Amerigo Resources Ltd.

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

(Expressed in thousands of United States dollars)

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in thousands of United States dollars)

	Notes	September 30, 2014 $	December 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents		10,203	13,148
Trade and other receivables		10,320	13,035
Prepaid expenses		450	319
Inventories	5	8,804	11,481
		29,777	37,983
Non-current assets			
Investments	6	2,570	3,207
Exploration and evaluation assets	7	-	21,375
Property, plant and equipment	8	128,211	116,601
Intangible assets	9	5,442	5,903
Other non-current assets		1,084	1,040
Total assets		167,084	186,109
Liabilities			
Current liabilities			
Trade and other payables		12,402	20,493
El Teniente royalties payable	2	10,443	13,142
Current income tax liabilities		338	721
Royalties to related parties	3, 11	842	655
		24,025	35,011
Non-current liabilities			
Severance provisions	3	1,309	3,611
Royalties to related parties	3, 11	11,042	4,224
Asset retirement obligation	3	-	7,295
Deferred income tax liability	3	20,878	14,229
Other non-current liabilities		104	-
Total liabilities		57,358	64,370
Equity	12		
Share Capital		78,057	77,514
Other reserves		7,033	6,577
Retained earnings		27,071	39,475
Accumulated other comprehensive loss		(2,435)	(1,827)
Total equity		109,726	121,739
Total equity and liabilities		167,084	186,109
Commitments	16		

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

Approved by the Board of Directors

"Robert Gayton"
Director

"George Ireland"
Director

Amerigo Resources Ltd.

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

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

	Notes	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
		$	$	$	$
Revenue		28,881	31,950	88,576	106,557
Cost of sales	3, 4, 14	27,027	30,202	84,860	99,442
Gross profit		1,854	1,748	3,716	7,115
Other (gains) expenses					
Loss from change in estimates	3, 4	-	-	8,066	-
General and administration	14	(15)	720	2,307	1,906
Other (gains) expenses	14	(99)	(487)	(741)	206
		(114)	233	9,632	2,112
Operating profit (loss)		1,968	1,515	(5,916)	5,003
Finance (gain) expense	14	(25)	166	219	465
		(25)	166	219	465
Profit (loss) before tax		1,993	1,349	(6,135)	4,538
Income tax expense	3, 4	5,718	310	6,269	1,098
Net (loss) profit		(3,725)	1,039	(12,404)	3,440
Other comprehensive (loss) income, net of tax					
Items that may be reclassified subsequently to net income (loss)					
Severance provision		(29)	-	(81)	-
Cumulative translation adjustment		153	634	110	(5,994)
Unrealized (losses) gains on investments	6	(935)	49	(637)	(1,025)
Other comprehensive (loss) income, net of tax		(811)	683	(608)	(7,019)
Comprehensive (loss) income		(4,536)	1,722	(13,012)	(3,579)
Weghted average number of shares outstanding, basic		173,652,844	172,290,344	173,094,611	172,290,344
Weighted average number of shares outstanding, diluted		173,652,844	172,954,630	173,094,611	173,494,048
(Loss) earnings per share					
Basic		(0.02)	0.01	(0.07)	0.02
Diluted		(0.02)	0.01	(0.07)	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 United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	$	$	$	$
Cash flows from operating activities				
Net (loss) profit	(3,725)	1,039	(12,404)	3,440
Adjustment for items not affecting cash:				
Depreciation and amortization	1,814	4,143	9,221	12,766
Deferred income tax expense	5,930	(52)	6,648	(5)
Loss from change in estimates	-	-	5,629	-
Unrealized foreign exchange expense (gain)	463	(346)	537	546
Accretion	(1,129)	(114)	(937)	(487)
Share-based payments	155	-	542	52
Other	(112)	202	136	37
	3,396	4,872	9,372	16,349
Changes in non-cash working capital				
Trade, other receivables and advances	474	4,091	2,447	2,827
Inventories	1,651	(693)	2,540	(742)
Trade and other payables	(2,553)	(4,007)	(6,657)	(4,334)
El Teniente royalty payables	2,129	(22)	(2,698)	(5,955)
	5,097	4,241	5,004	8,145
Payment of long-term employee benefits	-	(77)	-	(542)
Net cash from operating activities	5,097	4,164	5,004	7,603
Cash flows from investing activities				
Purchase of plant and equipment	(1,969)	(2,533)	(8,094)	(9,854)
Proceeds from the sale of plant and equipment	-	-	106	-
Net cash from investing activities	(1,969)	(2,533)	(7,988)	(9,854)
Cash flows from financing activities				
Exercise of share purchase options	-	-	255	-
Repayments, net of cash proceeds	-	-	-	(1,497)
Net cash from financing activities	-	-	255	(1,497)
Net increase (decrease) in cash and cash equivalents	3,128	1,631	(2,729)	(3,748)
Effect of exchange rate changes on cash	(190)	(144)	(216)	(134)
Cash and cash equivalents – Beginning of period	7,265	3,881	13,148	9,250
Cash and cash equivalents - End of period	10,203	5,368	10,203	5,368

