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Amerigo Resources Ltd.
Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2018

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THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS. REFER TO THE CAUTIONARY LANGUAGE UNDER THE HEADING "CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION" (page 21).

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

ABOUT AMERIGO

Amerigo Resources Ltd. (the "Company") owns a 100% interest in Minera Valle Central S.A. ("MVC"), a producer of copper concentrates. MVC, located in Chile, has a long-term contract with Codelco's DET to process fresh and historic tailings from El Teniente. El Teniente, in production since 1905, is the world's largest underground copper mine.

MVC currently operates under a tolling agreement with DET and title to the copper concentrates produced by MVC remains with DET. MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices net of notional items. Notional items include treatment and refining charges, DET copper royalties and transportation costs. Refer to Agreements with Codelco's DET (page 17).

MVC also has a molybdenum sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet") that expires on December 31, 2019.

Up to June 30, 2017, MVC had an agreement with Minera Maricunga ("Maricunga"). MVC tolled Maricunga copper concentrates, dried the material and delivered blended concentrates to DET.

MVC is undertaking a phased expansion to extract and process high grade historic tailings (the "Cauquenes tailings"). MVC completed Phase One of the expansion in 2015, extending MVC's economic life to at least 2037. Construction of Phase Two of the expansion is planned to be complete in Q3-2018. Phase Two will improve flotation recovery efficiency allowing MVC to increase production to 85 - 90 million pounds of copper per year.

The Company's shares are listed for trading on the Toronto Stock Exchange ("TSX") and traded in the United States on the OTCQX.

PURPOSE OF MD&A and IDENTIFICATION OF NON-GAAP MEASURES

This MD&A of the results of operations and financial position of Amerigo together with its subsidiaries (collectively, the "Group"), is prepared as of July 30, 2018.

It should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2018, and the Company's audited consolidated financial statements and related notes for the year ended December 31, 2017.

Our objective preparing this MD&A's is to help the reader understand the factors affecting the Group's current and future financial performance.

The Company's interim financial statements are reported in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as applicable to interim financial reporting. The financial data in this MD&A is derived from the Company's financial statements, except non-GAAP measures which are indicated as such.

Non-GAAP measures

References are made in this MD&A to cash cost and total cost, two non-GAAP financial measures with no standardized meaning under IFRS and which may not be comparable to similar measures presented by other issuers.

Cash cost and total cost are commonly used as performance indicators in the mining industry and are an important performance metric for the Group.

A tabular reconciliation of cash and total costs to tolling and production costs in Q2-2018 and Q2-2017 is available on page 12.

QUARTERLY HEADLINES

Key performance metrics for the current and comparative quarter

	Q2-2018	Q2-2017	Change $	Change %
Copper produced (million pounds)[1]	14.7	16.3	(1.6)	(10%)
Copper delivered (million pounds)[1]	14.2	16.2	(2.0)	(12%)
Percentage of production from historic tailings	62%	63%		-
Revenue ($ thousands) [2]	32,999	29,860	3,139	11%
DET notional copper royalties ($ thousands)	10,642	7,856	2,786	35%
Tolling and production costs ($ thousands)	27,209	26,166	1,043	4%
Gross profit ($ thousands)	5,790	3,694	2,096	57%
Net income (loss) ($ thousands)	2,720	(1,653)	4,373	-
Earnings (loss) per share - basic & diluted	0.02	(0.01)	0.03	-
Operating cash flow ($ thousands) [3]	6,428	4,470	1,958	44%
Cash flow paid for purchase of plant and equipment ($ thousands)	(9,961)	(2,006)	(7,955)	397%
Cash and cash equivalents ($ thousands)[4]	21,390	20,144	1,246	6%
Borrowings ($ thousands)[5]	65,561	63,367	2,194	3%
MVC's copper price ($/lb)[6]	3.16	2.59	0.57	22%

1 Copper production conducted under tolling agreements with DET and in Q2-2017, Maricunga.
2 Revenue reported net of notional items (smelting and refining charges, DET notional copper royalties and transportation costs).
3 Operating cash flow before changes in non-cash working capital.
4 At June 30, 2018 includes $14.0 million in operating cash accounts and a $7.4 million debt service reserve account.
5 At June 30, 2018 includes short and long-term portions of $18.9 and $46.7 million, respectively.
6 Copper price before smelting and refining, DET notional copper royalties, transportation costs and settlement adjustments to prior period sales.

Amerigo's financial performance was strong in Q2-2018

- Net income was $2.7 million (Q2-2017: net loss of $1.7 million).
- Earnings per share were $0.02 (Q2-2017: loss per share of $0.01).
- Cash flow generated from operations before changes in non-cash working capital was $6.4 million (Q2-2017: $4.5 million).

MVC's average copper price in Q2-2018 was $3.16/lb

- MVC's copper price was $3.16 per pound ("/lb") (Q2-2017: $2.59/lb) and MVC's molybdenum price was $11.51/lb (Q2-2017: $8.00/lb).
- Revenue was $33.0 million (Q2-2017: $29.9 million), including copper revenue of $29.2 million (Q2-2017: $25.5 million) and molybdenum and other revenue of $3.8 million (Q2-2017: $4.4 million).
- Copper revenue is calculated from MVC's gross value of copper produced of $45.0 million (Q2-2017: $39.3 million) less notional items including DET royalties of $10.6 million (Q2-2017: $7.9 million), smelting and refining of $4.7 million (Q2-2017: $5.4 million) and transportation of $0.5 million (Q2-2017: $0.5 million).
- Amerigo remains fully leveraged to the price of copper.

- The provisional copper price used by MVC for Q2-2018 production was $3.16/lb. Final prices will be the average London Metal Exchange ("LME") prices for July, August and September 2018 respectively. Financial performance is very sensitive to changes in copper prices. A 10% increase or decrease from the $3.16/lb price would result in a $4.9 million change in revenue in Q3-2018 in respect of Q2-2018 production.

