

Amerigo Resources Ltd.

Management's Discussion and Analysis
For the Year Ended December 31, 2012

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ALL AMOUNTS ARE REPORTED IN U.S. DOLLARS, EXCEPT WHERE INDICATED OTHERWISE

COMPANY PROFILE

Amerigo Resources Ltd. ("Amerigo") owns a 100% interest in Minera Valle Central S.A. ("MVC"), a Chilean copper and molybdenum producer that has a long-term contractual relationship with the El Teniente Division of Corporación Nacional del Cobre de Chile ("Codelco") to treat fresh and old tailings from Codelco's El Teniente mine, the largest underground copper mine in the world. El Teniente commenced operations in 1904 and has a remaining mine life that is estimated to run for decades. Since MVC was built in 1992, Codelco has almost doubled production from El Teniente, and Codelco's mine plans contemplate continued expansion of operations at El Teniente for the foreseeable future.

The fresh tailings are supplied from El Teniente's current production. The old tailings are recovered from Colihues, a tailings deposit located near MVC's plant that originally contained more than 200 million tonnes of material. The copper grade of the old tailings is approximately 2 to 3 times that of the fresh tailings.

MVC is also working to obtain the rights to process old tailings from additional El Teniente tailings deposits in the area, including Cauquenes, located near the MVC facilities. Management anticipates the feasibility study and basic engineering work for the Cauquenes project to be completed in Q2-2013 and, subject to the successful conclusion to negotiations with Codelco/El Teniente, a production decision made shortly thereafter. In the event MVC and Codelco/El Teniente are unable to reach a definitive agreement for the processing of tailings from Cauquenes, Codelco/El Teniente has agreed to reimburse permitting and engineering costs incurred by MVC for this stage of the project. The Cauquenes Environmental Impact Assessment study was filed with the Chilean authorities on January 7, 2013.

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

INTRODUCTION

The following MD&A of the results of operations and financial position of Amerigo together with its subsidiaries (collectively, the "Company"), is prepared as of February 25, 2013, and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2012 and December 31, 2011.

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

The Company's financial statements are reported under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Reference is made in this MD&A to various measures such as cash flow per share from operating activities, cash cost and total cost. Cash cost and total cost are terms that do not have a standardized meaning but are widely used in the mining industry as performance indicators.

HIGHLIGHTS and SIGNIFICANT EVENTS

Comparative Annual Overview

| | Years ended December 31, | | | | | |
|---|--------------------------|--------------|--------------|--------|--|--|
| | 2012 | 2011 | Change | • | | |
| | | | \$ | % | | |
| Copper produced, million pounds | 51.7 | 43.7 | 8.01 | 18% | | |
| Copper sold, million pounds | 51.6 | 43.4 | 8.2 | 19% | | |
| Molybdenum produced, pounds | 1,057,717 | 785,068 | 272,649 | 35% | | |
| Molybdenum sold, pounds | 1,170,703 | 693,410 | 477,293 | 69% | | |
| Percentage of copper production from old tailings | 47% | 45% | | 2% | | |
| Revenue (\$) | 181,760,724 | 166,073,816 | 15,686,908 | 9% | | |
| Cost of sales 1 (\$) | 182,850,919 | 156,296,713 | 26,554,206 | 17% | | |
| El Teniente royalty costs (\$) | 43,873,612 | 41,544,730 | 2,328,882 | 6% | | |
| Gross (loss) profit (\$) | (1,090,195) | 9,777,103 | (10,867,298) | (111%) | | |
| Net (loss) profit (\$) | (8,192,396) | 8,700,518 | (16,892,914) | (194%) | | |
| Operating cash flow (\$) | 12,283,566 | 20,046,088 | (7,762,522) | (39%) | | |
| Cash flow paid for plant expansion (\$) | (23,707,654) | (21,346,199) | (2,361,455) | `11% | | |
| Cash and cash equivalents (\$) | 9,249,540 | 20,819,467 | (11,569,927) | (56%) | | |
| Bank debt (\$) | 1,482,624 | 4,619,149 | (3,136,525) | (68%) | | |
| Average realized copper price per pound | 3.58 | 3.86 | (0.28) | (7%) | | |
| Cash cost per pound | 2.48 | 2.40 | 0.08 | 3% | | |
| Total cost per pound | 3.64 | 3.69 | (0.05) | (1%) | | |

¹ Includes El Teniente royalty costs

Financial results

- Revenue was \$181,760,724 compared to \$166,073,816 in 2011. Revenues increased due to stronger copper and molybdenum production, despite lower average metal prices.
- Cost of sales was \$182,850,919, compared to \$156,296,713 in 2011, an increase of 17% driven by higher production levels and \$4,559,327 for bonus payments on the signing of a four-year union agreement with MVC workers.
- Gross loss was \$1,090,195, compared to gross profit of \$9,777,103 in 2011. The decrease in gross profit was driven by higher production costs and lower metal prices.
- Net loss was \$8,192,396 compared to a net profit of \$8,700,518 in 2011. In 2011 the Company recorded a gain in earnings of \$9,750,931 on the sale of available for sale financial assets.

Production

- The Company produced 51.7 million pounds of copper, 18% higher than the 43.7 million pounds produced in 2011.
- Molybdenum production was 1,057,717 pounds, 35% higher than the 785,068 pounds produced in 2011.

Revenue

Revenue increased to \$181,760,724 compared to \$166,073,816 in 2011, due to higher production levels despite lower metal prices. The Company's copper selling price before smelting, refining and other charges was \$3.58/lb compared to \$3.86/lb in 2011, and the Company's molybdenum selling price was \$12.64/lb compared to \$16.16/lb in 2011. Copper and molybdenum sales volume increased 18% and 69% respectively in 2012.

