Amerigo Resources Ltd.

Consolidated Financial Statements
For the three months ended March 31, 2014
Unaudited
(expressed in thousands of U.S. dollars)

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in thousands of U.S. dollars)

	Notes	March 31, 2014 $	December 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents		8,142	13,148
Trade and other receivables		14,703	13,035
Prepaid expenses		234	319
Inventories	6	10,487	11,481
		33,566	37,983
Non-current assets			
Investments	7	3,096	3,207
Exploration and evaluation assets	9	22,281	21,375
Property, plant and equipment	10	114,035	116,601
Intangible assets	11	5,713	5,903
Other non-current assets		1,040	1,040
Total assets		179,731	186,109
Liabilities			
Current liabilities			
Trade and other payables		17,712	20,493
El Teniente royalties payable	8	9,335	13,142
Current income tax liabilities		1,055	721
Royalties to related parties	13	661	655
		28,763	35,011
Non-current liabilities			
Severance provisions		3,797	3,611
Royalties to related parties	13	4,113	4,224
Asset retirement obligation		7,415	7,295
Deferred income tax liability		14,115	14,229
Total liabilities		58,203	64,370
Equity	14		
Share Capital		77,645	77,514
Other reserves		6,746	6,577
Retained earnings		39,086	39,475
Accumulated other comprehensive loss		(1,949)	(1,827)
Total equity		121,528	121,739
Total equity and liabilities		179,731	186,109
Commitments	20		
Subsequent events	21		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

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

(expressed in thousands of U.S. dollars, except share and per share amounts)

		Three months ended March 31,	
	Notes	**2014**	**2013**
		$	**$**
Revenue		32,370	43,161
Cost of sales	16	31,706	38,037
Gross profit		664	5,124
Other expenses			
General and administration	16	1,002	912
Other gains	18	(277)	(209)
		725	703
Operating (loss) profit		(61)	4,421
Finance expense	17	149	185
		149	185
(Loss) profit before tax		(210)	4,236
Income tax expense		179	998
Net (loss) profit		(389)	3,238
Other comprehensive (loss) income, net of tax			
Items that may be reclassified subsequently to net (loss) income			
Severance provision		(179)	-
Cumulative translation adjustment		168	2,200
Unrealized losses on investments	7	(111)	708
Other comprehensive (loss) income, net of tax		(122)	2,908
Comprehensive (loss) income		(511)	6,146
Weghted average number of shares outstanding, basic		172,432,038	172,290,344
Weighted average number of shares outstanding, diluted		172,432,038	173,260,493
(Loss) earnings per share			
Basic		-	0.02
Diluted		-	0.02

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows - Unaudited

(expressed in thousands of U.S. dollars)

	Three months ended March 31, 2014 $	2013 $
Cash flows from operating activities		
Net (loss) profit	(389)	3,238
Adjustment for items not affecting cash:		
Depreciation and amortization	4,738	4,161
Deferred income tax recovery	(114)	(2)
Unrealized foreign exchange expense	273	158
Accretion	(12)	(13)
Share-based payments	-	31
Other	7	(238)
	4,503	7,335
Changes in non-cash working capital		
Trade, other receivables and advances	(1,642)	670
Inventories	941	1,133
Trade and other payables	(1,697)	(6)
El Teniente royalty payables	(3,807)	(519)
	(1,702)	8,613
Payment of long-term employee benefits	-	(410)
Net cash from operating activities	(1,702)	8,203
Cash flows from investing activities		
Purchase of plant and equipment and evaluation assets	(3,402)	(3,645)
Net cash from investing activities	(3,402)	(3,645)
Cash flows from financing activities		
Exercise of share purchase options	98	-
Repayments, net of cash proceeds	-	(504)
Net cash from financing activities	98	(504)
Net (decrease) increase in cash and cash equivalents	(5,006)	4,054
Effect of exchange rate changes on cash	-	(24)
Cash and cash equivalents – Beginning of period	13,148	9,250
Cash and cash equivalents - End of period	8,142	13,280

Supplementary cash flow information (Note 19)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity- Unaudited