Supplementary cash flow information (Note 15)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity - Unaudited

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

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive (loss) income	Retained earnings	Total equity
		$	$	$	$	$
Balance January 1, 2013	172,290,344	77,514	6,525	9,677	38,482	132,198
Share based payments	-	-	52	-	-	52
Cumulative translation adjustment	-	-	-	(5,994)	-	(5,994)
Unrealized losses on investments	-	-	-	(1,025)	-	(1,025)
Net earnings	-	-	-	-	3,440	3,440
Balance September 30, 2013	172,290,344	77,514	6,577	2,658	41,922	128,671
Cumulative translation adjustment	-	-	-	(4,619)	-	(4,619)
Unrealized gains on investments	-	-	-	134	-	134
Net loss	-	-	-	-	(2,447)	(2,447)
Balance December 31, 2013	172,290,344	77,514	6,577	(1,827)	39,475	121,739
Balance January 1, 2014	172,290,344	77,514	6,577	(1,827)	39,475	121,739
Share based payments	-	-	542	-	-	542
Exercise of share purchase options	900,000	341	(86)	-	-	255
Compensation settled with shares	462,500	202	-	-	-	202
Cumulative translation adjustment	-	-	-	110	-	110
Unrealized losses on investments	-	-	-	(637)	-	(637)
Severance provision	-	-	-	(81)	-	(81)
Net loss	-	-	-	-	(12,404)	(12,404)
Balance September 30, 2014	173,652,844	78,057	7,033	(2,435)	27,071	109,726

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

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

1) Reporting Entity and Basis of Presentation

a) Reporting entity

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

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

b) Statement of compliance

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

These interim financial statements were authorised for issue by the board of directors of the Company on November 4, 2014.

c) Significant accounting policies

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

Functional currency

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

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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.

d) New IFRS pronouncements

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The required adoption date for IFRS 15 is the annual period beginning on or after January 1, 2017, with early adoption permitted. Management is currently assessing the impact of adopting IFRS 15 on its consolidated financial statements.

2) AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

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

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

As consideration for the rights to process fresh and historical tailings from DET, MVC has committed to pay to DET royalties based on MVC's copper and molybdenum concentrates production. Royalty payments for copper concentrates production are calculated using the London Metal Exchange ("LME") price for copper for the month of delivery of the tailings. Adjustments to the DET royalties are recorded on a monthly basis for changes in copper concentrate deliveries during the settlement period. DET royalties are recorded as a component of cost of sales.

