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Amerigo Resources Ltd.
Management's Discussion and Analysis
For the Year Ended December 31, 2016

T A B L E of C O N T E N T S

This Management's Discussion & Analysis ("MD&A") is comprised of the following sections:

THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS. REFER TO THE CAUTIONARY LANGUAGE UNDER THE HEADING "CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION" BELOW.

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

CORPORATE PROFILE

Amerigo Resources Ltd. (“Amerigo” or the “Company”) owns a 100% interest in Minera Valle Central S.A. ("MVC"), a Chilean company engaged in the production of copper and molybdenum concentrates.

MVC has a long-term contractual relationship with the El Teniente Division (“DET”) of Corporación Nacional del Cobre de Chile (“Codelco”) to process fresh and historic tailings from Codelco’s El Teniente mine, the world’s largest underground copper mine, in production since 1905.

Effective January 1, 2015 and up to December 31, 2022, MVC’s production of copper concentrates is being conducted under a tolling agreement with DET under which title to the copper concentrates produced by MVC remains with DET and MVC earns tolling revenue, calculated as gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs). Refer to **Agreements with Codelco’s El Teniente Division** (page 20).

MVC completed the first phase of development of the higher grade Cauquenes historic tailings deposit in December 2015, extending MVC’s life to at least 2037. Completion of the first phase of expansion at Cauquenes has enabled Amerigo to generate record production in 2016.

MVC also has an agreement with Chile’s Minera Maricunga (“Maricunga”), under which MVC purchases Maricunga copper concentrate, dries the material and delivers the blended concentrates through its tolling contract with DET, and a molybdenum sales agreement with Chile’s Molibdenos y Metales S.A. (“Molymet”).

Amerigo’s shares are listed for trading on the Toronto Stock Exchange (“TSX”) and the OTCQX Stock Exchange in the United States.

INTRODUCTION

The following MD&A of the results of operations and financial position of Amerigo together with its subsidiaries (collectively, the “Group”), is prepared as of February 20, 2017, and should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the years ended December 31, 2016 and December 31, 2015.

This MD&A’s objective is to help the reader understand the factors affecting the Group’s current and future financial performance.

The Company’s financial statements are reported under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The disclosure of financial data and results in this MD&A is also reported under IFRS, except non-GAAP measures which are indicated as such.

Reference is made in this MD&A to various non-GAAP measures such as cash cost and total cost, which are terms that do not have a standardized meaning but are widely used as performance indicators in the mining industry. A tabular reconciliation of the Group’s cash and total costs to tolling and production costs in 2016 and 2015 is presented on page 13.

HIGHLIGHTS and SIGNIFICANT EVENTS

Comparative Annual Overview

	Years ended December 31,			
	2016	2015	Change	%
Copper produced[1,2], million pounds	56.8	37.3	19.5	52%
Copper delivered [1,2], million pounds	56.3	37.2	19.1	51%
Percentage of production from historic tailings	58%	29%	29%	100%
Revenue ($ thousands) [3]	91,388	52,623	38,765	74%
DET notional copper royalties ($ thousands)	20,646	13,674	6,972	51%
Tolling and production costs ($ thousands)	92,011	65,656	26,355	40%
Gross loss ($ thousands)[5]	(623)	(13,033)	(12,410)	(95%)
Net loss ($ thousands)	(7,531)	(16,933)	(9,402)	(56%)
Operating cash flow ($ thousands) [4]	9,555	(4,998)	14,553	291%
Cash flow paid for plant expansion ($ thousands)	(8,339)	(52,391)	(44,052)	(84%)
Cash and cash equivalents ($ thousands)	15,921	9,032	6,889	76%
Borrowings ($ thousands)	69,847	72,645	(2,798)	(4%)
Gross copper tolling price ($/lb)	2.25	2.47	(0.22)	(9%)

1 Copper production is conducted under tolling agreements with DET and Maricunga.
2 Includes 4.3 million pounds produced from Cauquenes in 2015. For accounting purposes revenue of $5.1 million and costs of $5.9 million associated with the Cauquenes production were excluded from operating results, cash cost and total cost calculations and accounted for as a $0.8 million pre-operating charge to capital expenditures ("Capex").
3 Revenue is reported net of notional items (smelting and refining charges, DET notional copper royalties and transportation costs).
4 Operating cash flow before changes in non-cash working capital.
5 Total borrowings at December 31, 2016 include short and long term portions of $10.7 and $59.1 million respectively.

Financial results

- Gross tolling revenue was $124.4 million (2015: $73.8 million), mainly due to a 52% increase in copper production. The Group's recorded copper tolling price was $2.25/lb (2015: $2.47/lb). Molybdenum production was restarted in H2-2016. Revenue after notional items was $91.4 million (2015: $52.6 million). In 2015, pre-operating revenue of $5.1 million from Cauquenes was excluded from revenue.

- Tolling and production costs were $92.0 million (2015: $65.7 million), an increase of 40% driven by a 52% increase in copper production. Pre-operating costs of $5.9 million from Cauquenes were excluded from 2015 tolling and production costs. Unit tolling and production costs were $1.64/lb (2015: $1.76/lb).

- 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 13) before DET notional copper royalties and DET molybdenum royalties decreased to $1.73/lb (2015: $2.18/lb) due to higher production.

- Total cost (a non-GAAP measure equal to the aggregate of cash cost, DET notional copper royalties and DET molybdenum royalties of $0.38/lb and depreciation of $0.25/lb, page 13) decreased to $2.36/lb (2015: $2.85/lb), due to lower cash cost.

- Gross loss was $0.6 million (2015: $13.0 million) and net loss was $7.5 million (2015: $16.9 million).

- In 2016, the Group generated operating cash before changes in non-cash working capital of $9.6 million (2015: used cash flow in operations before changes in non-cash working capital of $5.0 million).

Production

- 2016 production was 56.8 million pounds of copper, 52% higher than the 37.3 million pounds produced in 2015.

- 2016 copper production includes 32.7 million pounds from Cauquenes, 21.1 million pounds from fresh tailings and 3.0 million pounds from Maricunga.

- The ramp-up in production from Cauquenes in 2016 progressed in line with expectations. Average tonnes per day ("tpd") of 61,615 exceeded design rates of 60,000 tpd and plant recovery averaged 31.1% in the year. In Q4-2016 MVC achieved the project completion criteria set by the lenders who financed phase one of the Cauquenes expansion.

- Molybdenum production restarted in August 2016, with an annual production of 0.5 million pounds. The operation of the molybdenum plant has been outsourced to a subcontractor who refurbished the plant with a $1.0 million Capex investment which is being paid by MVC over the course of three years.

Cash and Working Capital

- The Group's cash balance was $15.9 million at December 31, 2016 (December 31, 2015: $9.0 million), with working capital of $0.6 million (December 31, 2015: working capital deficiency of $6.0 million).