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive (loss) income	Retained earnings	Total equity
		$	$	$	$	$
Balance January 1, 2013	172,290,344	77,514	6,525	9,677	38,482	132,198
Share based payments	-	-	31	-	-	31
Cumulative translation adjustment	-	-	-	2,200	-	2,200
Unrealized gains on investments	-	-	-	708	-	708
Net earnings	-	-	-	-	3,238	3,238
Balance March 31, 2013	172,290,344	77,514	6,556	12,585	41,720	138,375
Share-based payments	-	-	21	-	-	21
Cumulative translation adjustment	-	-	-	(12,813)	-	(12,813)
Unrealized losses on investments	-	-	-	(1,599)	-	(1,599)
Net loss	-	-	-	-	(2,245)	(2,245)
Balance December 31, 2013	172,290,344	77,514	6,577	(1,827)	39,475	121,739
Balance January 1, 2014	172,290,344	77,514	6,577	(1,827)	39,475	121,739
Exercise of share purchase options	350,000	131	(33)	-	-	98
Provision for compensation to be settled with shares	-	-	202	-	-	202
Cumulative translation adjustment	-	-	-	168	-	168
Unrealized losses on investments	-	-	-	(111)	-	(111)
Severance provision				(179)		(179)
Net loss	-	-	-	-	(389)	(389)
Balance March 31, 2014	172,640,344	77,645	6,746	(1,949)	39,086	121,528

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

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

GENERAL INFORMATION

Amerigo Resources Ltd. (the "Company") is a company incorporated pursuant to the laws of British Columbia, Canada and its shares are listed for trading on the Toronto Stock Exchange ("TSX"), the OTCQX stock exchange in the United States and the Lima Stock Exchange. The address of the Company's principal office is Suite 1950 – 400 Burrard Street, Vancouver, British Columbia.

The Company is a producer of copper and molybdenum concentrates with operations in Chile. At March 31, 2014, its operating subsidiary Minera Valle Central S.A. ("MVC") had a contractual relationship with the El Teniente Division ("DET") of Corporacion Nacional del Cobre de Chile ("Codelco"), Chile's state-owned copper producer, through 2021 to process the fresh tailings from El Teniente, the world's largest underground copper mine (the "2021 Fresh Tailings Contract"), as well as a contract to process El Teniente's Colihues tailings deposit (the "Colihues Contract"), (Note 8).

Subsequent to March 31, 2014, MVC and DET entered into an agreement granting to MVC the rights to process tailings from an additional historical tailings deposit, Cauquenes, extending MVC's rights to process fresh and Colihues tailings from 2021 to 2037 and amending each of the 2021 Fresh Tailings Contract and the Colihues Contract (Note 21).

These consolidated financial statements were authorised for issue by the board of directors on May 6, 2014.

1) BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information and note disclosure required by IFRS for annual financial statements, and therefore, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Group is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2013, except as described in the second paragraph of Note 3 and in Note 4.

2) ACCOUNTING POLICIES

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

<u>Functional currency</u>

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Amerigo Resources Ltd., the parent entity, is the Canadian dollar. The functional currency of Minera Valle Central Generacion S.A. ("MVC Generacion") is the Chilean peso ("CLP"). Effective January 1, 2014, the functional currency of MVC was changed from the CLP to the U.S. dollar in anticipation of the level of U.S denominated indebtedness to be undertaken by MVC in 2014 to finance the Cauquenes expansion project and from a review of the currency-related fact patterns of its current concentrate sales contracts and contracts with DET. While payments from current clients to MVC

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

for concentrate sales and payments by MVC of DET royalties have to be documented and settled in CLP due to Chilean regulatory provisions requiring all invoices within Chilean parties to be denominated in CLP, the underlying currency in these significant revenue and cost contracts is the U.S. dollar.

The Company's consolidated financial statements are presented in United States dollars ("$"), which is the Company's presentation currency. The U.S. dollar is widely used as a presentation currency in the mining industry, allowing for appropriate benchmarking with other companies operating in a variety of jurisdictions. These consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21"The Effects of Changes in Foreign Exchange Rates". This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Resulting gains and losses on translation are included as a component of equity.

4) ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2014, the Company adopted the following new and revised standards, along with any consequential amendments, in accordance with the applicable transitional provisions:

Amendment to IAS 32 – Financial Instruments – presentation: These amendments are to the application guidance on IAS 31, Financial Instruments: Presentation, and clarify some of the requirements for offsetting assets and financial liabilities on the statement of financial position.

Amendment to IAS 36 – Impairment of Assets: This amendment addresses the disclosure of information regarding the recoverable amount of impaired assets as that amount is based on fair value less costs of disposal.

Financial Instruments: Recognition and Measurement Amendment to IAS 39 – Novation of Derivatives: This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.

IFRIC 21 – Levies: This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of these standards did not have an effect on the Company's consolidated financial statements.

5) ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013, except as described in the following paragraphs.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

Useful Life of Assets

As at March 31, 2014, the contractual relationship with DET was estimated to terminate as of December 31, 2021and the useful lives of assets had been determined based on their estimated economic life, not to exceed the term of the DET contractual relationship.

The remaining life of the contractual relationship with DET changed to December 31, 2037 subsequent to quarter end (Note 21) and may change again in the future in the event of changes to contract termination dates. This is expected to impact the useful lives of most of MVC's assets, which should be determined on their estimated economic life, not to exceed December 31, 2037 in most cases.

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 March 31, 2014, the future value of the provision for ARO was determined using an estimated annual inflation rate of 3%, a risk premium estimated at 7.75% and discounted at the risk-free rate of 5.03%.

The Company is evaluating the impact of the new contractual terms with DET on its ARO provision as of April 2014 (Note 21).

Impairment of Property, Plant and Equipment

In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

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

As at March 31, 2014, management of the Company determined that the continued depressed market price for the Company's shares, resulting in capitalization below net assets, constituted an impairment indicator, and completed an impairment assessment for MVC that included a determination of fair value less costs to sell.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

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 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 March 31, 2014. Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. Sensitivities to changes in estimated 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.

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 Group has obtained the legal right to process the related tailings and an economically viable processing operation has been established.

The Group's exploration and evaluation assets at March 31, 2014 are all related to the Cauquenes project and are therefore expected to be reclassified to property, plant and equipment as of April 2014, the month in which the agreement granting to MVC the rights to process tailings from the Cauquenes deposit was signed.

Power Cost Assumptions

Certain components of MVC's power costs involve complex calculations involving data from the Chilean National Energy Commission, the central power grid operating network and the Company's power supply company. The Company relies on the advice of external power consultants to estimate these costs, in particular in the case of newly introduced charges 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.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

Severance Provisions

MVC has a future obligation with some of its workers for statutory severance payments based on their employee contracts. This obligation has been recorded as a liability at present value in the Company's consolidated statements 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 is evaluating the impact of the new contractual terms with DET on its severance provision as of April 2014 (Note 21).

6) INVENTORIES

	March 31, 2014 $	December 31, 2013 $
Plant supplies and consumables at cost	6,495	7,310
Concentrate inventories	3,992	4,171
	10,487	11,481

At March 31, 2014, the Company recorded $199,000 in cost of sales as a result of adjustments to net realizable value of copper inventories (2013: $nil). Molybdenum inventories were valued at cost at March 31, 2014 and December 31, 2013, as cost was lower than net realizable value.

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

7) INVESTMENTS

	March 31, 2014 $	December 31, 2013 $
Start of period	3,207	4,149
Exchange differences	-	(51)
Unrealized losses on changes in fair value	(111)	(891)
End of period	3,096	3,207

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

Available-for-sale financial assets include the following:

	March 31, 2014 $	December 31, 2013 $
Candente Copper Corp.	942	1,555
Los Andes Copper Ltd.	2,154	1,652
	3,096	3,207

a) At March 31, 2014, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.21 and the fair value of the Group's approximately 5% investment in Candente Copper was $942,000. During the three months ended March 31, 2014, the Group recorded other comprehensive loss of $613,000 (three months ended March 31, 2013: other comprehensive income of $68,000) for the changes in fair value of this investment.

b) At March 31, 2014, Los Andes Copper Ltd. ("Los Andes"), a company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.26, and the fair value of the Group's approximately 4% investment in Los Andes was $2.2 million. During the three months ended March 31, 2014, the Group recorded other comprehensive income of $502,000 (three months ended March 31, 2013: other comprehensive income of $597,000) for the changes in the fair value of this investment.

c) During the three months ended March 31, 2013, the Group recorded other comprehensive loss of $90,000 for the changes in the fair value of its investment in Candente Gold Corp. and wrote-off this investment on June 30, 2013.

(d) During the three months ended March 31, 2013, the Group recorded other comprehensive loss of $33,000 for the changes in the fair value of its investment in Cobriza Metals Corp. and wrote-off this investment on June 30, 2013.