Production and cash cost for Q2-2018 continued to be in line with guidance

- Q2-2018 production was 14.7 million pounds of copper (Q2-2017: 16.3 million pounds, including 0.6 million pounds of copper produced under the contract with Maricunga).

- Q2-2018 copper production included 9.2 million pounds from Cauquenes (Q2-2017: 10.3 million pounds) and 5.5 million pounds from fresh tailings (Q2-2017: 5.4 million pounds).

- Molybdenum production was 0.4 million pounds, the same as in Q2-2017.

- Cash cost (a non-GAAP measure equal to the aggregate of smelting and refining charges, tolling/production costs net of inventory adjustments and administration costs, net of by-product credits, page 12) before DET notional copper royalties and DET molybdenum royalties increased to $1.71/lb (Q2-2017: $1.53/lb) due to higher tolling and production costs.

- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET notional copper royalties and DET molybdenum royalties of $0.79/lb and depreciation of $0.25/lb, page 12) increased to $2.74/lb (Q2-2017: $2.28/lb), due to higher DET notional royalties from higher metal prices.

Amerigo expects strong production in the second half of the year once Phase Two is operational

- At June 30, 2018, the Phase Two expansion project was on time and on budget. Phase Two will improve flotation recovery efficiency, allowing MVC to increase production to 85 - 90 million pounds of copper per year, compared to 62.5 million pounds produced in 2017.

- MVC anticipates production of the first concentrates from the Phase Two expansion in Q3-2018 and expects full production to commence in Q4-2018.

- The Group continues to expect 2018 production of 65 - 70 million pounds of copper at a cash cost of $1.45 to $1.60/lb. In 2018, the Group also expects to produce 1.5 million pounds of molybdenum.

- In 2018, MVC expects to incur $23.5 million in Phase Two capital expenditures ("Capex"), $5.5 million in sustaining Capex, an additional $1.5 million in Capex projects to improve safety and process efficiencies and a $8.4 million expansion of its molybdenum plant, financed by way of a seven-year lease and operating contract.

Cash balance at quarter end was $ 21.4 million after $11.4 million in debt repayments YTD-2018

- At June 30, 2018, the Group's cash balance was $21.4 million (December 31, 2017: $27.5 million), including $14.0 million in operating accounts and $7.4 million in a debt service reserve account.

- Borrowings were $65.6 million after Phase Two loan draws of $8.8 million and repayments of $8.4 million in the quarter.

- The Group had a working capital deficiency of $9.7 million (December 31, 2017: $4.5 million), caused by scheduled bank debt repayments in the following twelve months ($15.2 million) and the expected repayment of the balance of the DET Price Support Facility in Q3-2018 ($3.2 million).

- The Group does not consider its working capital deficiency constitutes a liquidity risk, as it anticipates generating sufficient operating cash flow to meet current liabilities as they come due, including if copper prices were to remain in the short-term at current levels ($2.75/lb). Working capital deficiencies are not uncommon in companies with short-term debt.

- In H2-2018, MVC expects to draw the remaining $8.7 million available from the Phase Two expansion loan and make debt repayments of $8.4 million. Total borrowings at year end are expected to be $67.5 million.

- At June 30, 2018, the Group had $21.7 million of undrawn, committed credit facilities, $13.0 million from a standby line of credit and $8.7 million from the Phase Two expansion loan.

- Refer to Cautionary Statement on Forward Looking Information (page 21).

SUMMARY OF FINANCIAL RESULTS Q2-2017 TO Q2-2018

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Copper production, million pounds	14.658	14.210	15.625	15.487	16.262
Copper deliveries, million pounds	14.219	14.520	16.284	15.251	16.197
MVC's copper price ($/lb)	3.16	3.09	3.10	3.00	2.59
Financial results ($ thousands)					
Revenue					
Gross value of copper produced	45,049	45,862	51,615	50,256	39,267
Notional items deducted from gross value of copper produced:					
DET royalties - copper	(10,642)	(10,797)	(11,453)	(9,365)	(7,856)
Smelting and refining	(4,738)	(5,040)	(5,765)	(5,455)	(5,410)
Transportation	(518)	(554)	(572)	(564)	(534)
Copper tolling revenue	29,151	29,471	33,825	34,872	25,467
Molybdenum and other revenue	3,848	4,410	3,176	2,549	4,393
	32,999	33,881	37,001	37,421	29,860
Tolling and production costs					
Tolling and production costs	(21,459)	(22,839)	(23,221)	(20,352)	(21,068)
Depreciation and amortization	(3,685)	(3,566)	(3,583)	(3,576)	(3,578)
Administration	(1,419)	(1,696)	(1,338)	(1,257)	(1,182)
DET royalties - molybdenum	(646)	(616)	(397)	(334)	(338)
	(27,209)	(28,717)	(28,539)	(25,519)	(26,166)
Gross profit	5,790	5,164	8,462	11,902	3,694
Other expenses					
Derivative to related parties including changes in fair value	239	(414)	(1,003)	(214)	(2,472)
Salaries, management and professional fees	(442)	(575)	(839)	(466)	(388)
Office and general expenses	(141)	(299)	(141)	(232)	(118)
Share-based payment compensation	(312)	(684)	(47)	(117)	(223)
	(895)	(1,558)	(1,027)	(815)	(729)
Foreign exchange (expense) gain	(457)	98	(293)	384	(28)
Other gains	53	168	7	106	8
	(404)	266	(286)	490	(20)
	(1,060)	(1,706)	(2,316)	(539)	(3,221)
Operating profit	4,730	3,458	6,146	11,363	473
Finance expense	(912)	(985)	(1,243)	(854)	(1,662)
Income (loss) before income tax	3,818	2,473	4,903	10,509	(1,189)
Income tax expense	(1,098)	(1,256)	(1,805)	(2,655)	(464)
Net income (loss)	2,720	1,217	3,098	7,854	(1,653)
Earnings (loss) per share - basic	0.02	0.01	0.02	0.04	(0.01)
Earnings (loss) per share - diluted	0.02	0.01	0.02	0.04	(0.01)
Unit tolling and production costs	1.91	1.98	1.75	1.67	1.62
Cash cost ($/lb) [1]	1.71	1.77	1.66	1.69	1.53
Total cost ($/lb) [1]	2.74	2.83	2.64	2.55	2.28
Uses and sources of cash ($thousands)					
Operating cash flow before working capital changes	6,428	5,944	6,640	11,021	4,470
Operating cash flow after working capital changes	1,785	9,437	13,568	5,316	6,422
Cash used in investing activities	(9,961)	(10,274)	(6,945)	(5,291)	(2,006)
Cash received from (used in) financing activities	447	2,882	(2,329)	2,074	(7,367)
Ending cash balance [2]	21,390	29,869	27,524	22,702	20,144

1 Cash and total costs are non-GAAP measures. Page 12 has the reconciliation of these measures to tolling and production costs.
2 At June 30, 2018 includes $14.0 million in operating cash accounts and a $7.4 million DSRA.

