Amerigo Resources Ltd.

Consolidated Financial Statements
For the year ended December 31, 2014
(expressed in thousands of U.S. dollars)

Amerigo Resources Ltd.
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements, the Management's Discussion and Analysis and the information contained in the company's annual filing of financial results have been prepared by the management of the company.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent members, meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the Financial Statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the Financial Statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews and evaluation of these controls and report on their findings to management and the Audit Committee.

"Klaus Zeitler"
Klaus Zeitler
Chairman and Chief Executive Officer

February 19, 2015

"Aurora Davidson"
Aurora Davidson
Chief Financial Officer

February 19, 2015

February 19, 2015

Independent Auditor's Report

To the Shareholders of Amerigo Resources Ltd.

We have audited the accompanying consolidated financial statements of **Amerigo Resources Ltd.**, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Amerigo Resources Ltd. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP
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Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

	Notes	December 31, 2014 $	December 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents	7	18,308	13,148
Trade and other receivables	8	10,917	13,035
Prepaid expenses		614	319
Inventories	9	8,706	11,481
Deferred income tax asset	18	37	-
		38,582	37,983
Non-current assets			
Investments	10	2,011	3,207
Exploration and evaluation assets	11	-	21,375
Property, plant and equipment	12	133,359	116,601
Intangible assets	13	5,222	5,903
Other non-current assets		981	1,040
Total assets		180,155	186,109
Liabilities			
Current liabilities			
Trade and other payables	14	17,882	20,493
El Teniente royalties payable	5, 14	16,920	13,142
Current income tax liabilities	14, 18	112	721
Royalty derivative to related parties	14, 16	863	655
		35,777	35,011
Non-current liabilities			
Severance provisions	4, 14	1,341	3,611
Royalty derivative to related parties	16	10,096	4,224
Asset retirement obligation	4, 25	-	7,295
Deferred income tax liability	18	21,391	14,229
Other non-current liabilities		57	-
Total liabilities		68,662	64,370
Equity	17		
Share Capital		78,057	77,514
Other reserves		7,088	6,577
Retained earnings		28,773	39,475
Accumulated other comprehensive loss		(2,425)	(1,827)
Total equity		111,493	121,739
Total equity and liabilities		180,155	186,109
Commitments	25		
Subsequent events	26		

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

Approved by the Board of Directors

"Robert Gayton"	"George Ireland"
Director	Director

Amerigo Resources Ltd.

Consolidated Statements of Comprehensive Loss

(expressed in thousands of U.S. dollars)

	Notes	Years ended December 31, 2014	2013
		$	$
Revenue		119,622	143,592
Cost of sales	20	113,047	137,556
Gross profit		6,575	6,036
Other expenses			
Loss from change in estimates	4, 6	8,066	-
General and administration	20	2,663	2,764
Other (gains) expenses	20	(333)	1,472
		10,396	4,236
Operating (loss) profit		(3,821)	1,800
Finance expense	20	237	626
		237	626
(Loss) profit before tax		(4,058)	1,174
Income tax expense	18	6,644	181
Net (loss) profit		(10,702)	993
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to net (loss) income			
Cumulative translation adjustment		399	(10,613)
Unrealized losses on investments	10	(917)	(891)
Severance provision		(80)	-
Other comprehensive loss, net of tax		(598)	(11,504)
Comprehensive loss		(11,300)	(10,511)
Weighted average number of shares outstanding, basic		173,196,224	172,290,344
Weighted average number of shares outstanding, diluted		173,196,224	173,190,344
(Loss) earnings per share			
Basic		(0.06)	0.01
Diluted		(0.06)	0.01

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

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Years ended December 31, 2014 $	2013 $
Cash flows from operating activities		
Net (loss) profit	(10,702)	993
Adjustment for items not affecting cash:		
Depreciation and amortization	11,065	16,878
Loss from change in estimates	5,629	-
Changes in fair value of royalty derivative to related parties	(1,995)	(1,118)
Impairment charges	703	1,360
Accretion	126	372
Unrealized foreign exchange expense	2,103	951
Deferred income tax expense (recovery)	7,125	(430)
Share-based payments	597	52
Other	135	78
	14,786	19,136
Changes in non-cash working capital		
Trade, other receivables and advances	1,642	(381)
Inventories	2,317	(1,909)
Trade and other payables	(4,434)	5,288
El Teniente royalty payables	3,779	(2,068)
	18,090	20,066
Payment of long-term employee benefits	-	(543)
Net cash from operating activities	18,090	19,523
Cash flows from investing activities		
Purchase of plant and equipment and evaluation assets	(11,845)	(13,391)
Proceeds from sale of plant and equipment	106	-
Net cash from investing activities	(11,739)	(13,391)
Cash flows from financing activities		
Repayments, net of cash proceeds	-	(1,497)
Exercise of share purchase options	255	-
Net cash from financing activities	255	(1,497)
Net increase in cash and cash equivalents	6,606	4,635
Effect of exchange rate changes on cash	(1,446)	(737)
Cash and cash equivalents – Beginning of year	13,148	9,250
Cash and cash equivalents - End of year	18,308	13,148

Supplementary cash flow information (Note 24)

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

Amerigo Resources Ltd.