Costs

- Cash cost (the aggregate of smelting, refining and other charges, production costs net of molybdenum-related net benefits, administration and transportation costs) before El Teniente royalty was \$2.48/lb, compared to \$2.40/lb in 2011. Cash costs increased in 2012 mostly as a result of higher labour and Colihues processing costs.
- Total cost (the aggregate of cash cost, El Teniente royalty, depreciation and accretion) was \$3.64/lb compared to \$3.69/lb in 2011. The decrease in total cost was driven by lower El Teniente royalty unit costs.
- Power costs in 2012 were \$50,677,232 (\$0.1895/kwh) compared to \$45,365,873 (\$0.1903/kwh) in 2011.
- Total El Teniente royalties were \$43,873,612 in 2012, compared to \$41,544,730 in 2011, due to higher production.
- In 2012 the Company recorded a \$4,559,327 (\$0.09/lb) expense for bonuses payable on the signing
 of a four-year union labour agreement with MVC workers. Signing bonuses are customary in Chile
 and in recent years the mining industry has paid historically high bonuses due to a shortage of
 skilled workers. Most of the cost of the signing bonuses was allocated to direct labour costs, with a
 smaller amount allocated to administration costs.

Cash and Financing Activities

Cash balance was \$9,249,540 at December 31, 2012 compared to \$20,819,467 at December 31, 2011.

Dividends

The Company declared two semi-annual dividends of Cdn\$0.02 per share in 2012, for total dividend payments of \$6,844,750, representing a yield of 7.02% based on the Company's December 31, 2012 closing share price on the TSX.

Investments

- Cash payments for capital expenditures ("Capex") were \$23,707,654 compared to \$21,346,199 in 2011. Capex payments have been funded from operating cash flow and cash at hand.
- Capex incurred in 2012 totaled \$22,162,429 (2011: \$26,226,646) and included project investments in anticipation of the Company obtaining the rights to process tailings from Cauquenes.
- The Company's investments in Candente Copper Corp. ("Candente Copper)", Candente Gold Corp. ("Candente Gold"), Cobriza Metals Corp. ("Cobriza") and Los Andes Copper Ltd. ("Los Andes") had aggregate fair values of \$4,149,388 at December 31, 2012 (December 31, 2011: \$8,722,744).

Outlook

- In 2013 production is expected to be between 45 and 50 million pounds of copper and one million pounds of molybdenum.
- Cash cost is projected to be reduced to between \$1.95/lb and \$2.15/lb in 2013, mainly as a result of the change in the remaining five years of the Company's power contract from a variable to a lower fixed rate.
- Excluding the Cauquenes project, 2013 Capex at MVC is estimated to be approximately \$7 million.
 Capex for Cauquenes engineering and permitting in 2013 is estimated to be up to \$1.9 million. The
 Company is in the process of finalizing an agreement with El Teniente for reimbursement of this
 amount in case the parties are unable to reach an agreement for the processing of the Cauquenes
 tailings.

OVERALL PERFORMANCE

In 2012 the Company posted a net loss of \$8,192,396 compared to net profit of \$8,700,518 in 2011.

In 2012 the Company produced 51.7 million pounds of copper and 1,057,717 pounds of molybdenum, compared to 43.7 million pounds of copper and 785,068 pounds of molybdenum in 2011.

Revenue of \$181,760,724 (2011: \$166,073,816) was derived from the sale of 51.6 million pounds of copper and 1,170,703 pounds of molybdenum (2011: 43.7 million pounds of copper and 693,410 pounds of molybdenum).

The Company generated operating cash flow of \$12,283,566 (2011: \$20,046,088), excluding the effect of changes in non-cash working capital accounts. Including the effect of changes in non-cash working capital accounts, operating cash flow was \$22,724,841 (2011: \$14,050,484).

In 2012 the Company made net bank loan repayments of \$3,347,914 (2011: \$9,757,661).

At December 31, 2012, the Company had cash and cash equivalents of \$9,249,540 (2011: \$20,819,467) and a working capital deficiency of \$4,906,488 (2011: working capital of \$13,620,223).

SELECTED ANNUAL FINANCIAL INFORMATION

The following information has been extracted from the Company's audited financial statements for the years ended December 31, 2012, 2011 and 2010.

| | Year ended December 31, 2012 | Year ended December 31, 2011 | Year ended December 31, 2010 |
|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total revenue | \$181,760,724 | \$166,073,816 | \$152,120,143 |
| Net (loss) profit | (8,192,396) | 8,700,518 | 13,104,660 |
| Loss (earnings) per share | (0.05) | 0.05 | 0.08 |
| Diluted loss (earnings) per share | (0.05) | 0.05 | 0.08 |
| Cash dividends paid | 6,844,750 | 6,850,264 | - |

| | At December 31, 2012 | At December 31, 2011 | At December 31, 2010 |
|--|-------------------------|-------------------------|-------------------------|
| Total assets Total long-term liabilities ¹ | \$205,386,081 | \$205,329,619 | \$234,673,054 |
| Total long-term liabilities | 32,537,732 | 30,317,350 | 36,505,636 |

Long term liabilities at December 31, 2012 were comprised of: bank loans: \$nil (2011: \$764,598, 2010: \$2,996,819); Enami loan (\$nil in 2012 and 2011 and \$1,887,155 in 2010), severance provisions: \$4,300,283 (2011: \$2,538,590, 2010: \$1,462,006); asset retirement obligation: \$6,926,150 (2011: \$6,841,707, 2010: \$7,168,372); deferred income tax: \$16,026,063 (2011: \$15,031,235, 2010: \$17,530,894) and royalties to related parties of \$5,285,236 (2011: \$5,141,220, 2010: \$5,460,390).

OPERATING RESULTS

MVC set new copper and molybdenum production records in 2012. The Company produced 51.7 million pounds of copper, 11% higher than the prior production record set in 2010. Molybdenum production at 1,057,717 pounds was 35% higher than the prior production record set in 2011.

The Company was once again challenged by high production costs, most notably power which represented 44% of MVC's production costs. In addition, MVC paid and expensed bonuses totaling \$4,559,327 to MVC workers on the signing of a four-year collective labour agreement.

