Amerigo RESOURCES LTD.

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# Amerigo Resources Ltd.
# Management's Discussion and Analysis
# For the three and nine months ended September 30, 2013

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

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

***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 and 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.

The fresh tailings are supplied from El Teniente's current production. The old tailings are recovered from Colihues, a tailings deposit located near MVC’s plant with copper grade more than 2 times that of the fresh tailings.

In Q3-2013, the Company received official notice that the board of directors of Codelco has approved the major terms of a proposed agreement between DET and MVC. Once signed, MVC would obtain the rights to process the historic tailings in the Cauquenes deposit located near MVC's plant and the fresh tailings contract would be extended to 2037. The Company anticipates receiving final environmental and regulatory approval for the project before December 31, 2013, during which time the Company and El Teniente continue together to finalize the details of the formal 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 November 6, 2013, and should be read in conjunction with the Company’s condensed consolidated interim financial statements and related notes for the nine months ended September 30, 2013 and the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2012.

The 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 non-GAAP 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.

## *HIGHLIGHTS and SIGNIFICANT EVENTS*

### Comparative Overview

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | 2013 | 2012 | Change | |
| | | | $ | % |
| Copper produced, million pounds | 11.04 | 12.70 | (1.66) | (13%) |
| Copper sold, million pounds | 10.86 | 13.02 | (2.16) | (17%) |
| Molybdenum produced, pounds | 193,138 | 321,788 | (128,650) | (40%) |
| Molybdenum sold, pounds | 206,645 | 337,818 | (131,173) | (39%) |
| Percentage of copper production from old tailings | 37% | 47% | | (10%) |
| Revenue ($ thousands) | 31,950 | 44,231 | (12,281) | (28%) |
| Cost of sales [1] ($ thousands) | 30,202 | 46,285 | (16,083) | (35%) |
| El Teniente royalty costs ($ thousands) | 7,257 | 10,179 | (2,922) | (29%) |
| Gross profit (loss) ($ thousands) | 1,748 | (2,054) | 3,802 | |
| Net profit (loss) ($ thousands) | 1,039 | (4,189) | 5,228 | (125%) |
| Operating cash flow ($ thousands) | 4,872 | 2,707 | 2,165 | 80% |
| Cash flow paid for plant expansion ($ thousands) | (2,533) | (4,606) | 2,073 | (45%) |
| Cash and cash equivalents ($ thousands) | 5,368 | 35,649 | (30,281) | (85%) |
| Bank debt ($ thousands) | - | 2,501 | (2,501) | (100%) |
| Average realized copper price per pound | 3.19 | 3.52 | (0.33) | (9%) |
| Cash cost per pound [2] | 1.93 | 2.57 | (0.64) | (25%) |
| Total cost per pound [3] | 2.96 | 3.69 | (0.73) | (20%) |

[1] Includes El Teniente royalty costs

[2, 3] Cash cost and total cost per pound are non-GAAP measures mentioned throughout this MD&A. Please refer to page 9 of this MD&A for a reconciliation of these measures to GAAP.

### Financial results

- Revenue was $32 million, compared to $44.2 million in Q3-2012. Revenues decreased 28% due to lower copper and molybdenum sales volume and lower average metal prices.

- Cost of sales was $30.2 million, compared to $46.3 million in Q3-2012, a decrease of 35% driven by lower production levels and substantially 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 $1.7 million, compared to a gross loss of $2 million in Q3-2012.

- Net profit was $1 million, compared to a net loss of $4.2 million in Q3-2012.

### Production

- The Company produced 11.04 million pounds of copper, 13% lower than the 12.70 million pounds produced in Q3-2012. Production was affected by challenging mining conditions in Colihues which resulted in lower recovery rates.

- Molybdenum production was 193,138 pounds, 40% lower than the 321,788 pounds produced in Q3-2012, as a result of the Colihues mine sequence delivering lower molybdenum grades to the MVC plant.

## Revenue

- Revenue decreased to $32 million from $44.2 million in Q3-2012, due to lower production levels and lower metal prices. The Company's copper selling price before smelting, refining and other charges was $3.19/lb compared to $3.52/lb in Q3-2012, and the Company's molybdenum selling price was $9.41/lb compared to $11.64/lb in Q3-2012.

## Costs

- Cash cost (the aggregate of smelting, refining and other charges, production costs net of inventory adjustments and molybdenum-related net benefits, administration and transportation costs) before El Teniente royalty was $1.93/lb, compared to $2.57/lb in Q3-2012. Cash costs decreased in Q3-2013 mostly as a result of a $0.44/lb reduction in power costs.