Consolidated Statements of Changes in Equity

(expressed in thousands of U.S. dollars)

	Share capital					
	Number of shares	Amount	Other reserves	Accumulated other comprehensive income (loss)	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	-	-	-	(10,613)	-	(10,613)
Unrealized losses on investments	-	-	-	(891)	-	(891)
Net profit	-	-	-	-	993	993
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	-	-	597	-	-	597
Exercise of share purchase options	900,000	341	(86)	-	-	255
Compensation settled with shares	462,500	202	-	-	-	202
Cancellation of shares held in escrow	(42,215)	-	-	-	-	-
Cumulative translation adjustment	-	-	-	399	-	399
Unrealized losses on investments	-	-	-	(917)	-	(917)
Severance provision	-	-	-	(80)	-	(80)
Net loss	-	-	-	-	(10,702)	(10,702)
Balance December 31, 2014	173,610,629	78,057	7,088	(2,425)	28,773	111,493

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

(tabular information expressed in thousands of U.S. dollars)

1) GENERAL INFORMATION

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

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 5).

These consolidated financial statements were authorised for issue by the board of directors on February 19, 2015 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

These consolidated financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with IFRS on an historical cost basis, except for financial instruments which have been measured at fair value, and are presented in U.S. dollars except when otherwise indicated.

Consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (Note 21). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. The Company’s principal operating subsidiaries are MVC (100% owned, Chile) and Colihues Energia S.A. (“Colihues Energia”, formerly Minera Valle Central Generacion S.A., 100% owned, Chile).

Segment Reporting

The Group operates in one segment which is the production of copper concentrates, with the production of molybdenum concentrates as a by-product.

(tabular information expressed in thousands of U.S. dollars)

Foreign Currency Translation

Functional and Presentation 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 each entity operates ('the functional currency"). The functional currency of the parent entity is the Canadian dollar. The functional currency of Colihues Energia 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 view of the level of U.S denominated indebtedness anticipated to be incurred by MVC 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 with Chilean parties to be denominated in CLP), the underlying currency in these significant revenue and cost contracts is the U.S. dollar.

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

Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Property, Plant and Equipment

Exploration and Evaluation Costs

Exploration and evaluation costs related to specific properties or projects are capitalized and are considered to be tangible assets. These assets are not depreciated as they are currently not available for use. The Group's exploration and evaluation costs are reclassified to property, plant and equipment when production decisions on projects or properties are made, or expensed in the period in which it is determined they have no future economic value.

(tabular information expressed in thousands of U.S. dollars)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads. The costs of day-to-day servicing are recognized in profit or loss as incurred. Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

MVC depreciates its property, plant and equipment using the straight-line method as follows:

- Plant and infrastructure: Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Machinery, equipment and other assets (except vehicles and mobile equipment): Shorter of the useful life of the asset or the term of the current contracts with DET (Note 5).
- Vehicles and mobile equipment: 7 years.

The depreciation method, useful life and residual values are assessed annually.

Asset Impairment

The Group's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other long-lived assets in the unit on a pro-rata basis.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or cash generating unit ("CGU"). The estimated future cash flows are discounted to their present value using an after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach as a fair value when an active market or binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mine plan estimates, and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

(tabular information expressed in thousands of U.S. dollars)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Intangible Assets

Intangible assets reflect the value assigned to the DET contracts. This contractual right is amortized on a units of production basis over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired. In addition to the amortization of the contractual right, royalties payable to DET under the contracts are recorded based on production in the year and included in cost of sales.

Financial Assets and other Financial Liabilities

Classification

a) Loans and Receivables

Cash and cash equivalents, trade receivables, loans, and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

b) Available-for-Sale Financial Assets ("AFS")

Investments and other assets held by the Group are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income ("OCI") and are accumulated in the investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date.

c) Other Financial Liabilities

Other financial liabilities at amortized cost include trade and other payables and DET royalties payable. Trade payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. DET royalties payable are recognized at the amount required to be paid.

Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(tabular information expressed in thousands of U.S. dollars)

d) Derivatives

The Group's molybdenum trade receivables are embedded derivatives given that the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue.

The Group may use derivatives in the form of interest rate swaps to manage risks related to variable rate debt. Gains and losses on re-measurement are included in finance income (expense).

The Group's royalties to related parties are a derivative liability, classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in finance income (expense).

Recognition and Measurement

a) Effective Interest Method

The effective interest method calculates the amortized cost of a financial asset (or liability) and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts (payments) over the expected life of the financial asset (liability), or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income (expense) is recognized on an effective interest basis for debt instruments other than those financial assets or liabilities classified as fair-value-through-profit-and-loss (FVTPL) investments.

b) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer;
- default or delinquency in interest or principal payments; or
- it has become probable that the issuer will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

(tabular information expressed in thousands of U.S. dollars)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

c) De-Recognition of Financial Assets and Liabilities

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Group transfers the financial asset and substantially all risks and rewards of ownership to another entity. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the holders earn the options.

The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

Inventories

Inventories comprising concentrates in process and copper and molybdenum concentrates are valued at the lower of cost and net realizable value. Consumables are valued at the lower of average cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Production cost is determined primarily on a weighted-average cost basis and includes direct production costs, direct labour costs and an allocation of variable and fixed production overhead including depreciation. Net realizable value is the estimated selling price net of any estimated selling costs in the ordinary course of business.

When inventories have been written down to net realizable value, the Group makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

Cash and Cash Equivalents

Cash and cash equivalents are unrestricted as to use and consist of cash on hand, demand deposits and short term interest-bearing investments with maturities of 90 days or less from the original date of acquisition and which can be readily liquidated to known amounts of cash.