- The Group's cash balance at December 31, 2016 includes $9.2 million in operating accounts and $6.7 million in a debt service reserve account "(DSRA"), required under the terms and provisions of MVC's finance agreement with the lenders who financed the first phase of the Cauquenes expansion. Funds in the DSRA must be used to: /i/ pay the principal and interest of the bank loan and the amounts owing under a related interest rate swap 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 into the DSRA at each month end the funds necessary to maintain a balance equal to one hundred percent of the sum of the principal and interest pursuant to the bank loan and the interest rate swap that are payable in respect of the following six months.

Outlook

- MVC estimates 2017 production of 60.0 to 65.0 million pounds of copper at an annual cash cost (page 13) of $1.60 to $1.75/lb.

- MVC expects to produce 1.5 million pounds of molybdenum.

- Amerigo is advancing debt financing discussions to complete the construction of phase two of the Cauquenes expansion project in the second half of 2018. The project has an estimated cost of $30.0 million and is planned to increase production to 87.0 million pounds of copper per year, at an estimated cash cost of $1.40/lb.

- Refer to **Cautionary Statement on Forward Looking Information** (page 28).

SUMMARY OF FINANCIAL RESULTS Q4-2015 TO Q4-2016 [1]

	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015
Copper production, million pounds	13.591	16.027	14.355	12.855	10.860
Copper deliveries, million pounds	13.417	15.599	14.509	12.746	10.737
Financial results ($ thousands)					
Revenue					
Gross tolling revenue	36,571	32,500	28,361	26,997	11,006
Notional items deducted from gross tolling revenue:					
Smelting and refining	(4,678)	(5,246)	(4,784)	(4,509)	(2,439)
DET notional royalties - copper	(5,731)	(5,495)	(4,985)	(4,435)	(2,328)
Transportation	(393)	(460)	(401)	(364)	(194)
	25,769	21,299	18,191	17,689	6,045
Molybdenum and other revenue	3,704	2,084	1,085	1,566	1,764
	29,473	23,383	19,276	19,255	7,809
Tolling costs					
Tolling and production costs	(18,763)	(19,845)	(18,018)	(17,229)	(10,646)
DET royalties - molybdenum	(193)	(84)	-	-	-
Depreciation and amortization	(3,319)	(3,295)	(3,301)	(3,292)	(1,659)
Administration	(1,340)	(1,076)	(1,119)	(1,136)	(956)
	(23,615)	(24,300)	(22,438)	(21,657)	(13,261)
Gross profit (loss)	5,858	(917)	(3,162)	(2,402)	(5,452)
Other expenses					
Office and general expenses	(101)	(278)	(113)	(281)	(86)
Salaries, management and professional fees	(925)	(346)	(399)	(513)	(603)
Share-based payment compensation	(11)	(28)	(58)	(60)	(15)
	(1,037)	(652)	(570)	(854)	(704)
Other expenses					
Foreign exchange (expense) gain	(128)	(113)	378	571	(326)
Impairment charges	-	-	-	-	(1,427)
Other gains	10	96	97	30	4
	(118)	(17)	475	601	(1,749)
Royalty derivative	(231)	254	439	(917)	2,285
	(1,386)	(415)	344	(1,170)	(168)
Operating profit (loss)	4,472	(1,332)	(2,818)	(3,572)	(5,620)
Finance expense	(1,105)	(973)	(1,389)	(1,488)	(83)
Earnings (loss before taxes)	3,367	(2,305)	(4,207)	(5,060)	(5,703)
Income tax (expense) recovery	(383)	(240)	594	703	1,030
Earnings (loss) for the period	2,984	(2,545)	(3,613)	(4,357)	(4,673)
Earnings (loss) per share - basic	0.02	(0.02)	(0.02)	(0.03)	(0.03)
Earnings (loss) per share - diluted	0.02	(0.02)	(0.02)	(0.03)	(0.03)
Unit tolling and production costs	1.76	1.56	1.55	1.70	1.23
Cash cost ($/lb) [1]	1.87	1.60	1.65	1.81	2.16
Total cost ($/lb) [1]	2.60	2.18	2.25	2.45	2.84
Uses and sources of cash ($thousands)					
Operating cash flow before working capital changes	7,051	1,656	(595)	1,443	(3,105)
Operating cash flow after working capital changes	567	10,188	7,139	1,513	1,826
Cash used in investing activities	(1,145)	(1,341)	(2,138)	(3,714)	(12,216)
Financing (repayments) proceeds	(4,367)	3,000	(7,673)	4,380	9,783
Ending cash balance	15,921	21,056	9,043	11,757	9,032

[1] Cash and total costs are non-GAAP measures. Refer to page 13 for the basis of reconciliation of these measures to tolling and production costs.

A discussion on key quarterly variances (revenue and tolling and production costs) can be found in pages 16 and 17.

OVERALL PERFORMANCE

In 2016 the Group posted a net loss of $7.5 million (2015: net loss of $16.9 million). The improvement is the result of higher copper production at MVC, however the average copper price of $2.25/lb realized in 2016 was too low to generate profits (2015: $2.47/lb).

Revenue in 2016 was $91.4 million (2015: $52.6 million). In 2015 revenue of $5.1 million and tolling costs of $5.9 million from the Cauquenes operations were excluded from operating results and from the computation of cash cost, total cost and unit costs as the project was still being commissioned that year.

The Group generated operating cash before changes in non-cash working capital accounts of $9.6 million (2015: used operating cash before changes in non-cash working capital accounts of $5.0 million). Including the effect of changes in non-cash working capital accounts, the Group generated operating cash flow of $19.4 million (2015: used operating cash including the effect of changes in non-cash working capital accounts of $26.5 million).

At December 31, 2016, the Group had cash and cash equivalents of $15.9 million (2015: $9.0 million) and working capital of $0.6 million (2015: working capital deficiency of $6.0 million).

SELECTED ANNUAL FINANCIAL INFORMATION

The following information has been extracted from the Company's audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Total revenue (thousands)	$91,388	$52,623	$119,622
Net loss (thousands)	(7,531)	(16,933)	(10,702)
Loss per share	(0.04)	(0.10)	(0.06)
Diluted loss per share	(0.04)	(0.10)	(0.06)

	At December 31, 2016	At December 31, 2015	At December 31, 2014
Total assets	$221,686	$220,210	$180,155
Total long-term financial liabilities	68,676	64,039	11,494

Long term financial liabilities at December 31, 2016 were comprised of: long-term portion of borrowings of $59.1 million (2015: $54.7 million, 2014: $nil), severance provisions of $0.8 million (2015: $0.7 million, 2014: $1.3 million), royalty derivative to related parties of $7.4 million (2015: $8.0 million, 2014: $10.1 million), interest rate swap of $0.1 million (2015: $0.6 million, 2014: $nil) and other non-current liabilities of $1.2 million (2015: $0.1 million, 2014: $0.1 million).