- Total cost (the aggregate of cash cost, El Teniente royalty, depreciation and accretion) was $2.96/lb compared to $3.69/lb in Q3-2012.

- Power costs in Q3-2013 were $5.1 million ($0.0802/kwh) compared to $11.5 million ($0.1790/kwh) in Q3-2012. Similar lower power cost levels are expected to December 31, 2017, the end of the term of MVC's current power contract.

- Total El Teniente royalties were $7.3 million in Q3-2013, compared to $10.2 million in Q3-2012, due to lower production and metal prices.

## Cash and Financing Activities

- Cash balance was $5.4 million at September 30, 2013 compared to $3.9 million at June 30, 2013 and $9.3 million at December 31, 2012.

## Investments

- Cash payments for capital expenditures ("Capex") were $2.5million, compared to $4.6 million in Q3-2012, and were funded from operating cash flow and cash at hand. YTD cash payments for Capex were $9.9 million, compared to $20.9 million in 2012.

- Capex incurred in Q3-2013 totaled $2.2 million (Q3-2012: $3.4 million) and included project investments in connection with Cauquenes engineering and permitting and sustaining Capex projects. YTD-2013 incurred Capex totaled $7.2 million (YTD-2012: $19.2 million).

- The Company's investments in Candente Copper Corp. and Los Andes Copper Ltd. had an aggregate fair value of $3.1 million at September 30, 2013 (December 31, 2012: $4.1 million).

## Outlook

The following are forward looking statements. Please refer to ***Cautionary Statement of Forward Looking Information*** on page 21 of this MD&A, where we list the material risk factors that could cause actual results to differ from these forward looking statements. The Company has arrived at these Forward Looking Statements based on MVC's actual operating results YTD-2013 and production and operational projections for Q4- 2013.

- Management guidance for 2013 production is 45 million pounds of copper and 800,000 pounds of molybdenum.

- Projected cash cost for 2013 is between $1.95/lb and $2.15/lb Cu.

- Excluding the Cauquenes project, 2013 estimated Capex at MVC continues to be approximately $7.2 million. The 2013 Cauquenes engineering and permitting costs have been revised from $2.4 million to $3.8 million.

## *SUMMARY OF FINANCIAL RESULTS Q3-2012 TO Q3-2013*

| | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 |
|---|---|---|---|---|---|
| Copper production, million pounds | 11.04 | 9.55 | 12.83 | 13.56 | 12.70 |
| Copper sales, million pounds | 10.86 | 9.44 | 12.48 | 13.71 | 13.02 |
| Moly production - pounds | 193,138 | 176,155 | 258,301 | 290,705 | 321,788 |
| Moly sales - pounds | 206,645 | 177,845 | 240,744 | 286,075 | 337,818 |
| | | | | | |
| *Financial results ($ thousands)* | | | | | |
| Revenue | 31,950 | 31,446 | 43,161 | 47,017 | 44,231 |
| Cost of sales | | | | | |
| Production costs | 17,307 | 17,867 | 21,332 | 30,633 | 30,057 |
| El Teniente royalty | 7,258 | 7,317 | 10,700 | 12,421 | 10,179 |
| Depreciation and amortization | 4,143 | 4,462 | 4,161 | 4,070 | 4,051 |
| Administration | 1,117 | 1,195 | 1,384 | 1,500 | 1,515 |
| Transportation | 377 | 362 | 460 | 483 | 483 |
| | 30,202 | 31,203 | 38,037 | 49,107 | 46,285 |
| Gross profit (loss) | 1,748 | 243 | 5,124 | (2,090) | (2,054) |
| Other expenses | | | | | |
| Office and general expenses | 312 | 186 | 406 | 226 | 371 |
| Salaries, management and professional fees | 440 | 418 | 375 | 895 | 516 |
| Share-based payment compensation | 0 | 21 | 31 | 106 | 214 |
| Royalties to related parties | (32) | (299) | 100 | 1,110 | 85 |
| Bad debt recovery | 0 | (52) | - | - | (683) |
| | 720 | 274 | 912 | 2,337 | 503 |
| Other gains and losses | | | | | |
| Foreign exchange (gain) expense | (397) | 1,003 | (98) | 895 | (900) |
| Other gains | (90) | (101) | (111) | (187) | (134) |
| | (487) | 902 | (209) | 708 | (1,034) |
| Operating profit (loss) | 1,515 | (933) | 4,421 | (5,135) | (1,523) |
| Finance costs | 166 | 114 | 185 | 429 | 251 |
| Profit (loss) before tax | 1,349 | (1,047) | 4,236 | (5,564) | (1,774) |
| Income tax expense (recovery) | 310 | (210) | 998 | (253) | 2,415 |
| Profit (loss) for the period | 1,039 | (837) | 3,238 | (5,311) | (4,189) |
| | | | | | |
| Earnings (loss) per share - basic | 0.01 | (0.01) | 0.02 | (0.03) | (0.02) |
| Earnings (loss) per share - diluted | 0.01 | (0.01) | 0.02 | (0.03) | (0.02) |
| | | | | | |
| Cash cost ($/lb) | 1.93 | 2.24 | 1.99 | 2.50 | 2.57 |
| Total cost ($/lb) | 2.96 | 3.48 | 3.15 | 3.72 | 3.69 |
| | | | | | |
| *Uses and sources of cash ($thousands)* | | | | | |
| Cash flow from (used in) operations | 4,872 | 4,142 | 7,335 | (1,208) | 2,707 |
| Cash flow from (used in) operations including working capital changes | 4,164 | (4,764) | 8,203 | (18,479) | 33,350 |
| Cash used in investing activities | (2,533) | (3,676) | (3,645) | (2,837) | (4,606) |
| Cash used in dividend payments | - | - | - | (3,460) | - |
| Cash used in debt repayments | - | (993) | (504) | (1,003) | (1,151) |
| Ending cash position | 5,368 | 3,881 | 13,280 | 9,250 | 35,649 |