Major terms of the Master Agreement include the following:

- Extension of the Fresh Tailings Contract from 2021 to 2037;
- Extension of the Colihues Contract to the earlier of its depletion or 2037;
- A sliding scale royalty to DET for copper produced from Cauquenes tailings for LME prices ranging from $1.95/lb (16% royalty) to $5.50/lb (39% royalty);
- Changes in the royalty payable to DET for copper produced from fresh tailings, including a change in the royalty calculation to a sliding scale for a range of LME prices from $1.95/lb (13.5% royalty) to $4.80/lb (28.4% royalty), elimination of exchange rate provisions that increased royalty costs, and an increase in the

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threshold below which no royalty is payable from \$0.80/lb to \$1.95/lb, the same minimum level as that for the Cauquenes royalty. The change in fresh tailings royalty is effective the earlier of August 1, 2015 or the date of the start of operations for the exploitation of the Cauquenes deposit;

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

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

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

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

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

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

As at September 30, 2014, royalties payable to El Teniente were \$10.4 million (December 31, 2013: \$13.1 million), representing approximately five months of royalties, including four months (\$8.3 million; 2013: \$13.1 million) due as per contractual provisions with DET and one month (\$2.1 million; 2013: \$nil)) of deferred royalties, as explained below.

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DET and MVC have agreed to defer up to $9.1 million in monthly royalty payments to expedite certain works associated with the Cauquenes expansion. Deferred royalty payments are due to DET no later than January 31, 2015 and are subject to a monthly interest rate of 0.6%. The deferral of royalty payments commenced in September 2014. At September 30, 2014 a total of $2.1 million in royalty payments had been deferred, and interest expense of $13,000 had been incurred in connection with this deferral.

3) Estimates and Judgements

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013, except for estimate revisions to deferred income tax arising from a tax reform enacted in Chile in September 2014 and revisions booked during the three months ended June 30, 2014 ("Q2-2014"), arising from the changes to the Company's contractual relationship with DET as of April 8, 2014 (Note 2).

a) Deferred Income Tax

In Q3-2014 the Company booked an increase in deferred income tax liability and corresponding deferred income tax expense of $5.9 million. The Company's deferred income tax liability arises mostly from the difference between the book and tax values of MVC's property, plant and equipment ("PPE"). Approximately $5.3 million of the deferred income tax expense in Q3-2014 resulted from an increase to MVC's long-term tax rate taking it from 20% to 27%, which was introduced through a comprehensive Tax Reform enacted in Chile in September 2014. The Tax Reform contemplates two tax regimes: A fully integrated regime and a partially integrated regime.

The default system for companies such as MVC and Colihues Energía will be the partially integrated system, but taxpayers may elect to operate under any of the regimes. Once an election is made, taxpayers must remain in the selected regime for at least five consecutive years.

For a corporation taxable under the partially integrated regime:

- The income tax rate rises from 20% to 21% in 2014, 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% from 2018 onwards.
- The corporation pays income tax at the above rates on its earnings, but the earnings are not attributed to the shareholders if they are not distributed from the corporation.
- Upon distribution of earnings to shareholders domiciled outside of Chile, a 35% Additional Withholding Income Tax ("AWIT") will apply, with a credit which, in the case of Canadian shareholders, will be the full amount of the income tax paid by the corporation on the amount distributed out of Chile, as Canada and Chile have a tax treaty in place. In the absence of a tax treaty, the credit is reduced to 65% of the income tax by the corporation on the amount distributed. The 35% AWIT does not apply on earnings that are not distributed by the corporation to its shareholders.

Under the fully integrated regime a corporation is subject to the 35% AWIT on all of its earnings, whether or not they are distributed to shareholders. The Company has therefore decided that its subsidiaries in Chile will operate under the partially integrated regime for the foreseeable future.

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b) Useful Life of Assets

MVC estimates the economic life of most of PPE based on their useful life, not to exceed the term of MVC's contractual relationship with DET.