Redeemable interest bearing investments with maturities of up to one year are considered cash equivalents if they can readily be liquidated at any point in time to known amounts of cash, the initial period subject to an interest penalty on redemption is less than 90 days, and they are redeemable thereafter until maturity for invested value plus accrued interest.

(tabular information expressed in thousands of U.S. dollars)

Current and Deferred Income Tax

Income tax expense consists of current and deferred tax. Current and deferred tax are recognized in the statement of operations and comprehensive income (loss) except to the extent they relate to items recognized directly in equity or in OCI, in which case the related taxes are recognized in equity or OCI.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable future taxable profits will be available against which the asset can be utilized. The amount of a deferred tax asset is reduced to the extent that the Company does not consider it probable the deferred tax asset will be recovered.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities that relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

At December 31, 2014, MVC has a future obligation with some of its managers for statutory severance payments based on their employee contracts. This obligation has been recorded as a liability at present value in the Company's consolidated statement of financial position. The value of the severance provision is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The increase or decrease over time in the present value of the liability is recorded each period in cost of sales.

(tabular information expressed in thousands of U.S. dollars)

Earnings (Loss) per Share

Basic earnings or (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Revenue Recognition

Revenue from the sale of the Group's copper and molybdenum concentrates is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. In 2014 the majority of the Group's concentrates were sold at known market prices.

In circumstances where final prices are determined by quoted market prices in a period subsequent to the date of sale, prices are determined on a provisional basis at the date of sale and revenues are recorded based on forward prices. Adjustments are made to the sale price in subsequent periods based on movements in quoted market prices up to date of the final pricing. Under these circumstances, the value of the Group's amounts receivable changes as the underlying commodity market prices vary. This adjustment mechanism has the characteristics of a derivative. Accordingly, the fair value of the receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue.

In 2014 copper produced by MVC was sold under a written sales agreement with Chile's Empresa Nacional de Minería ("Enami") that established a delivery schedule of monthly sales quotas and in 2014 set MVC's copper sale price at the average market price for the month preceding delivery ("M-1"). Where production fell short of the monthly quota for a scheduled month of delivery, the quota was carried forward to a subsequent calendar month and MVC received a sale price calculated for the originally scheduled month of delivery until the quota was met. The sales agreement with Enami was allowed to expire in accordance with its terms effective December 31, 2014, and as of January 1, 2015 MVC's copper concentrates are being delivered to DET in accordance with a modification to the Master Agreement (Note 26).

Molybdenum produced by MVC is predominantly sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"). In 2014, the sale price to Molymet was the average market price for the third month following delivery ("M+3").

In normal supply conditions and in circumstances where the quotational period for sales goes beyond the sale price for the month of delivery, sales for copper and molybdenum concentrates are provisionally priced at the time of sale based on the prevailing copper forward market price or the current molybdenum market price, as specified in the sales contracts, where applicable.

Variations between the price recorded at the time of sale and the actual final price received from Enami or Molymet are caused by changes in copper and molybdenum market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. In a period of rising prices, not only will MVC record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for copper and molybdenum concentrates delivered in the prior period. Similarly, in a period of declining prices, MVC will record lower revenues for current deliveries and negative adjustments to revenue for prior period deliveries.

(tabular information expressed in thousands of U.S. dollars)

Comprehensive Income (Loss)

Comprehensive income (loss) includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

3) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

Amendment to IAS 32 – Financial Instruments – presentation: This amendment deals with offsetting financial assets and financial liabilities and clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company's financial statements.

Amendment to IAS 36 – Impairment of Assets: This amendment deals on the recoverable amount disclosures for non-financial assets and removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

IFRIC 21 – Levies: Sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and indicates when a liability should be recognised. The Company is not currently subjected to levies.

Annual Improvements to the 2010-2012 Cycle: In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 - Fair Value Measurement. The amendment to IFRS 13 was effective for periods beginning on January 1, 2014. It clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 had no impact on the Company's financial statements.

Other standards, amendments and interpretations which became effective on January 1, 2014 were not material to the Company.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these standards are expected to have a significant effect on the Company's financial statements, except as set out below:

IFRS 9 – Financial Instruments - classification and measurement: Addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on

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or after January 1, 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's impact on its financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"): Deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. Management is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4) Critical Accounting Estimates and Judgements

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 judgements, estimates and assumptions concerning the future. The resulting accounting judgements and estimates will, by definition, seldom equal the related actual results. The judgements, 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.

In 2014, the Company undertook judgement and estimate revisions arising from the changes to the Company's contractual relationship with DET as of April 8, 2014 (Note 5) and with respect to deferred income tax, arising from tax reform enacted in Chile in the year (Note 18).

a) Deferred Income Tax

In 2014 the Company booked an increase in deferred income tax liability and corresponding deferred income tax expense of $7.1 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 $5.7 million of the deferred income tax expense in 2014 resulted from an increase in MVC's long-term tax rate from 20% to 27% 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 is the partially integrated system, but taxpayers may elect to operate under either regime. Once an election is made, taxpayers must remain in the selected regime for at least five consecutive years. The Company has decided that its subsidiaries in Chile will operate under the partially integrated regime for the foreseeable future.

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.

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- Upon distribution of earnings to shareholders domiciled outside of Chile, a 35% Additional Withholding Income Tax 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 paid by the corporation on the amount distributed.