## *OPERATING RESULTS*

In Q3-2013 the Company produced 11.04 million pounds of copper and 193,138 pounds of molybdenum, 13% and 40% lower, respectively, than in Q3-2012. Production was affected by challenging mining conditions in Colihues which resulted in lower recovery rates.

Copper production in Colihues was lower than in Q3-2012, as a result of low copper recovery from material extracted in Q3-2013, due to planned mine sequencing, exacerbated by the slide event in April which has delayed access to better quality material. In Q3-2013, the fresh tailings contained more refractory copper material compared to Q3-2012, causing higher grades but lower recoveries, resulting in similar fresh tailings copper production levels to last year.

Molybdenum production was lower than in Q3-2012, as a result of the Colihues mine sequence delivering lower molybdenum grades to the MVC plant.

The Company's cost of sales was 35% lower than in Q3-2012, 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 Q3-2012 levels and continued to significantly improve MVC's operating results.

During the quarter the Company generated cash flow from operations of $4.9 million and posted a net profit of $1 million.

### Production

| | Q3-2013 | Q3-2012 |
|---|---|---|
| **FRESH TAILINGS EL TENIENTE** | | |
| Tonnes processed | 11,879,432 | 11,413,509 |
| Copper grade (%) | 0.136% | 0.122% |
| Copper recovery | 19.4% | 22.3% |
| Copper produced (lbs) | 6,901,963 | 6,839,026 |
| **OLD TAILINGS COLIHUES** | | |
| Tonnes processed | 2,724,540 | 2,725,831 |
| Copper grade (%) | 0.263% | 0.265% |
| Copper recovery | 26.2% | 36.8% |
| Copper produced (lbs) | 4,133,371 | 5,862,231 |
| **COPPER** | | |
| Total copper produced (lbs) | 11,035,334 | 12,701,257 |
| Total copper sold (lbs) | 10,856,100 | 13,024,101 |
| **MOLYBDENUM** | | |
| Total molybdenum produced (lbs) | 193,138 | 321,788 |
| Total molybdenum sold (lbs) | 204,645 | 337,818 |

### Exploration and evaluation assets

The Company's exploration and evaluation assets ("EEA") 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 Codelco's Cauquenes tailings deposit. The Company has the legal right to explore this area while it conducts negotiations to obtain the legal right to process these tailings. See ***Cauquenes Expansion.***

EEA will be reclassified to property, plant and equipment in the period of the change in status of these assets.

## Revenue

| | | Q3-2013 | | Q3-2012 |
|---|---|---|---|---|
| Average LME copper price per pound | $ | 3.21 | $ | 3.50 |
| Average Platt's molybdenum dealer oxide price per pound [1] | $ | 9.41 | $ | 12.01 |
| | | | | |
| Total copper net sales during the period (thousands) | $ | 30,618 | $ | 41,472 |
| Total molybdenum net sales during the period (thousands) | | 1,332 | | 2,759 |
| Total revenue during period (thousands) | $ | 31,950 | $ | 44,231 |
| | | | | |
| Company's recorded copper price per pound [2] | $ | 3.19 | $ | 3.52 |
| Company's recorded molybdenum price per pound [3] | $ | 9.41 | $ | 11.64 |

[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 Q3-2013 was $32 million, compared to $44.2 million in Q3-2012, including copper revenue of $30.6 million (Q3-2012: $41.5 million) and molybdenum revenue of $1.3 million (Q3-2012: $2.8 million). Copper and molybdenum 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 in Q3-2013 were $3.21/lb compared to $3.50/lb in Q3-2012, and the Company's realized copper sales price was $3.19/lb, compared to $3.52/lb in Q3-2012. The difference between the average LME copper price and the Company's realized sales price is a result of the pricing terms that apply to the Company's sales in each quarter. In Q3-2013, pricing terms were M-1.