The Company changed its estimate for the termination of MVC's contractual relationship with DET from December 31, 2021 to December 31, 2037. Most of the economic lives of PPE were prospectively extended, resulting in lower depreciation expense as of Q2-2014.

c) Asset Retirement Obligation ("ARO")

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

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

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

As a result of this reassessment in Q2-2014, the Company eliminated its former estimates for an ARO asset ($2.2 million) and an ARO liability ($7.4 million) with a resulting credit of $5.2 million to PPE (the "ARO Credit"), as required under IFRS (Note 4). The ARO Credit will be extinguished through the term of the Master Agreement as a depreciation recovery, further reducing depreciation expense prospectively from April 2014.

d) Severance Provisions

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

MVC also has statutory obligations prescribed by Chilean labour law for severance payments in the event employees are terminated by MVC. Given the former term of its contractual relationship with DET to 2021, MVC had conservatively assessed that it was more probable than not that current employees of MVC would be terminated as of December 31, 2021 as there was no factual evidence suggesting the contract with DET would be extended beyond that date. Accordingly, MVC had previously recorded the statutory severance obligations as a liability at present value in the Company's consolidated statements of financial position. The Company

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reassessed this position given the extension of the contractual relationship with DET and concluded that it is currently highly unlikely existing workers at MVC will still be employed by MVC in 2037. There is also evidence in place suggesting 2037 is not necessarily a definitive date to provide for severance payments prescribed by law. Based on these facts, the Company believes that the provision for statutory severance to MVC workers is immaterial at this time. The Company is revisiting this estimate on each reporting date.

As a result of this reassessment in Q2-2014, the Company reduced its estimates for severance liability by $2.4 million (with a resulting gain from change in estimates of $2.4 million included in cost of sales) and eliminated an associated $503,000 estimate for deferred income tax asset (with a resulting deferred income tax expense of $503,000) (Note 4).

e) Royalties to Related Parties

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

f) Exploration and Evaluation Assets ("EEA")

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

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

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

g) Impairment of Property, Plant and Equipment

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

The determination of fair value less cost to sell and value in use requires management to make estimates and assumptions about expected production and sales volumes, metals prices, mine plan estimates, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash

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flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances may alter these projections and impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of income.

As at September 30, 2014, management of the Company determined that the continued depressed market price for the Company's shares, resulting in market capitalization for the Company below its net asset value, constituted an impairment indicator, and completed an impairment assessment for MVC that included a determination of fair value less costs to sell.

Key assumptions incorporated in the impairment model included the following:

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

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

h) Power Cost Assumptions

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

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4) GAINS AND LOSSES FROM CHANGES IN ESTIMATES

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

Upon entering into the Master Agreement in Q2-2014, the Company reassessed a series of material accounting estimates (Note 3), as summarized in the following table:

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

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

5) INVENTORIES

	September 30, 2014 $	December 31, 2013 $
Plant supplies and consumables	5,854	7,310
Concentrate inventories	2,950	4,171
	8,804	11,481

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

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

6) INVESTMENTS

	September 30, 2014 $	December 31, 2013 $
Start of period	3,207	4,149
Exchange differences	-	(51)
Changes in fair value	(637)	(891)
End of period	2,570	3,207

Available-for-sale financial assets include the following:

	September 30, 2014 $	December 31, 2013 $
Candente Copper Corp.	1,136	1,555
Los Andes Copper Ltd.	1,434	1,652
	2,570	3,207

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

a) At September 30, 2014, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.20 and the fair value of the Company's approximately 4% investment in Candente Copper was $1.1 million. During the nine months ended September 30, 2014, the Company recorded other comprehensive loss of $419,000 (nine months ended September 30, 2013: other comprehensive loss of $755,000) for the changes in fair value of this investment.

b) At September 30, 2014, Los Andes Copper Ltd. ("Los Andes"), a Company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.20, and the fair value of the Company's approximately 4% investment in Los Andes was $1.4 million. During the nine months ended September 30, 2014, the Company recorded other comprehensive loss of $218,000 (nine months ended September 30, 2013: other comprehensive income of $61,000) for the changes in the fair value of this investment.

