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**Amerigo Resources Ltd.
Management's Discussion and Analysis
For the Year Ended December 31, 2013**

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

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

COMPANY PROFILE

Amerigo Resources Ltd. (“Amerigo”) owns a 100% interest in Minera Valle Central S.A. (“MVC”), a Chilean company that produces copper and molybdenum concentrates.

MVC has a long-term contractual relationship with the El Teniente Division (“DET”) of Corporación Nacional del Cobre de Chile (“Codelco”) to treat fresh and old tailings from Codelco’s El Teniente mine, the largest underground copper mine in the world. El Teniente commenced operations in 1904 and has a remaining mine life that is estimated to run for decades. Since MVC was built in 1992, Codelco has almost doubled production from El Teniente, and Codelco’s mine plans contemplate continued expansion of operations at El Teniente for the foreseeable future.

At December 31, 2013, MVC has a contract with DET through 2021 to process the fresh tailings from El Teniente’s current production (the “2021 Fresh Tailings Contract”), as well as a contract to process the tailings from El Teniente’s Colihues historical deposit (the “Colihues Contract”).

During the quarter ended September 30, 2013, the Company received official notice that the board of directors of Codelco had approved the major terms of an agreement granting MVC the rights to process the historic tailings in the Cauquenes deposit located near MVC’s plant and extending the fresh tailings contract to 2037. The Company and DET are in the process of finalizing the details of the formal agreement (the “2014 DET Agreement”). (See **Cauquenes Expansion**).

Amerigo’s shares are listed for trading on the Toronto Stock Exchange (“TSX”), the OTCQX Stock Exchange in the United States and the Lima Stock Exchange in Peru.

INTRODUCTION

The following MD&A of the results of operations and financial position of Amerigo together with its subsidiaries (collectively, the “Company”), is prepared as of February 21, 2014, and should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the years ended December 31, 2013 and December 31, 2012.

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

The Company’s financial statements are reported under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The disclosure of financial data and results in this MD&A is also reported under IFRS, except non-GAAP measures and when indicated otherwise.

Reference is made in this MD&A to various measures such as cash flow per share from operating activities, cash cost and total cost. Cash cost and total cost are terms that do not have a standardized meaning but are widely used in the mining industry as performance indicators. Refer to page 10 of this MD&A for a tabular reconciliation of the Company’s cash and total costs to cost of sales in 2013 and 2012.

HIGHLIGHTS and SIGNIFICANT EVENTS

Comparative Annual Overview

| | Years ended December 31, | | | |
|---|--------------------------|-----------|--------------|--------|
| | 2013 | 2012 | Change \$ | % |
| Copper produced, million pounds | 45.7 | 51.7 | (6.0) | (12%) |
| Copper sold, million pounds | 45.4 | 51.6 | (6.2) | (12%) |
| Molybdenum produced, pounds | 809,057 | 1,057,717 | (248,660) | (24%) |
| Molybdenum sold, pounds | 797,444 | 1,170,703 | (373,259) | (32%) |
| Percentage of copper production from old tailings | 40% | 47% | | (7%) |
| Revenue (thousands) | 143,592 | 181,761 | (38,169) | (21%) |
| Cost of sales ¹ (thousands) | 137,556 | 182,851 | (45,295) | (25%) |
| El Teniente royalty costs (thousands) | 33,815 | 43,874 | (10,059) | (23%) |
| Gross profit (loss) (thousands) | 6,036 | (1,090) | 7,126 | 654% |
| Net profit (loss) (thousands) | 993 | (8,192) | 9,185 | 112% |
| Operating cash flow (thousands) | 19,136 | 12,284 | 6,852 | 56% |
| Cash flow paid for plant expansion (thousands) ² | (13,391) | (23,708) | 10,317 | (44%) |
| Cash and cash equivalents (thousands) | 13,148 | 9,250 | 3,898 | 42% |
| Bank debt (thousands) | - | 1,483 | (1,483) | (100%) |
| Average realized copper price per pound | 3.32 | 3.58 | (0.26) | (7%) |
| Cash cost per pound ³ | 2.08 | 2.46 | (0.38) | (15%) |
| Total cost per pound ³ | 3.22 | 3.62 | (0.40) | (11%) |

¹ Includes El Teniente royalty costs

² Excluding working capital changes

³ Cash and total costs are non-GAAP measures, refer to page 10 for a reconciliation of these measures to cost of sales.

Financial results

- Revenue was \$143.6 million compared to \$181.8 million in 2012. Revenues decreased 21% due to lower copper and molybdenum sales and lower metal prices.
- Cost of sales was \$137.6 million, compared to \$182.9 million in 2012, a decrease of 25%, driven by lower production and reduced power costs mainly as a result of the change in the Company's power contract from a variable to a lower fixed rate.
- Gross profit was \$6 million, compared to gross loss of \$1.1 million in 2012.
- Net profit was \$1 million compared to a net loss of \$8.2 million in 2012.

Production

- The Company produced 45.7 million pounds of copper, 12% lower than the 51.7 million pounds produced in 2012.
- Molybdenum production was 809,057 pounds, 24% lower than the 1,057,717 pounds produced in 2012.
- Production was adversely affected by a mine slide and pit wall failure in the Colihues deposit during April 2013 and by low process plant recoveries from both fresh tailings and Colihues.

Revenue

- Revenue decreased to \$143.6 million from \$181.8 million in 2012. The Company's selling prices fell from \$3.58/lb in 2012 to \$3.32/lb for copper and from \$12.64/lb to \$10.13/lb for molybdenum, and copper and molybdenum sales volume decreased 12% and 32%, respectively, from 2012 levels.

Costs

- Cash cost (a non-GAAP measure equal to the aggregate of smelting, refining and other charges, production costs net of molybdenum-related net benefits, administration and transportation costs, see page 10) before El Teniente royalty was \$2.08/lb, compared to \$2.46/lb in 2012. Cash costs decreased mostly as a result of lower power costs.
- Total cost (a non-GAAP measure equal to the aggregate of cash cost, El Teniente royalty, depreciation and accretion, see page 10) was \$3.22/lb compared to \$3.62/lb in 2012, as a result of lower cash cost and El Teniente royalties.
- Power costs in 2013 were \$23.8 million (\$0.0939/kwh) compared to \$50.7 million (\$0.1895/kwh) in 2012, Similar lower power costs are expected at least to December 31, 2017, the end of the term of MVC's current power contract.
- Total El Teniente royalties were \$33.8 million in 2013, compared to \$43.9 million in 2012, due to lower production and metal prices.

Cash and Financing Activities

- Cash balance was \$13.1 million at December 31, 2013 compared to \$9.2 million at December 31, 2012.

Investments

- Cash payments for capital expenditures ("Capex") were \$13.4 million compared to \$23.7 million in 2012. Capex payments have been funded from operating cash flow and cash at hand.
- Capex incurred in 2013 totaled \$10.4 million (2012: \$22.2 million) and included project investments in connection with Cauquenes engineering and permitting (\$3.6 million) and sustaining Capex projects (\$6.8 million).
- The Company's investments in Candente Copper Corp. and Los Andes Copper Ltd. had an aggregate fair value of \$3.2 million at December 31, 2013 (December 31, 2012: \$4.1 million).