8) El Teniente Royalties Payable

At March 31, 2014 MVC had a contract with DET to process fresh tailings until 2021 from the current production of the El Teniente mine which provided for a royalty to DET on copper and molybdenum concentrates produced by MVC. The amount of the copper royalty on fresh tailings was determined pursuant to a formula that considered both the price of copper and the copper content in the fresh tailings. For copper content in fresh tailings between 0.09% and 0.1499% no royalties were payable on fresh tailings if the copper price was below $0.80/lb; if the copper price was between $0.80/lb and $0.95/lb, the royalty varied on a sliding scale from 0% to 10%; if the copper price was between $0.95/lb and $1.30/lb, the royalty varied on a sliding scale from 10% to 13.5%; and if the copper price was $1.30/lb or higher, a maximum royalty of 13.5% was payable.

Royalty payments for copper concentrates production were calculated using the LME Price for copper for the month of delivery of the tailings, and invoiced by DET in CLP using the higher of either the "Dolar Acuerdo" or the "Dolar Observado" exchange rates, on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings. Payment to DET was made within 10 days of receipt of invoices. Accordingly, the price base used

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

for the calculation of the DET royalty was, in most instances, not the same price base used for the pricing of copper concentrate sales.

Adjustments to the DET royalties were recorded on a monthly basis for changes in copper concentrate deliveries during the settlement period.

MVC also paid to DET a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates produced from fresh tailings.

The DET royalties are recorded as a component of cost of sales.

MVC also had an agreement with DET with respect to the processing of tailings from the Colihues tailings impoundment ("old tailings"), which provided for a sliding scale copper royalty on old tailings that was 3% if the LME Price was less than $0.80/lb, and increased to approximately 30% at an LME Price of $4.27/lb, but also contained a provision that the parties would review and potentially adjust the formula where the LME Price remained lower than $1.95/lb or higher than $4.27/lb for three consecutive months. For molybdenum prices lower than $35/lb, the royalty on old tailings was 11.9% and for molybdenum prices greater than or equal to $35/lb, the royalty was 12.4%.

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

As at March 31, 2014, royalties payable to El Teniente were $9.3 million (December 31, 2013: $13.1 million), representing approximately four months of royalties.

9) EXPLORATION AND EVALUATION ASSETS

	$
Year ended December 31, 2013	
Opening net book amount	18,736
Exchange differences	(1,806)
Additions	4,445
	21,375
Three months ended March 31, 2014	
Opening net book amount	21,375
Additions	906
	22,281

The Group'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 deposit. MVC had the legal right to explore this area during negotiations to obtain the rights to process these tailings. Exploration and evaluation assets are expected to be reclassified to property, plant and equipment as of April 2014, following the signing of the agreement granting to MVC the rights to process tailings from the Cauquenes deposit (Note 21).

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

10) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure $	Machinery and equipment and other assets $	Total $
Year ended December 31, 2013			
Opening net book amount	109,553	28,784	138,337
Exchange differences	(8,859)	(2,067)	(10,926)
Additions	4,839	1,050	5,889
Disposals	-	(17)	(17)
Impairment	-	(668)	(668)
Transfer to other assets	-	(74)	(74)
Depreciation charge	(12,616)	(3,324)	(15,940)
Closing net book amount	92,917	23,684	116,601
At December 31, 2013			
Cost	167,892	50,549	218,441
Accumulated depreciation	(74,974)	(26,866)	(101,840)
Net book amount	92,918	23,683	116,601
Three months ended March 31, 2014			
Opening net book amount	92,918	23,683	116,601
Exchange differences	-	(8)	(8)
Additions	1,848	142	1,990
Depreciation charge	(4,282)	(266)	(4,548)
Closing net book amount	90,484	23,551	114,035
At March 31, 2014			
Cost	169,462	50,678	220,140
Accumulated depreciation	(78,978)	(27,127)	(106,105)
Net book amount	90,484	23,551	114,035

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

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

11) Intangible Assets

	$
Net book amount, December 31, 2012	7,402
Exchange differences	(560)
Charged to earnings	(939)
Net book amount, December 31, 2013	5,903
Charged to earnings	(190)
Net book amount, March 31, 2014	5,713

12) Borrowings

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

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

c) In July 2011 MVC entered into an agreement with a Chilean bank to secure a revolving working capital line of credit for up to $20 million or its equivalent in CLP (the “Line of Credit”). The Line of Credit 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 0.49% per month on CLP draws and 0.18% per month on US dollar draws. The Line of Credit requires MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios. MVC was in compliance with these covenants at March 31, 2014 and December 31, 2013. To date no funds have been drawn down on this line of credit.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

13) RELATED PARTY TRANSACTIONS

a) Royalties to Related Parties

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

Amerigo International is wholly-owned by the Company except for certain outstanding Class A shares which are owned indirectly by the Company's Chairman and Chief Executive Officer, an associate of the Chairman and Chief Executive Officer, a former director of the Company and an associate of that former director. The Class A shares were issued as part of a tax-efficient structure for the payment of the royalty (the "Royalty") granted in exchange for the transfer to the Company of an option to purchase MVC.