OPERATING RESULTS

Copper production in Q2-2018 was 14.7 million pounds, according to plan. Production included 9.2 million pounds from Cauquenes and 5.5 million pounds from fresh tailings.

Q2-2018 production was 10% or 1.6 million pounds lower than in Q2-2017, which included 0.6 million pounds from the Maricunga tolling agreement then in place.

Copper deliveries were 14.2 million pounds (Q2-2017: 16.2 million pounds).

MVC's plant performance in Q2-2018 progressed according to plan, which anticipated lower production in the first half of the year.

Molybdenum production was 0.4 million pounds in Q2-2018 and Q2-2017.

	Q2-2018	Q2-2017
FRESH TAILINGS FROM EL TENIENTE		
Tonnes processed	11,114,743	10,708,437
Copper grade (%)	0.118%	0.110%
Copper recovery	19.1%	20.8%
Copper produced (lbs)	5,526,315	5,403,569
HISTORIC TAILINGS FROM EL TENIENTE		
Tonnes processed	5,642,687	5,530,942
Copper grade (%)	0.238%	0.253%
Copper recovery	30.7%	33.5%
Copper produced (lbs)	9,132,088	10,288,673
TOLL PROCESSING FROM MARICUNGA		
Copper produced (lbs)	-	569,453
COPPER		
Total copper produced (lbs)	14,658,403	16,261,695
Total copper delivered to DET (lbs)	14,219,402	16,196,946
MOLYBDENUM		
Total molybdenum produced (lbs)	391,155	424,794
Total molybdenum sold (lbs)	405,607	437,532

FINANCIAL RESULTS – Q2-2018

Net income was $2.7 million ($0.02 basic and diluted earnings per share) (Q2-2017: net loss of $1.7 million; $0.01 basic and diluted loss per share) because of stronger metal prices.

Revenue in Q2-2018 was $33.0 million (Q2-2017: $29.9 million):

		Q2-2018		Q2-2017
Average LME copper price per pound	$	3.12	$	2.57
Gross value of copper produced (thousands)	$	45,049	$	39,267
Notional items deducted from gross value of copper produced:				
DET royalties - copper (thousands)		(10,642)		(7,856)
Smelting and refining charges (thousands)		(4,738)		(5,410)
Transportation (thousands)		(518)		(534)
Copper tolling revenue (thousands)		29,151		25,467
Molybdenum and other revenue (thousands)		3,848		4,393
Revenue (thousands)	$	32,999	$	29,860
MVC's copper price ($/lb)	$	3.16	$	2.59
MVC's molybdenum price ($/lb)[1]	$	11.51	$	8.00

[1] Molybdenum price before roasting charges and settlement adjustments to prior period sales.

MVC produces copper concentrates under a tolling agreement with DET. Title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices, net of notional items (DET copper royalties, treatment and refining charges and transportation costs).

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges. In 2018, it is based on the average LME copper price for the third month following delivery of copper concentrates produced under the tolling agreement ("M+3"). Accordingly, final pricing for copper produced by MVC is determined based on the average LME copper price of the third month following delivery of copper, which for June 2018 deliveries will be the average LME copper price for September 2018.

The average LME copper price in Q2-2018 was $3.12/lb (Q2-2017: $2.57/lb) and MVC's copper price was $3.16/lb (Q2-2017: $2.59/lb).

At June 30, 2018, the provisional copper price used by MVC was $3.16/lb. Financial performance is very sensitive to changes in copper prices. For example, a 10% increase or decrease from the $3.16/lb price would result in a $4.9 million change in revenue.

DET royalties on copper production are a notional item deducted from MVC's gross value of copper produced. In Q2-2018, DET notional copper royalties were $10.6 million (Q2-2017: $7.9 million) due to higher copper prices.

We disclose the terms for DET notional copper royalties and molybdenum royalties under Agreement with Codelco's DET (page 17).

Transportation was $0.5 million (Q2-2017: $0.5 million).

In Q2-2018, MVC's molybdenum sales price was $11.51/lb (Q2-2017: $8.00/lb). At June 30, 2018, molybdenum sales were provisionally priced at $11.07/lb, on an M+3 basis.

Tolling and production costs were $27.2 million (Q2-2017: $26.2 million):

(Expressed in thousands)		Q2-2018		Q2-2017
Direct tolling and production costs				
Power costs	$	8,198	$	7,578
Labour costs		2,623		2,294
Lime costs		2,333		2,152
Grinding media		1,824		1,733
Other direct tolling / production costs		6,481		7,311
		21,459		21,068
Depreciation and amortization		3,685		3,578
Administration		1,419		1,182
DET royalties - molybdenum		646		338
Tolling and production costs	$	27,209	$	26,166
Unit tolling and production costs ($/lb)		1.91		1.62

Power costs increased by $0.6 million or 8% compared to Q2-2017 due to higher power transmission costs.

The former Chilean government introduced a provisional decree effective 2018 that changed the method used to determine pass-through transmission charges to power consumers. MVC and other industrial power consumers discussed the detrimental effect of the decree with the current government, who proceeded to modify the decree effective July 1, 2018.