Outlook

- In 2014 MVC is expected to produce approximately 45 million pounds of copper and 800,000 pounds of molybdenum, not accounting for the Company's Cauquenes expansion. In addition, the tolling contract with Minera Maricunga is expected to contribute a further 2 million pounds of copper. The 2014 production budget anticipates continued low grades in Colihues as the area to be mined contains recent DET tailings deposited in 2006.
- Cash cost (see page 10) is projected to be between \$2.15/lb and \$2.25/lb in 2014.
- 2014 Sustaining Capex at MVC is estimated to be approximately \$3.8 million. Capex for the Cauquenes expansion project is estimated to be approximately \$140 million (see **Cauquenes Expansion**).

SUMMARY OF FINANCIAL RESULTS Q4-2012 TO Q4-2013

| | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 |
|---|----------------|---------------|---------------|---------------|----------------|
| Copper production, million pounds | 12.25 | 11.04 | 9.55 | 12.83 | 13.56 |
| Copper sales, million pounds | 12.60 | 10.86 | 9.44 | 12.48 | 13.71 |
| Moly production - pounds | 181,464 | 193,138 | 176,155 | 258,301 | 290,705 |
| Moly sales - pounds | 174,211 | 206,645 | 177,845 | 240,744 | 286,075 |
| <i>Financial results (\$ thousands)</i> | | | | | |
| Revenue | 37,035 | 31,950 | 31,446 | 43,161 | 47,017 |
| Cost of sales | | | | | |
| Production costs | 23,827 | 17,307 | 17,867 | 21,332 | 30,633 |
| El Teniente royalty | 8,540 | 7,258 | 7,317 | 10,700 | 12,421 |
| Depreciation and amortization | 4,112 | 4,143 | 4,462 | 4,161 | 4,070 |
| Administration | 1,232 | 1,117 | 1,195 | 1,384 | 1,500 |
| Transportation | 402 | 377 | 362 | 460 | 483 |
| | <u>38,113</u> | <u>30,202</u> | <u>31,203</u> | <u>38,037</u> | <u>49,107</u> |
| Gross (loss) profit | (1,078) | 1,748 | 243 | 5,124 | (2,090) |
| Other expenses | | | | | |
| Office and general expenses | 228 | 312 | 186 | 406 | 226 |
| Salaries, management and professional fees | 809 | 440 | 418 | 375 | 895 |
| Share-based payment compensation | - | - | 21 | 31 | 106 |
| Royalties to related parties | (180) | (32) | (299) | 100 | 1,110 |
| Bad debt recovery | - | - | (52) | - | - |
| | <u>857</u> | <u>720</u> | <u>274</u> | <u>912</u> | <u>2,337</u> |
| Other gains and losses | | | | | |
| Foreign exchange expense (gain) | 694 | (397) | 1,003 | (98) | 895 |
| Impairment charges | 668 | - | - | - | - |
| Other gains | (95) | (90) | (101) | (111) | (187) |
| | <u>1,267</u> | <u>(487)</u> | <u>902</u> | <u>(209)</u> | <u>708</u> |
| Operating (loss) profit | (3,202) | 1,515 | (933) | 4,421 | (5,135) |
| Finance costs | 161 | 166 | 114 | 185 | 429 |
| (Loss) profit before tax | (3,363) | 1,349 | (1,047) | 4,236 | (5,564) |
| Income tax (recovery) expense | (917) | 310 | (210) | 998 | (253) |
| (Loss) profit for the period | <u>(2,446)</u> | <u>1,039</u> | <u>(837)</u> | <u>3,238</u> | <u>(5,311)</u> |
| (Loss) earnings per share - basic | (0.02) | 0.01 | (0.01) | 0.02 | (0.03) |
| (Loss) earnings per share - diluted | (0.02) | 0.01 | (0.01) | 0.02 | (0.03) |
| Cash cost (\$/lb) ¹ | 2.19 | 1.93 | 2.24 | 1.99 | 2.50 |
| Total cost (\$/lb) ¹ | 3.36 | 2.96 | 3.48 | 3.15 | 3.72 |
| <i>Uses and sources of cash (\$thousands)</i> | | | | | |
| Cash flow from (used in) operations | 2,787 | 4,872 | 4,142 | 7,335 | (1,208) |
| Cash flow from (used in) operations incl. working capital changes | 11,919 | 4,164 | (4,764) | 8,203 | (18,479) |
| Cash used in investing activities | (3,537) | (2,533) | (3,676) | (3,645) | (2,837) |
| Cash used in dividend payments | - | - | - | - | (3,460) |
| Cash used in debt repayments | - | - | (993) | (504) | (1,003) |
| Ending cash position | 13,148 | 4,655 | 3,881 | 13,280 | 9,250 |

¹ Cash and total costs are non-GAAP measures. Refer to page 10 for the basis of reconciliation of these measures to cost of sales.

OVERALL PERFORMANCE

In 2013 the Company posted a net profit of \$1 million compared to a net loss of \$8.2 million in 2012.

The Company produced 45.7 million pounds of copper and 809,057 pounds of molybdenum, compared to 51.7 million pounds of copper and 1,057,717 pounds of molybdenum in 2012.

Revenue of \$143.6 million (2012: \$181.8 million) was derived from the sale of 45.4 million pounds of copper and 797,444 pounds of molybdenum (2012: 51.6 million pounds of copper and 1,170,703 pounds of molybdenum).

The Company generated operating cash flow of \$19.1 million (2012: \$12.3 million), excluding the effect of changes in non-cash working capital accounts. Including the effect of changes in non-cash working capital accounts, operating cash flow was \$19.5 million (2012: \$22.7 million).

In 2013 the Company made net bank loan repayments of \$1.5 million (2012: \$3.3 million). The Company paid all remaining amounts outstanding in respect of bank loans in the quarter ended June 30, 2013.

At December 31, 2013, the Company had cash and cash equivalents of \$13.1 million (2012: \$9.3 million) and working capital of \$3 million (2012: working capital deficiency of \$4.9 million).

SELECTED ANNUAL FINANCIAL INFORMATION

The following information has been extracted from the Company's audited consolidated financial statements for the years ended December 31, 2013, 2012 and 2011.

| | Year ended December 31, 2013 | Year ended December 31, 2012 | Year ended December 31, 2011 |
|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total revenue (thousands) | \$143,592 | \$181,761 | \$166,074 |
| Net profit (loss) (thousands) | 993 | (8,192) | 8,701 |
| Earnings (loss) per share (thousands) | 0.01 | (0.05) | 0.05 |
| Diluted earnings (loss) per share | 0.01 | (0.05) | 0.05 |
| Cash dividends paid (thousands) | - | 6,845 | 6,850 |

| | At December 31, 2013 | At December 31, 2012 | At December 31, 2011 |
|--|-------------------------|-------------------------|-------------------------|
| Total assets | \$186,109 | \$204,416 | \$205,330 |
| Total long-term financial liabilities ¹ | 7,835 | 9,586 | 8,444 |

¹ Long term financial liabilities at December 31, 2013 were comprised of: bank loans: \$nil (2012: \$nil, 2011: \$765,000); severance provisions: \$3.6 million (2012: \$4.3 million, 2011: \$2.5 million) and royalties to related parties of \$4.2 million (2012: \$5.3 million 2011: \$5.1 million).