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. Given the long-term useful life of most of MVC's PPE, the contract extension resulted in longer PPE economic lives, which were prospectively extended resulting in lower depreciation expense as of Q2-2014.

c) Asset Retirement Obligation ("ARO")

During 2014 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 MVC with 3-year notice to this effect. The Master Agreement also contains three early exit options which may only be exercised by DET at specific future dates (Note 5). 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 exercise early exit option 2 or decide not to take ownership of PPE in 2037.

The Company has concluded there is a remote possibility DET will exercise early exit option 2 or decide not to take ownership of PPE on the termination of the Master Agreement, therefore the ARO weighted for probability is immaterial. The Company's judgment in relation to the probability of DET choosing to exercise an exit option will be 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 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 6). 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 several 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.

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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 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 will revisit this estimate on each reporting date.

As a result of this reassessment in 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 6).

e) Royalty Derivative 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 16). 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 the royalty derivative 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 the royalty derivative 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 6).

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 it was determined that an economically viable processing operation had been 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 11 and 12).

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

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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 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 December 31, 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): 2015: $2.91; 2016: $2.76; 2017: $2.65; 2018: $2.70; 2019: $2.80; 2020: $3.10; 2021 to 2037: $3.50
- Power costs (excluding benefit from self-generation): From 2015 to 2024 costs are per contractual estimates (2015: $0.10186/kWh, 2016: $0.10407/kWh, 2017: $0.10916/kWh, 2018: $0.12554/kWh; 2019: $0.12138/kWh; 2020: $0.11965/kWh; 2021: $0.11999/kWh: 2022: 0.12059/kWh; 2023: $0.12142/kWh; 2024 $0.12209/kWh). From 2025 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 2015 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 December 31, 2014. Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. Sensitivities to changes in estimated 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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5) 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 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;

(tabular information expressed in thousands of U.S. dollars)

- 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.

Through a first modification to the Master Agreement dated August 29, 2014, DET and MVC agreed to defer up to $9.1 million in royalty payments for the months of August to December, 2014, in order for MVC to expedite certain works associated with the Cauquenes expansion. The deferred amounts were subject to interest at a rate of 0.6% per month, and a total of $8.1 million was deferred during 2014 (Note 26).

As at December 31, 2014, royalties payable to El Teniente, including the royalty deferrals, were $16.9 million (December 31, 2013: $13.1 million), representing approximately eight months of royalties.

A second modification to the Master Agreement was signed subsequent to year end (Note 26).

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6) Gains and Losses From Changes in Estimates

The Master Agreement (Note 5) 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 4), as summarized in the following table:

Change in Estimate	Effect on Financial Position	Effect on Earnings	Tax Effect on Earnings
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
Royalty derivative to related parties	Increased derivative 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**	

7) Cash And Cash Equivalents

	December 31, 2014 $	December 31, 2013 $
Cash at bank and on hand	1,927	5,540
Short term bank deposits	16,381	7,608
	18,308	13,148

Short-term bank deposits are redeemable on demand.

(tabular information expressed in thousands of U.S. dollars)

8) Trade and Other Receivables

	December 31, 2014 $	December 31, 2013 $
Current		
Accounts receivable	10,917	13,035
Non-current		
Other non-current receivables	277	934

The Company has not allowed a provision for impairment of current or non-current receivables.

The ageing analysis of current receivables is as follows:

	December 31, 2014 $	December 31, 2013 $
Up to 3 months	5,326	7,361
3 to 6 months	2,063	3,183
Greater than 6 months	3,528	2,491
	10,917	13,035

The carrying amounts of the Group's current receivables are denominated in the following currencies:

Currency	December 31, 2014 $	December 31, 2013 $
Chilean Peso	10,894	13,009
Other	23	26
	10,917	13,035

(tabular information expressed in thousands of U.S. dollars)

The fair values of most of the Company's current receivables approximate their carrying value, as follows:

	December 31, 2014 $	December 31, 2013 $
Trade receivables	5,188	7,368
Income tax, value added tax and other receivables	5,729	5,667
	10,917	13,035

Trade receivables include $950,000 of receivables for sale of molybdenum concentrates that were provisionally priced at December 31, 2014 (2013: $1,088,000).

The effective interest rates on current receivables were nil% (December 31, 2013: nil %).

9) INVENTORIES

	December 31, 2014 $	December 31, 2013 $
Plant supplies and consumables	5,395	7,310
Concentrate inventories	3,311	4,171
	8,706	11,481

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

During the year ended December 31, 2014, the Company recorded a charge of $319,000 (2013: $274,000) in cost of sales as a result of an impairment of specific plant supplies and consumables.