Under the revised decree, pass-through transmission charges at MVC would have been $0.9 million lower in each of Q1-2018 and Q2-2018.

Lime cost increased by $0.2 million or 8% compared to Q2-2017, due to higher lime prices.

Grinding media costs of $1.8 million were 5% higher than in Q2-2017 due to higher steel costs.

As a result of stronger copper prices, the Chilean peso (“CLP”) has strengthened against the United States dollar. In Q2-2018 the CLP was 7% stronger than in Q2-2017. A stronger CLP negatively impacts costs such as labour, maintenance and services.

Other direct tolling costs are summarized in the following tables:

(Expressed in thousands)		Q2-2018		Q2-2017
Other direct tolling costs				
Maintenance, excluding labour		1,946		1,632
Historic tailings extraction	$	1,427	$	1,289
Molybdenum production costs		1,535		1,422
Subcontractors, support services		607		527
Industrial water		601		483
Copper reagents		501		545
Process control, environmental and safety		482		466
Filtration and all other direct tolling costs		224		137
Inventory adjustments		(842)		(164)
Maricunga tolling costs		-		974
	$	6,481	$	7,311

($/lb Cu)	Q2-2018	Q2-2017
Other direct tolling costs		
Maintenance, excluding labour	0.13	0.10
Historic tailings extraction	0.10	0.08
Molybdenum production costs	0.11	0.09
Subcontractors, support services	0.04	0.03
Industrial water	0.04	0.03
Copper reagents	0.03	0.03
Process control, environmental and safety	0.03	0.03
Filtration and all other direct tolling costs	0.02	0.01
Inventory adjustments	0.06	(0.01)
Maricunga tolling costs	0.00	0.06
	0.56	0.47

The most significant cost variances were:

- The elimination of $1.0 million in Maricunga tolling costs.
- A cost of $0.7 million from inventory adjustments caused by the difference between production and actual deliveries in each quarter.
- A $0.3 million increase in maintenance costs due to a stronger CLP and the maintenance program observed in Q2-2018.

Depreciation and amortization were $3.7 million (Q2-2017: 3.6 million).

Administration expenses were $1.4 million (Q2-2017: $1.2 million) due to a stronger CLP.

Other expenses of $1.1 million (Q2-2017: $3.2 million) are costs not related to MVC's production operations, and include:

- General and administration expenses of $0.9 million (Q2-2017: $0.7 million) including share-based payments of $0.3 million (Q2-2017: $0.2 million), salaries, management and professional fees of $0.4 million (Q2-2017: $0.4 million) and office and general expenses of $0.1 million (Q2-2017: $0.1 million).

- A $0.2 million gain associated with the derivative to related parties (Q2-2017: $2.5 million), including actual amounts paid or accrued to related parties of $0.2 million (Q2-2017: $0.3 million) and a decrease in the derivatives' fair value of $0.5 million (Q2-2017: increase of $2.2 million).

- Other expenses of $0.4 million (Q2-2017: $0.1 million), comprised of other gains of $0.1 million (Q2-2017: $0.1 million) and a foreign exchange expense of $0.5 million (Q2-2017: $0.1 million).

The Group's finance expense was $0.9 million (Q2-2017: $1.7 million) including finance, commitment and interest charges and changes in value on interest rate swaps.

Income tax expense was $1.1 million (Q2-2017: expense of $0.5 million) including current income tax expense of $0.8 million (Q2-2017: $0.1 million) and deferred tax expense of $0.3 million (Q2-2017: $0.4 million).

Deferred income tax expense results from the changes to deferred income tax liabilities, arising predominantly from the differences between the book and tax values of MVC's property, plant and equipment. Deferred tax liabilities do not represent income tax payable.

Cash Cost and Total Cost

Cash cost and total cost are non-GAAP measures prepared on a basis consistent with the industry standard Brook Hunt definitions.

The Group believes that these measures provide additional information to evaluate corporate performance. Management also uses these measures to monitor internal performance.

In Q2-2018 cash cost was $1.71/lb (Q2-2017: $1.53/lb) and total cost was $2.74/lb (Q2-2017: $2.28/lb).

A reconciliation of tolling and production costs to cash cost and total cost is presented below:

		Q2-2018		Q2-2017
Tolling and production costs (thousands)	$	27,209	$	26,166
Add (deduct):				
DET notional royalties - copper (thousands)		10,642		7,856
Smelting and refining charges (thousands)		4,738		5,410
Transportation costs (thousands)		518		534
Inventory adjustments (thousands):		841		164
By-product credits (thousands)		(3,848)		(4,393)
Total cost (thousands)	$	40,100	$	35,737
Deduct:				
DET notional royalties - copper (thousands)		(10,642)		(7,856)
DET royalties - molybdenum (thousands)		(646)		(338)
		(11,288)		(8,194)
Depreciation and amortization (thousands)		(3,685)		(3,578)
Cash cost (thousands)	$	25,127	$	23,965
Pounds of copper tolled from fresh and old tailings (millions) [1]		14.66		15.69
Cash cost ($/lb)		**1.71**		**1.53**
Total cost ($/lb)		**2.74**		**2.28**

[1] Excludes 0.6 million pounds produced in Q2-2017 from Maricunga toll processing, a by-product.

The Group’s trailing quarterly cash costs ($/lb of copper produced) were:

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Power costs	0.56	0.56	0.50	0.54	0.49
Smelting & refining	0.32	0.35	0.37	0.35	0.34
Lime	0.16	0.16	0.15	0.15	0.14
Grinding media	0.12	0.13	0.11	0.10	0.11
Administration	0.10	0.12	0.09	0.08	0.08
Transportation	0.03	0.04	0.04	0.04	0.03
Other direct costs	0.68	0.72	0.60	0.60	0.62
By-product credits	(0.26)	(0.31)	(0.20)	(0.17)	(0.28)
Cash Cost	**$1.71**	**$1.77**	**$1.66**	**$1.69**	**$1.53**

Power, MVC's most significant cost, was $0.1094/kWh in Q2-2018 (Q2-2017: $0.0988/kWh).