The Company's contract with its power provider changed on January 1, 2013 from a variable to a fixed rate. This change is expected to contribute towards net savings over 2012 levels of approximately \$0.40/lb, and to significantly improve MVC's operating results.

The Company's operating and financial performance in 2012 was negatively impacted by historically high production costs and lower realized metal prices. Although the Company generated cash flow from operations of \$12,283,566 during the year, it incurred a net loss of \$8,192,396.

Production

| | 2012 | 2011 |
|---------------------------------|------------|------------|
| FRESH TAILINGS EL TENIENTE | | |
| Tonnes processed | 44,997,096 | 45,261,856 |
| Copper grade (%) | 0.126% | 0.121% |
| Copper recovery | 22.3% | 20.0% |
| Copper produced (lbs) | 27,847,437 | 24,093,917 |
| OLD TAILINGS COLIHUES | | |
| Tonnes processed | 11,111,702 | 8,914,872 |
| Copper grade (%) | 0.283% | 0.290% |
| Copper recovery | 34.4% | 34.3% |
| Copper produced (lbs) | 23,861,616 | 19,578,679 |
| COPPER | | |
| Total copper produced (lbs) | 51,709,053 | 43,672,596 |
| Total copper sold (lbs) | 51,578,055 | 43,417,345 |
| MOLYBDENUM | | |
| Total molybdenum produced (lbs) | 1,057,717 | 785,068 |
| Total molybdenum sold (lbs) | 1,170,703 | 693,410 |

Revenue

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Average LME copper price per pound | \$ 3.61 | \$ 4.00 |
| Average Platt's molybdenum dealer oxide price per pound ¹ | \$ 12.76 | \$ 15.34 |
| Total copper net sales during the year | \$ 170,406,790 | \$ 157,249,568 |
| Total molybdenum net sales during the year | 11,353,934 | 8,824,248 |
| Total revenue during period | \$ 181,760,724 | \$ 166,073,816 |
| Company's recorded copper price per pound ⁴ | \$ 3.58 | \$ 3.86 |
| Company's recorded molybdenum price per pound ⁵ | \$ 12.64 | \$ 16.16 |

Basis price for the Company's molybdenum sales.

Revenue in 2012 was \$181,760,724, compared to \$166,073,816 in 2011, including copper revenue of \$170,406,790 (2011: \$157,249,568) and molybdenum revenue of \$11,353,934 (2011: \$8,824,248). Copper and molybdenum revenues are net of smelting, refining and roasting charges.

Copper produced by the Company is sold under a sales agreement with Chile's Empresa Nacional de Minería ("Enami") that establishes a delivery schedule of monthly sales quotas. For the 2012 quotas the arrangements between the Company and Enami set the Company's copper sale price at the average market price for the preceding month ("M-1"). Accordingly, provided monthly quotas were met, all copper delivered by the Company to Enami in one month was sold at market prices prevailing in the preceding month.

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

Average LME copper prices for 2012 were \$3.61/lb compared to \$4.00/lb in 2011, and the Company's realized copper sales price was \$3.58/lb, compared to \$3.86/lb in 2011. The difference between the average LME copper price and the Company's realized sales price originated from the pricing terms that applied to the Company's sales in the year. In 2012, pricing terms were predominantly M-1 and to a lesser extent, M+1.

Molybdenum prices also decreased during the course of 2012. The Platt's published molybdenum dealer oxide price for December 2012 was \$11.35/lb, compared to \$13.41/lb in December 2011.

During Q4-2011 and Q1-2012, MVC sold a portion of its copper production to Codelco-El Teniente under the same terms and conditions of the 2011 Enami contract, which was based on M+1. During Q4-2012, MVC sold a portion of its copper production to Codelco-El Teniente under the same terms and conditions of the 2012 Enami contract.

Molybdenum revenues were \$11,353,934, 29% higher than \$8,824,248 in 2011, due to a substantial increase in molybdenum production in 2012.

Molybdenum produced by the Company is predominantly sold under a sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"), which in 2012 provided that the sale price was the average market price for the third month after delivery ("M+3").

² After smelting, refining and other charges, excluding settlement adjustments to prior periods' sales.

³ After roasting charges, excluding settlement adjustments to prior periods' sales.

⁴ Copper recorded price for the period before smelting and refining charges and settlement adjustments to prior periods' sales.

⁵ Molybdenum recorded price for the period before roasting charges and settlement adjustments to prior periods' sales.

Cash Cost and Total Cost

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

A reconciliation of cost of sales to cash cost and total cost in fiscal 2012 and 2011 is presented below:

| | Fiscal 2012 | Fiscal 2011 |
|-------------------------------|-------------------|-------------------|
| Cost of sales | \$ 182,850,919 | \$ 156,296,713 |
| Add: | | |
| Smelting and refining charges | 16,669,816 | 13,792,541 |
| Deduct: | | |
| Molybdenum by-product credits | (11,353,934) | (8,824,248) |
| Total cost | \$ 188,166,801 | \$ 161,265,006 |
| Deduct: | | |
| El Teniente royalties | (43,873,612) | (41,544,730) |
| Depreciation and amortization | (16,055,282) | (14,820,614) |
| Cash cost | \$ 128,237,907 | \$ 104,899,662 |
| Pounds of copper produced | 51.7M | 43.7M |
| Cash cost (\$/lb) | 2.48 | 2.40 |
| Total cost (\$/lb) | 3.64 | 3.69 |