OPERATING RESULTS

In 2016 MVC produced 56.8 million pounds of copper under tolling agreements with DET and Maricunga, 52% higher than 2015 production. Copper deliveries were 56.3 million pounds. 58% of MVC's copper production in 2016 was from the higher-grade Cauquenes historic tailings (2015: 29% production from lower-grade Colihues historic tailings).

MVC produced 21.1 million pounds of copper from El Teniente's fresh tailings in 2016.

Production from Cauquenes was 32.7 million pounds. The ramp up in the historic Cauquenes deposit progressed in line with expectations in the year and in Q4-2016 MVC achieved the project completion criteria set by the lenders who financed the first phase of the Cauquenes expansion.

Results in 2016 included 3.0 million pounds of copper produced and sold pursuant to the tolling contract with Maricunga (2015: 2.8 million pounds). Maricunga concentrate deliveries to MVC are expected to continue during the first half of 2017.

Molybdenum production restarted in Q3-2016 in response to the higher molybdenum content found in Cauquenes tailings and stronger molybdenum prices. To optimize costs, the operation of the molybdenum plant was outsourced to a subcontractor who refurbished the plant with a $1.0 million investment payable by MVC over the course of three years. Molybdenum production in 2016 was 0.5 million pounds (2015: 0.1 million pounds).

While tolling and production costs increased to $92.0 million in 2016 (2015: $65.7 million) because of higher production, MVC's 2016's unit cash cost (page 13) decreased to $1.73/lb (2015: $2.18/lb).

Production

	2016	2015
FRESH TAILINGS FROM EL TENIENTE		
Tonnes processed	42,031,933	44,472,506
Copper grade (%)	0.116%	0.116%
Copper recovery	19.6%	21.0%
Copper produced (lbs)	21,088,624	23,787,332
HISTORIC TAILINGS FROM EL TENIENTE		
Tonnes processed	20,639,169	11,629,680
Copper grade (%)	0.232%	0.224%
Copper recovery	31.1%	18.8%
Copper produced (lbs)	32,746,180	10,778,830
TOLL PROCESSING FROM MARICUNGA		
Copper produced (lbs)	2,993,644	2,771,296
COPPER		
Total copper produced (lbs)	56,828,448	37,337,458
Total copper delivered to DET (lbs)	56,271,691	37,248,113
MOLYBDENUM		
Total molybdenum produced (lbs)	469,175	97,883
Total molybdenum sold (lbs)	458,348	108,973

FINANCIAL RESULTS – 2016

The Group posted a net loss of $7.5 million ($0.04 basic and diluted loss per share) (2015: net loss of $16.9 million and $0.10 basic and diluted loss per share) because of higher copper production, notwithstanding lower metal prices.

Revenue

Revenue in 2016 was $91.4 million (2015: $52.6 million).

		2016		2015
Average LME copper price per pound	$	2.21	$	2.50
Gross tolling revenue (thousands)	$	124,429	$	73,839
Notional items deducted from gross tolling revenue:				
Smelting and refining charges (thousands)		(19,217)		(12,864)
DET copper royalties (thousands)		(20,646)		(13,674)
Transportation costs (thousands)		(1,618)		(1,050)
Copper net revenue (thousands)		82,948		46,251
Molybdenum & Maricunga tolling revenue (thousands)		8,440		6,372
Total revenue (thousands)	$	91,388	$	52,623
Company's gross copper tolling price per pound [1]	$	2.25	$	2.47
Company's gross molybdenum price per pound [2]	$	6.72	$	8.41

[1] Copper recorded price for the period before smelting and refining charges, DET notional copper royalties, transportation costs and settlement adjustments to prior quarters' sales.

[2] Molybdenum recorded price for the period before roasting charges and settlement adjustments to prior quarters' sales.

Production of copper concentrates by MVC is being conducted under a tolling agreement with DET for the period from January 1, 2015 to December 31, 2022, under which title to the copper concentrates produced by MVC is retained by DET and MVC earns tolling revenue, calculated as gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs). The notional DET copper royalties precisely mimic the former copper royalty arrangements between MVC and DET.

MVC's compensation is determined in accordance with annual industry benchmarks for pricing terms and smelting and refining charges, and in 2016 was based on the average London Metal Exchange ("LME") copper price for the third month following the delivery of copper concentrates produced under the tolling agreement ("M+3"). Accordingly, final pricing for copper produced by MVC in 2016 is being determined based on the average LME copper price of the third month following delivery of copper produced under the tolling agreement.

The average LME copper price in 2016 was $2.21/lb (2015: $2.50/lb) and the Group's recorded copper tolling price was $2.25/lb (2015: $2.47/lb). The difference between the average LME copper price and the Group's recorded tolling price results from the pricing terms that applied in the period.

At December 31, 2016, the provisional copper price used by MVC was $2.57/lb. A 10% increase or decrease from that price would result in price-driven revenue settlement adjustments of $3.5 million.

As of 2015, DET royalties on copper production are a notional item deducted from gross tolling revenue. In 2016, DET notional copper royalties were $20.6 million, $6.9 million higher than in 2015, due to higher production. The terms for DET notional copper royalties and molybdenum royalties are disclosed under **Agreements with Codelco's El Teniente Division** (page 20).

Also, effective 2015, transportation is a notional item deducted from gross tolling revenue. Transportation was $1.6 million in 2016 (2015: $1.1 million).

MVC's molybdenum sales price in 2016 was $6.72/lb. MVC's sales agreement with Molymet provided in 2016 that the sale price was the average market price for the third month after delivery. Sales of molybdenum were provisionally priced at the average Platt's molybdenum dealer oxide price which for December 31, 2016 was $6.58/lb.

Tolling and Production Costs

(Expressed in thousands)		2016		2015
Direct tolling and production costs				
Power costs	$	28,064	$	20,051
Grinding media		7,753		7,025
Labour costs		10,582		7,780
Other direct tolling / production costs		27,457		19,900
		73,856		54,756
DET royalties - molybdenum		277		-
Depreciation and amortization		13,207		6,699
Administration		4,671		4,201
Tolling and production costs	$	92,011	$	65,656
Unit tolling and production costs ($/lb)		1.64		1.76

Direct tolling and production cost was $73.9 million (2015: $54.8 million), a cost increase of 35% resulting from higher copper production. Cauquenes tolling and production costs of $5.9 million were excluded from operating results in 2015 as they were determined to be pre-operating expenses.

Power costs increased by $8.0 million or 40% compared to 2015, following an increase of 52% in copper production.

Grinding media costs of $7.8 million were 10% higher than in 2015 due to an increase in production, offset by lower steel prices and more efficient grinding operations at MVC.