Unit power costs increased to $0.56/lb (Q2-2017: $0.49/lb) following the introduction by the former Chilean government of a provisional decree effective in the first semester of 2018 that changed the method used to determine pass-through transmission charges to power consumers. The decree was modified effective July 1, 2018, reducing the transmission charge to levels similar to the original methodology.

Lime costs were $0.16/lb (Q2-2017: $0.14/lb) as a result of higher lime supply costs.

Unit grinding media costs were $0.12/lb (Q2-2017: $0.11/lb) as a result of higher steel prices.

By-product credits were $0.26/lb (Q2-2017: $0.28/lb). In Q2-2017 by-product credits still included the Maricunga tolling contract.

Other direct costs were $0.68/lb (Q2-2017: $0.62/lb).

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

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Cash cost	1.71	1.77	1.66	1.69	1.53
DET notional royalites/royalties	0.77	0.81	0.75	0.63	0.52
Amortization/depreciation	0.26	0.25	0.23	0.23	0.23
Total Cost	**$2.74**	**$2.83**	**$2.64**	**$2.55**	**$2.28**

FINANCIAL RESULTS – SIX MONTHS ENDED JUNE 30, 2017

YTD-2018, the Company posted net income of $3.9 million ($0.02 earnings per share) (YTD-2017: net loss of $3.0 million; $0.02 loss per share).

Financial performance was positively impacted by stronger copper prices.

Revenue YTD-2018 was $66.9 million (YTD-2017: $59.6 million) and tolling and production costs were $55.9 million (YTD-2017: $53.9 million), resulting in gross profit of $11.0 million (YTD-2017: $5.7million).

Other expenses were $2.8 million (YTD-2017: $5.2 million).

Finance expense was $1.9 million (YTD-2017: $3.0 million) and the Group posted income tax expense of $2.3 million (YTD-2017: $0.4 million), driven by the stronger income before income tax expense YTD-2018.

COMPARATIVE PERIODS

The Company's quarterly financial statements are reported under IFRS applicable to interim financial reporting.

The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters.

	Q2-2018	Q1-2018	Q4-2017	Q3-2017
	$	$	$	$
Total revenue (thousands)	32,999	33,881	37,001	37,421
Net income (thousands)	2,720	1,217	3,098	7,854
Earnings per share	0.02	0.01	0.02	0.04
Diluted earnings per share	0.02	0.01	0.02	0.04

	Q2-2017	Q1-2017	Q4-2016	Q3-2016
	$	$	$	$
Total revenue (thousands)	29,860	29,744	29,473	23,383
Net income (thousands)	(1,653)	(1,310)	2,984	(2,545)
Earnings per share	(0.01)	(0.01)	0.02	(0.01)
Diluted earnings per share	(0.01)	(0.01)	0.02	(0.01)

Quarterly revenue variances result mostly from higher or lower copper deliveries (a factor of quarterly production), the Group's realized copper price (a factor of market prices) and settlement adjustments to prior quarter sales.

The Group's revenues are highly sensitive to these variables, as summarized below:

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Copper sales/deliveries [1]	14.22	14.52	16.28	15.25	16.2	15.18	13.42	15.6
MVC's copper price[2]	$3.16	$3.09	$3.10	$3.00	$2.59	$2.65	$2.57	$2.14
Settlement adjustments[3]	$0.18	$0.93	$1.19	$4.54	($1.19)	$0.92	$4.02	$0.43

[1] Million pounds of copper sold under tolling agreements with DET and Maricunga (2016 and H1-2017).
[2] Copper price per pound, before smelting and refining charges and settlement adjustments to prior quarters' sales.
[3] Settlement adjustments to prior quarter's sales, expressed in millions of dollars

Q4-2016 revenue was negatively affected by 16 days of lost production due to a strike at MVC and maintenance shutdown at El Teniente but benefited from higher copper prices, both for quarterly deliveries and in respect of positive price-driven settlement adjustments to Q3-2016 deliveries. Production returned to expected levels in Q2-2017, positively impacting revenue, which also benefitted from stronger copper prices and positive settlement adjustments to prior quarter sales. Q2-2017 revenue was positively impacted by higher volumes of copper tolled, partially offset by lower average copper prices and the effect of negative price-driven settlement adjustments. Q3-2017 was positively impacted by higher copper prices and significant positive settlement adjustments to prior quarter's sales. Q4-2017 to Q2-218 revenue were positively impacted by strong copper prices.

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

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Tolling and production costs [1]	$27.21	$28.72	$28.54	$25.52	$26.17	$27.76	$23.61	$24.30
Unit tolling and production cost[2]	$1.91	$1.98	$1.75	$1.67	$1.62	$1.70	$1.83	$1.88

[1] Million of dollars.
[2] Tolling and production costs divided over pounds of copper delivered.

Tolling and production costs are affected by production levels, input costs (particularly power, lime and grinding media costs), copper prices and the depreciation or appreciation of the CLP to the U.S. dollar. In Q3-2016 tolling and production cost increased due to a substantial increase in production, which also resulted in lower unit costs. Q4-2016 costs were lower due to 16 days of lost production due to a strike of MVC workers, however lower production resulted in higher unit costs. In Q2-2017 tolling and production costs increased due to higher production levels and unit costs were affected by inventory variations. Q2-2017 costs were lower than in the preceding quarter despite higher production due to MVC's cost containment efforts. Q3-2017 costs were also lower than the prior quarter, due to lower copper production and the termination of the Maricunga tolling contract. Q4-2017 to Q2-2018 costs increased due to higher power, lime and other direct costs.

LIQUIDITY and CAPITAL RESOURCES

Cash Flow from Operations

In Q2-2018, the Group generated cash from operations of $1.8 million (Q2-2017: $6.4 million). YTD-2018 cash generated from operations was $11.2 million (YTD-2017: $13.9 million).

Excluding the effect of changes in working capital, the Group generated cash of $6.4 million (Q2-2017: $4.5 million) and $12.4 million YTD-2018 (YTD-2017: $8.7 million).