The average Platt's published molybdenum dealer oxide price in Q3-2013 was $9.41/lb, compared to $12.01/lb in Q3-2012, a $2.60/lb decrease.

Molybdenum revenues were $1.3 million, 52% lower than $2.8 million in Q3-2012, due to a 39% sales volume reduction, a $2.23/lb decline in realized molybdenum sale price and negative price settlement adjustments.

Molybdenum produced by the Company is sold under a sales agreement with Chile's Molibdenos y Metales S.A. which in 2013 provides that the sale price is the average market price for the third month after delivery ("M+3"). Accordingly, none of the molybdenum sold in Q3-2013 was priced at final prices as of September 30, 2013. Sales of molybdenum are provisionally priced at the average Platt's molybdenum dealer oxide price which for September 2013 was $9.38/lb.

## 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 net of inventory adjustments, 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 Q3-2013 and Q3-2012 is presented below:

| | | Q3-2013 | | Q3-2012 |
|---|---|---|---|---|
| Cost of sales (thousands) | $ | 30,202 | $ | 46,285 |
| Add (deduct): | | | | |
| Smelting and refining charges (thousands) | | 3,763 | | 4,223 |
| Inventory adjustments (thousands) | | 42 | | (931) |
| Molybdenum by-product credits (thousands) | | (1,332) | | (2,759) |
| Total cost (thousands) | $ | 32,675 | $ | 46,818 |
| Deduct: | | | | |
| El Teniente royalties (thousands) | | (7,258) | | (10,179) |
| Depreciation and amortization (thousands) | | (4,143) | | (4,051) |
| Cash cost (thousands) | $ | 21,274 | $ | 32,588 |
| Pounds of copper produced | | 11.04M | | 12.70M |
| Cash cost ($/lb) | | **1.93** | | **2.57** |
| Total cost ($/lb) | | **2.96** | | **3.69** |

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

| | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 |
|---|---|---|---|---|---|
| Power costs | 0.46 | 0.53 | 0.50 | 0.97 | 0.90 |
| Grinding media | 0.25 | 0.27 | 0.28 | 0.25 | 0.25 |
| Other direct costs [1, 2] | 0.86 | 1.11 | 0.92 | 0.97 | 1.15 |
| By-product credits | (0.12) | (0.17) | (0.18) | (0.17) | (0.22) |
| Smelting & refining | 0.34 | 0.33 | 0.32 | 0.33 | 0.33 |
| Administration | 0.10 | 0.13 | 0.11 | 0.11 | 0.12 |
| Transportation | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| Cash Cost | **$1.93** | **$2.24** | **$1.99** | **$2.50** | **$2.57** |

[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 $2.28/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 did not represent a cash outlay.

Cash cost in Q3-2013 was $0.64/lb lower than in Q3-2012. 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 still MVC's most significant cost, and was $0.0802/kWh in Q3-2013, compared to $0.1659/kWh in Q3-2012. Unit power costs in Q3-2013 were $0.46/lb, $0.44/lb lower than in Q3-2012. These 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 to December 31, 2017, the expiry date of MVC's current power contract.

MVC operated its generators during Q3-2013 at those times when the grid price exceeded operating costs. The economic benefit from operating the generators in Q3-2013 was $1.2 million.

Unit grinding media costs were $0.25/lb both in Q3-2013 and Q3-2012.

Other direct costs decreased to $0.86/lb from $1.15/lb in Q3-2012, a reduction of $0.26/lb. Other direct costs include direct labour costs of $0.20/lb (Q3-2012: $0.47/lb). Direct labour costs decreased $0.27/lb in Q3-2013, compared to Q3-2012, when labour costs included the effect of union signing bonuses paid to MVC workers.

Molybdenum by-product credits decreased to $0.12/lb from $0.22/lb in Q3-2012 as a result of lower molybdenum sales volume and prices.