Direct labour costs were $10.6 million in 2016 (2015: $ 7.8 million), increased by signing bonuses of $1.5 million to MVC workers upon signing a 3-year collective agreement, higher production bonuses achieved at MVC and the internalization of certain functions that used to be sub-contracted.

Other direct tolling costs increased by $7.6 million to $27.5 million. The most relevant other direct tolling and production costs are summarized in the following tables:

(Expressed in thousands)		2016		2015
Other direct production costs				
Historic tailings extraction	$	4,323	$	2,078
Maintenance, excluding labour		5,635		5,054
Molybdenum production costs		2,094		576
Maricunga tolling cost		4,673		4,768
Industrial water		2,173		1,556
Copper reagents		1,870		1,247
Subcontractors and support services		1,772		1,948
Filtration and all other direct copper production costs		352		254
Lime		4,922		883
Process control, environmental and safety		1,627		980
Inventory adjustments		(1,984)		556
	$	27,457	$	19,900

($/lb Cu)	2016	2015
Other direct production costs		
Historic tailings extraction	0.08	0.07
Maintenance, excluding labour	0.10	0.16
Molybdenum production costs	0.04	0.02
Maricunga tolling cost	0.09	0.15
Industrial water	0.04	0.05
Copper reagents	0.03	0.04
Subcontractors and support services	0.03	0.06
Filtration and all other direct copper production costs	0.01	0.01
Lime	0.09	0.03
Process control, environmental and safety	0.03	0.03
Inventory adjustments	(0.04)	0.02
	0.51	0.63

Other direct costs increased by $7.6 million in 2016 compared to 2015. The most significant increases were: $4.0 million in lime costs (more lime is needed to process Cauquenes tailings), $2.2 million in historic tailings extraction costs (there was limited historic tailings production in 2015), and $1.5 million in molybdenum production costs (there was also limited production of molybdenum in 2015). Excluding these major cost variances, the aggregate of other direct costs decreased $0.1 million in 2016 compared to 2015.

Depreciation and amortization increased to $13.2 million (2015: $6.7 million), as the Cauquenes expansion started to be depreciated in 2016.

Administration expenses were $4.7 million in 2016 (2015: $4.2 million).

Other expenses

Other expenses of $2.6 million (2015: $4.8 million) are costs not related to MVC's production operations, and are comprised of the following:

- General and administration expenses of $3.1 million (2015: $3.0 million) which include salaries, management and professional fees of $2.2 million (2015: $2.0 million), office and general expenses of $0.8 million in 2016 and 2015 and share-based payments of $0.2 million in both years.

- Other gains of $0.9 million (2015: other expenses of $3.4 million) are comprised of a foreign exchange gain of $0.7 million (2015: expense of $1.8 million), other gains of $0.2 million (2015: $0.1 million) and in 2015 impairment charges of $1.7 million (including a $1.4 million impairment of Colihues equipment determined not to be usable in future operations and impairment charges of $0.3 million on the Candente Copper investment). Most of the foreign exchange gains recorded in 2016 were at the MVC, which has a US dollar functional currency, in respect of transactions carried out in Chilean pesos ("CLP").

- An expense in royalty derivative to related parties of $0.5 million (2015: gain of $1.5 million), which includes actual royalty dividends to related parties of $1.0 million (2015: $0.5 million) and a decrease in the fair value of the derivative of $0.5 million (2015: decrease in fair value of $2.1 million). Decreases in the fair value of the derivative were the result of higher discount rates driven by higher expected risk adjusted borrowing rates.

Finance expense

The Group recorded finance expense of $5.0 million (2015: $1.0 million) which includes finance, commitment and interest charges and a change in value on an interest rate swap.

Taxes

Income tax recovery was $0.7 million (2015: recovery of $2.0 million), including a current income tax recovery of $2.7 million (2015: recovery of $4.1 million) and deferred tax expense of $2.0 million (2015: $2.1 million) in respect of changes to deferred income tax liabilities. Deferred income tax results 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 due in Chile on a current basis.

Cash Cost and Total Cost

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

A reconciliation of tolling and production costs to cash cost and total cost in 2016 and 2015 is presented below:

		2016		2015
Tolling and production costs (thousands)	$	92,011	$	65,656
Add (deduct):				
DET notional royalties (thousands)		20,646		13,674
Smelting and refining charges (thousands)		19,217		12,864
Transportation costs (thousands)		1,618		1,051
Inventory adjustments (thousands):		1,984		(556)
By-product credits (thousands)		(8,439)		(6,372)
Total cost (thousands)	$	127,037	$	86,317
Deduct:				
DET notional royalties/royalties (thousands)		(20,923)		(13,674)
Depreciation and amortization (thousands)		(13,207)		(6,699)
Cash cost (thousands)	$	92,907	$	65,944
Pounds of copper tolled from fresh and old tailings (millions) [1]		53.8 M		30.3M
Unit tolling and production cost ($/lb)		**1.64**		**1.76**
Cash cost ($/lb)		**1.73**		**2.18**
Total cost ($/lb)		**2.36**		**2.85**

[1] Excludes 3.0 million pounds produced in 2016 from Maricunga toll processing, a by-product (2015: 2.8 million pounds) and 4.3 million pounds produced from Cauquenes tailings in 2015.

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

	2016	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Power costs	0.52	0.52	0.50	0.50	0.56
Grinding media	0.15	0.12	0.12	0.15	0.19
Other direct costs	0.74	1.01	0.68	0.62	0.69
By-product credits	(0.16)	(0.29)	(0.14)	(0.08)	(0.13)
Smelting & refining	0.36	0.37	0.34	0.35	0.38
Administration	0.09	0.11	0.07	0.08	0.09
Transportation	0.03	0.03	0.03	0.03	0.03
Cash Cost	**$1.73**	**$1.87**	**$1.60**	**$1.65**	**$1.81**

	2015	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Power costs	0.66	0.70	0.70	0.62	0.64
Grinding media	0.23	0.22	0.23	0.22	0.25
Other direct costs	0.90	0.93	0.77	0.77	1.13
By-product credits	(0.21)	(0.30)	(0.22)	(0.06)	(0.30)
Smelting & refining	0.42	0.42	0.41	0.44	0.44
Administration	0.14	0.16	0.15	0.12	0.13
Transportation	0.04	0.03	0.03	0.04	0.04
Cash Cost	**$2.18**	**$2.16**	**$2.07**	**$2.15**	**$2.33**

Cash cost (page 13) in 2016 was $1.73/lb (2015: $2.18/lb).

Power is MVC's most significant cost, and was $0.0976/kWh in 2016 (2015: $0.0968/kWh). MVC has power generators that operate when the grid price exceeds the generators' operating costs. The economic benefit from operating the generators in 2016 and 2015 was $0.8 million. Unit power costs of $0.52/lb (2015: $0.66/lb) improved due to higher copper production.