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

| | FISCAL | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 |
|-------------------------|--------|---------|---------|---------|---------|
| | 2012 | | | | |
| Power costs | 0.98 | 0.97 | 0.90 | 1.09 | 0.96 |
| Grinding media | 0.25 | 0.25 | 0.25 | 0.27 | 0.25 |
| Other direct costs 1, 2 | 1.01 | 1.03 | 1.22 | 0.79 | 0.97 |
| By-product credits | (0.22) | (0.17) | (0.22) | (0.24) | (0.25) |
| Smelting & refining | 0.32 | 0.33 | 0.33 | 0.31 | 0.32 |
| Administration | 0.11 | 0.11 | 0.12 | 0.11 | 0.08 |
| Transportation | 0.03 | 0.04 | 0.04 | 0.04 | 0.02 |
| Cash Cost | \$2.48 | \$2.56 | \$2.64 | \$2.37 | \$2.35 |

| | FISCAL | Q4-2011 | Q3-2011 | Q2-2011 | Q1-2011 |
|---------------------|--------|---------|---------|---------|---------|
| | 2011 | | | | |
| Power costs | 1.04 | 1.01 | 0.96 | 1.15 | 1.04 |
| Grinding media | 0.25 | 0.27 | 0.23 | 0.22 | 0.27 |
| Other direct costs | 0.87 | 0.97 | 0.91 | 0.71 | 0.87 |
| By-product credits | (0.20) | (0.13) | (0.16) | (0.27) | (0.27) |
| Smelting & refining | 0.32 | 0.32 | 0.32 | 0.31 | 0.31 |
| Administration | 0.09 | 0.11 | 0.09 | 0.10 | 0.08 |
| Transportation | 0.03 | 0.04 | 0.04 | 0.04 | 0.03 |
| Cash Cost | \$2.40 | \$2.59 | \$2.39 | \$2.26 | \$2.33 |

Cash cost in 2012 was \$0.08/lb higher than in 2011, almost directly correlated to a \$0.09/lb labour cost associated with the MVC labour signing bonuses. Major components of cash cost include power and grinding media costs, other direct costs (including direct labour costs), smelting/refining costs and molybdenum by-product credits.

Power is MVC's most significant cost, and was \$0.1895/kWh in 2012, compared to \$0.1903/kWh in 2011. MVC operated its generators during 2012 when the grid price exceeded their operating costs. At \$0.98/lb power costs decreased \$0.06/lb from 2011, but remained at historically high levels.

Unit grinding media costs were \$0.25/lb both in 2012 and 2011.

Other direct costs of \$1.01/lb (2011: \$0.87/lb) included direct labour costs of \$0.24/lb (2011: \$0.17/lb), including the cost of the signing bonuses referred to above. Other direct costs (excluding labour) increased \$0.07/lb in 2012, most notably for increases in Colihues processing costs and inventory adjustments.

Molybdenum by-product credits of \$0.22/lb increased from \$0.20/lb in 2011 as a result of a significant increase in molybdenum production, but offset by lower molybdenum prices.

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

| | FISCAL | Q4-2012 | Q3-2012 | Q2-2012 | Q1-2012 |
|---------------------------|--------|---------|---------|---------|---------|
| | 2012 | | | | |
| Cash cost | 2.48 | 2.56 | 2.64 | 2.37 | 2.35 |
| El Teniente royalty | 0.85 | 0.92 | 0.80 | 0.83 | 0.84 |
| Amortization/depreciation | 0.31 | 0.30 | 0.32 | 0.33 | 0.29 |
| Total Cost | \$3.64 | \$3.78 | \$3.76 | \$3.53 | \$3.48 |

| | FISCAL | Q4-2011 | Q3-2011 | Q2-2011 | Q1-2011 |
|---------------------------|--------|---------|---------|---------|---------|
| | 2011 | | | | |
| Cash cost | 2.40 | 2.59 | 2.39 | 2.26 | 2.33 |
| El Teniente royalty | 0.95 | 0.81 | 0.98 | 1.11 | 0.96 |
| Amortization/depreciation | 0.34 | 0.37 | 0.32 | 0.36 | 0.29 |
| Total Cost | \$3.69 | \$3.77 | \$3.69 | \$3.73 | \$3.58 |

Total cost was \$3.64/lb, compared to \$3.69/lb in 2011. The most significant impact on total cost resulted from a \$0.10/lb decrease in El Teniente royalty and a \$0.08/lb increase in cash cost.

¹ In Q3-2012, a \$0.36/lb cost for the payment of bonuses to MVC workers on the signing of a four-year labour agreement was allocated mostly to other direct costs and to a lesser extent to administration costs. Normalized cash cost in Q3-2012 excluding the signing bonuses was \$2.28/lb.

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

FINANCIAL RESULTS - FISCAL 2012

The Company posted a net loss of \$8,192,396 (\$0.05 basic and diluted loss per share), compared to net profit of \$8,700,518 in 2011 (\$0.05 basic and diluted earnings). Gross loss was \$1,090,195 compared to gross profit of \$9,777,103 in 2011.

Revenue

Revenue in 2012 was \$181,760,724, compared to \$166,073,816 in 2011.

Production Costs

| | FISCAL 2012 | FISCAL 2011 |
|-------------------------------|-------------------|-------------------|
| Direct production costs | | |
| Power costs | \$ 50,677,232 | \$ 45,365,873 |
| Grinding media | 13,121,995 | 10,808,291 |
| Labour costs | 12,329,333 | 7,348,326 |
| Other direct production costs | 39,678,133 | 30,655,539 |
| | 115,806,693 | 94,178,029 |
| El Teniente royalty | 43,873,612 | 41,544,730 |
| Depreciation and amortization | 16,055,282 | 14,820,614 |
| Administration | 5,394,777 | 4,180,408 |
| Transportation | 1,720,555 | 1,572,932 |
| Cost of sales | \$ 182,850,919 | \$ 156,296,713 |

Direct production costs were \$115,806,693 in 2012, compared to \$94,178,029 in 2011, an increase of 23%, in the context of copper and molybdenum production increases of 18% and 35%, respectively in 2012.

Power costs increased by \$5,311,359 compared to 2011, mainly due to higher production levels and net of the \$2,412,611 positive contribution from the operation of the Company's power generators (2011: \$660,116).

Grinding media costs were 21% higher than in 2011, greater than the 18% increase in copper production due to an increase in the hardness of the material milled in 2012.

