2011: $5,787,434), with a current portion of $731,588 (December 31, 2011: $646,214) and a long-term portion of $5,285,236 (2011: $5,141,220).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the year ended December 31, 2012, royalties totalling $840,415 were paid or accrued to the Amerigo International Class A shareholders (2011: $731,585). At December 31, 2012, $70,933 of this amount remained outstanding (December 31, 2011: $74,967).

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.

	Year ended December 31, 2012 $	**Year ended December 31, 2011 $**
Salaries and management fees	1,218,458	1,130,880

c) Key Management Compensation

The remuneration of directors and other members of key management during the years ended December 31, 2012 and 2011 were as follows:

	Year ended December 31, 2012 $	**Year ended December 31, 2011 $**
Management and directors' fees	1,468,635	1,337,021
Share-based payments	1,009,602	1,708,515
	2,478,237	3,045,536

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

(expressed in U.S. dollars)

16) EQUITY

a) Share Capital

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

b) Share Options

The weighted average fair value of the share options granted in the period was estimated at Cdn$0.28 per option (2011: Cdn$0.54) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2012	**2011**
	$	$
Weighted average share price	0.73	1.28
Weighted average exercise price	0.73	1.28
Dividend yield	5.51%	3.17%
Risk free interest rate	1.25%	2.29%
Pre-vest forfeiture rate	0%	0%
Expected life (years)	3.66	3.61
Expected volatility	71.73%	67.93%

Outstanding share options:

	December 31, 2012		**December 31, 2011**	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the year	10,070,000	1.25	9,010,000	1.38
Granted	3,900,000	0.73	3,200,000	1.28
Exercised	-	-	(780,000)	0.33
Expired	(1,670,000)	2.23	(1,360,000)	2.69
At end of the year	12,300,000	0.95	10,070,000	1.25
Vested and exercisable	11,600,000	0.98	10,070,000	1.25

(expressed in U.S. dollars)

Information relating to share options outstanding at December 31, 2012 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 $	Weighted average remaining life of outstanding options (years)
1,700,000	1,000,000	0.31-0.69	0.42	0.35	2.58
3,165,000	3,165,000	0.70-0.74	0.70	0.70	2.17
3,200,000	3,200,000	0.75-0.95	0.77	0.77	4.18
3,200,000	3,200,000	0.96-1.73	1.28	1.28	3.2
1,035,000	1,035,000	1.74-2.13	2.13	2.13	0.22
12,300,000	11,600,000		0.95	0.98	2.86

The weighted average remaining life of vested options at December 31, 2012 was 2.86 years.

Further information about share options is as follows:

	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Total compensation recognized	1,039,851	1,763,165

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 year excluding ordinary shares purchased by the Company and held as treasury shares.

	December 31, 2012 $	December 31, 2011 $
(Loss) profit for the year	(8,192,396)	8,700,518
Weighted average number of shares	172,290,344	172,047,604
Basic earnings per share	(0.05)	0.05

(expressed in U.S. dollars)

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.

	December 31, 2012 $	December 31, 2011 $
(Loss) profit for the year	(8,192,396)	8,700,518
Weighted average number of ordinary shares in issue	172,290,344	172,047,604
Effect of dilutive securities:		
Share options	-	489,474
Weighted average diluted shares outstanding	172,290,344	172,537,078
Diluted earnings per share	(0.05)	0.05

The number of anti-dilutive securities excluded from the diluted loss per share calculation for the year ended December 31, 2012 was 1,600,000 share options.