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10) Investments

	December 31, 2014 $	December 31, 2013 $
Start of year	3,207	4,149
Exchange differences	-	(51)
Changes in fair value	(917)	(891)
Impairment of investment	(279)	-
End of year	2,011	3,207

Available-for-sale financial assets include the following:

	December 31, 2014 $	December 31, 2013 $
Candente Copper Corp.	494	1,555
Los Andes Copper Ltd.	1,517	1,652
	2,011	3,207

a) At December 31, 2014, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.09 and the fair value of the Group's approximately 4% investment in Candente Copper was $494,000. During the year ended December 31, 2014, the Group recorded other comprehensive loss of $782,000 (year ended December 31, 2013: $669,000) and an impairment in earnings of $279,000 for the changes in fair value of this investment.

b) At December 31, 2014, Los Andes Copper Ltd. ("Los Andes"), a company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.22, and the fair value of the Group's approximately 4% investment in Los Andes was $1.5 million. During the year ended December 31, 2014, the Group recorded other comprehensive loss of $135,000 (year ended December 31, 2013: other comprehensive income of $108,000) for the changes in the fair value of this investment.

c) In 2013, the Group recorded other comprehensive loss of $260,000 for the changes in the fair value of its investment in Candente Gold Corp. and wrote-off this investment.

d) In 2013, the Group recorded other comprehensive loss of $70,000 for the changes in the fair value of its investment in Cobriza Metals Corp. and wrote-off this investment.

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11) EXPLORATION AND EVALUATION ASSETS

	$
Year ended December 31, 2013	
Opening net book amount	18,736
Exchange differences	(1,806)
Additions	4,445
	21,375
Year ended December 31, 2014	
Opening net book amount	21,375
Additions	1,209
Transfer to property, plant and equipment (Note 12)	(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 5). 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. EEA were included in the Company's impairment test along with PPE.

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12) 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
Year ended December 31, 2014			
Opening net book amount	92,918	23,683	116,601
Exchange differences	-	(19)	(19)
Elimination of ARO asset (Note 4)	(2,213)	-	(2,213)
Recognition of ARO credit to PPE (Note 4)	(5,233)	-	(5,233)
Transfer from EEA (Notes 11 and 12)	22,584	-	22,584
Disposals	-	(143)	(143)
Additions	11,406	759	12,165
Depreciation charge	(7,576)	(2,807)	(10,383)
Closing net book amount	111,886	21,473	133,359
At December 31, 2014			
Cost	194,157	51,143	245,300
Accumulated depreciation	(82,272)	(29,669)	(111,941)
Net book amount	111,885	21,474	133,359

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

(tabular information expressed in thousands of U.S. dollars)

Total interest of $122,000 was capitalised in 2014 (2013: $nil) and is included in property, plant and equipment at December 31, 2014.

13) 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	(681)
Net book amount, December 31, 2014	5,222

14) TRADE AND OTHER PAYABLES

	2014 $	2013 $
Current		
Trade and other payables	17,882	20,493
El Teniente royalties payable (Note 5)	16,920	13,142
Royalty derivative to related parties	863	655
	35,665	34,290
Non-current		
Severance provisions	1,341	3,611
Royalty derivative to related parties	10,096	4,224
Other non-current liabilities	57	-
	11,494	7,835

The Company has accrued for severance provisions in respect of estimated statutory severance payments to certain MVC managers based on their employment agreements. The estimate of severance provisions is calculated through an actuarial model that considers variables such as retirement age, salary adjustments and discount rates. The severance provision at December 31, 2014 was $1,341 (2013: $3,611).

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15) BORROWINGS

1) 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.

16) RELATED PARTY TRANSACTIONS

a) Royalty Derivative to Related Parties

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

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

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

The Royalty is calculated as follows:

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

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

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at December 31, 2014 was $11.0 million (December 31, 2013: $4.9 million), with a current portion of $863,000 (December 31, 2013: $655,000) and a long-term portion of $10.1 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 4(e) and 5).

(tabular information expressed in thousands of U.S. dollars)

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the year ended December 31, 2014, royalties totalling $621,000 were paid or accrued to the Amerigo International Class A shareholders (2013: $707,000). At December 31, 2014, $60,000 of this amount remained payable (December 31, 2013: $52,000).

The royalty derivative to related parties includes the royalty dividends described above and a reduction in fair value of $2.0 million (2013: $1.1 million), for a total royalty derivative recovery of $1.4 million (2013: $411,000).

2) 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.

	Year ended December 31, 2014 $	**Year ended December 31, 2013 $**
Salaries and management fees	1,446	1,280

(tabular information expressed in thousands of U.S. dollars)

3) Key Management Compensation

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

	Year ended December 31, 2014	**Year ended December 31, 2013**
	$	**$**
Management and directors' fees	1,806	1,545
Share-based payments	580	52
	2,386	1,597

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

17) 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 were granted in 2014, with a weighted average fair value estimated at Cdn$0.28 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 information expressed in thousands of U.S. dollars)

Outstanding share options:

	December 31, 2014		December 31, 2013	
	Share options	Weighted average exercise price Cdn$	Share options	Weighted average exercise price Cdn$
At start of the year	11,265,000	0.84	12,300,000	0.95
Exercised	(900,000)	0.31	-	-
Expired	(100,000)	0.68	(1,035,000)	2.13
Granted	3,500,000	0.44	-	-
At end of the year	13,765,000	0.78	11,265,000	0.84
Vested and exercisable	13,765,000	0.78	11,265,000	0.84

For the 900,000 share options exercised during the year ended December 31, 2014, the weighted average closing share price at the date of exercise was Cdn$0.46.

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

Outstanding share options	Vested share options	Price range Cdn$	Weighted average exercise price on outstanding options Cdn$	Weighted average exercise price on vested options Cdn$	Weighted Average remaining life of outstanding options (years)
3,500,000	3,500,000	0.44-0.48	0.44	0.44	4.36
3,865,000	3,865,000	0.49-0.74	0.67	0.67	0.58
3,200,000	3,200,000	0.75-0.95	0.77	0.77	2.18
600,000	600,000	0.96-1.22	1.12	1.12	1.36
2,600,000	2,600,000	1.23-1.32	1.32	1.32	1.17
13,765,000	13,765,000		0.78	0.78	2.06

The weighted average remaining life of vested options at December 31, 2014 was 2.06 years.