Direct labour costs were \$12,329,333 in 2012 compared to \$7,348,326 in 2011, an increase of \$4,981,002. Most of the increase was attributable to the \$4,559,327 cost of MVC labour signing bonuses, which are customary in Chile and have been increasing in the mining industry in recent years due to a shortage of skilled workers. Labour costs also included \$985,902 incurred in Q2-2012 in connection with estimate revisions to MVC severance provisions.

Other direct production costs increased by \$9,022,594 in 2012 to \$39,678,133 (2011: \$30,655,539). The most relevant other direct production costs are summarized in the following table:

| | FISCAL 2012 | FISCAL 2011 |
|---|------------------|------------------|
| Other direct production costs | | |
| Colihues extraction | \$ 11,912,879 | \$ 8,311,065 |
| Maintenance, excluding labour | 8,440,718 | 9,122,669 |
| Molybdenum production costs, excluding labour | 5,961,251 | 5,286,776 |
| Industrial water | 2,781,047 | 1,307,009 |
| Copper reagents | 2,510,468 | 2,224,531 |
| Subcontractors, support services, etc. | 2,276,842 | 3,362,918 |
| Fuel and all other direct copper production costs | 2,194,740 | 1,614,636 |
| Lime | 1,386,891 | 956,620 |
| Process control | 1,386,075 | 661,817 |
| Inventory adjustments | 827,222 | (2,192,502) |
| | \$ 39,678,133 | \$ 30,655,539 |

The major increases in other direct productions costs were for Colihues extraction (\$3,601,814) and inventory adjustments to cost of sales (\$3,019,724).

The El Teniente royalty was \$43,873,612, 6% higher than in 2011, due to higher production levels. Copper royalty costs on fresh tailings are calculated using the LME average price for copper for the month of delivery of the tailings, and invoiced by El Teniente in Chilean Pesos ("CLP") using the higher of either the "Dolar Acuerdo" or the "Dolar Observado" exchange rates. The effect of using the higher Dolar Acuerdo rates in 2012 resulted in \$5,235,654 in increased royalty costs. From time to time the Company may enter into short term modifications to the legal structure of the royalty arrangements with El Teniente. The Company's view is that these arrangements do not change the nature of the underlying royalty arrangement.

Depreciation and amortization cost increased to \$16,055,282 (2011: \$14,820,614), resulting from additions to MVC's asset base.

Administration expenses were \$5,394,777 compared to \$4,180,408 in 2011, due to higher labour costs which included a component of the bonus payments to MVC workers on the signing of the four year labour agreement. Other administrative expenses such as professional fees, consulting and certification fees decreased compared to 2011.

Transportation costs were \$1,720,555 compared to \$1,572,932 in 2011, driven by higher sales volume.

Other expenses

Other expenses are costs not related to MVC's production operations, and totaled \$3,750,961 compared to \$6,891,870 in 2011. Other expenses include general and administration expenses of \$4,847,169 (2011: \$6,964,749) and other gains of \$1,096,208 (2011: \$72,879).

General and administration expenses in 2012 were comprised of salaries, management and professional fees of \$2,104,709 (2011: \$1,997,340), office and general expenses of \$1,311,515 (2011: \$1,217,870), royalties to related parties of \$1,073,839 (2011: \$437,623), share-based payments of \$1,039,851 (2011: \$1,763,165) and a bad debt recovery of \$682,745 (2011: bad debt expense of \$1,548,751). The cost of royalties to related parties includes actual royalty dividends to related parties (2012: \$840,415; 2011: \$731,585) and changes in fair value, as the royalty is a derivative financial instrument (2012: \$233,424: 2011: (\$293,962)).

Other gains are comprised of a foreign exchange gain of \$414,253(2011: loss of \$684,792) and interest income and other gains of \$681,955 (2011: \$757,671). Foreign exchange gains or losses are recognized mostly in MVC and are due to fluctuations in the exchange rate of the Chilean peso (MVC's functional currency) to the US dollar, as MVC has monetary assets and/or liabilities denominated in US dollars.

The Company sold 5,000,000 Candente Copper shares in 2011 for cash proceeds of \$10,405,571. In connection with this sale, the Company recorded a gain in earnings of \$9,750,931 on the sale of available for sale financial assets.

Finance expense

The Company recorded a finance expense of \$1,056,030 (2011: \$1,307,233) including interest charges of \$869,171 (2011: \$861,156), asset retirement obligation accretion cost of \$333,785 (2011: \$446,077) and changes in fair value of an interest rate swap of (\$146,926) (2011: \$200,657).

Taxes

Income tax expense was \$2,295,210 in 2012 (2011: \$2,628,413), including \$1,714,511 (2011: \$1,871,101) in respect of changes to deferred income tax liabilities, mostly in MVC. Deferred income tax results mostly from the differences between the financial and tax carrying value of MVC's plant and equipment, calculated using Chile's corporate tax rate of 20% (2011: 17%). Deferred tax liabilities do not represent income tax due in Chile on a current basis.

In respect of current income tax, in 2012 the Company booked a tax expense of \$580,699 (2011: tax expense of \$757,312).

Current income tax in 2012 includes a tax expense of \$157,384 for a Chilean mining royalty tax ("IEAM") applicable to the years 2006 to 2012. When the IEAM was instituted in Chile in 2006, MVC obtained a legal opinion stating that the IEAM did not apply to MVC's operations, as they are not extraction operations. After the Chilean Internal Revenue Service issued an assessment to MVC in 2007 for payment of the IEAM, MVC engaged legal counsel to defend the matter on a success fee basis. During Q4-2012 the Chilean Supreme Court ruled that MVC was liable for the IEAM.

FINANCIAL RESULTS - QUARTER ENDED DECEMBER 31, 2012

In Q4-2012 the Company produced 6,151 tonnes of copper (Q4-2011: 5,842 tonnes) and 290,705 lbs of molybdenum (Q4-2011: 195,729 lbs), 6% and 49% increases, respectively over Q4-2011 levels.