(expressed in U.S. dollars)

17) Income Tax Expense

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

	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Current		
Canadian income tax	200,694	1,446
Foreign income and resource tax	380,005	755,866
Total current tax	580,699	757,312
Deferred		
Canadian income tax	211,100	(7,945)
Foreign income and resource tax	1,503,411	1,879,046
Total deferred tax	1,714,511	1,871,101
Income tax expense	2,295,210	2,628,413

(expressed in U.S. dollars)

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

	Year ended December 31, 2012 $	**Year ended December 31, 2011 $**
(Loss) earnings before tax	(5,897,186)	11,328,931
Statutory tax rate	25%	26.5%
Expected income tax (recovery) expense	(1,474,297)	3,002,166
Tax effect of:		
Non-deductible expenses	(206,060)	668,098
Change in benefits not recognized	797,058	575,298
Income tax rate change - foreign country	2,626,273	-
Withholding tax and other foreign taxes	262,434	-
Benefit of tax rate reduction	-	38,929
Difference in tax rates in foreign jurisdictions	(574,063)	(1,169,220)
OCI movement on fair value adjustments of investments	250,955	-
Foreign exchange impact	267,964	-
Other	344,946	(486,858)
	2,295,210	2,628,413

c) The income tax credited to equity during the year is as follows:

	2012 $	**2011 $**
Current tax	-	-
Deferred tax	1,418,149	3,038,993
	1,418,149	3,038,933

(expressed in U.S. dollars)

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

	December 31, 2012 $	December 31, 2011 $
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	1,449,156	897,101
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(17,475,219)	(15,928,336)
Deferred tax liabilities/asset- net	(16,026,063)	(15,031,235)

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

	2012 $	2011 $
At start of the year	(15,031,235)	(17,530,894)
Tax charged to (loss) earnings	(1,503,411)	(1,871,101)
Tax credited directly to equity	1,207,049	3,038,993
Foreign exchange impact in equity	(698,865)	1,331,767
At end of the year	(16,026,462)	(15,031,235)

(expressed in U.S. dollars)

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

Deferred tax liabilities	**Property, plant and equipment** $	**Intangible assets** $	**Other** $	**Total** $
At December 31, 2010	(13,086,773)	(1,569,767)	(3,466,343)	(18,122,883)
Charged to earnings	126,274	624,784	814,932	1,565,990
Charged to equity/ foreign exchange impact on equity	-	(368,480)	997,037	628,557
At December 31, 2011	(12,960,499)	(1,313,463)	(1,654,374)	(15,928,336)
Charged/(credited) to loss	(2,004,606)	-	180	(2,004,426)
Charged to equity/ foreign exchange impact on equity	(1,030,184)	(166,847)	1,654,574	457,543
At December 31, 2012	(15,995,289)	(1,480,310)	380	(17,475,219)

Deferred tax assets	**Asset retirement obligation** $	**Other** $	**Total** $
At December 31, 2010	507,540	84,450	591,990
Charged to earnings	132,588	172,523	305,111
At December 31, 2011	640,128	256,973	897,101
Charged to loss	174,059	326,956	501,015
Credited (charged) to equity/ foreign exchange impact on equity	58,029	-6,989	51,040
At December 31, 2012	872,216	576,940	1,449,156

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

(expressed in U.S. dollars)

g) Unrecognized deductible temporary differences

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

	2012 **$**	**2011** **$**
Non-capital losses	11,339,461	8,568,543
Capital losses	772,021	772,568
Other temporary deductible differences	8,257,522	7,155,209
	20,369,004	16,496,320

h) Loss carry-forwards

At December 31, 2012, the Company had $11.3 million of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2015 and 2032.Net operating loss carry-forwards have not been recognized, as it is not probable the legal entity in which they arose will have taxable profits against which such loss carry-forwards could be utilized.

At December 31, 2012, the Company had $0.8 million of Canadian federal net capital losses. These losses could be carried back three years and forward indefinitely against future taxable capital gains. Net capital losses have not been recognized, as it is not probable the legal entity in which they arose will have taxable capital gains against which such losses could be utilized.

i) Non-resident subsidiaries

The Company has non-resident subsidiaries that have undistributed earnings. For certain non-resident subsidiaries, undistributed earnings are not expected to be repatriated in the foreseeable future, therefore no provision has been made for taxes. Unrecognised tax liabilities associated with undistributed earnings are $9.3 million at December 31, 2012 (2011: $9.7 million).

(expressed in U.S. dollars)

18) 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	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Chile	156,735,899	138,250,164	11,763,855	15,779,857
Canada	337,333	388,736	805,489	1,259,984
	157,073,232	138,638,900	12,569,344	17,039,841

All of the Company's revenue originates in Chile.