(tabular information expressed in thousands of U.S. dollars)

Further information about share options is as follows:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Total compensation recognized	597	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.

	December 31, 2014 $	December 31, 2013 $
(Loss) earnings for the year	(10,702)	993
Weighted average number of shares	173,196,224	172,290,344
Basic (loss) earnings per share	(0.06)	0.01

ii) Diluted

Diluted (loss)/earnings per share is 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.

(tabular information expressed in thousands of U.S. dollars)

	December 31, 2014 $	December 31, 2013 $
(Loss) earnings for the year	(10,702)	993
Weighted average number of ordinary shares in issue	173,196,224	172,290,344
Effect of dilutive securities:		
Share options	-	900,000
Weighted average diluted shares outstanding	173,196,224	173,190,344
Diluted (loss) earnings per share	(0.06)	0.01

18) Income Taxes

a) The income tax expense charged to (loss) earnings during the year is as follows:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Current		
Canadian income tax	-	(14)
Foreign income and resource tax	(481)	625
Total current tax	(481)	611
Deferred		
Canadian income tax	-	-
Foreign income and resource tax	7,125	(430)
Total deferred tax	7,125	(430)
Income tax expense	6,644	181

(tabular information expressed in thousands of U.S. dollars)

b) The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
(Loss) earnings before tax	(4,058)	1,174
Statutory tax rate	26.00%	25.75%
Expected income tax (recovery) expense	(1,091)	302
Tax effect of:		
Effect on the change in deferred income tax rate in Chile	5,703	(162)
Change in estimates	1,830	-
Difference in tax rates in foreign jurisdictions	(592)	(328)
Non-deductible expenses	426	79
Change in benefits not recognized	396	571
Withholding tax and other foreign taxes	12	65
Foreign exchange impact	-	(375)
Other	(40)	29
	6,644	181

c) The income tax credited to equity during the year is as follows:

	2014 $	2013 $
Deferred tax	-	1,367
	-	1,367

(tabular information expressed in thousands of U.S. dollars)

d) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	December 31, 2014 $	December 31, 2013 $
Deferred tax assets		
- Deferred tax assets to be recovered within 12 months	37	-
- Deferred tax assets to be recovered after more than 12 months	273	1,673
	310	1,673
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	(21,664)	(15,902)
Deferred tax liabilities/asset- net	(21,354)	(14,229)

e) The movement in the net deferred income tax position is as follows:

	2014 $	2013 $
At start of the year	(14,229)	(16,026)
Tax (charged) credited to (loss) earnings	(7,125)	430
Foreign exchange impact in equity	-	1,367
At end of the year	(21,354)	(14,229)

(tabular information expressed in thousands of U.S. dollars)

f) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Property, plant and equipment** **$**	**Intangible assets** **$**	**Other** **$**	**Total** **$**
At December 31, 2012	(15,995)	(1,480)	-	(17,475)
Charged (credited) to earnings	(84)	187	-	103
Charged to equity/ foreign exchange impact on equity	1,358	112	-	1,470
At December 31, 2013	(14,721)	(1,181)	-	(15,902)
Charged (credited) to loss	(5,414)	(230)	(118)	(5,762)
At December 31, 2014	(20,135)	(1,411)	(118)	(21,664)

Deferred tax assets	**Asset retirement obligation** **$**	**Other** **$**	**Total** **$**
At December 31, 2012	872	577	1,449
Charged to earnings	194	133	327
Creditedto equity/ foreign exchange impact on equity	(64)	(39)	(103)
At December 31, 2013	1,002	671	1,673
Charged (credited) to loss	(1,002)	(361)	(1,363)
At December 31, 2014	-	310	310

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

(tabular information expressed in thousands of U.S. dollars)

g) Unrecognized deductible temporary differences

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

	2014 $	2013 $
Non-capital losses	11,675	12,363
Capital losses	492	727
Other temporary deductible differences	8,563	7,306
	20,730	20,396

h) Loss carry-forwards

At December 31, 2014, the Company had $11.7 million (2013: $12.4 million) of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2015 and 2033. Net operating loss carry-forwards have not been recognized, as it is not probable that taxable profit will be available against which they can be utilized in the legal entity in which they arose.

At December 31, 2014, the Company had $0.5 million (2013: $0.8 million) of Canadian federal net capital losses. These losses could be carried back three years and forward indefinitely against future taxable capital gains. Net capital loss carry-forwards have not been recognized, as it is not probable that taxable capital gains will be available against which they can be utilized in the legal entity in which they arose.

i) Non-resident subsidiaries

The Company has non-resident subsidiaries that have undistributed earnings. Taxable temporary differences in relation to these investments for which deferred tax liabilities have not been recognized are $96 million at December 31, 2014 (2013: $98 million), as earnings are not expected to be distributed in the foreseeable future.

(tabular information expressed in thousands of U.S. dollars)

19) 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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Chile	133,161	116,344	6,203	28,318
Canada	198	257	-	-
	133,359	116,601	6,203	28,318

All of the Group's revenue originates in Chile.

In the year ended December, 2014, the Group's sales to one customer represented 95% of reported revenue (2013: 92%).