Cash Flow from Financing Activities

YTD-2018, the Group received $14.6 million in debt proceeds net of transaction costs (YTD-2017: $nil) and made debt repayments of $11.4 million (YTD-2017: $7.4 million).

YTD-2018 and YTD-2017, the Company received $0.1 million in proceeds from various exercises of stock options.

Cash Flow used in Investing Activities

YTD-2018, the Group used cash of $20.2 million for payments of capital expenditures (YTD-2017: $2.5 million). Capex payments YTD-2018 included payments associated with Phase Two and for sustaining Capex.

Liquidity and Financial Position

At June 30, 2018, the Group's cash and cash equivalents were $21.4 million (December 31, 2017: $27.5 million), including $7.4 million in a DSRA (December 31, 2017: $7.3 million).

The Group had a working capital deficiency of $9.7 million (December 31, 2017: $4.5 million), caused by scheduled bank debt repayments of $15.2 million in the following twelve months and the expected repayment of the $3.2 million balance of the DET Price Support Facility in Q3-2018.

The Group does not consider its working capital deficiency constitutes a liquidity risk, as it anticipates generating sufficient operating cash flow to meet current liabilities as they come due, including if copper prices were to remain in the short-term at current levels ($2.75/lb). Working capital deficiencies are not uncommon in companies with short-term debt.

The Group operates in a cyclical industry with cash flow generating capacity closely correlated to market copper prices.

From H2-2014 to Q3-2016, the Group's liquidity and financial position were affected by low copper prices. As copper prices have recovered starting in Q4-2016, the Group's financial results and cash flow generating capacity have strengthened.

In 2018, MVC estimates to produce 65.0 to 70.0 million pounds of copper at an annual cash cost (page 12) of $1.45 to $1.60/lb, following completion of Phase Two in Q3-2018. Under these assumptions, the Group expects to meet its financial obligations as they become due.

At June 30, 2018, the Group had $21.7 million of undrawn, committed credit facilities ($13.0 million from a standby line of credit and $8.7 million available from the Phase Two expansion loan).

MVC expects to draw the remaining $8.7 million from the Phase Two expansion loan and continue reducing its debt in 2018. Total borrowings at year end are expected to be $67.5 million

BORROWINGS and STAND-BY LINE of CREDIT

Borrowings outstanding (Thousands)	June 30, 2018 $	December 31, 2017 $
Cauquenes Phase One Loan	36,422	41,527
Cauquenes Phase Two Loan	25,928	11,601
	62,350	53,128
DET Price Support Facility	3,211	9,939
	65,561	63,067
Comprise of:		
Short-term debt and current portion of long-term debt	18,890	20,810
Long -term debt	46,671	42,257
	65,561	63,067

Cauquenes Phase One and Phase Two Loans

On March 25, 2015, MVC obtained a $64.4 million loan facility from Banco Bilbao Vizcaya Argentaria, Chile ("BBVA") and Export Development Canada ("EDC") to finance the Cauquenes Phase One expansion (the "Cauquenes Phase One Loan").

The Cauquenes Phase One Loan has a maximum repayment term of six years consisting of twelve equal semi-annual principal payments of $5.4 million which commenced on June 30, 2016. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on June and December 30.

Interest on the Phase One Loan is synthetically fixed through an interest rate swap ("IRS"), accounted for at fair value through profit or loss ("FVTPL") at a rate of 5.56% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor six-month rate, which at June 30, 2018 was 5.34% per annum. The IRS on the Phase One Loan has a term to December 27, 2018.

The balance of the Cauquenes Phase One Loan (net of transaction costs) at June 30, 2018 was $36.4 million (December 31, 2017: $41.5 million).

On August 3, 2017, MVC obtained a second financing tranche with BBVA and EDC for a facility (the "Cauquenes Phase Two Loan") of $35.3 million to finance the Cauquenes Phase Two expansion.

The Cauquenes Phase Two Loan has a maximum repayment term of three years consisting of six equal semi-annual principal payments of $5.9 million to commence on June 30, 2019. The repayment term may be shortened without penalty in accordance with the loan provisions. Interest is paid semi-annually on June and December 30.

Interest on the Phase Two Loan is synthetically fixed through a second IRS, accounted for at FVTPL, at a rate of 6.02% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor six-month rate. The IRS on the Phase Two Loan has a term to January 3, 2022.

The balance of the Cauquenes Phase Two Loan (net of transaction costs) at June 30, 2018 was $25.9 million (December 31, 2017: $11.6 million).

MVC has provided security for the Cauquenes Phase One and Phase Two loans in the form of a charge on all of MVC's assets.

MVC is required to meet three bank covenants: current ratio (starting on December 31, 2019), tangible net worth and debt service coverage ratio, measured semi-annually on June 30 and December 31. At June 30, 2018, MVC met the debt service coverage ratio (requirement of 1.2) and the tangible net worth ratio (requirement of $115.0 million).

MVC is also required to have a debt service reserve account (“DSRA”) which must be used to: /i/ pay the principal and interest of bank loans and amounts owing under the interest rate swaps if MVC has insufficient funds to make these payments and /ii/ fund MVC’s operating expenses. If it becomes necessary to fund MVC’s operations with funds from the DSRA, MVC must replenish the DSRA at each month end with funds necessary to maintain a balance equal to one hundred percent of the sum of the principal, interest and interest rate swaps that are payable in the following six months. At June 30, 2018, MVC held DSRA funds in the required amount of $7.4 million (December 31, 2017: $7.3 million).

DET Price Support Facility

In 2015, DET provided to MVC a copper price support facility of $17.0 million (the “DET Price Support Facility”) which bears interest at a rate of 0.6% per month and is subordinate to MVC’s bank financing.

The DET Price Support Facility is repayable in the period from January 1, 2017 to December 31, 2019 at a rate of $1.0 million per month, provided this repayment schedule does not preclude MVC from making the semi-annual principal debt repayments described above.

YTD-2018 MVC repaid $6.0 million towards the DET Price Support Facility (YTD-2017: $2.0 million). MVC currently anticipates the DET Price Support Facility will be fully repaid in September 2018.