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

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

7) EXPLORATION AND EVALUATION ASSETS

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

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

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

8) PROPERTY, PLANT AND EQUIPMENT

	Plant and infrastructure $	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
Nine months ended September 30, 2014			
Opening net book amount	92,918	23,683	116,601
Exchange differences	-	(10)	(10)
Elimination of ARO asset (Note 3)	(2,213)	-	(2,213)
Recognition of ARO credit to PPE (Note 3)	(5,233)	-	(5,233)
Transfer from EEA (Notes 3 and 7)	22,584	-	22,584
Disposals	-	(128)	(128)
Additions	4,657	713	5,370
Depreciation charge	(6,402)	(2,358)	(8,760)
Closing net book amount	106,311	21,900	128,211
At September 30, 2014			
Cost	187,408	51,120	238,528
Accumulated depreciation	(81,098)	(29,219)	(110,317)
Net book amount	106,310	21,901	128,211

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

Total interest of $13,000 was capitalised in the nine months ended September 30, 2014 (2013: $nil) and is included in property, plant and equipment at September 30, 2014.

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

9) Intangible Assets

	$
Net book amount, December 31, 2012	7,402
Exchange differences	(560)
Charged to earnings	(939)
Net book amount, December 31, 2013	5,903
Charged to earnings	(461)
Net book amount, September 30, 2014	5,442

10) Borrowings

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

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

c) In July 2011 MVC entered into an agreement with a Chilean bank to secure a revolving working capital line of credit for up to $20 million or its equivalent in CLP (the “Line of Credit”). The Line of Credit had a term to July 4, 2014. No funds were drawn down on the Line of Credit.

11) Related Party Transactions

a) Royalties to Related Parties

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

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

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

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

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, 2014 was $11.9 million (December 31, 2013: $4.9 million), with a current portion of $842,000 (December 31, 2013: $655,000) and a long-term portion of $11 million (2013: $4.2 million). In Q2-2014 the fair value of the derivative liability increased by $8.1 million as a result of the increase in MVC's estimated future production from El Teniente tailings, following the contract extension with DET (Notes 2 and 3(d)).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the nine months ended September 30, 2014, royalties totalling $452,000 were paid or accrued to the Amerigo International Class A shareholders (2013: $536,000). At September 30, 2014, $53,000 of this amount remained payable (December 31, 2013: $52,000).

Royalties to related parties include the actual royalty dividends described above and a reduction in fair value of $1.1 million (2013: reduction in fair value of $767,000), for total royalty recovery of $611,000 (2013: recovery of $231,000).

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.

	Nine months ended September 30, 2014 $	**Nine months ended September 30, 2013 $**
Salaries and management fees	772	671

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

c) Key Management Compensation

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

	Nine months ended September 30, 2014	**Nine months ended September 30, 2013**
	$	**$**
Management and directors' fees	1,043	867
Share-based payments	542	52
	1,585	919

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

12) EQUITY

a) Share Capital

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

b) Share Options

A total of 3,500,000 options have been granted in 2014, with a weighted average fair value estimated at Cdn$0.19 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

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

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

Outstanding share options:

	September 30, 2014		December 31, 2013	
	Share options	Weighted average exercise price Cdn$	Share options	Weighted average exercise price Cdn$
At start of the period	11,265,000	0.84	12,300,000	0.95
Exercised	(900,000)	0.31	-	-
Expired	-	-	(1,035,000)	2.13
Granted	3,500,000	0.44	-	-
At end of the period	13,865,000	0.77	11,265,000	0.84
Vested and exercisable	12,990,000	0.80	11,265,000	0.84

Information relating to share options outstanding at September 30, 2014 is as follows:

Outstanding share options	Vested share options	Price range Cdn$	Weighted average exercise price on outstanding options Cdn$	Weighted average exercise price on vested options Cdn$	Weighted Average remaining life of outstanding options (years)
3,500,000	2,625,000	0.44-0.48	0.44	0.44	4.61
3,965,000	3,965,000	0.49-0.74	0.67	0.67	0.81
3,200,000	3,200,000	0.75-0.95	0.77	0.77	2.43
600,000	600,000	0.96-1.22	1.12	1.12	1.61
2,600,000	2,600,000	1.23-1.32	1.32	1.32	1.42
13,865,000	12,990,000		0.77	0.82	2.30

The weighted average remaining life of vested options at September 30, 2014 was 2.14 years.