OPERATING RESULTS

In 2013 the Company produced 45.7 million pounds of copper and 809,057 pounds of molybdenum, 12% and 24% lower, respectively, than in 2012. Production was affected by challenging mining conditions in Colihues which resulted in lower recovery rates.

In Q4-2013 the Company produced 12.3 million pounds of copper and 181,464 pounds of molybdenum, 10% and 37% lower, respectively, than in Q4-2012. Copper production was affected by low process plant recoveries from both fresh tailings and Colihues.

Although Colihues tonnage for 2013 reached a record 11,256,926 tonnes, Colihues copper production was 23% lower than in 2012 as a result of low copper grades and recoveries. The Colihues slide event in April 2013 adversely affected production for the remainder of the year and has continued to delay access to better quality material. In addition, in Q4-2013 the fresh tailings contained more refractory copper material compared to Q4-2012, causing higher grades but lower recoveries, and fresh tailings tonnage was lower than expected for the quarter. Copper production from fresh tailings during the year was 7% lower than in 2012.

Copper production in Q4 includes 1.5 million pounds of copper produced and sold pursuant to a tolling contract with Minera Maricunga. The tolling contract involves the purchase by MVC of Maricunga copper concentrate, which is blended with MVC's concentrates and sold through MVC's copper sales contract. Revenue from this contract was \$4.4 million, with associated cost of sales of \$3.4 million.

Molybdenum production was lower than in 2012, mainly due to lower molybdenum grades in both old and fresh tailings.

The Company's cost of sales was 25% lower than in 2012, mostly as a result of substantially lower power costs. MVC's contract with its power provider changed effective January 1, 2013 from a variable to a lower fixed rate, which contributed to net power savings of \$0.44/lb over 2012 levels and continued to significantly improve MVC's operating results. Power costs of \$23.8 million for the year included retroactive sub-transmission charges of \$980,000 in respect of the years 2011-2013, and is a cost that required complex calculations involving data from Chile's National Energy Commission, the central power grid operating network and the Company's power supplier published in late 2013.

During 2013, the Company generated cash flow from operations of \$19.1 million and posted a net profit of \$1 million.

Production

| | 2013 | 2012 |
|-----------------------------------|------------|------------|
| FRESH TAILINGS EL TENIENTE | | |
| Tonnes processed | 44,484,008 | 44,997,096 |
| Copper grade (%) | 0.132% | 0.126% |
| Copper recovery | 20.0% | 22.3% |
| Copper produced (lbs) | 25,892,036 | 27,847,437 |
| OLD TAILINGS COLIHUES | | |
| Tonnes processed | 11,256,926 | 11,111,702 |
| Copper grade (%) | 0.270% | 0.283% |
| Copper recovery | 27.3% | 34.4% |
| Copper produced (lbs) | 18,301,938 | 23,861,616 |
| TOLL PROCESSING | | |
| Copper produced (lbs) | 1,479,300 | - |
| COPPER | | |
| Total copper produced (lbs) | 45,673,274 | 51,709,053 |
| Total copper sold (lbs) | 45,372,380 | 51,578,055 |
| MOLYBDENUM | | |
| Total molybdenum produced (lbs) | 809,057 | 1,057,717 |
| Total molybdenum sold (lbs) | 797,444 | 1,170,703 |

Exploration and evaluation assets

The Company's exploration and evaluation assets relate to costs incurred to conduct pilot tests, engineering costs and other associated costs to evaluate the potential options for the processing of tailings in DET's Cauquenes tailings deposit. The Company has the legal right to explore this area during negotiations to obtain the rights to process these tailings. See **Cauquenes Expansion**.

Revenue

| | 2013 | 2012 |
|--|------------|------------|
| Average LME copper price per pound | \$ 3.32 | \$ 3.61 |
| Average Platt's molybdenum dealer oxide price per pound ¹ | \$ 10.32 | \$ 12.76 |
| Total copper net sales during the year (thousands) | \$ 132,532 | \$ 170,408 |
| Total molybdenum net sales during the year (thousands) | 6,626 | 11,354 |
| Total tolling sales during the year (thousands) | 4,434 | - |
| Total revenue during the year (thousands) | \$ 143,592 | \$ 181,762 |
| Company's recorded copper price per pound ² | \$ 3.32 | \$ 3.58 |
| Company's recorded molybdenum price per pound ³ | \$ 10.13 | \$ 12.64 |

¹ Basis price for the Company's molybdenum sales.

² Copper recorded price for the period before smelting and refining charges and settlement adjustments to prior quarters' sales.

³ Molybdenum recorded price for the period before roasting charges and settlement adjustments to prior quarters' sales.

Revenue in 2013 was \$143.6 million, compared to \$181.8 million in 2012, including copper revenue of \$132.5 million (2012: \$170.4 million), molybdenum revenue of \$6.6 million (2012: \$11.3 million) and revenue of \$4.4 million from a tolling contract with Minera Maricunga. Copper, molybdenum and tolling revenues are net of smelting, refining and roasting charges.

Copper produced by the Company is sold under a sales agreement with Chile's Empresa Nacional de Minería ("Enami") that establishes a delivery schedule of monthly sales quotas. For the 2013 quotas the arrangements between the Company and Enami set the Company's copper sale price at the average market price for the preceding month ("M-1"), except for the January 2013 quota which was subject to pricing at the average LME price of the month ("M"). Accordingly, provided monthly quotas are met, all copper delivered by the Company to Enami in one month is being sold at market prices prevailing in the preceding month (except for the January quota).

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.

Average LME copper prices for 2013 were \$3.32/lb compared to \$3.61/lb in 2012, and the Company's recorded copper sales price was \$3.32/lb, compared to \$3.58/lb in 2012. The difference between the average LME copper price and the Company's recorded sales price results from the pricing terms that applied to the Company's sales in the year.

Molybdenum prices also decreased during the course of 2013. The Platt's published molybdenum dealer oxide price for December 2013 was \$9.678/lb, compared to \$11.35/lb in December 2012.

Molybdenum revenues were \$6.6 million, 41% lower than \$11.4 million in 2012, due to lower production and molybdenum prices.

Molybdenum produced by the Company is predominantly sold under a sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"), which in 2013 provided that the sale price was the average market price for the third month after delivery ("M+3"). Accordingly, none of the molybdenum sold in Q4-2013 was priced at final prices as of December 31, 2013. Sales of molybdenum are provisionally priced at the average Platt's molybdenum dealer oxide price which for December 2013 was \$9.678/lb.

Revenue from a tolling contract with Minera Maricunga was \$4.4 million (2012: \$nil).

Cash Cost and Total Cost

Cash cost and total cost are non-GAAP measures prepared on a basis consistent with the industry standard Brook Hunt definitions. Cash cost is the aggregate of copper and molybdenum production costs, smelting and refining charges, administration and transportation costs, minus molybdenum by-product credits. Total cost is the aggregate of cash cost, El Teniente royalty, depreciation and amortization.