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

| | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 |
|---|---|---|---|---|---|
| Cash cost | 1.93 | 2.24 | 1.99 | 2.50 | 2.57 |
| El Teniente royalty | 0.66 | 0.77 | 0.84 | 0.92 | 0.80 |
| Amortization/depreciation | 0.37 | 0.47 | 0.32 | 0.30 | 0.32 |
| **Total Cost** | **$2.96** | **$3.48** | **$3.15** | **$3.72** | **$3.69** |

Total cost was $2.96/lb, compared to $3.69/lb in Q3-2012. The change in total cost resulted from a decrease of $0.64/lb in cash cost, a $0.14/lb decrease in El Teniente royalty and a $0.05/lb increase in amortization and depreciation charges.

## *FINANCIAL RESULTS Q3-2013*

The Company posted a net profit of $1 million ($0.01 basic and diluted earnings per share), compared to a net loss of $4.2 million in Q3-2012 ($0.02 basic and diluted loss per share). Gross profit was $1.7 million, compared to a gross loss of $2 million in Q3-2012.

### Revenue

Revenue in Q3-2013 was $32 million (Q3-2012: $44.2 million).

### Production Costs

| (Expressed in $ thousands) | | Q3-2013 | | Q3-2012 |
|---|---|---|---|---|
| Direct production costs | | | | |
| Power costs | $ | 5,121 | $ | 11,457 |
| Grinding media | | 2,714 | | 3,150 |
| Direct labour costs | | 2,156 | | 5,957 |
| Other direct production costs | | 7,316 | | 9,493 |
| | | 17,307 | | 30,057 |
| El Teniente royalty | | 7,258 | | 10,179 |
| Depreciation and amortization | | 4,143 | | 4,051 |
| Administration | | 1,117 | | 1,515 |
| Transportation | | 377 | | 483 |
| Cost of sales | $ | 30,202 | $ | 46,285 |

Direct production costs at $17.3 million were 42% lower than $30 million in Q3-2012, due in part to copper and molybdenum production decreases of 13% and 40%, respectively.

Power costs were $6.3 million lower than in Q3-2012, 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.

Grinding media costs of $2.7 million were 14% lower than in Q3-2012, again due to lower production.

Direct labour costs were $2.2 million in Q3-2013 compared to $6 million in Q3-2012. In Q3-2012 labour costs included $4.5 million in union signing bonuses to MVC workers.

Other direct production costs were $7.3 million (Q3-2012: $9.5 million). The most relevant other direct production costs are summarized in the following tables:

| (Expressed in $ thousands) | | Q3-2013 | | Q3-2012 |
|---|---|---|---|---|
| Other direct production costs | | | | |
| Colihues extraction | $ | 2,714 | $ | 2,548 |
| Maintenance, excluding labour | | 1,237 | | 1,392 |
| Molybdenum production costs, excluding labour | | 876 | | 1,381 |
| Industrial water | | 431 | | 740 |
| Copper reagents | | 521 | | 684 |
| Subcontractors, support services, etc. | | 568 | | 532 |
| Fuel and all other direct copper production costs | | 210 | | 235 |
| Lime | | 295 | | 344 |
| Process & environmental control | | 506 | | 706 |
| Inventory adjustments | | (42) | | 931 |
| | $ | 7,316 | $ | 9,493 |

| ($/lb Cu) | Q3-2013 | Q3-2012 |
|---|---|---|
| Other direct production costs | | |
| Colihues extraction | 0.27 | 0.20 |
| Maintenance, excluding labour | 0.11 | 0.11 |
| Molybdenum production costs, excluding labour | 0.08 | 0.11 |
| Industrial water | 0.04 | 0.06 |
| Copper reagents | 0.05 | 0.05 |
| Subcontractors, support services, etc. | 0.05 | 0.04 |
| Fuel and all other direct copper production costs | 0.02 | 0.02 |
| Lime | 0.03 | 0.03 |
| Process & environmental control | 0.05 | 0.06 |
| Inventory adjustments | 0.00 | 0.07 |
| | 0.68 | 0.75 |

Total other direct production costs decreased in Q3-2013 due to lower production and the effect of inventory adjustments.

With the exception of Colihues extraction costs, and subcontractors and support services, unit other direct production costs decreased or remained the same as in Q3-2012. Cost containment measures were implemented in Q3-2013 and have started to show positive results. The Company continues to evaluate further cost reduction initiatives.

The El Teniente royalty at $7.3 million was 29% lower than in Q3-2012, due to lower production levels and lower average 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 Q3-2013 resulted in $1.3 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 which, in the Company's view, does not change the substance of the underlying royalty arrangement.

Depreciation and amortization cost increased to $4.1 million (Q3-2012: $4 million).