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

The Royalty is calculated as follows:

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

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

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at March 31, 2014 is $4.8 million (December 31, 2013: $4.9 million), with a current portion of $661,000 (December 31, 2013: $655,000) and a long-term portion of $4.1 million (December 31, 2013: $4.2 million).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the three months ended March 31, 2014, royalties totalling $151,000 were paid or accrued to the Amerigo International Class A shareholders (2013: $207,000). At March 31, 2014, $52,000 of this amount remained outstanding (December 31, 2013: $52,000).

b) Purchases of Goods and Services

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

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

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

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

	Thee months ended March 31, 2014 $	Thee months ended March 31, 2013 $
Salaries and management fees	263	173

c) Key Management Compensation

The remuneration of directors and other key members of management during the periods ended March 31, 2014 and 2013 were as follows:

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Management and directors' fees	363	238
Share-based payments	-	31
	363	269

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

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

14) EQUITY

a) Share Capital

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

b) Share Options

No share options were granted in the three months ended March 31, 2014.

Outstanding share options:

	March 31, 2014		December 31, 2013	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the period	11,265,000	0.84	12,300,000	0.95
Exercised	(350,000)	0.31	-	-
Expired [1]	-	-	(1,035,000)	2.13
At end of the period	10,915,000	0.85	11,265,000	0.84
Vested and exercisable	10,915,000	0.85	11,265,000	0.84

[1] A total of 550,000 share options with an exercise price of Cdn$0.31 remained unexercised as of March 31, 2014 as a result of black-out provisions preventing the holders of the options from exercising them prior to their expiry date of March 27, 2014. The Company’s stock option plan provides that if the term of an option expires during a blackout period or within ten business days after the date on which the blackout period ends, then the term of such option will be extended to the date which is ten business days after the date of the end of the blackout period. The current blackout period will be lifted on May 12, 2014.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

Information relating to share options outstanding at March 31, 2014 is as follows:

Outstanding share options	Vested share options	Price range Cdn$	Weighted average exercise price on outstanding options Cdn$	Weighted average exercise price on vested options $	Weighted Average remaining life of outstanding options (years)
1,350,000	1,350,000	0.31-0.69	0.45	0.45	1.71
3,165,000	3,165,000	0.70-0.74	0.70	0.70	0.92
3,200,000	3,200,000	0.75-0.95	0.77	0.77	2.93
600,000	600,000	0.96-1.22	1.12	1.12	2.11
2,600,000	2,600,000	1.23-1.32	1.32	1.32	1.92
10,915,000	10,915,000		0.86	0.86	1.91

The weighted average remaining life of vested options at March 31, 2014 was 1.91 years.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

Further information about share options is as follows:

	Three months ended	
	March 31, 2014	March 31, 2013
	$	$
Total compensation recognized	-	31

c) (Loss) earnings per Share

i) Basic

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

	March 31, 2014	March 31, 2013
	$	$
(Loss) profit for the period	(389)	3,238
Weighted average number of shares	172,432,038	172,290,344
Basic (loss) earnings per share	0.00	0.02

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

ii) Diluted

Diluted (loss) earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Potentially dilutive shares relate to the exercise of outstanding share purchase options.

	March 31,2014 2013 $	**March 31, 2013 $**
(Loss) profit for the period	(389)	3,238
Weighted average number of ordinary shares in issue	172,432,038	172,290,344
Effect of dilutive securities:		
Share options	-	970,149
Weighted average diluted shares outstanding	172,432,038	173,260,493
Diluted (loss) earnings per share	0.00	0.02

The number of anti-dilutive securities excluded from the diluted loss per share calculation for the three months ended March 31, 2014 was 378,889 share options.

15) Segment Information

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

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

	Property, plant and equipment		**Other**	
	March 31, 2014	**December 31, 2013**	**March 31, 2014**	**December 31, 2013**
Chile	113,800	116,344	29,034	28,318
Canada	235	257	-	-
	114,035	116,601	29,034	28,318

All of the Group's revenue originates in Chile.

In the three months ended March 31, 2014, the Group's sales to one customer represented 97% of reported revenue (2013: 92%).