A reconciliation of cost of sales to cash cost and total cost in 2013 and 2012 is presented below:

| | | 2013 | | 2012 |
|---|----|-------------|----|-------------|
| Cost of sales (thousands) | \$ | 137,556 | \$ | 182,851 |
| Add (deduct): | | | | |
| Smelting and refining charges (thousands) | | 15,160 | | 16,670 |
| Inventory adjustments (thousands): | | 842 | | (827) |
| Molybdenum by-product credits (thousands) | | (6,626) | | (11,354) |
| Tolling by-product credits (thousands) | | (4,434) | | - |
| Total cost (thousands) | \$ | 142,498 | \$ | 187,340 |
| Deduct: | | | | |
| El Teniente royalties (thousands) | | (33,815) | | (43,874) |
| Depreciation and amortization (thousands) | | (16,878) | | (16,055) |
| Cash cost (thousands) | \$ | 91,805 | \$ | 127,411 |
| Pounds of copper produced | | 44.2M | | 51.7M |
| Cash cost (\$/lb) | | 2.08 | | 2.46 |
| Total cost (\$/lb) | | 3.22 | | 3.62 |

The Company's trailing annual and quarterly cash costs (see page 10) (\$/lb of copper produced) were:

| | 2013 | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Power costs ¹ | 0.54 | 0.67 | 0.46 | 0.53 | 0.50 |
| Grinding media | 0.27 | 0.27 | 0.25 | 0.27 | 0.28 |
| Other direct costs | 1.03 | 1.26 | 0.86 | 1.11 | 0.92 |
| By-product credits | (0.25) | (0.54) | (0.12) | (0.17) | (0.18) |
| Smelting & refining | 0.34 | 0.38 | 0.34 | 0.33 | 0.32 |
| Administration | 0.11 | 0.11 | 0.10 | 0.13 | 0.11 |
| Transportation | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| Cash Cost | \$2.08 | \$2.19 | \$1.93 | \$2.24 | \$1.99 |

¹ Power costs include retroactive sub-transmission charges of \$0.02/lb in 2013 and \$0.09/lb in Q4-2013.

| | 2012 | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Power costs | 0.98 | 0.97 | 0.90 | 1.09 | 0.96 |
| Grinding media | 0.25 | 0.25 | 0.25 | 0.27 | 0.25 |
| Other direct costs ^{1,2} | 0.99 | 0.97 | 1.15 | 1.03 | 0.83 |
| By-product credits | (0.22) | (0.17) | (0.22) | (0.24) | (0.25) |
| Smelting & refining | 0.32 | 0.33 | 0.33 | 0.31 | 0.32 |
| Administration | 0.11 | 0.11 | 0.12 | 0.11 | 0.08 |
| Transportation | 0.03 | 0.04 | 0.04 | 0.04 | 0.02 |
| Cash Cost | \$2.46 | \$2.50 | \$2.57 | \$2.61 | \$2.21 |

¹ In Q3-2012, a \$0.36/lb cost for the payment of bonuses to MVC workers on the signing of a four-year labour agreement was allocated mostly to other direct costs and to a lesser extent to administration costs. Normalized cash cost in Q3-2012 excluding the signing bonuses was \$2.21/lb.

² In Q2-2012, the Company recorded a \$0.09/lb cost associated with an increase in MVC's severance provisions following the incorporation of a rigorous actuarial model for the calculation of these accruals. This cost does not represent a cash outlay.

Cash cost (see page 10) in 2013 was \$0.38/lb lower than in 2012. Major components of cash cost include power and grinding media costs, other direct costs (including direct labour costs), smelting/refining costs and molybdenum by-product credits.

Power is MVC's most significant cost, and was \$0.0939/kWh in 2013 compared to \$0.1895/kWh in 2012. Unit power costs for the year were \$0.54/lb, \$0.44/lb lower than in 2012. Included in the 2013 unit cost is a retroactive sub-transmission charge of \$980,000 (\$0.015/kWh). Excluding this retroactive charge 2013 power costs were \$0.0900/kWh.

The retroactive charge is in respect of the years 2011-2013, and is a cost that required complex calculations involving data from Chile's National Energy Commission, the central power grid operating network and the Company's power supplier, published in late 2013.

Lower power cost levels are the result of a change in MVC's power supply contract from a variable to a lower fixed rate, and are expected to continue at least to December 31, 2017, the expiry date of MVC's current power contract.

MVC operated its generators during 2013 when the grid price exceeded the generators' operating costs. The economic benefit from operating the generators in 2013 was \$2.4 million.

Unit grinding media costs were \$0.27/lb compared to \$0.25/lb in 2012.

Other direct costs of \$1.03/lb (2012: \$0.99/lb) included direct labour costs of \$0.20/lb (2012: \$0.22/lb). Other direct costs (excluding labour) decreased \$0.06/lb in 2013 as a result of cost reduction initiatives implemented in H2-2013.

Molybdenum and tolling by-product credits of \$0.25/lb increased from \$0.22/lb in 2012 as a result of a tolling agreement in place in 2013.

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

| | 2013 | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash cost | 2.08 | 2.19 | 1.93 | 2.24 | 1.99 |
| El Teniente royalty | 0.76 | 0.79 | 0.66 | 0.77 | 0.84 |
| Amortization/depreciation | 0.38 | 0.38 | 0.37 | 0.47 | 0.32 |
| Total Cost | \$3.22 | \$3.36 | \$2.96 | \$3.48 | \$3.15 |

| | 2012 | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash cost | 2.46 | 2.50 | 2.57 | 2.61 | 2.21 |
| El Teniente royalty | 0.85 | 0.92 | 0.80 | 0.83 | 0.84 |
| Amortization/depreciation | 0.31 | 0.30 | 0.32 | 0.33 | 0.29 |
| Total Cost | \$3.62 | \$3.72 | \$3.69 | \$3.77 | \$3.34 |

Total cost was \$3.22/lb, compared to \$3.62/lb in 2012. The most significant impact on total cost resulted from a \$0.38/lb decrease in cash cost and a \$0.09/lb decrease in El Teniente royalty.

FINANCIAL RESULTS – 2013

The Company posted a net profit of \$1 million (\$0.01 basic and diluted earnings per share) in 2013, compared to a net loss of \$8.2 million in 2012 (\$0.05 basic and diluted loss per share). Gross profit was \$6 million compared to a gross loss of \$1.1 million in 2012.

Revenue

Revenue in 2013 was \$143.6 million, compared to \$181.8 million in 2012.

Production Costs

| (Expressed in thousands) | 2013 | | 2012 | |
|---------------------------------|-------------|---------|-------------|---------|
| Direct production costs | | | | |
| Power costs | \$ | 23,845 | \$ | 50,677 |
| Grinding media | | 11,772 | | 13,122 |
| Labour costs | | 8,170 | | 12,329 |
| Other direct production costs | | 36,547 | | 39,678 |
| | | 80,334 | | 115,806 |
| El Teniente royalty | | 33,815 | | 43,874 |
| Depreciation and amortization | | 16,878 | | 16,055 |
| Administration | | 4,928 | | 5,395 |
| Transportation | | 1,601 | | 1,721 |
| Cost of sales | \$ | 137,556 | \$ | 182,851 |

Direct production costs were \$80.3 million compared to \$115.8 million in 2012, a decrease of 30% in the context of copper and molybdenum production decreases of 12% and 24%, respectively.