Unit grinding media costs were $0.15/lb (2015: $0.23/lb), positively affected from more efficient mill operations and lower steel prices.

Other direct costs were $0.74/lb (2015: $0.90/lb) and included direct labour costs of $0.20/lb (2015: $0.27/lb) and all other combined direct costs of $0.54/lb (2015: $0.63/lb), an improvement resulting from higher copper production.

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

	2016	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Cash cost	1.73	1.87	1.60	1.65	1.81
DET notional royalties/royalties	0.38	0.47	0.36	0.36	0.37
Amortization/depreciation	0.25	0.26	0.22	0.24	0.27
Total Cost	**$2.36**	**$2.60**	**$2.18**	**$2.25**	**$2.45**

	2015	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Cash cost	2.18	2.16	2.07	2.15	2.33
DET notional royalties/royalties	0.45	0.40	0.33	0.52	0.52
Amortization/depreciation	0.22	0.28	0.22	0.19	0.21
Total Cost	**$2.85**	**$2.84**	**$2.62**	**$2.86**	**$3.06**

Total cost was $2.36/lb (2015: $2.85/lb), positively impacted by reductions of $0.45/lb in cash cost, due to stronger production and $0.07/lb in DET notional royalties/royalties because of lower metal prices.

FINANCIAL RESULTS – QUARTER ENDED DECEMBER 31, 2016

In Q4-2016 MVC produced 13.6 million pounds of copper under a tolling agreement with DET (Q4-2015: 10.9 million pounds).

In Q4-2015, net copper revenue of $5.0 million and tolling and production costs of $5.8 million associated with the Cauquenes operations were excluded from loss as they were determined to be a pre-operating cost.

Stronger copper prices in Q4-2016 allowed the Group to return to profitability, with net earnings of $3.0 million or $0.02 basic and diluted earnings per share (Q4-2015: net loss of $4.7 million and basic and diluted loss per share of $0.03).

In Q4-2016, the Group generated operating cash flow before working capital changes of $7.1 million (Q4-2015: use of operating cash before working capital changes of $3.1 million).

Revenue

Revenue in Q4-2016 was $29.5 million (2015: $7.8 million) due to higher copper prices and stronger production. Revenue in Q4-2016 included $4.0 in price-driven positive settlement adjustments to Q3-2016 sales.

Tolling and Production Costs

(Expressed in thousands)		Q4-2016		Q4-2015
Direct tolling and production costs				
Power costs	$	6,645	$	4,106
Grinding media		1,573		1,280
Labour costs		3,679		1,350
Other direct tolling / production costs		6,866		3,910
		18,763		10,646
Depreciation and amortization		3,319		1,659
DET royalties - molybdenum		193		-
Administration		1,340		956
Tolling and production costs	$	23,615	$	13,261
Unit tolling and production costs ($/lb)		1.76		1.23

Direct tolling and production costs were $18.8 million (2015: $10.6 million), due to stronger production in Q4-2016.

Cash Cost and Total Cost (non-GAAP measures, page 13)

Cash cost in Q4-2016 was $1.87/lb (Q4-2015: $2.16/lb).

	Q4-2016	Q4-2015
Power costs	0.52	0.70
Grinding media	0.12	0.22
Other direct costs	1.01	0.93
By-product credits	(0.29)	(0.30)
Smelting & refining	0.37	0.42
Administration	0.11	0.16
Transportation	0.03	0.03
Cash Cost	**$1.87**	**$2.16**

Higher production levels contributed to a decrease of $0.29/lb in cash cost between the comparative quarters.

The Group's total cost was $2.60/lb in Q4-2016 (Q4-2015: $2.84/lb).

	Q4-2016	Q4-2015
Cash cost	1.87	2.16
El Teniente notional royalites/ royalties	0.47	0.40
Amortization/depreciation	0.26	0.28
Total Cost	**$2.60**	**$2.84**

Other

In Q4-2016 general and administrative expenses were $1.0 million (Q4-2015: $0.7 million), other expenses were $0.1 million (Q4-2015: $1.7 million), there was a royalty derivative to related parties expense of $0.2 million (2015: gain of $2.3 million) and finance expense was $1.1million (Q4-2015: $0.1 million).

In Q4-2016, the Group recorded income tax expense of $0.4 million (Q4-2015: income tax recoveries of $1.0 million).

COMPARATIVE PERIODS

The Company's financial statements are reported under IFRS issued by the IASB. The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters .

	QE Dec. 31, 2016 $	QE Sept. 30, 2016 $	QE June 30, 2016 $	QE March 31, 2016 $
Total revenue (thousands)	29,473	23,383	19,276	19,255
Net earnings (loss) (thousands)	2,984	(2,545)	(3,613)	(4,357)
Earnings (loss) per share	0.02	(0.01)	(0.02)	(0.03)
Diluted earnings (loss) per share	0.02	(0.01)	(0.02)	(0.03)

	QE Dec. 31, 2015 $	QE Sept. 30, 2015 $	QE June 30, 2015 $	QE March 31, 2015 $
Total revenue (thousands)	7,809	10,770	16,388	17,656
Net loss (thousands)	(4,673)	(6,161)	(2,036)	(4,063)
Loss per share	(0.03)	(0.03)	(0.01)	(0.02)
Diluted loss per share	(0.03)	(0.03)	(0.01)	(0.02)

Quarterly revenue variances result mostly from varying volumes of copper sales or deliveries (a factor of quarterly production) and the Group's realized copper price (a factor of market prices). The Group's revenues are highly sensitive to these two variables, as summarized below:

	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Copper sales/deliveries [1]	13.42	15.60	14.51	12.75	7.44	8.12	9.39	8.83
MVC's realized copper price [2]	$2.57	$2.14	$2.10	$2.24	$2.08	$2.36	$2.65	$2.68
Settlement adjustments [3]	$4.02	$0.43	($0.96)	-	($1.02)	($2.61)	$0.42	$1.43

1 Million pounds of copper sold under tolling agreements with DET and Maricunga. Q3-2015 and Q4-2015 amounts exclude tailings processed from Cauquenes.
2 Copper recorded price per pound, for the period 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

Q1-2015 revenue was impacted by lower production. Q2-2015 revenue was positively impacted by higher production levels, despite lower realized copper prices. Q3-2015 revenue was affected by lower copper sales, lower copper prices and negative revenue settlement adjustments due to pricing terms. Q4-2015 revenue was affected by lower production (as it excluded Cauquenes production) and lower copper prices. Q1-2016 to Q3-2016 revenue was positively impacted by stronger copper production from Cauquenes. Q4-2016 revenue was negatively affected by 16 days of lost production due to a strike at MVC and annual 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.