The Company posted a net loss of \$5,311,469 (basic and diluted loss of \$0.03 per share), compared to a net loss of \$3,645,151 (basic and diluted loss of \$0.02 per share) in Q4-2011.

Revenue

Revenue during Q4-2012 was \$47,016,955 compared to \$40,304,934 in Q4-2011. Revenue increased due to higher production levels and higher copper prices in Q4-2012.

Production Costs

| | Q4- 2012 | | Q4-2011 |
|-------------------------------|------------------|---------|------------|
| Direct production costs | | | |
| Power costs | \$ 13,216,386 | \$ | 12,272,096 |
| Grinding media costs | 3,394,830 | | 3,242,737 |
| Labour | 2,404,747 | | 1,658,673 |
| Other direct production costs | 11,617,262 | | 10,094,412 |
| | 30,633,225 | <u></u> | 27,267,918 |
| El Teniente royalty | 12,421,384 | | 9,735,126 |
| Depreciation and amortization | 4,069,390 | | 4,502,658 |
| Administration | 1,499,949 | | 1,307,638 |
| Transportation | 482,874 | | 450,428 |
| | \$ 49,106,822 | \$ | 43,263,768 |

Direct production costs of \$30,633,225 were 12% higher than \$27,267,918 in Q4-2011, mostly attributed to increases in other production costs and power costs.

The El Teniente royalty was \$12,421,384, compared to \$9,735,126 in Q4-2011, due to higher production and copper prices in Q4-2012.

Depreciation and amortization cost was \$4,069,390 compared to \$4,502,658 in Q4-2011.

Administration expenses were \$1,499,949 (Q4-2011: \$1,307,638) and transportation costs were \$482,874 (Q4-2011: \$450,428).

Cash Cost and Total Cost

Cash cost in Q4-2012 was \$2.56/lb compared to \$2.59/lb in Q4-2011:

| | Q4-2012 | Q4-2011 |
|---------------------|---------|---------|
| Power costs | 0.97 | 1.01 |
| Grinding media | 0.25 | 0.27 |
| Other direct costs | 1.03 | 0.97 |
| By-product credits | (0.17) | (0.13) |
| Smelting & refining | 0.33 | 0.32 |
| Administration | 0.11 | 0.11 |
| Transportation | 0.04 | 0.04 |
| Cash Cost | \$2.56 | \$2.59 |

The decrease of \$0.03/lb in cash cost between the comparative quarters resulted mainly from an increase in production levels in Q4-2012 which reduces costs on a unit basis, with the exception of other direct costs which were affected by higher maintenance and Colihues extraction costs.

The Company's total cost was \$3.78/lb in Q4-2012 compared to \$3.77/lb in Q4-2011:

| | Q4-2012 | Q4-2011 |
|---------------------------|---------|---------|
| Cash cost | 2.56 | 2.59 |
| El Teniente royalty | 0.92 | 0.81 |
| Amortization/depreciation | 0.30 | 0.37 |
| Total Cost | \$3.78 | \$3.77 |

Other

In Q4-2012 general and administrative expenses were \$2,337,896 compared to \$1,445,264 in Q4-2011, other losses were \$707,295 (Q4-2011: other gains of \$90,181) and finance costs were \$429,092 (Q4-2011: \$150,324).

The Company recorded current and deferred income tax recoveries of \$252,681 in Q4-2012 (Q4-2011: \$909,271).

COMPARATIVE PERIODS

The following tables provide highlights of the Company's quarterly results for the past eight quarters (unaudited):

| | QE Dec. 31, 2012 \$ | QE Sept. 30, 2012 \$ | QE June 30, 2012 \$ | QE March. 31, 2012 \$ |
|-----------------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|
| Total revenue | 47,016,955 | 44,230,998 | 40,013,267 | 50,499,504 |
| Net (loss) profit | (5,311,469) | (4,188,947) | (1,002,254) | 2,310,274 |
| (Loss) earnings per share | (0.03) | (0.02) | (0.01) | 0.01 |
| Diluted (loss) earnings per share | (0.03) | (0.02) | (0.01) | 0.01 |

| | QE Dec. 30, 2011 | QE Sept. 30, 2011 | QE June 30, 2011 | QE March 31, 2011 |
|-----------------------------------|---------------------|----------------------|---------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Total revenue | 40,304,934 | 41,958,747 | 38,294,635 | 45,515,500 |
| Net (loss) profit | (3,645,151) | (1,149,499) | 1,885,882 | 11,654,286 |
| (Loss) earnings per share | (0.02) | (0.01) | 0.01 | 0.07 |
| Diluted (loss) earnings per share | (0.02) | (0.01) | 0.01 | 0.07 |

LIQUIDITY and CAPITAL RESOURCES

Cash Flow from Operations

The Company generated cash of \$22,724,841 (13¢ per share) from operations, compared to \$14,050,484 (9¢ per share) in fiscal 2011.

Excluding the effect of changes in working capital accounts, the Company generated cash of \$12,283,566 compared to \$20,046,088 in 2011.

Cash Flow from Financing Activities

Cash used in financing activities was \$10,192,664, compared to \$16,342,933 in 2011.

In 2012 the Company made bank loan repayments of \$3,347,914 (2011: \$9,757,661) and made dividend payments of \$6,844,750 (2011: \$6,850,264).

No options were exercised in 2012. The Company received \$264,992 from the exercise of options in 2011.

Cash Flow from Investing Activities

In 2012, the Company used cash of \$23,707,654 for payments of capital expenditures, compared to \$21,346,199 in 2011.

Significant Capex was incurred in connection with expansion of the old tailings extraction capacity, finalization of the construction of a third thickener, engineering and permitting for the potential plant expansion and investments in respect of the Cauquenes project, including engineering and permitting costs, and costs incurred in connection with a pilot plant built to evaluate the viability of processing the Cauquenes tailings.