The Company's sales to one customer represent 84% of reported revenue (2011: 93%).

19) EXPENSES BY NATURE

Cost of sales consists of the following:

	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Production costs	115,806,693	94,178,029
El Teniente royalty	43,873,612	41,544,730
Depreciation and amortization	16,055,282	14,820,614
Administration	5,394,777	4,180,408
Transportation	1,720,555	1,572,932
	182,850,919	156,296,713

(expressed in U.S. dollars)

General and administration expenses consist of the following:

	Year ended December 31, 2012 $	**Year ended December 31, 2011 $**
Office and general expenses	1,311,515	1,217,870
Salaries, management and professional fees	2,104,709	1,997,340
Share-based payment compensation	1,039,851	1,763,165
Royalties to related parties	1,073,839	437,623
Bad debt (recovery) expense	(682,745)	1,548,751
	4,847,169	6,964,749

20) BAD DEBT (RECOVERY) EXPENSE

In the year ended December 31, 2011, MVC Generacion accrued a one-time charge of $1,548,751 against bad debt expense, to fully account for the outstanding amounts due for power sales to a Chilean company that underwent bankruptcy proceedings in Chile. In the year ended December 31, 2012, MVC Generacion recovered $682,745 of the bad debt expensed in 2011.

21) FINANCE EXPENSE

	Year ended December 31, 2012 $	**Year ended December 31, 2011 $**
Interest charges	869,171	660,499
Interest rate swap-change in fair value	(146,926)	200,657
Asset retirement obligation accretion cost	333,785	446,077
	1,056,030	1,307,233

(expressed in U.S. dollars)

22) OTHER GAINS

	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Foreign exchange (gain) loss	(414,253)	684,792
Other gains	(681,955)	(757,671)
	(1,096,208)	(72,879)

23) FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections, by maintaining strong banking relationships in Chile where the Company has historically obtained short-term debt facilities to meet working capital requirements and by raising additional capital for investment or operations as required from time to time.

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

At December 31, 2012	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	20,632,626	20,632,626	-	-	-
El Teniente royalties payable	16,498,336	16,498,336	-	-	-
Borrowings	1,482,624	1,482,624	-	-	-
Royalties to related parties	6,016,824	789,682	848,557	2,348,643	2,029,942
Severance provisions	4,300,283	-	-	-	4,300,283
	48,930,693	39,403,268	848,557	2,348,643	6,330,225

(expressed in U.S. dollars)

At December 31, 2011	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	21,338,603	21,338,603	-	-	-
El Teniente royalties payable	9,523,714	9,523,714	-	-	-
Borrowings	4,619,149	3,854,551	764,598	-	-
Royalties to related parties	5,787,434	646,214	784,505	2,032,380	2,324,335
Severance provisions	2,538,590	-	-	-	2,538,590
	43,807,490	35,363,082	1,549,103	2,032,380	4,862,925

Foreign Exchange Risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Company's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. The Company has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2012, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately $31,975 in earnings, respectively, before income taxes. There would be no effect on other comprehensive income.

Interest Rate Risk

Included in the results of operations of the Company are interest income on U.S. dollar, Canadian dollar and Chilean peso cash and cash equivalents. The Company also has two outstanding short-term bank loans. The Company's interest rate risk mainly arises from the interest rate impact on its cash and cash equivalents and on loans outstanding. The interest rate risk is minimal as the Company's loans are at fixed interest rates. The Company receives interest on cash and cash equivalents based on market interest rates. As at December 31, 2012, with other variables unchanged, a 1% change in Prime rates would have had a marginal impact on net earnings and no effect on other comprehensive income.

Commodity Price Risk

The Company faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of delivery of concentrates to the time of final price settlement. This risk is mitigated given the quotational periods in place for copper and molybdenum sales in 2012 which were "M-1" and "M+3", respectively.