The DET Price Support Facility’s balance at June 30, 2018 was $3.2 million (December 31, 2017: $9.9 million), including $0.2 million in accrued interest (December 31, 2017: $0.9 million).

$13.0 Million Standby Line of Credit (the “Line of Credit”).

The Line of Credit is available from three Company shareholders. Availability is to the later of December 31, 2018 or the date of commencement of commercial production of Phase Two, up to March 31, 2019.

In 2018, the Company incurred an annual commitment fee of $0.2 million. This was settled with the issuance of 265,119 Company shares (2017: $0.2 million, settled with 403,577 Company shares). Amounts drawn from the Line of Credit are subject to a drawdown fee of 1.5% and interest of 1.5% per month.

Principal is payable in the amounts and times permitted under the terms and conditions of the Cauquenes Phase One and Phase Two loans. The Line of Credit is payable by the earlier of December 31, 2019 or the one-year anniversary of payment of the Cauquenes Phase One and Phase Two loans. The Company did not provide security in connection with this facility.

At June 30, 2018, the Company had not drawn funds from the Line of Credit.

AGREEMENT WITH CODELCO’S EL TENIENTE DIVISION

MVC has a contract with DET (“the DET Agreement”) to process the fresh tailings from El Teniente and the tailings from the Cauquenes and Colihues historic tailings deposits. The Agreement has a term to 2037 for fresh tailings, the earlier of 2033 or deposit depletion for Cauquenes, and the earlier of 2037 or deposit depletion for Colihues.

The DET Agreement establishes a series of royalties from MVC to DET, calculated using the average LME copper price for the month of concentrates production.

The DET Agreement currently operates as a tolling contract under which title to the copper concentrates produced by MVC remains with DET. MVC earns tolling revenue, calculated as the gross value of copper produced at applicable market prices net of notional items. Notional items include treatment and refining charges, DET copper royalties and transportation costs.

Notional royalties for copper concentrates produced from fresh tailings are determined through a sliding scale formula tied to copper prices ranging from $1.95/lb (13.5%) to $4.80/lb (28.4%).

Notional royalties for copper concentrates produced from Cauquenes are determined through a sliding scale for copper prices ranging from $1.95/lb (16%) to $5.50/lb (39%).

MVC pays a sliding scale global molybdenum royalty for molybdenum prices between $6.00/lb (3%) and $40.00/lb (19.7%).

The Agreement anticipates that in the event monthly average prices fall below certain ranges and projections indicate the permanence of such prices over time, the parties will meet to review cost and notional royalty/royalty structures to maintain the Agreement's viability and the equilibrium of the benefits between the parties.

The DET Agreement also contains three early exit options exercisable by DET within 2021 and every three years thereafter only in the event of changes unforeseen at the time the Agreement was entered into. The Company has currently judged the probabilities of DET exercising any of these early exit options as remote.

CAUQUENES EXPANSION

MVC is undertaking a phased expansion to extract and process the historic Cauquenes tailings. MVC completed Phase One of the expansion in 2015, extending MVC's economic life to at least 2037. Construction of Phase Two of the expansion is underway. Phase Two will improve flotation recovery efficiency allowing MVC to increase production to 85.0 to 90.0 million pounds of copper per year.

MVC anticipates production of the first concentrates from the Phase Two expansion in Q3-2018 and expects full production to commence in Q4-2018.

Phase Two has a Capex of $35.3 million.

MVC's molybdenum plant currently has a processing capacity of 330 tonnes per day and is being expanded to a capacity of 450 tonnes to enable MVC to continue extracting all the molybdenum that will be available once Phase Two is operational.

The molybdenum plant expansion has a Capex of $8.4 million, undertaken by way of a seven-year build, lease and operating contract. Capex is payable over seven years, or earlier at the discretion of MVC as permitted by available cash flow.

TRANSACTIONS WITH RELATED PARTIES

a) Derivative

The Company holds its interest in MVC through Amerigo International Holdings Corp. ("Amerigo International"), wholly-owned by the Company except for certain outstanding Class A shares which are owned indirectly by the Company's founders (including the Company's current Executive Chairman). The Class A shares were issued in 2003 as part of a tax-efficient structure for payments granted as consideration to the founders transferring to the Company their option to purchase MVC.

The Class A shareholders are not entitled to any participation in the profits of Amerigo International, except for monthly payments, calculated as follows:

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

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

Under IFRS, the payments constitute a derivative financial instrument which needs to be measured at fair value at each reporting date. Changes in fair value are recorded in profit for the period.

The derivative expense includes the actual monthly payments described above and changes in the derivative's fair value.

YTD-2018, $0.5 million was paid or accrued to the Class A shareholders (YTD-2017: $0.5 million) and the derivative's fair value decreased $0.3 million (YTD-2017: increase of $3.1 million), for a total derivative expense of $0.2 million (YTD-2017: $3.6 million).

At June 30, 2018, the derivative liability totalled $11.9 million (December 31, 2017: $12.2 million), with a current portion of $1.0 million (December 31, 2017: $1.2 million) and a long-term portion of $10.9 million (December 31, 2017: $11.0 million).

Actual monthly payments outstanding at June 30, 2018 and December 31, 2017 were $0.1 million).
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b) Directors' fees and remuneration to officers

YTD-2018, the Group paid or accrued $0.5 million in salaries and fees to companies associated with certain Company officers (YTD-2017: $0.4 million). In the same period, the Company paid or accrued $0.1 million in directors' fees to independent directors (YTD-2017: $0.1 million). These transactions were in the ordinary course of business and measured at the exchange amounts agreed to by the parties.

YTD-2018 and 2017, 2,950,000 options were granted to Company directors and officers.

c) As of June 30, 2018, a Company officer acted as an officer and a Company director acted as a director and Chairman of Los Andes Copper Ltd., a Company investee.

OTHER MD&A REQUIREMENTS

Critical Accounting Estimates and Judgements

Preparing interim financial statements requires management to make judgements, estimates and assumptions. This affects the application of accounting policies and reported amounts. Actual results may differ from these estimates.