In 2013, power costs decreased by \$26.8 million, resulting from a change in MVC's contract with its power provider effective January 1, 2013 from a variable to a lower fixed rate and lower production levels.

Total grinding media costs were 10% lower than in 2012, due to a 12% decrease in copper production partially offset by an increase in the hardness of the material milled in 2013.

Direct labour costs were \$8.2 million in 2013 compared to \$12.3 million in 2012, a decrease of \$4.2 million. In 2012, MVC paid \$4.6 million in bonuses on the signing of a 4 year labour agreement, which is customary in Chile.

Other direct production costs were \$36.5 million (2012: \$39.7 million). The most relevant other direct production costs are summarized in the following tables:

| (Expressed in thousands) | 2013 | | 2012 | |
|---|-------------|--------|-------------|--------|
| Other direct production costs | | | | |
| Colihues extraction | \$ | 12,209 | \$ | 11,913 |
| Maintenance, excluding labour | | 6,582 | | 8,441 |
| Molybdenum production costs, excluding labour | | 4,302 | | 5,961 |
| Tolling cost | | 3,354 | | - |
| Industrial water | | 2,017 | | 2,781 |
| Copper reagents | | 2,084 | | 2,510 |
| Subcontractors, support services, etc. | | 2,430 | | 2,277 |
| Fuel and all other direct copper production costs | | 1,520 | | 2,195 |
| Lime | | 1,434 | | 1,387 |
| Process control | | 1,457 | | 1,386 |
| Inventory adjustments | | (842) | | 827 |
| | \$ | 36,547 | \$ | 39,678 |

| (\$/lb Cu) | 2013 | | 2012 | |
|---|-------------|--------|-------------|------|
| Other direct production costs | | | | |
| Colihues extraction | | 0.28 | | 0.23 |
| Maintenance, excluding labour | | 0.15 | | 0.16 |
| Molybdenum production costs, excluding labour | | 0.10 | | 0.12 |
| Tolling cost | | 0.08 | | - |
| Industrial water | | 0.05 | | 0.05 |
| Copper reagents | | 0.05 | | 0.05 |
| Subcontractors, support services, etc. | | 0.05 | | 0.04 |
| Fuel and all other direct copper production costs | | 0.03 | | 0.04 |
| Lime | | 0.03 | | 0.03 |
| Process & environmental control | | 0.03 | | 0.03 |
| Inventory adjustments | | (0.02) | | 0.02 |
| | | 0.83 | | 0.77 |

Total other direct production costs decreased in 2013 due to lower production and the effect of inventory adjustments.

Cost containment measures were implemented in Q3-2013 and showed positive results in the second half of the year. Despite lower production levels, most of the Company's unit other direct production costs decreased or remained the same as in 2012. The Company continues to evaluate further cost reduction initiatives.

The El Teniente royalty was \$33.9 million, 23% lower than in 2012, due to lower production levels and lower metal prices. Copper royalty costs on fresh tailings are calculated using the LME average price for copper for the month of delivery of the tailings, and invoiced by El Teniente in Chilean Pesos ("CLP") using the higher of either the "Dolar Acuerdo" or the "Dolar Observado" exchange rates. The effect of using the higher Dolar Acuerdo rates in 2013 resulted in \$5 million in increased royalty costs. 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.

Depreciation and amortization cost increased to \$16.9 million (2012: \$16 million), resulting from additions to MVC's asset base.

Administration expenses were \$4.9 million compared to \$5.4 million in 2012, due to lower labour costs (2012 included a component of the bonus payments to MVC workers on the signing of the four year labour agreement). Other administrative expenses such as professional fees, consulting and certification fees decreased compared to 2012.

Transportation costs were \$1.6 million compared to \$1.7 million in 2012, as a result of lower sales volume.

Other expenses

Other expenses of \$4.2 million (2012: \$3.8 million) are costs not related to MVC's production operations, and are comprised of the following:

- General and administration expenses include salaries, management and professional fees of \$2 million (2012: \$2.1 million), office and general expenses of \$1.1 million (2012: \$1.3 million), royalties to related parties of (\$411,000) (2012: \$1.1 million), share-based payments of \$52,000 (2012: \$1 million) and a bad debt recovery of \$52,000 (2012: \$683,000).

Royalties to related parties include actual royalty dividends to related parties (2013: \$707,000; 2012: \$840,000) and changes in fair value (2013: (\$1.2 million); 2012: \$234,000), as the royalty is a derivative financial instrument.

- Other expenses include a foreign exchange loss of \$1.2 million (2012: gain of \$414,000) and an impairment charge of \$668,000 (\$nil in 2012), booked for in respect of obsolescence of specific equipment. Other expenses also include interest income and other gains of \$398,000 (2012: \$682,000). Foreign exchange gains or losses are recognized mostly in MVC and are due to fluctuations in the exchange rate of the Chilean peso (MVC's functional currency) to the US dollar, as MVC has monetary assets and/or liabilities denominated in US dollars.

Finance expense

The Company recorded a finance expense of \$626,000 (2012: \$1.1 million) including interest charges of \$370,000 (2012: \$869,000), asset retirement obligation accretion cost of \$372,000 (2012: \$334,000) and changes in fair value of an interest rate swap of (\$116,000) (2012: (\$147,000)).

Taxes

Income tax expense was \$181,000 in 2013 (2012: \$2.3 million), including a recovery of \$430,000 (2012: expense of \$1.7 million) in respect of changes to deferred income tax liabilities, mainly in MVC.

Deferred income tax results in most part from the differences between the financial and tax carrying value of MVC's plant and equipment, calculated using Chile's corporate tax rate of 20%. Deferred tax liabilities do not represent income tax due in Chile on a current basis.

In respect of current income tax, in 2013 the Company booked an expense of \$611,000 (2012: \$581,000).

FINANCIAL RESULTS – QUARTER ENDED DECEMBER 31, 2013

In Q4-2013 the Company produced 5,558 tonnes of copper (Q4-2012: 6,151 tonnes) and 181,464 lbs of molybdenum (Q4-2012: 290,705 pounds), 10% and 38% decreases, respectively over Q4-2012 levels.

The Company posted a net loss of \$2.4 million (basic and diluted loss of \$0.02 per share), compared to a net loss of \$5.3 million (basic and diluted loss of \$0.03 per share) in Q4-2012.

Events that contributed to the loss posted in Q4-2013 were additional \$980,000 in power charges published in the quarter, an impairment charge of \$668,000 booked for obsolescence of specific equipment, an impairment charge of \$274,000 booked for obsolescence of inventory of spare parts and a net realizable value charge of \$418,000 included in cost of sales, in respect of copper concentrate inventories.

Revenue

Revenue during Q4-2013 was \$37 million compared to \$47 million in Q4-2012, due to lower production levels and metal prices.