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

	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-015	Q3-2015	Q2-2015	Q1-2015
Tolling and production costs [1]	$23.61	$24.30	$22.44	$21.66	$13.26	$15.29	$18.14	$18.97
Unit tolling and production cost [2]	$1.76	$1.56	$1.55	$1.70	$1.78	$1.88	$1.93	$2.15

1 Millions of dollars.
2 Tolling and production costs divided over number of pounds of copper delivered. Q3-2015 and Q4-2015 amounts exclude tailings processed from Cauquenes.

Tolling and production costs are affected by production levels, input costs (particularly power costs), copper prices and the depreciation or appreciation of the CLP to the U.S. dollar. In Q1-2015 total tolling costs decreased due to lower production under the tolling agreement with DET, but the decrease in costs was insufficient to maintain the low unit costs that had been achieved in prior quarters. In Q2, Q3 and Q4-2015, total and unit tolling costs decreased consistently each quarter as a result of lower production levels, cost reductions at MVC and a weaker CLP compared to the U.S. dollar. Tolling costs in Q3 and Q4-2015 also decreased due to suspension of Colihues operations. Q4-2015 cost data did not include Cauquenes tolling and production costs which were capitalized as pre-operating costs. In Q1, Q2 and Q3-2016 total 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, however lower production resulted in higher unit costs.

LIQUIDITY and FINANCIAL POSITION

Cash Flow from Operations

The Group generated cash of $19.4 million from operations (2015: cash used in operations of $26.5 million). Included in cash used in operations in 2015 is a reduction of $12.7 million in DET royalties, associated with the repayment of royalties deferred in 2014.

Excluding the effect of changes in working capital accounts, the Group generated cash of $9.6 million (2015: $5.0 million used in operations).

Cash Flow from Financing Activities

In 2016, the Group received $14.8 million in debt proceeds net of transaction costs (2015: $72.9 million) and made debt repayments of $19.4 million (2015: $nil).

Cash Flow from Investing Activities

In 2016, the Group used cash of $8.3 million for payments of Capex (2015: $52.4 million). Capex payments in 2016 included $3.5 million of payments associated with the Cauquenes expansion and $4.8 million in payments of sustaining Capex. In 2015 the Group also paid $1.7 million in capitalized interest associated with the Cauquenes expansion debt facilities.

Liquidity and Financial Position

The Group's cash and cash equivalents at December 31, 2016 totaled $15.9 million (December 31, 2015: $9.0 million), including $6.7 million held in a DSRA described on page 5 (December 31, 2015: $nil). The Group had working capital of $0.6 million at December 31, 2016, compared to a working capital deficiency of $6.0 million at December 31, 2015.

The Group completed the first phase of development of the higher grade Cauquenes historic tailings deposit in December 2015, allowing MVC to generate record copper production in 2016.

The Group operates in a cyclical industry where levels of cash flow are closely correlated to the market prices for copper. While MVC is a valuable long-life asset with a strategic relationship with El Teniente, the world's largest underground copper mine, its liquidity and financial position have been affected in recent years and up to Q3-2016 by lower copper prices.

Copper prices in Q4-2016 recovered from an average LME price of $2.14/lb for the first nine months of the year to an average quarterly LME price of $2.40/lb, positively impacting the Group's financial results and cash flow generating capacity. Net earnings of $3.0 million were recorded in Q4-2016, compared to net losses of $4.4 million, $3.6 million and $2.5 million in Q1, Q2 and Q3-2016, respectively. The Group generated cash flow from operations before changes in non-cash working capital of $7.1 million in Q4-2016, compared to $2.5 million generated in the first nine months of 2016 combined.

MVC estimates to produce 60.0 to 65.0 million pounds of copper at an annual cash cost (page 13) of $1.60 to $1.75/lb in 2017. These production projections should enable the Group to meet its financial obligations as they become due in the year, at metal prices lower than those present at the time of this MD&A.

In response to stronger copper prices, Amerigo is advancing financing discussions for the construction of phase two of the Cauquenes expansion project. The project, which has an estimated cost of $30.0 million, is planned to increase production to 87.0 million pounds of copper per year, at an estimated cash cost of $1.40/lb. Refer to **Cautionary Statement on Forward Looking Information** (page 28).

Borrowings

Borrowing outstanding (Thousands)	**December 31, 2016 $**	**December 31, 2015 $**
Cauquenes Expansion Loan (a)	51,739	57,471
Cauquenes Expansion VAT Facility (b)	-	8,026
DET Expansion Support Facility (c)	18,108	7,148
	69,847	72,645
Comprised of:		
Short-term debt and current portion of long-term debt	10,733	17,964
Long-term debt	59,114	54,681
	69,847	72,645

a) On March 25, 2015, MVC closed a bank syndicate financing with Banco Bilbao Vizcaya Argentaria ("BBVA") and Export Development Canada ("EDC") for a loan facility (the "Cauquenes Expansion Loan") of $64.4 million for the phase one of the expansion of MVC's operations for the processing of tailings from the Cauquenes deposit. Terms of the loan include interest fixed through an interest rate swap ("IRS") at a rate of 5.81% per annum (reduced to 5.56% per annum upon MVC meeting the completion criteria set in the Cauquenes Expansion Loan) for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US Libor 6-month rate, which at December 31, 2016 was 4.67% per annum (4.42% per annum upon meeting the completion criteria).

MVC incurred due diligence, bank fees and legal costs of $2.4 million, recognized as transaction costs that are being amortized over the term of the loan using the effective interest rate method.

Interest is paid semi-annually starting on June 30, 2015. The Cauquenes Expansion Loan has a maximum repayment term of 6 years consisting of 12 equal semi-annual principal payments of $5.4 million, commencing on June 30, 2016. The repayment term may be shortened without penalty in accordance with the provisions of the Cauquenes Expansion Loan.

The balance of the loan (net of transaction costs) at December 31, 2016 was $51.7 million (December 31, 2015: $57.5 million).

MVC has provided security for the Cauquenes Expansion Loan in the form of a charge on all of MVC's assets, and MVC is subject to bank covenants (current ratio, tangible net worth and debt service coverage ratio) measured semi-annually starting on December 31, 2015. At December 31, 2016, MVC was in compliance with the tangible net worth ratio ($105.0 million), and received waivers from BBVA and EDC in respect of the current ratio (requirement of 1.0) and debt service coverage ratio (requirement of 1.2).

MVC had a requirement to fund a DSRA from the proceeds of the final disbursement from the Cauquenes Expansion Loan. BBVA and EDC waived the final disbursement funding requirement and deferred funding of the DSRA to the second half of 2016. At December 31, 2016, MVC held DSRA funds in the amount of $6.7 million.

Funds in the DSRA must be used to: /i/ pay the principal and interest of the Cauquenes Expansion Loan and the amounts owing under the IRS 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 into the DSRA at each month end the funds necessary to maintain a balance equal to one hundred percent of the sum of the principal and interest pursuant to the bank loan and the IRS that are payable in respect of the following six months.