In Q2-2018, management's significant judgements and the key sources of estimation uncertainty were consistent with those used to prepare the Company's 2017 annual consolidated financial statements.

Disclosure Controls and Procedures

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

The Company has a formal corporate disclosure policy and a Disclosure Policy Committee. The Company’s directors, Rob Henderson (President and CEO) and Aurora Davidson (Executive Vice President and CFO) are members.

Management has reasonable confidence that the Group's material information is made known to them in a timely manner, and that the Company's disclosure controls and procedures are effective on an ongoing basis.

Internal Controls over Financial Reporting (“ICFR”)

ICFR is a process designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external purposes under IFRS.

The Company’s ICFR includes policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect the additions to and dispositions of Group assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements under IFRS;
- Provide reasonable assurance that the Group's receipts and expenditures have the proper authorization of management and the Company’s directors; and
- Provide reasonable assurance on the prevention or timely detection of unauthorized acquisition, use or disposition of Group assets that could have a material effect on the financial statements.

Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations.

Even those systems determined to be effective can provide only reasonable assurance on preparation and presentation of financial statements.

In Q2-2018, there were no changes that materially affected, or are reasonably likely to affect, the Company’s ICFR

Commitments

- MVC has a long-term agreement for the supply of 100% of MVC's power requirements to December 31, 2032. The agreement establishes minimum stand-by charges based on peak hour power supply calculations, currently estimated to range from $1.4 to $1.8 million per month.

- At June 30, 2018, MVC had commitments of $7.1 million for purchase orders for the Cauquenes Phase Two expansion.

- At June 30, 2018, MVC had a commitment of Chilean U.F. 201,903 (approximately $8.4 million at this date) for the molybdenum plant expansion. Payments are scheduled to be made over a period of five years estimated to commence in October 2018.

- The Company has an agreement for the lease of office premises in Vancouver to December 1, 2021. Rent commitments under the agreement are approximately $0.5 million.

- The DET Agreement has a Closure Plan clause requiring MVC and DET to jointly assess the revision of the closure plan for Cauquenes and compare it to the current DET plan. In the case of any variation in the interests of DET due to MVC's activities in the Cauquenes deposit, the parties will jointly evaluate the form of implementation and financing of or compensation for such variation. Until 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.

Securities Outstanding

On July 30, 2018, Amerigo had 177,250,754 common shares outstanding and 13,400,000 options (exercisable at prices ranging from Cdn$0.14 to Cdn$1.06 per share).

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

Cautionary Statement on Forward Looking Information

This MD&A contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company's control, the Company cannot assure that it will achieve or accomplish the expectations, beliefs or projections described in the forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. These forward-looking statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- a forecasted increase in production and a reduction in operating costs;
- our strategies and objectives;
- the expected improvement of flotation recovery efficiency from the Phase Two expansion;
- our estimates of the availability, quantity and grade of tailings (including, but not limited to, the estimated higher grades from the Cauquenes deposit), and the quality of our mine plan estimates;

- prices and price volatility for copper and other commodities and of materials we use in our operations;
- the demand for and supply of copper and other commodities and materials that we produce, sell and use;
- sensitivity of our financial results and share price to changes in commodity prices;
- our financial resources and our expected ability to meet our obligations for the next 12 months;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- the timing and costs of construction and tolling/production of, and the issuance and maintenance of the necessary permits and other authorizations required for, our expansion projects, including the expansion for the Cauquenes deposit and the timing of ramp-up to full production from Cauquenes;
- our ability to procure or have access to financing and to comply with our loan covenants;
- the probability of DET exercising any of its early exit options under the Master Agreement;
- the anticipated repayment of the DET Price Support Facility in full before its contractual maturity of December 31, 2019;
- the production capacity of our operations, our planned production levels and future production;
- potential impact of production and transportation disruptions;
- hazards inherent in the mining industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties and suspension of operations
- our planned Capex (including our plan to upgrade our existing plant and operations) including the timing and cost of completion of our capital projects;
- estimates of asset retirement obligations and other costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- repudiation, nullification, modification or renegotiation of contracts;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be involved;
- the outcome of negotiations concerning metal sales, treatment charges and royalties;
- disruptions to the Group's information technology systems, including those related to cybersecurity;
- our dividend policy; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, negotiations with government and other third parties, unanticipated metallurgical difficulties, delays associated with permits, approvals and permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of and our ability to obtain both tailings from DET's current production and historic tailings from tailings deposit; risks with respect to completion of Phase Two of the Cauquenes expansion, the ability of the Group to draw down funds from the Standby Line of Credit; the availability of and ability of the Group to obtain adequate funding on reasonable terms for expansions and acquisitions; mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings. Many of these risks and uncertainties apply not only to the Group and its operations, but also to Codelco and its operations. Codelco's ongoing mining operations provide a

significant portion of the materials the Group processes and its resulting metals production, therefore these risks and uncertainties may also affect their operations and in turn have a material effect on the Group.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and other commodities and products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- the ability of the Group to profitably extract and process material from the Cauquenes tailings deposit;
- the timing of the receipt of and retention of permits and other regulatory and governmental approvals;
- the availability of and ability of the Group to obtain adequate funding on reasonable terms for expansions and acquisitions;
- the ability of the Group to draw down funds from bank facilities and the Standby Line of Credit;
- our costs of production and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- the satisfactory negotiation of collective agreements with unionized employees;
- the impact of changes in foreign exchange rates and capital repatriation on our costs and results;
- engineering and construction timetables and capital costs for our expansion projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our preliminary economic assessment (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the outcome of our copper concentrate sales and treatment and refining charge negotiations;
- the resolution of environmental and other proceedings or disputes;
- the future supply of reasonably priced power;
- our ability to obtain, comply with and renew permits and licenses in a timely manner; and
- our ongoing relations with our employees and entities with which we do business.

Future production levels and cost estimates assume there are no adverse mining or other events which significantly affect budgeted production levels.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. Except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.