Production Costs

| (Expressed in thousands) | Q4- 2013 | | Q4-2012 | |
|---------------------------------|-----------------|--------|----------------|--------|
| Direct production costs | | | | |
| Power costs | \$ | 7,211 | \$ | 13,216 |
| Grinding media costs | | 2,870 | | 3,395 |
| Labour | | 2,160 | | 2,405 |
| Other direct production costs | | 11,587 | | 11,617 |
| | | 23,828 | | 30,633 |
| El Teniente royalty | | 8,540 | | 12,421 |
| Depreciation and amortization | | 4,112 | | 4,069 |
| Administration | | 1,232 | | 1,500 |
| Transportation | | 402 | | 483 |
| | \$ | 38,114 | \$ | 49,106 |

Direct production costs of \$23.8 million were 22% lower than \$30.6 million in Q4-2012, mainly due to lower power costs resulting from the change in MVC's power contract and lower production.

The El Teniente royalty was \$8.5 million, compared to \$12.4 million in Q4-2012, due to lower production and copper prices.

Depreciation and amortization cost was \$4.1 million in both quarters.

Administration expenses were \$1.2 million (Q4-2012: \$1.5 million) and transportation costs were \$402,000 (Q4-2012: \$483,000).

Cash Cost and Total Cost (non-GAAP measures, see page 10)

Cash cost in Q4-2013 was \$2.19/lb compared to \$2.56/lb in Q4-2012. Power costs in the quarter included a retroactive sub-transmission charge of \$0.09/lb in respect of 2011-2013.

| | Q4-2013 | Q4-2012 |
|---------------------|---------------|---------------|
| Power costs | 0.67 | 0.97 |
| Grinding media | 0.27 | 0.25 |
| Other direct costs | 1.26 | 1.03 |
| By-product credits | (0.54) | (0.17) |
| Smelting & refining | 0.38 | 0.33 |
| Administration | 0.11 | 0.11 |
| Transportation | 0.04 | 0.04 |
| Cash Cost | \$2.19 | \$2.56 |

The decrease of \$0.37/lb in cash cost between the comparative quarters resulted mainly from lower other direct costs, higher by-product credits and lower power costs.

The Company's total cost was \$3.36/lb in Q4-2013 compared to \$3.78/lb in Q4-2012:

| | Q4-2013 | Q4-2012 |
|---------------------------|---------------|---------------|
| Cash cost | 2.19 | 2.56 |
| El Teniente royalty | 0.79 | 0.92 |
| Amortization/depreciation | 0.38 | 0.30 |
| Total Cost | \$3.36 | \$3.78 |

Other

In Q4-2013 general and administrative expenses were \$857,000 compared to \$2.3 million in Q4-2012, other losses were \$1.5 million (Q4-2012: \$707,000) and finance costs were \$161,000 (Q4-2012: \$429,000).

The Company recorded current and deferred income tax recoveries of \$917,000 in Q4-2013 (Q4-2012: \$253,000).

COMPARATIVE PERIODS

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

| | QE Dec. 31, 2013 \$ | QE Sept. 30, 2013 \$ | QE June 30, 2013 \$ | QE March. 31, 2013 \$ |
|-----------------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|
| Total revenue (thousands) | 37,035 | 31,950 | 31,446 | 43,161 |
| Net (loss) profit (thousands) | (2,447) | 1,039 | (837) | 3,238 |
| (Loss) earnings per share | (0.02) | (0.01) | (0.01) | 0.02 |
| Diluted (loss) earnings per share | (0.02) | (0.01) | (0.01) | 0.02 |

| | QE Dec. 31, 2012 \$ | QE Sept. 30, 2012 \$ | QE June 30, 2012 \$ | QE March. 31, 2012 \$ |
|-----------------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|
| Total revenue (thousands) | 47,017 | 44,231 | 40,013 | 50,499 |
| Net (loss) profit (thousands) | (5,311) | (4,189) | (1,002) | 2,310 |
| (Loss) earnings per share | (0.03) | (0.02) | (0.01) | 0.01 |
| Diluted (loss) earnings per share | (0.03) | (0.02) | (0.01) | 0.01 |

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

| | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Copper sales ¹ | 12.60 | 10.86 | 9.44 | 12.48 | 13.71 | 13.02 | 10.76 | 14.08 |
| Company's realized copper price ² | 3.16 | 3.19 | 3.40 | 3.52 | 3.52 | 3.52 | 3.74 | 3.55 |

¹ Million pounds of copper sold.

² Copper recorded price for the period before smelting and refining charges and settlement adjustments to prior quarters' sales.

Revenue was positively impacted by increases in copper production in Q1-2012. Copper sales in Q2-2012 and Q2-2013 were adversely affected by annual maintenance shutdowns at El Teniente and MVC, and in Q2-2012 by heavy rainfall, but recovered in Q3-2012 and Q4-2012. Copper sales were adversely affected by lower grades in Q1-2013 and by annual maintenance shutdowns in Q2-2013. For the last nine months of 2013 sales volume was negatively impacted by challenging mining conditions, particularly for old tailings. The Company implemented a change in mining plan which improved production and sales in Q3-2013, compared to Q2-2013. Q4-2013 sales were positively impacted by a tolling contract with Minera Maricunga which contributed 1.5 million pounds in copper sales.

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

| | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Cost of sales ¹ | 38,114 | 30,202 | 31,203 | 38,037 | 49,107 | 46,285 | 40,092 | 47,367 |
| Unit cost of sales ² | 3.54 | 2.74 | 3.27 | 2.96 | 3.62 | 3.64 | 3.47 | 3.41 |

¹ Thousands of dollars, includes royalties to El Teniente.

² Cost of sales over number of pounds of copper produced.

Cost of sales is affected by production levels, input costs (particularly power costs), royalty costs and copper prices. Cost of sales was higher in both Q3-2012 (due to bonuses of \$4.6 million paid to MVC workers on the signing of a four-year union agreement in the quarter) and in Q4-2012 (due to increased El Teniente royalty costs). Cost of sales decreased considerably in Q1-2013 as a result of the change in the Company's current power contract (as described in other sections of this MD&A), but unit cost of sales increased in Q2-2013 due to lower production levels. In Q3-2013 total containment initiatives and higher production levels compared to Q2-2013 resulted in decreases to total cost of sales and unit cost of sales. In Q4-2013 total cost of sales was adversely impacted by higher El Teniente royalty costs, tolling costs of \$3.4 million and a \$980,000 retroactive power charge for the years 2011-2013.

LIQUIDITY and CAPITAL RESOURCES

Cash Flow from Operations

The Company generated cash of \$19.5 million (11¢ per share) from operations, compared to \$22.7 million (13¢ per share) in fiscal 2012.

Excluding the effect of changes in working capital accounts, the Company generated cash of \$19.1 million compared to \$12.3 million in 2012.

Cash Flow from Financing Activities

Cash used in financing activities was \$1.5 million, compared to \$10.2 million in 2012.

In 2013 the Company made bank loan repayments of \$1.5 million (2012: \$3.3 million) and in 2012 made dividend payments of \$6.9 million.