Administration expenses were $1.1 million, compared to $1.5 million in Q3-2012. Transportation costs were $377,000 compared to $483,000 in Q3-2012.

## Other expenses

Other expenses are costs not related to MVC's production operations, and were $233,000 compared to a gain of $530,000 in Q3-2012, comprised of the following:

- General and administration expenses including office and general expenses of $312,000 (Q3-2012: $371,000), salaries, management and professional fees of $440,000 (Q3-2012: $516,000) and royalties to related parties of ($32,000) (Q3-2012: $85,000). In Q3-2012 the Company also posted share-based payments of $ $214,000 and a bad debt recovery of $683,000. The cost of royalties to related parties includes actual royalty dividends to related parties (Q3-2013: $176,000; Q3-2012: $209,000) and changes in fair value, as the royalty is a derivative financial instrument (Q3-2013: ($208,000); Q3-2012: ($124,000).

- Other expenses including a foreign exchange gain of $397,000 (Q3-2012: gain of $900,000) and interest income and other gains of $90,000 (Q3-2012: $133,000). 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 $166,000 (Q3-2012: $250,000) including interest charges of $73,000 (Q3-2012: $198,000), asset retirement obligation accretion cost of $93,000 (Q3-2012: $86,000) and changes in fair value of an interest rate swap of ($nil) (Q3-2012: ($34,000)).

## Taxes

Income tax expense was $310,000 in Q3-2013 (Q3-2012: $2.4 million), including an income tax recovery of $52,000 (Q3-2012: $2.4 million) in respect of changes to deferred income tax liabilities.

Deferred income tax results predominantly 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.

## *FINANCIAL RESULTS – NINE MONTHS ENDED SEPTEMBER 30, 2013*

During YTD-2013 the Company posted a profit of $3.4 million ($0.02 per share), compared to a net loss of $2.9 million ($0.02 per share) YTD-2012.

The variance in financial performance between the two nine-month periods is attributed mainly to an increase of $6.1 million in gross profit in YTD-2013, resulting from lower cost of sales.

Revenue in YTD-2013 was $106.6 million, 21% lower than YTD-2012 revenue of $134.7 million, due to lower sales volume and lower metal prices.

Cost of sales was $99.4 million, 26% lower than in YTD-2012 ($133.7 million) due to lower production, lower El Teniente royalties and the effect of lower contractual power costs. Cash cost and total cost in YTD-2013 were $2.04/lb and $3.18/lb respectively, compared to $2.45/lb and $3.59/lb in YTD 2012.

Other expenses increased to $2.1 million from $706,000 in YTD-2012, mainly from a $1.8 million increase in foreign exchange expense caused by fluctuations in the exchange rate of the Chilean peso (MVC's functional currency) to the US dollar. This expense was mostly of an unrealized nature, as MVC has monetary assets and/or liabilities denominated in US dollars.

## *COMPARATIVE PERIODS*

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

| | QE Sept. 30, 2013 $ | QE June 30, 2013 $ | QE March 31, 2013 $ | QE Dec. 31, 2012 $ |
|---|---|---|---|---|
| Total revenue (thousands) | 31,950 | 31,446 | 43,161 | 47,017 |
| Net profit (loss) (thousands) | 1,039 | (837) | 3,238 | (5,311) |
| Earnings (loss) per share | 0.01 | (0.01) | 0.02 | (0.03) |
| Diluted earnings (loss) per share | 0.01 | (0.01) | 0.02 | (0.03) |

| | QE Sept. 30, 2012 $ | QE June 30, 2012 $ | QE March 31, 2012 $ | QE Dec. 30, 2011 $ |
|---|---|---|---|---|
| Total revenue (thousands) | 44,231 | 40,013 | 50,499 | 40,305 |
| Net (loss) profit (thousands) | (4,189) | (1,002) | 2,310 | (3,645) |
| (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) |

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:

| | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 | Q4-2011 |
|---|---|---|---|---|---|---|---|---|
| Copper sales [1] | 10.86 | 9.44 | 12.48 | 13.71 | 13.02 | 10.76 | 14.08 | 12.42 |
| Company's realized copper price [2] | 3.19 | 3.40 | 3.52 | 3.52 | 3.52 | 3.74 | 3.55 | 3.40 |

[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 from Q4-2011 to Q1-2012. Copper sales in Q2-2012 were affected by an annual maintenance shutdown at El Teniente and MVC and by heavy rainfall, but recovered in Q3-2012 and Q4-2012. In Q1-2013, copper sales were affected by lower grades and in Q2-2013 sales volume was negatively impacted by challenging mining conditions, particularly for old tailings, and annual maintenance shutdowns. The Company implemented a change in mining plan which improved production and sales in Q3-2013, compared to Q2-2013.