20) Expenses By Nature

Cost of sales consists of the following:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Production costs	70,295	80,334
El Teniente royalty	25,345	33,815
Depreciation and amortization	11,065	16,878
Administration	4,929	4,928
Transportation	1,413	1,601
	113,047	137,556

(tabular information expressed in thousands of U.S. dollars)

General and administration expenses consist of the following:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Office and general expenses	1,012	1,133
Salaries, management and professional fees	2,428	2,042
Share-based payment compensation	597	52
Royalty derivative to related parties including changes in fair value	(1,374)	(411)
Bad debt recovery	-	(52)
	2,663	2,764

Other (gains) expenses consist of the following:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Foreign exchange (gain) loss	(254)	1,202
Impairment charge	279	668
Other gains	(358)	(398)
	(333)	1,472

Finance expense consists of the following:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Interest charges	112	370
Interest rate swap-change in fair value	-	(116)
Asset retirement obligation accretion cost	125	372
	237	626

(tabular information expressed in thousands of U.S. dollars)

21) Disclosure of Interest in Other Entities

The Company has nine subsidiaries, all of which are wholly-owned with the exception of Amerigo International. Amerigo International is wholly-owned by the Company except for certain outstanding Class A shares, as disclosed in Note 16(a).

	Jurisdiction of incorporation
Amerigo International Holdings Corp.	Canada
Amerigo Investments Ltd.	Barbados
Amerigo Banking Corporation	St. Lucia
Amerigo Inversiones SPA (inactive)	Chile
Amerigo Resources Ltd. I Chile Limitada	Chile
Amerigo Resources Ltd. II Chile SPA	Chile
Amerigo International Inversiones Limitada (inactive)	Chile
Minera Valle Central S.A.	Chile
Colihues Energia S.A.	Chile

As of December 31, 2014 the Company did not have restrictions on its ability to transfer cash to or from its subsidiaries, or to pay dividends, advance loans or make loan repayment within the Group companies.

22) Fair Value Measurement

The tables below analyse recurring assets and liabilities carried at fair value. The different levels are defined as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Company can access at the measurement date;

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly;

- Level 3 – Significant unobservable inputs that are not based on observable market data. The Company includes the royalty derivative to related parties in Level 3 of the fair value hierarchy because it is not tradable or associated with observable price transparency. We review the fair value of this derivative on a quarterly basis based on management’s best estimates, which are unobservable inputs.

(tabular information expressed in thousands of U.S. dollars)

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2014				
Investments	2,011	-	-	2,011
Trade and other receivables	-	950	-	950
Royalty derivative to related parties	-	-	(10,959)	(10,959)
	2,011	950	(10,959)	(7,998)

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2013				
Investments	3,207	-	-	3,207
Trade and other receivables	-	1,088	-	1,088
Royalty derivative to related parties	-	-	(4,828)	(4,828)
	3,207	1,088	(4,828)	(533)

The Company’s policy is to recognize transfers out of Level 3 as of the date of the event or change in the circumstances that caused the transfer.

The following table reconciles the starting to the ending balances for Level 3 fair value measurements:

	Royalty derivative to related parties
Balance at January 1, 2014	4,828
Paid	(621)
Credited to earnings	6,752
Balance at December 31, 2014	10,959

The valuation technique used in the determination of fair values within Level 2 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

(tabular information expressed in thousands of U.S. dollars)

Valuation approach: The Group's copper and molybdenum trade receivables are embedded derivatives in circumstances when the value of these receivables changes as underlying commodity market prices vary. The fair values of these receivables are adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue. At December 31, 2014, only molybdenum trade receivables were considered embedded derivatives.

Key observable inputs: Average Platt's molybdenum dealer oxide molybdenum price for the month when sales are made.

Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value increases as molybdenum prices increase.

The calculation of the fair value of trade and other receivables is performed by MVC's Finance Manager, on a monthly basis.

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, and the key unobservable inputs used in the valuation model are the following:

Valuation approach: The fair value is calculated by applying the discounted cash flow approach. The valuation model considers the present value of the net cash flows expected to be paid as royalties to related parties (Note 16(a)).

Key unobservable inputs: Estimated copper equivalent production to 2037, assumed copper and molybdenum prices and discount rate.

Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value increases the lower the discount rate, the higher the estimated production and the higher the copper equivalent for molybdenum production calculated from the relationship of molybdenum to copper prices.

Valuation processes: The Company's finance department is responsible for performing the valuation of fair value measurements included in the financial statements, including Level 3 fair values. The valuation processes and results for recurring measurements are reviewed and approved by the Chief Financial Officer (CFO) at least once every quarter, in line with the Company's quarterly reporting dates. The valuation processes and results for non-recurring measurements are reviewed and approved by the CFO in the quarter in which the measurement occurs. All Level 3 valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

Key unobservable inputs correspond to:

- Estimated copper equivalent production as provided by MVC's mining plan. Based on the estimates as at December 31, 2014, a 1% increase (decrease) in estimated copper equivalent production would have resulted in an increase or decrease of approximately $109,000 in the royalty derivative to related parties.

- Assumed copper and molybdenum prices for the calculation of copper equivalent from molybdenum production, as provided by consensus long-term copper and molybdenum price market data. The copper prices used in the December 30, 2014 estimate are provided in Note 4(g), and the molybdenum prices were $11.60/lb in 2015 and $15/lb thereafter.