Concurrently with the Cauquenes Expansion Loan, MVC entered into an IRS with BBVA to fix 75% of the interest payable on that facility. On December 31, 2016, the fair value of the IRS was determined to be $0.2 million, with a short-term portion of $0.1 million and a long-term portion of $0.1 million. The IRS has a term to December 27, 2018.

b) On March 25, 2015, MVC entered into a Chilean Peso 5,700.0 million facility (approximately $9.0 million at the loan grant date) with BBVA to finance the value-added tax incurred by MVC in connection with the Cauquenes phase one expansion (the "VAT Facility"). The VAT Facility was repaid in full on June 30, 2016.

c) The Group secured $30.0 million in additional credit facilities, including the $17.0 million DET Price Support Facility described under **Agreements with Codelco's El Teniente Division**, and a $13.0 million standby line of credit from three Amerigo shareholders. The standby line of credit had an original availability date to March 25, 2016 and was extended to March 25, 2017. Amounts drawn from the standby line of credit, if any, will be repaid in the amounts and at such times as permitted under the terms and conditions of the Cauquenes Expansion Loan. All obligations arising from the standby line of credit are to be paid in full on or before the date that is the earlier of December 31, 2019 and the one-year anniversary of the date in which MVC has paid in full all amounts due and owing under the Cauquenes Expansion Loan. No security was provided in connection with these facilities. At December 31, 2016, $17.0 million had been drawn from the DET Price Support Facility (December 31, 2015: $7.0 million) and no funds had been drawn from the standby line of credit. The Group incurred an annual commitment fee of $0.1 million in respect of the standby line of credit in each of 2016 and 2015.

AGREEMENTS WITH CODELCO'S EL TENIENTE DIVISION

In 1991, MVC entered into a contract with DET to process the fresh tailings from El Teniente, the world's largest underground copper mine, for a term 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 historic tailings deposits (the "Colihues Contract"). In 2014 MVC and DET entered into a contract (the "Master Agreement") for the purchase by MVC of the rights to process tailings from an additional historic tailings deposit, Cauquenes, for a term to the earlier of its depletion or 2033, and extending the Fresh Tailings Contract from 2021 to 2037 and the Colihues Contract to the earlier of its depletion or 2037.

Until December 31, 2014, royalties were payable to DET in respect of copper concentrates produced by MVC. DET royalties were calculated using the average London Metal Exchange ("LME") copper price for the month of production of the concentrates, and were recorded as components of production costs.

In 2015, MVC and DET entered into a second modification to the Master Agreement which changed the legal relationship between the parties for the period from January 1, 2015 to December 31, 2022. During this period, production of copper concentrates by MVC has and will be conducted 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 gross revenue for copper produced at applicable market prices, net of notional items (treatment and refining charges, DET copper royalties and transportation costs). The notional DET copper royalties precisely mimic the former royalty arrangements between MVC and DET.

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 Colihues historic tailings are determined through a sliding scale for copper prices ranging from $0.80/lb (3%) to $4.27lb (30%). The parties are required to review costs and potentially adjust notional royalty structures for copper production from Colihues tailings if the copper price remains below $1.95/lb or over $4.27/lb for three consecutive months.

Notional royalties for copper concentrates produced from Cauquenes historic tailings 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 $7.31/lb (9%) and $40.0/lb (19.7%).

The Master Agreement contains provisions requiring the parties to meet and review cost and notional royalty/royalty structures in the event monthly average prices fall below certain ranges and projections indicate the permanence of such prices over time. The review of all notional royalty/royalty structures is to be carried out in a manner that gives priority to the viability of the Master Agreement and maintains the equilibrium of the benefits between the Parties.

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

In 2014, DET and MVC entered into a first modification to the Master Agreement, which provided for deferral of payment of up to $9.1 million in DET royalties in 2014. The deferred amounts were paid in full in the quarter ended March 31, 2015.

In 2015, MVC and DET entered into a second modification to the Master Agreement under which MVC's production of copper concentrates is conducted under a tolling agreement with DET -as described in preceding paragraphs- and DET provided a copper price support agreement of up to $17.0 million (the "DET Price Support Facility"). Starting in 2015, MVC drew down $1.0 million from the DET Price Support Facility for each month in which the average final settlement copper price to MVC was less than $2.80/lb, up to the $17.0 million maximum. The DET Price Support Facility bears interest at a rate of 0.6% per month and is subordinate to MVC's bank financing. At December 31, 2016, MVC had drawn down $17.0 million from the DET Price Support Facility (December 31, 2015: $7.0 million).

The DET Price Support Facility is scheduled to be repaid from January 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 bank debt repayments described under **Liquidity and Financial Position**. MVC does not currently anticipate making principal repayments to the DET Price Support Facility within the twelve months following December 31, 2016. MVC may repay the DET Price Support Facility in advance and without penalty, provided its bank debt holders pre-approve the advance payments.

In 2016, MVC and DET reached an agreement to defer DET notional copper royalty adjustments to gross revenue during a four-month period, from March to June 2016, for a total deferral of $5.4 million, the repayment terms of which are under discussion with DET.

At December 31, 2016, the accrual for DET notional copper royalties and DET molybdenum royalties, including deferred amounts, was $11.3 million (December 31, 2015: $4.2 million), representing seven months of notional copper royalties and five months of molybdenum royalties (December 31, 2015: three months of notional copper royalties).

CAUQUENES EXPANSION

MVC is undertaking a significant expansion of its operations to extract and process the higher grade Cauquenes tailings. The Cauquenes expansion is being undertaken in phases, which management believes reduces project risk.

Phase one was completed in December 2015 and has enabled MVC to extract Cauquenes tailings for processing in MVC's existing processing plant, increasing MVC's copper production. The phase one Capex budget was $71.1 million and actual Capex was $66.6 million.

Amerigo is advancing financing discussions to complete the construction of phase two of the Cauquenes expansion project in the second half of 2018. This $30.0 million project is planned to increase production to 87.0 million pounds of copper per year at an estimated cash cost of $1.40/lb.

SUMMARY OF OBLIGATIONS *(Expressed in thousands)*

	Total	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Trade and other payables	15,819	15,819	-	-	-
Current income tax payable	76	76	-	-	-
DET royalties	11,273	11,273	-	-	-
Royalties to related parties	8,993	1,617	884	2,225	4,267
Severance provisions	811	-	-	-	811
Minimum power payments [1, 2]	172,800	4,800	16,800	50,400	100,800
Borrowings [3]	79,919	13,034	17,331	49,554	-
Total contractual obligations	289,691	46,619	35,015	102,179	105,878

1 MVC entered into an agreement with its current power provider to December 31, 2017 with minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately $0.4 million per month for the period January 1, 2017 to December 31, 2017.