Cash Flow from Investing Activities

In 2013, cash payments for Capex were \$13.4 million, compared to \$23.7 million in 2012, and MVC incurred Capex of \$10.4 million (2012: \$22.2 million) for the expansion of Colihues extraction capacity and for engineering and permitting for the Cauquenes project.

Liquidity and Financial Position

The Company's cash and cash equivalents at December 31, 2013 totaled \$13.1 million, compared to \$9.3 million at December 31, 2012. The Company had working capital of \$3 million at December 31, 2013 compared to a working capital deficiency of \$4.9 million at December 31, 2012.

At December 31, 2013 the Company had no outstanding bank debt.

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, interest is payable at a variable rate of the Chilean Tasa Activa Bancaria ("TAB") plus an applicable margin, and for borrowings in US dollars interest is payable at a variable rate of LIBOR-30 days plus applicable margin. Current borrowing rates would be 0.53% per month on CLP draws and 0.18% per month on US dollar draws. The Line of Credit contains covenants requiring MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios. MVC was in compliance with these covenants at December 31, 2013 and 2012. No funds have been drawn on this line of credit.

The Company expects to be able to meet its obligations as they come due for at least the next 12 months.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. MVC is a valuable long-life asset. El Teniente, the source of MVC's feed material, is the world's largest underground copper mine with remaining ore reserves expected to last decades.

The Company's long-term liabilities (severance provisions, long-term portion of royalties due to related parties measured at fair value, asset retirement obligations and deferred income tax liabilities) at December 31, 2013 were \$29.4 million (December 31, 2012: \$32.5 million).

Impairment Analysis

As at December 31, 2013, 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 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: \$3.20; 2015: \$3.18; 2016: \$3.18; 2017: \$3.06; 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
- Extension of the contractual relationship with DET to 2037
- Discount rate: 9% after tax

Management's impairment evaluation did not result in the identification of an impairment loss as of December 31, 2013, other than for obsolescence impairment of specific assets (\$668,000) and spare parts (\$274,000). 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, operating results from Cauquenes that differ from current projections and increases to estimated expansion capital costs, might trigger an impairment that could be material.

Investments

At December 31, 2013, 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 5% investment in Candente Copper was \$1.6 million. During the year ended December 31, 2013, the Company recorded other comprehensive loss of \$669,000 (2012: other comprehensive loss of \$3.3 million) for the changes in fair value of this investment.

At December 31, 2013, Los Andes Copper Ltd. ("Los Andes"), a Company listed on the TSX Venture Exchange, had a closing share price of Cdn\$0.22, and the fair value of the Company's approximately 5% investment in Los Andes was \$1.7 million. During the year ended December 31, 2013, the Company recorded other comprehensive income of \$108,000 (2012: other comprehensive loss of \$910,000) for the changes in the fair value of this investment.

Management wrote off the Company's investment in Candente Gold Corp. on June 30, 2013, recording other comprehensive loss of \$260,000. During the year ended December 31, 2013, the Company recorded other comprehensive loss of \$260,000 for the changes in the fair value of this investment.

Management wrote-off the Company's investment in Cobriza Metals Corp. on June 30, 2013, recording other comprehensive loss of \$70,000. During the year ended December 31, 2013, the Company recorded other comprehensive loss of \$70,000 for the changes in the fair value of this investment.

CAUQUENES EXPANSION

During the quarter ended September 30, 2013, the Company received official notice that the board of directors of Codelco had approved the major terms of an agreement granting MVC the rights to process the historic tailings in the Cauquenes deposit located near MVC's plant and extending the fresh tailings contract to 2037 (the "Cauquenes Expansion"). The Company and DET are in the process of finalizing the details of the 2014 DET Agreement.

The parties have agreed that the 2014 DET Agreement will contain a provision which requires them to meet and review cost and royalty structures in the event market prices fall below \$1.95/lb for copper and \$7.31/lb for molybdenum, or increase to a price above the upper royalty limits (\$4.27/lb for Colihues, \$4.80/lb for Fresh Tailings, \$5.50/lb for Cauquenes and \$40/lb for molybdenum). This mechanism is expected to provide MVC with downside protection in the event metal prices fall below a level required to cover MVC's projected cash cost¹, depreciation and Cauquenes Expansion finance costs .

In addition, the parties have agreed that the 2014 DET Agreement will include:

- a sliding scale royalty for copper produced from Cauquenes tailings for LME copper prices ranging from \$1.95 to \$5.50/lb, varying from 16% at a copper price of \$1.95/lb to 39% at a \$5.50/lb copper price;
- a change in the fresh tailings royalty to a sliding scale for a range of LME prices from \$1.95 to \$4.80/lb, varying from 13.5% at a copper price of \$1.95/lb to 28.4% at a \$4.80/lb copper price, removal of punitive "dolar acuerdo/dolar observado" exchange rate provisions and an increase in the royalty threshold from \$0.80/lb to \$1.95/lb, the same minimum level as that for the Cauquenes royalty;
- a global molybdenum royalty that will also be sliding scale for molybdenum prices between \$7.31/lb and \$40/lb, varying from 9% at a molybdenum price of \$7.31/lb to 19.7% at a \$40/lb molybdenum price;

- provisions requiring the parties to meet and review cost and royalty structures in the event the copper price falls below \$1.95/lb for copper and \$7.31/lb for molybdenum, or increases to a price above the upper royalty limits (\$4.27/lb for Colihues, \$4.80/lb for Fresh Tailings and \$5.50/lb for Cauquenes) and
- early exit provisions at certain predetermined times that may be exercised by DET in the event of the occurrence of changes or contingencies unforeseen at the Signing Date.

In Q4-2013, MVC executed a project financing mandate agreement (the "Mandate Agreement") with BBVA Chile and BBVA Securities Inc. (collectively "BBVA") for the financing of the Cauquenes Expansion, which sets out an exclusive arrangement with BBVA for a loan facility (the "Loan Facility") BBVA has agreed to seek credit approval to provide up to 50% of the amount of the Loan Facility, and to act as mandated lead arranger and fronting hedge bank.

Total estimated cost of the Cauquenes Expansion is \$140 million, to be financed by a combination of funding from the Loan Facility and internal cash flow. The Mandate Agreement contemplates the completion of technical, environmental, market, insurance, fiscal and legal due diligence and is subject to customary representations, warranties and conditions precedent, including agreement on final terms and conditions and requisite documentation for the loan, completion of due diligence and procurement of credit approvals. Indicative terms of the Loan Facility and a value added tax facility have been received and are expected to be finalized on completion of the bank's due diligence which is currently ongoing.

¹ Cash cost is a non-GAAP measure. Refer to page 10 for the basis of reconciliation of cash cost to cost of sales.