(expressed in U.S. dollars)

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

	2012 $/lb	2011 $/lb	2012 $	2011 $
Copper	3.49	3.43	354,194	778,858
Molybdenum	11.35	13.41	167,310	106,968

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company has an investment policy which requires that cash and cash equivalents can only be deposited in investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions in Canada and Chile and are redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. In 2012, the Company sold its copper and molybdenum concentrates to four customers and does not consider it has any significant credit risk exposure on its accounts receivable.

Capital Risk Management

The Company manages as capital its capital stock, other reserves, and retained earnings. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. In connection with some of the bank loans described in Note 13, MVC is required to meet certain bank covenants.

24) FINANCIAL INSTRUMENTS BY CATEGORY

Fair Values

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, El Teniente royalties payable, borrowings and royalties to related parties. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

Investments consist of financial instruments traded in active markets and their fair value is based on quoted market prices at the statement of financial position date. The fair value of cash and cash equivalents, trade and other receivables, royalties to related parties, El Teniente royalties payable and trade and other payables approximate their carrying values due to the short-term maturities of these financial instruments.

The Company is required to make disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

(expressed in U.S. dollars)

The Company's financial instruments measured at fair value on a recurring basis were investments, trade receivables and royalties to related parties as at December 31, 2012. Investments are classified as "Level 1", trade receivables are classified as "Level 2" and royalties to related parties are classified as "Level 3".

The Company has made the following classifications for its financial instruments:

	Derivatives $	Loans and receivables $	Available for sale $	Total $
December 31, 2012				
Assets as per statement of financial position				
Investments	-	-	4,149,388	4,149,388
Trade and other receivables	7,628,826	6,233,979	-	13,862,805
Cash and cash equivalents	-	9,249,540	-	9,249,540
	7,628,826	15,483,519	4,149,388	27,261,733

	Derivatives $	Loans and receivables $	Available for sale $	Total $
December 31, 2011				
Assets as per statement of financial position				
Investments	-	-	8,722,744	8,722,744
Trade and other receivables	11,121,881	7,764,064	-	18,885,945
Cash and cash equivalents	-	20,819,467	-	20,819,467
	11,121,881	28,583,531	8,722,744	48,428,156

(expressed in U.S. dollars)

	Derivatives $	Other financial liabilities at amortised cost $	Total $
December 31, 2012			
Liabilities as per statement of financial position			
Borrowings	-	1,482,624	1,482,624
Royalties to related parties	6,016,824	-	6,016,824
El Teniente royalties payable	-	16,498,336	16,498,336
Trade and other payables	116,419	20,516,207	20,632,626
Total	6,133,243 -	38,497,167 -	44,630,410

	Derivatives $	Other financial liabilities at amortised cost $	Total $
December 31, 2011			
Liabilities as per statement of financial position			
Borrowings	-	4,619,149	4,619,149
Royalties to related parties	5,787,434	-	5,787,434
El Teniente royalties payable	-	9,523,714	9,523,714
Trade and other payables	263,345	21,075,258	21,338,603
Total	6,050,779	35,218,121	41,268,900

(expressed in U.S. dollars)

25) SUPPLEMENTARY CASH FLOW INFORMATION

	2012 $	2011 $
(a) Interest and taxes paid		
Interest paid	258,629	232,842
Income taxes paid	2,931,099	2,592,944
(b) Other		
(Decrease) increase in accounts payable related to the acquisition of plant and equipment	(1,538,276)	5,163,089
Cash paid during the year for royalty dividends to related parties	844,450	656,618

26) COMMITMENTS

a) MVC entered into an agreement with its current power provider in order to guarantee power supply to MVC from Chile's central power grid beyond the supply expected to be generated by MVC's own power plant. The agreement extends from January 1, 2010 to December 31, 2017 and establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately $360,000 per month for the period January 1, 2013 to December 31, 2017.

b) Amerigo 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 Cdn$453,731.

27) SUBSEQUENT EVENT

On January 17, 2013, the Company renewed a $615,555 (CLP 301,000,000) working capital loan described in Note 13(d). The loan is due on April 22, 2013 and bears interest at a rate of 0.6% per month.