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

Further information about share options is as follows:

	ended September 2014	ended September 30, 2013
	$	$
Total compensation recognized	542	52

c) (Loss) earnings per Share

i) Basic

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

	Three Months ended September 30, 2014	Three Months ended September 30, 2013	Nine Months ended September 30, 2014	Nine Months ended September 30, 2013
	$	$	$	$
(Loss) profit for the period	(3,725)	1,039	(12,404)	3,440
Weighted average number of shares	173,652,844	172,290,344	173,094,611	172,290,344
Basic (loss) earnings per share	(0.02)	0.01	(0.07)	0.02

(tabular amounts expressed in thousands of United States 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.

	Three months ended September 30, 2014 $	Three months ended September 30, 2013 $	Nine Months ended September 30, 2014 $	Nine Months ended September 30, 2013 $
(Loss) profit for the period	(3,725)	1,039	(12,404)	3,440
Weighted average number of ordinary shares in issue	173,652,844	172,290,344	173,094,611	172,290,344
Effect of dilutive securities:				
Share options	-	664,286	-	203,704
Weighted average diluted shares outstanding	173,652,844	172,954,630	173,094,611	172,494,048
Diluted (loss) earnings per share	(0.02)	0.01	(0.07)	0.02

13) Segment Information

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

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

	Property, plant and equipment		Other	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Chile	127,995	116,344	6,526	28,318
Canada	216	257	-	-
	128,211	116,601	6,526	28,318

All of the Group's revenue originates in Chile.

In the nine months ended September 30, 2014, the Group's sales to one customer represented 95% of reported revenue (2013: 94%).

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

14) Expenses By Nature

Cost of sales consists of the following:

	Three months ended September 30, 2014 $	Three months ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Production costs	17,471	17,307	52,037	56,506
El Teniente royalty	6,315	7,258	18,986	25,275
Depreciation and amortization	1,814	4,143	9,221	12,766
Administration	1,083	1,117	3,571	3,696
Transportation	344	377	1,045	1,199
	27,027	30,202	84,860	99,442

General and administration (gains) expenses consist of the following:

	Three months ended September 30, 2014 $	Three months ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Office and general expenses	316	312	899	904
Salaries, management and professional fees	488	440	1,477	1,233
Share-based payment compensation	155	-	542	52
Bad debt recovery	-	-	-	(52)
Royalties to related parties	(974)	(32)	(611)	(231)
	(15)	720	2,307	1,906

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

Other (gains) expenses consist of the following:

	Three months ended September 30, 2014 $	Three months ended September, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September, 2013 $
Foreign exchange expense (gain)	34	(397)	(482)	508
Other gains	(133)	(90)	(259)	(302)
	(99)	(487)	(741)	206

Finance expense consists of the following:

	Three months ended September 30, 2014 $	Three months ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Interest (recoveries) charges	(25)	73	93	302
Interest rate swap-change in fair value	-	-	-	(116)
Asset retirement obligation accretion cost	-	93	126	279
	(25)	166	219	465

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

15) SUPPLEMENTARY CASH FLOW INFORMATION

	2014 $	2013 $
(a) Interest and taxes paid		
Interest paid	75	144
Income taxes paid	1,531	1,833
(b) Other		
Decrease in accounts payable related to the acquisition of plant and equipment	(1,541)	(2,628)
Cash paid during the year for royalty dividends to related parties	435	546

16) COMMITMENTS

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

b) The Company has entered into a joint lease agreement together with an unrelated corporation for the lease of office premises in Vancouver. The lease is for a five year term commencing August 1, 2011, and the Company's share of basic rent commitments for the remaining term of the contract is approximately $226,000.

c) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess, under the new production scenario, the revision of the closure plan for the Cauquenes Deposit and compare it to the current plan in the possession of DET. In the case of any variation in the interests of DET due to MVC's activities extracting and processing tailings contained in Cauquenes, the Parties will jointly evaluate the form of implementation and financing or compensation of such variation. Until such time as the estimation of the new closure plan is available and the Parties agree on the terms of compensation resulting from the revised plan, it is the Company's view there is no obligation to record a provision because the amount, if any, is not possible to determine.