- Discount rate calculated using a discount rate adjustment technique with a yield curve with rates starting at 7.09% in 2015 with gradual increases up to 9.40% in 2037. A 1% increase (decrease) in the rates used in the estimate would have resulted in an increase or decrease of approximately $69,000 in the royalty derivative to related parties.

(tabular information expressed in thousands of U.S. dollars)

23) Financial And Capital Risk Management

Financial Risk Management

The Group's activities expose it to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections, by maintaining strong banking relationships in Chile where MVC has historically obtained short-term debt facilities to meet working capital requirements and by raising additional capital for investment or operations as required from time to time.

The Group's liabilities fall due as indicated in the following tables:

At December 31, 2014	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	17,882	17,882	-	-	-
El Teniente royalties payable	16,920	16,920	-	-	-
Royalty derivative	10,959	913	1,273	2,888	5,885
Severance provisions	1,341	-	-	-	1,341
	47,102	35,715	1,273	2,888	7,226

At December 31, 2013	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	20,493	20,493	-	-	-
El Teniente royalties payable	13,142	13,142	-	-	-
Royalty derivative	4,879	746	729	2,128	1,276
Severance provisions	3,611	-	-	-	3,611
	42,125	34,381	729	2,128	4,887

(tabular information expressed in thousands of U.S. dollars)

Foreign Exchange Risk

The Group faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Group's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. The Company has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2014, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately $1,500 and $46,300 in loss and comprehensive loss, respectively.

Interest Rate Risk

Included in the results of operations of the Company are interest income on U.S. dollar, Canadian dollar and Chilean peso cash and cash equivalents. The Company's interest rate risk mainly arises from the interest rate impact on its cash and cash equivalents. The interest rate risk is minimal. The Group receives interest on cash and cash equivalents based on market interest rates. As at December 31, 2014, with other variables unchanged, a 1% change in Prime rates would have had a marginal impact on net earnings and no effect on other comprehensive income.

Commodity Price Risk

MVC faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of delivery of concentrates to the time of final price settlement. This risk is mitigated given the quotational periods in place for copper and molybdenum sales in 2014 which were "M-1" and "M+3", respectively.

The following represents the effect of financial instruments on after-tax net earnings from a 10% increase to commodity prices:

	2014 **$/lb**	**2013** **$/lb**	**2014** **$**	**2013** **$**
Molybdenum	8.96	9.68	121	87

Credit Risk

Financial instruments that potentially subject the Group to credit risk consist of cash and cash equivalents and amounts receivable. The Group has an investment policy which requires that cash and cash equivalents can only be deposited in investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions in Canada and Chile and are redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. In 2014, MVC sold its copper and molybdenum concentrates to two customers and does not consider it has any significant credit risk exposure on its accounts receivable.

(tabular information expressed in thousands of U.S. dollars)

Capital Risk Management

The Company considers that its capital consists of the items included in shareholders' equity, borrowings when applicable, net of cash and cash equivalents, and investments. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis as well as continue with the Company's expansion through the Cauquenes Project.

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and expansion objectives. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

24) SUPPLEMENTARY CASH FLOW INFORMATION

	2014 $	2013 $
(a) Interest and taxes paid		
Interest paid	80	193
Income taxes paid	2,259	2,408
(b) Other		
Decrease in accounts payable related to the acquisition of plant and equipment	1,504	(3,073)
Cash paid during the year for royalty dividends to related parties	621	731

(tabular information expressed in thousands of U.S. dollars)

25) 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 $354,000 per month for the period January 1, 2014 to December 31, 2017 (Note 26).

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 $187,000.

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.

26) SUBSEQUENT EVENTS

Subsequent to December 31, 2014:

a) All deferred amounts and applicable interest owing to DET in accordance with the first modification to the Master Agreement (Note 5) were paid in full in January 2015.

b) On February 3, 2015, MVC and DET entered into a second modification to the Master Agreement (Note 5) dated December 31, 2014 which provided for the following:

   i) The delivery to DET of all copper concentrates produced by MVC during the period from January 1, 2015 to December 31, 2022 pursuant to a "maquila" or tolling arrangement, subject to similar terms and conditions pursuant to the concentrate sales agreement MVC had with Enami to December 31, 2014. MVC's compensation will be determined in accordance with the LME copper price and industry benchmark treatment and refining charges, and is anticipated to generate approximately the same contractual results as contained in the prior agreement with Enami.

   ii) In exchange for the agreement described in i) above, DET agreed to provide a price support agreement to assist MVC with the Cauquenes expansion in an amount of up to $17 million (the "DET Facility"). MVC will draw down $1 million from the DET Facility for each month during the years 2015 and 2016 in which the average copper final settlement price to MVC is less than $2.80/lb Cu, up to the $17 million maximum. The DET Facility will bear interest at a rate of 0.6% per month and will be subordinate to MVC's bank financing.

c) MVC and Empresa Eléctrica Pehuenche S.A., MVC's current power provider reached an agreement for the supply of 33.5 MW of electricity during peak hours and 35 MW during off-peak hours at a fixed price of $118/MWh, subject to adjustment for changes in the Consumer Price Index (USA) published by the US Bureau of Labor Statistics. The term is from January 2018 to December 2024 and the agreement will supply approximately 70% of MVC's estimated annual power requirements. The unit cost including all other contractual charges is expected to be approximately $131/Mwh.