In 2011, the Company received net proceeds of \$10,405,571 from the sale of 5,000,000 shares of Candente Copper. The Company continues to own 5,788,280 shares of Candente Copper.

Liquidity and Financial Position

The Company's cash and cash equivalents at December 31, 2012 totaled \$9,249,540, compared to \$20,819,467 at December 31, 2011. The Company had a working capital deficiency of \$4,906,488 at December 31, 2012 compared to working capital of \$13,620,223 at December 31, 2011.

The Company's Chilean subsidiaries had two outstanding bank loans, denominated in U.S. dollars and Chilean pesos, which totaled the equivalent of \$1,482,624 at December 31, 2012 (December 31, 2011: \$4,619,149). These loans will be repaid in full by May 2013.

The MVC Chilean peso loan of \$842,714 (December 31, 2011: \$2,614,989) is repayable in monthly installments of Chilean pesos 79,395,833 each from June 2010 to May 2013. Concurrently with this loan agreement, the Company entered into an interest rate swap with the lending bank to fix the interest rate at 9.95% over the term of the loan.

In January 2012, MVC Generacion obtained from a Chilean bank a working capital loan of CLP 301,000,000 (the equivalent of \$615,555 at the loan grant date). This loan was due on January 17, 2013, paid interest at the rate of 0.63% per month and was renewed subsequent to year end (see Subsequent Events). The balance of the loan and accrued interest at December 31, 2012 was the CLP equivalent of \$639,910 (December 31, 2011: \$nil).

On December 15, 2012, MVC repaid in full a U.S. dollar loan originally drawn for \$4,000,000 (December 31, 2011: \$2,004,160).

In July 2011, MVC entered into an agreement with a Chilean bank to secure a revolving working capital line of credit for up to \$20 million or its equivalent in CLP (the "Line of Credit"). The Line of Credit has a term to July 4, 2014. For borrowings in CLP, this loan provides for interest at a variable rate of the Chilean Tasa Activa Bancaria ("TAB") plus an applicable margin, and for borrowings in US dollars provides for interest at a variable rate of LIBOR-30 days plus applicable margin. Current borrowing rates would be 0.62% per month on CLP draws and 0.18% per month on US dollar draws. The Line of Credit contains covenants requiring MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios. MVC was in compliance with these covenants at December 31, 2012 and 2011. No funds have been drawn on this line of credit.

Management believes the Company will be able to meet its obligations as they come due for at least the next 12 months.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite these short-term liquidity challenges, MVC is a valuable long-life asset. El Teniente, the source of MVC's feed material, is the world's largest underground copper mine with remaining ore reserves expected to last decades. MVC's current contract with El Teniente runs to 2021.

The Company's long-term liabilities (long-term portions of bank loans, long-term portion of an interest rate swap, other payables, long-term portion of royalties due to related parties measured at fair value, asset retirement obligations and deferred income tax liabilities) at December 31, 2012 were \$32,537,732 (December 31, 2011: \$30,317,350).

Management anticipates the feasibility study and basic engineering work for the Cauquenes project to be completed in Q2-2013 and, subject to the successful conclusion to negotiations with Codelco/El Teniente, a production decision made shortly thereafter. The Company anticipates funding the Cauquenes expansion through cash flow and debt financing.

Impairment Analysis

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

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

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

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

Investments

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

At December 31, 2012 the fair value of the Company's approximately 3% investment in Candente Gold was \$260,162, based on Candente Gold's closing share price of Cdn\$0.12. During 2012, the Company recorded other comprehensive loss of \$238,997 (2011: other comprehensive loss of \$1,680,292) for the changes in the fair value of this investment.

At December 31, 2012 the fair value of the Company's approximately 5% investment in Los Andes was \$1,609,329, based on Los Andes' closing price share price of Cdn\$0.20. During 2012, the Company recorded other comprehensive loss of \$910,358 (2011: other comprehensive loss of \$1,247,740) for the changes in the fair value of this investment.

On October 6, 2011, the Company received a total of 1,157,656 Cobriza shares on Cobriza's spinout from Candente Copper. At December 31, 2012, Cobriza's closing share price was Cdn\$0.06 and the fair value of the Company's approximately 4% investment in Cobriza was \$69,793. During 2012, the Company recorded other comprehensive loss of \$106,851 (2011: other comprehensive income of \$176,644) for the changes in the fair value of this investment.

SUMMARY OF OBLIGATIONS

| | Total | Less than 1 year | 1 to 2 years | 2 to 5 years | More than 5 years |
|--------------------------|------------|------------------|--------------|--------------|-------------------|
| Trade and other | | | | | |
| payables | 20,632,626 | 20,632,626 | - | - | - |
| Current income | | | | | |
| tax payable | 335,057 | 335,057 | - | - | - |
| El Teniente | | | | | |
| royalties | 16,498,336 | 16,498,336 | - | - | - |
| Bank loans | 1,482,624 | 1,482,624 | - | - | • |
| Royalties to | | | | | |
| related parties | 6,016,824 | 789,682 | 848,557 | 2,348,643 | 2,029,942 |
| Asset | | | | | |
| retirement | | | | | |
| obligations ¹ | 11,090,336 | - | - | - | 11,090,336 |
| Severance | | | | | |
| provisions | 4,300,283 | - | - | - | 4,300,283 |
| Minimum | | | | | |
| power | | | | | |
| payments ² | 21,600,000 | 4,320,000 | 4,320,000 | 12,960,000 | - |
| Total | | | | | |
| contractual | | | | | |
| obligations | 81,956,086 | 44,058,325 | 5,168,557 | 15,308,643 | 17,420,561 |

OUTLOOK

Management anticipates that production in 2013 will be between 45 and 50 million pounds of copper and one million pounds of molybdenum from the processing of fresh tailings from El Teniente and old tailings from Colihues. The Colihues material to be extracted in 2013 is projected to be lower grade than the material extracted in 2012 due to the fact that the area to be mined contains recent tailings deposited by El Teniente in 2006.