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

| | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 | Q4-2011 |
|---|---|---|---|---|---|---|---|---|
| Cost of sales [1] | 30,202 | 31,203 | 38,037 | 49,107 | 46,285 | 40,092 | 47,367 | 43,264 |
| Unit cost of sales [2] | 2.74 | 3.27 | 2.96 | 3.62 | 3.64 | 3.47 | 3.41 | 3.58 |

[1] Thousands of dollars, includes royalties to El Teniente.
[2] Cost of sales over copper of pounds produced.

Cost of sales is affected by production levels, input costs (particularly power costs), royalty costs and copper prices. In Q3-2012, cost of sales was impacted by bonuses of $4.6 million paid to MVC workers on the signing of a four-year union agreement. In Q4-2012, cost of sales was higher due to increased El Teniente royalty costs. Cost of sales decreased considerably in Q1-2013 due to 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 as a result of lower production levels. In Q3-2013 total cost of sales decreased due to cost containment initiatives and unit cost of sales were favourably impacted by lower total costs and higher production levels, compared to Q2-2013.

## *LIQUIDITY and CAPITAL RESOURCES*

### Cash Flow from Operations

The Company generated cash from operations of $4.2 million (2¢ per share) in Q3-2013, compared to $33.4 million (20¢ per share) in Q3-2012. Cash flow from operations in Q3-2012 was abnormally high mainly due to delays in DET invoicing resulting in six months of DET invoices outstanding at quarter end, and timing differences in payments for signing bonuses and monthly payables.
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Excluding the effect of changes in working capital accounts and payments of long-term employee benefits, the Company generated cash of $4.9 million, compared to $2.7million in Q3-2012.

## Cash Flow from Financing Activities

Cash used in financing activities was $nil in Q3-2013, compared to $1.2 million in Q3-2012 (for bank loan repayments).

In Q2-2012, Amerigo declared a semi-annual dividend of Cdn$0.02 per share, for total dividend payments of $3.4 million.

The lower than projected realized copper prices and production YTD have affected projected 2013 operating cash flow performance. As a result, the board of directors has decided that it is prudent not to declare dividends to the Company's shareholders in 2013.

## Cash Flow from Investing Activities

In Q3-2013, the Company used cash of $2.5 million for payments of capital expenditures, compared to $4.6 million in Q3-2012.

In Q3-2013 MVC incurred Capex for expansion of old tailings extraction capacity, and on engineering and permitting for the Cauquenes project.

## Liquidity and Financial Position

The Company's cash and cash equivalents of $5.4 million at September 30, 2013 were lower than $9.3 million at December 31, 2012, but the Company had working capital of $3.9 million at September 30, 2013 compared to a working capital deficiency of $4.9 million at December 31, 2012.

At September 30, 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, this loan provides for interest at a variable rate of the Chilean Tasa Activa Bancaria ("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 0.585% per month on CLP draws and 0.1442% 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 September 30, 2013. No funds have been drawn on this line of credit.

Management believes the Company will be able to meet its operational 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. Despite these short-term liquidity challenges, 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. MVC's current contract with El Teniente runs to 2021. See ***Cauquenes Expansion.***

The Company's long-term liabilities (severance provisions, long-term portion of royalties to related parties measured at fair value, asset retirement obligation and deferred income tax liability) at September 30, 2013 were $30.6 million (December 31, 2012: $32.5 million).

## Impairment Analysis

As at September 30, 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): 2013: $3.30; 2014: $3.19: 2015: $3.20; 2016: $3.08: 2017 to 2037: $2.95
- Power costs (excluding benefit from self-generation): From 2013 to 2017 costs are per contractual estimates (2013: $0.0920/kWh, 2014: $0.1039/kWh, 2015: $0.1069/kWh, 2016: $0.1093/kWh, 2017: $0.1112/kWh). From 2018 to 2037: estimated at $0.1200/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 existing contracts with El Teniente to 2037
- Discount rate: 9% after tax

Management's impairment evaluation did not result in the identification of an impairment loss as of September 30, 2013. 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, delays in finalizing the definitive Cauquenes agreements and increases to estimated expansion capital costs could trigger an impairment which could be material.

## Investments

At September 30, 2013, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.245 and the fair value of the Company's approximately 5% investment in Candente Copper was $1.5 million. During the nine months ended September 30, 2013, the Company recorded other comprehensive loss of $755,000 (nine months ended September 30, 2012: other comprehensive loss of $2.6 million) for the changes in fair value of this investment.