SUMMARY OF OBLIGATIONS (Expressed in thousands)

| | Total | Less than 1 year | 1 to 2 years | 2 to 5 years | More than 5 years |
|---|--------|------------------|--------------|--------------|-------------------|
| Trade and other payables | 20,493 | 20,493 | - | - | - |
| Current income tax payable | 721 | 721 | - | - | - |
| EI Teniente royalties | 13,142 | 13,142 | - | - | - |
| Royalties to related parties | 4,879 | 746 | 729 | 2,128 | 1,276 |
| Asset retirement obligations ¹ | 7,295 | - | - | - | 7,295 |
| Severance provisions | 3,611 | - | - | - | 3,611 |
| Minimum power payments ² | 17,520 | 4,380 | 4,380 | 8,760 | - |
| Total contractual obligations | 67,661 | 39,482 | 5,109 | 10,888 | 12,182 |

¹ The disclosed value of the asset retirement obligation is based on estimates from a 2011 independent engineering study revised by MVC's engineering department in 2013. It represents an estimate of the cost in 2021 to remove assets and restore the site where MVC's operations are conducted, and included a market risk premium of 6.70% and a discount rate of 5.18%. This liability is being accreted systematically over time until an estimated value of \$10.9 million is reached in 2021. At December 31, 2013 the asset retirement obligation recorded was \$7.3 million.

² MVC entered into an agreement with its current power provider which extends to December 31, 2017 and 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.

OTHER MD&A REQUIREMENTS

Transactions with Related Parties

a) Non-controlling interests

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 Chairman and CEO, an associate of the Chairman and CEO, 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.

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at December 31, 2013 was \$4.9 million (December 31, 2012: \$6 million), with a current portion of \$655,000 (December 31, 2012: \$731,000) and a long-term portion of \$4.2 million (2012: \$5.3 million).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. In 2013, royalties totaling \$707,000 were paid or accrued to the Amerigo International Class A shareholders (2012: \$840,000). At December 31, 2013, \$52,000 of this amount remained outstanding (December 31, 2012: \$71,000).

b) Directors' fees and remuneration to officers

During the year ended December 31, 2013, the Company paid or accrued \$1.3 million in salaries and fees to companies associated with certain directors and officers of Amerigo (2012: \$1.2 million).

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

- Zeitler Holdings Corp. – Controlled by Dr. Klaus Zeitler, Chairman and CEO of Amerigo
- Michael J. Kuta Law Corporation – Controlled by Michael Kuta, General Counsel and Corporate Secretary of Amerigo.
- Delphis Financial Strategies Inc. – Controlled by Aurora Davidson, CFO of Amerigo

In the same period, Amerigo paid or accrued \$265,000 in directors' fees to independent directors (2012: \$250,000). In Amerigo's consolidated financial statements directors' fees and remuneration to officers are categorized as salaries, management and professional fees. At December 31, 2013, an aggregate amount of \$74,000 was due to directors and officers for directors' fees and reimbursement of expenses (2012: \$3,000). These transactions were in the ordinary course of business and measured at the exchange amounts agreed to by the parties.

In 2013, no options were granted to directors and officers of the Company (2012: 3.8 million options).

- c) As of December 31, 2013 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence.
- d) As of December 31, 2013 two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

Critical Accounting Estimates

Estimates and judgments 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 its 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.

a) Useful Life of Assets

As at December 31, 2013, the contractual relationship with DET was 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 contractual relationship with DET is expected to change to December 31, 2037 upon execution of the 2014 DET Agreement (see **Cauquenes Expansion**) and may change again in the future based on executed term extensions.

b) Asset Retirement Obligation ("ARO")

The Company assesses its provision for ARO and fair values the liability at the end of each reporting quarter, using the current risk-free discount rates. The ARO results from the obligation to remove property and equipment at the end of the contractual relationship with DET 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, additions of new plant and equipment and changes to the term of the contractual relationship with DET.

At December 31, 2013, the future value of the provision for ARO was determined using an estimated annual inflation rate of 3%, a risk premium estimated at 6.7% and discounted at the risk-free rate of 5.18%.

The ARO is expected to change upon execution of the 2014 DET Agreement (see **Cauquenes Expansion**).

c) 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. Exploration and evaluation assets are included in the Company's impairment test along with property, plant and equipment.

Exploration and evaluation assets are transferred to property, plant and equipment once the Company has obtained the legal rights to process the related tailings and an economically viable processing operation has been established.

d) Severance Provisions

MVC has a future obligation with its workers for statutory severance payments based on their employee contracts and/or Chilean labour law at the termination of the contractual relationship with DET. 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.

The Company's severance provision is expected to change upon execution of the 2014 DET Agreement (see **Cauquenes Expansion**).

e) Power Cost Assumptions

Certain components of MVC's power costs involve complex calculations involving data from Chile's 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 with no historical precedent. Final costs may vary from estimated costs and would be included in earnings in the period in which final costs are determined.

Disclosure Controls and Procedures

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

During the year ended December 31, 2005, the Company's General Counsel and Corporate Secretary completed an evaluation of the effectiveness of the Company's existing disclosure controls and procedures, undertook extensive research and made presentations and recommendations to the Company's certifying officers and board of directors. Based on those recommendations, a corporate disclosure policy was presented to the Company's board and adopted on February 14, 2006.

The disclosure policy includes the setting up of a Disclosure Policy Committee that originally consisted of the Company's Chairman and CEO, CFO and Corporate Secretary. During 2012 this committee was expanded to include a director and the Company's President and COO.

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

Internal Controls over Financial Reporting ("ICFR")

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

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

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

An evaluation of the design and operating effectiveness of the Company's ICFR was conducted as of December 31, 2013 by the Company's management, including the Chairman and CEO and CFO. Based on this evaluation, management has concluded that the design of the Company's ICFR was effective.

There were no changes during the year ended December 31, 2013 that have materially affected, or are reasonably likely to affect, the Company's ICFR.

Other

As of February 21, 2014, Amerigo has outstanding 172,492,844 common shares and 11,062,500 options (exercisable at prices ranging from Cdn\$0.31 to Cdn\$2.13 per share).

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

Cautionary Statement on Forward Looking Information

This MD&A contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- forecast production and operating costs;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- prices and price volatility for copper and other commodities and of materials we use in our operations;
- the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- decisions regarding the timing and costs of construction and production with respect to, and the issuance of, the necessary permits and other authorizations required for our expansion projects, including the expansion for the Cauquenes tailings deposit;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- our planned capital expenditures and estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning treatment charges and royalties;
- our dividend policy; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, delays associated with permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of tailings and mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings.

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

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the timing of the receipt of permits and other regulatory and governmental approvals;
- our costs of production and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- the availability of funding on reasonable terms;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- the satisfactory negotiation of collective agreements with unionized employees;
- the impact of changes in foreign exchange rates and capital repatriation on our costs and results;
- engineering and construction timetables and capital costs for our expansion projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our mine plan estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the outcome of our copper concentrate treatment and refining charge negotiations;
- the resolution of environmental and other proceedings or disputes;
- the future supply of reasonably priced power;
- our ability to obtain, comply with and renew permits in a timely manner; and
- our ongoing relations with our employees and entities with which we do business.

Future production levels and cost estimates assume there are no adverse mining or other events which significantly affect budgeted production. In 2013 production was at the lower end of the Company's published guidance for the year in part due to the adverse effect of a slide and resulting pit wall failure in the Colihues deposit which occurred in April 2013 and adversely affected production for the remainder of the year. The slide also resulted in increased Capex for Colihues, and total Capex for the year was approximately \$1.5 million higher than the Company's guidance. The Colihues slide and required change in mine plan is expected to continue to adversely affect the Company's production in 2014.

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