Cash cost is projected to be between \$1.95/lb and \$2.15/lb in 2013. The Company's contract with its power provider changed on January 1, 2013 from a variable to a lower fixed rate. This change will contribute towards net savings over 2012 levels of approximately \$0.40/lb, significantly improving MVC's operating cash flow.

Excluding the Cauquenes project, 2013 Capex at MVC is estimated to be approximately \$7 million. Capex for Cauquenes engineering and permitting in 2013 is estimated to be up to \$1.9 million. The Company is in the process of finalizing an agreement with El Teniente for reimbursement of this amount in case a production decision on Cauquenes is not reached.

Management anticipates the feasibility study and basic engineering work for the Cauquenes project to be completed in Q2-2013 and, subject to the successful conclusion to negotiations with Codelco/El Teniente, a production decision made shortly thereafter. In the event MVC and Codelco/El Teniente are unable to reach a definitive agreement for the processing of tailings from Cauquenes, Codelco/El Teniente has agreed to reimburse up to \$3,800,000 in permitting and engineering costs incurred by MVC for this stage of the project. As of December 31, 2012 the Company had incurred \$3,403,970 in Cauquenes permitting and engineering costs.

OTHER MD&A REQUIREMENTS

Transactions with Related Parties

a) Non-controlling interests

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

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

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

The Royalty is calculated as follows:

¹ The disclosed value of the asset retirement obligation is based on estimates from a 2011 independent engineering study, as revised by MVC's engineering department in 2012. It represents an estimate of the cost in 2021 to remove assets and restore the site where MVC's operations are conducted, and included a market risk premium of 7% and a discount rate of 5.37%. This liability is being accreted systematically over time until the estimated value of \$11,090,336 is reached in 2021. At December 31, 2012 the asset retirement obligation recorded was \$6,926,150.

² MVC entered into an agreement with its current power provider in order to guarantee power supply to MVC from Chile's central power grid beyond the supply expected to be generated by MVC's own power plant. The agreement extends from January 1, 2010 to December 31, 2017 and establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately \$360,000 per month for the period January 1, 2013 to December 31, 2017.

- \$0.01 for each pound of copper equivalent produced from El Teniente tailings by MVC or any successor entity to MVC if the price of copper is under \$0.80, or
- \$0.015 for each pound of copper equivalent produced from El Teniente tailings by MVC or any successor entity to MVC if the price of copper is \$0.80 or more.

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

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

b) Directors' fees and remuneration to officers

During the year ended December 31, 2012, the Company paid or accrued \$1,218,458 in salaries and fees to companies associated with certain directors and officers of Amerigo (2011: \$1,130,880). Included in these fees are accrued bonuses of \$401,240 to senior management (2011: \$147,059). In the same period, Amerigo paid or accrued \$250,177 in directors' fees to independent directors (2011: \$206,141). In Amerigo's consolidated financial statements directors' fees and remuneration to officers are categorized as salaries, management and professional fees. At December 31, 2012, an aggregate amount of \$3,028 was due to directors and officers for bonuses payable, directors' fees and reimbursement of expenses (2011: \$52,684). These transactions were in the ordinary course of business and measured at the exchange amounts agreed to by the parties.

In the year ended December 31, 2012 a total of 3,800,000 options were granted to directors and officers of the Company (2011: 3,100,000 options).

- c) As of December 31, 2012 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence.
- d) As of December 31, 2012 two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

Critical Accounting Estimates

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

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful Life of Assets

As at December 31, 2012, the contract with El Teniente has been estimated to terminate as of December 31, 2021. The useful lives of assets have been determined based on their estimated

economic life, not to exceed December 31, 2021. The remaining life of this contract may change depending on the outcome of current negotiations with El Teniente.

b) Asset Retirement Obligation ("ARO")

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

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

c) Exploration and Evaluation Assets

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

d) Reserve Estimates

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

Disclosure Controls and Procedures

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

During the year ended December 31, 2005, the Company's General Counsel and Corporate Secretary completed an evaluation of the effectiveness of the Company's existing disclosure controls and procedures, undertook extensive research and made presentations and recommendations to the Company's certifying officers and board of directors. Based on those recommendations, a corporate disclosure policy was presented to the Company's board and adopted on February 14, 2006. The disclosure policy includes the setting up of a Disclosure Policy Committee that originally consisted of the Company's President and CEO, CFO and Corporate Secretary. During 2012 this committee was expanded to include a director and the Company's COO.

The disclosure policy and committee have been in place since the date the disclosure policy was adopted. Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner,

and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis as of the end of the period covered by this report.

Internal Controls over Financial Reporting ("ICFR")

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

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

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

An evaluation of the design effectiveness of the Company's internal controls over financial reporting was conducted as of December 31, 2012 by the Company's management, including the President and CEO and CFO. Based on this evaluation, management has concluded that the design of the Company's internal controls over financial reporting was effective.

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2012 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

<u>Other</u>

As of February 25, 2013, Amerigo has outstanding 172,290,344 common shares and 12,300,000 options (exercisable at prices ranging from Cdn\$0.31 to Cdn\$2.13 per share).

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

Cautionary Statement on Forward Looking Information

This Report contains "forward-looking statements". These forward looking statements include, but are not limited to, statements regarding the Company's strategic plans and future commercial production. Forward-looking statements express, as at the date of this Report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by securities law. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "schedule", "estimates" "intends", "anticipates", or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may differ materially from those anticipated in such statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to copper and molybdenum price fluctuations, negotiations with El Teniente, extension of current short term debt facilities, ability to reduce

operating costs, currency fluctuations, possible variations in grade or recovery rates, failure of plant, equipment, or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry, unexpected regulatory changes, delays in the completion of critical activities and projects, environmental risks and hazards, risks of delays in construction and other risks more fully described in Amerigo's Annual Information Form which is available on SEDAR at www.sedar.com.