At September 30, 2013, Los Andes Copper Ltd. ("Los Andes"), a Company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.21, and the fair value of the Company's approximately 5% investment in Los Andes was $1.6 million. During the nine months ended September 30, 2013, the Company recorded other comprehensive income of $61,000 (nine months ended September 30, 2012: other comprehensive loss of $75,000) 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 in the process. During the nine months ended September 30, 2012, the Company recorded other comprehensive loss of $104,000 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 $71,000 in the process. During the nine months ended September 30, 2012, the Company recorded other comprehensive loss of $59,000 for the changes in the fair value of this investment.

## *CAUQUENES EXPANSION*

In Q3-2013, the Company received official notice that the board of directors of Codelco has approved the major terms of a proposed agreement between DET and MVC. Once signed, MVC would obtain the rights to process the historic tailings in the Cauquenes deposit located near MVC's plant and the fresh tailings contract would be extended to 2037. The Company anticipates receiving final environmental and regulatory approval for the project before December 31, 2013, during which time the Company and El Teniente continue together to finalize the details of the formal agreement.

In accordance with the terms of the approved agreement, copper production from Cauquenes will be subject to a sliding scale royalty for LME prices from $1.95 to $5.50/lb, with a base rate of 16% that will vary with the copper price. It is anticipated that there will be an adjustment mechanism in the formal agreement for prices outside of the LME price range for the Cauquenes royalty. The fresh tailings royalty will also be changed to a sliding scale and modified to remove punitive "dolar acuerdo – dolar observado" exchange rate provisions. The base rate for the fresh tailings royalty will be 13.5%, and the threshold increased from $0.80/lb to $1.95/lb, the same minimum level as that for the Cauquenes royalty. The minimum price level for paying royalties is based on MVC's operating costs, including depreciation and financing costs, and will be adjusted to MVC's actual costs one year after Cauquenes is in full production. The parties will meet and review the cost and royalty structure if and when MVC's cost structure changes significantly. The formal agreement is expected to contain provisions allowing Codelco to purchase MVC's operations at certain predetermined times based on their future net present value.

In October 2013, Minera Valle Central 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 describing the activities needed to arrange 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. Indicated 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 underway.

## *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 September 30, 2013 was $5.2 million (December 31, 2012: $6 million), with a current portion of $688,000 (December 31, 2012: $731,000) and a long-term portion of $4.6 million (2012: $5.3 million).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the nine months ended September 30, 2013, royalties totaling $536,000 were paid or accrued to the Amerigo International Class A shareholders (2012: $621,000). At September 30, 2013, $60,000 of this amount remained outstanding (December 31, 2012: $71,000).

b) Directors' fees and remuneration to officers

During the nine months ended September 30, 2013, the Company paid or accrued $671,000 in salaries and fees to companies associated with certain directors and officers of Amerigo (2012: $606,000).

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 $196,000 in directors' fees to independent directors (Q3-2012: $188,000). In Amerigo's consolidated financial statements directors' fees and remuneration to officers are categorized as salaries, management and professional fees. At September 30, 2013, an aggregate amount of $131,000 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 the nine months ended September 30, 2013, no options were granted to directors and officers of the Company (2012: 3.4 million options).

c) As of September 30, 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 September 30, 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 these condensed consolidated interim 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 September 30, 2013, the contract with El Teniente has been estimated to terminate as of December 31, 2021, the date of termination of the fresh tailings contract. As all of MVC's assets are used to process both fresh and old tailings, the useful lives of MVC's assets have been determined based on their estimated economic life, not to exceed December 31, 2021. It is anticipated that the remaining life of this contract may change in future due to the changes in MVC's contractual arrangements with Codelco referred to in ***Cauquenes Expansion***, above.

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 upon the termination 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 the addition of new plant and equipment. At September 30, 2013, 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 5.25%. The Company anticipates the ARO may change once the contractual arrangements for the Cauquenes expansion are finalized.

c) Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether 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.

d) MVC Mine Plan Estimates

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

e) 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 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. The Company anticipates the severance provision may change once the contractual arrangements for the Cauquenes expansion are finalized.

## Internal Controls over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate ICFR. Any system of ICFR, 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. There were no material changes in the Company's ICFR during the quarter ended September 30, 2013.

## Other

As of November 6, 2013, Amerigo has outstanding 172,290,344 common shares and 11,265,000 options (exercisable at prices ranging from Cdn$0.31 to Cdn$1.32 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 of tailings and the quantity and 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.

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.