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

16) EXPENSES BY NATURE

Cost of sales consists of the following:

	Three months ended March 2014 $	Three months ended March 31, 2013 $
Production costs	19,001	21,332
El Teniente royalty	6,421	10,700
Depreciation and amortization	4,738	4,161
Administration	1,191	1,384
Transportation	355	460
	31,706	38,037

General and administration expenses consist of the following:

	Three months ended March 31, 2014 $	Three months ended March 2013 $
Office and general expenses	419	406
Salaries, management and professional fees	538	375
Share-based payment compensation	-	31
Royalties to related parties	45	100
	1,002	912

17) FINANCE EXPENSE

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Interest charges	54	157
Interest rate swap-change in fair value	-	(65)
Asset retirement obligation accretion cost	95	93
	149	185

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

18) OTHER GAINS

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Foreign exchange gain	(197)	(98)
Other gains	(80)	(111)
	(277)	(209)

19) SUPPLEMENTARY CASH FLOW INFORMATION

	2014 $	2013 $
(a) Interest and taxes paid		
Interest paid	39	65
Income taxes paid	576	760
(b) Other		
Decrease in accounts payable related to the acquisition of plant and equipment	(531)	(1,596)
Cash paid during the year for royalty dividends to related parties	151	210

20) COMMITMENTS

a) MVC entered into an agreement with its current power provider which extends from January 1, 2010 to December 31, 2017 and establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately $365,000 per month for the period January 1, 2014 to December 31, 2017.

b) The Company has entered into a joint lease agreement together with an unrelated corporation for the lease of office premises in Vancouver. The lease is for a five year term commencing August 1, 2011, and the Company's share of basic rent commitments for the remaining term of the contract is approximately $316,355.

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

21) SUBSEQUENT EVENTS

a) On April 8, 2014, MVC and DET entered into a definitive agreement (the "Master Agreement") for the purchase by MVC of the processing rights to the Cauquenes tailings deposit and extending MVC's rights to process DET tailings to 2037.

Major terms of the Master Agreement include the following:

- Extension of the existing fresh tailings and Colihues contracts from 2021 to 2037;
- A sliding scale royalty to DET for copper produced from Cauquenes tailings for LME prices ranging from $1.95/lb (16% royalty) to $5.50/lb (39% royalty) ;
- Changes in the royalty payable to DET for copper produced from fresh tailings, including a change in the royalty calculation to a sliding scale for a range of LME prices from $1.95/lb (13.5% royalty) to $4.80/lb (28.4% royalty), elimination of exchange rate provisions that increased royalty costs, and an increase in the threshold below which no royalty is payable from $0.80/lb to $1.95/lb, the same minimum level as that for the Cauquenes royalty;
- Provisions requiring the parties to meet and review cost and royalty structures in the event prices fall below $1.95/lb for copper or $7.31/lb for molybdenum, or increase to be above the upper royalty limits for copper ($4.27/lb for Colihues, $4.80/lb for fresh tailings and $5.50/lb for Cauquenes) and $40/lb for molybdenum;
- A global molybdenum royalty that will also be sliding scale for molybdenum prices between $7.31/lb (9% royalty) and $40/lb (19.7% royalty);
- Three early exit options for DET that are only exercisable in the event of changes that were unforeseen as of the date of the Master Agreement

At a copper price of approximately $3.10/lb the new and amended royalty formulas are estimated to result in the same royalties as the original formulas, but with improved downside protection for MVC;

The Company is conducting a detailed assessment of the impact of the Master Agreement on its consolidated financial statements. Significant adjustments are expected in respect of exploration and evaluation assets; property, plant and equipment; intangible assets, royalties to related parties; severance provisions, asset retirement obligation and deferred income tax liabilities.

b) On April 1, 2014, a comprehensive tax reform Bill was presented to the Chilean National Congress that proposes modifications to the current Chilean system of income taxation and other taxes.

The Bill provides for, among other things:

- An increase in the corporate income tax rate from 20% to 21% in 2014, 22.5% in 2015, 24% in 2016 and 25% in 2017;

(tabular information expressed in thousands of U.S. dollars, except share and per share amounts)

- A new taxation system on an accrual basis effective in 2017, under which any taxable profits generated at the corporate level would be attributed to shareholders including those domiciled outside Chile, so that final taxes would be applied in the year in which income is accrued, irrespective of whether or not profits are distributed to shareholders. This would effectively raise the corporate tax rate to 35% as of 2017.

The Bill is expected to be enacted in the fall of 2014.