2 MVC entered into an agreement with its current power provider to supply MVC's annual power requirements from 2018 to 2027. The agreement establishes minimum charges based on peak hour power supply calculations, currently estimated to be approximately $1.4 million per month.

3 Includes principal and estimated interest charges.

OTHER MD&A REQUIREMENTS

Impairment Analysis

As at December 31, 2016, management of the Company determined that the decrease in the market price of copper and 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): 2017: $2.40; 2018: $2.52; 2019: $2.67; 2020: $2.82; 2021: $2.88/lb; 2022 to 2037: $3.00.

- Power costs (excluding benefit from self-generation): From 2017 to 2027 costs are per contractual estimates 2017: $0.101173/kWh, 2018 to 2037: $0.11317/kWh).

- Operating costs based on historical costs incurred and estimated forecasts.

- Tolling/production volume and recoveries as indicated in MVC's mining plan from 2017 to 2037, including processing of fresh tailings and old tailings from the Colihues and Cauquenes deposits.

- Discount rate: 7% after tax

Based on these assumptions, management's impairment evaluation did not result in the identification of an impairment loss as of December 31, 2016. Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgements. The Group's impairment model is very sensitive to changes in estimated metal prices and operating costs, particularly estimated power costs beyond MVC's current power contracts and operating results from the Cauquenes deposit that may differ from current projections. Changes in these variables might trigger an impairment that could be material.

An impairment charge of $1.4 million was recognized in 2015 following a technical review of the Colihues equipment that is not expected to be used in future operations, as the recoverable amount of the equipment was less than its carrying amount. The impairment charge was recorded in the statement of loss under other expenses.

Investments

At December 31, 2016, Candente Copper Corp. ("Candente Copper"), a company listed on the TSX, had a closing share price of Cdn$0.10 and the fair value of the Group's approximately 4% investment in Candente Copper was $0.5 million. During 2016, the Group recorded other comprehensive income of $0.3 million (2015: impairment charge of $0.3 million) for the changes in fair value of this investment. Impairment charges of $0.3 million in 2015 were included in the statement of loss under other expense.

At December 31, 2016, Los Andes Copper Ltd. ("Los Andes"), a company listed on the TSX Venture Exchange, had a closing share price of Cdn$0.175, and the fair value of the Group's approximately 3% investment in Los Andes was $1.0 million. During 2016, the Group recorded other comprehensive income of $0.2 million (2015: loss of $0.7 million) for the changes in the fair value of this investment.

Transactions with Related Parties

a) Royalty Derivative to Related Parties

Amerigo 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, an associate of the Chairman and a former director of the Company. 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/lb, 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/lb or more.

In the quarter ended March 31, 2016, the Group and the Class A shareholders entered into an agreement to defer payment of the Royalty derived from Cauquenes production (the "Cauquenes Royalty) with effect from January 15, 2016 to February 27, 2017 (the "Deferral Termination Date"). The Cauquenes Royalty that is deferred and which remains unpaid at the Deferral Termination Date will be increased by the amount of $0.005/lb. At December 31, 2016, the incremental royalty resulting from this agreement was $0.1 million.

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During 2016, royalties totalling $1.0 million were paid or accrued to the Class A shareholders (2015: $0.5 million). At December 31, 2016, $0.7 million of this amount remained payable (December 31, 2015: $0.1 million).

The Royalty is a derivative financial instrument measured at fair value, with changes in fair value recorded in profit for the period.

The royalty derivative to related parties includes the Royalty dividends described above and changes in the fair value of the derivative. In 2016, the fair value of the derivative decreased $0.5 million (2015: $2.1 million), for a total royalty derivative expense of $0.5 million (2015: recovery of $1.5 million).

At December 31, 2016, the Royalty and the derivative were $9.0 million (December 31, 2015: $8.9 million), with a current portion of $1.6 million (December 31, 2015: $0.9 million) and a long-term portion of $7.4 million (December 31, 2015: $8.0 million).

b) Directors' fees and remuneration to officers

During the year ended December 31, 2016 the Group paid or accrued $1.4 million in salaries and fees to companies associated with certain directors and officers of Amerigo (2015: $1.2 million).

Management fees are paid to the below noted companies owned by executive officers and directors, as follows:

- Zeitler Holdings Corp. – Controlled by Dr. Klaus Zeitler, Executive Chairman of Amerigo
- Michael J. Kuta Law Corporation – Controlled by Michael Kuta, former General Counsel and Corporate Secretary of Amerigo[1]
- Delphis Financial Strategies Inc. – Controlled by Aurora Davidson, Executive Vice President and CFO of Amerigo

[1] A law corporation controlled by Michael J. Kuta former General Counsel and Corporate Secretary of the Company, in respect of 2015.

In the same period, Amerigo paid or accrued $0.3 million in directors' fees to independent directors (2015: $0.3 million). In Amerigo's consolidated financial statements directors' fees and remuneration to officers are categorized as salaries, management and professional fees. These transactions were in the ordinary course of business and measured at the exchange amounts agreed to by the parties.

In 2016, 3,350,000 options were granted to directors and officers of the Company (2015: 1,800,000).

c) As of December 31, 2016 one of Amerigo's officers acted as an officer of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence.

d) As of December 31, 2016 one of Amerigo's officers acted as an officer and one of Amerigo's directors acted as a director and Chairman of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

Critical Accounting Estimates and Judgments

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 which may vary from actual results. Judgements, estimates and assumptions that could 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 2016, the Company undertook judgement and estimate revisions in respect of the start date of Cauquenes operations.

a) Useful Life of Assets

MVC estimates the economic life of most of property, plant and equipment based on their useful life, not to exceed the term of MVC's contractual relationship with DET (December 31, 2037).

b) Royalty Derivative to Related Parties

The Group 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. The royalty is a derivative financial instrument measured at fair value, and the Company is required under IFRS to reassess its estimate for the royalty derivative at each reporting date based on revised production under the tolling agreement estimates.

c) IRS

MVC has an IRS to fix the interest rate on 75% of the facility undertaken to finance the Cauquenes expansion. Estimates are made by management to determine the fair value of the IRS at inception and at each reporting date.

d) Start date of Cauquenes operations

MVC commenced processing tailings from the Cauquenes deposit during September 2015 from one of the two sumps built as part of the Cauquenes phase one expansion. Construction, commissioning and testing continued to December 2015. When a project nears the end of construction, management has to exercise judgment to determine the date in which the asset was in the location and condition necessary to operate as intended by management. This date establishes the point in time at which costs cease to be capitalized unless they provide an enhancement to the economic benefits of the asset, borrowing costs cease to be capitalized, processing costs begin to stabilize, the capitalization of pre-start-up revenue ceases and depreciation of the asset commences. Management determined the appropriate start date of the Cauquenes operations to be January 1, 2016.

Disclosure Controls and Procedures

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

The Company has a formal corporate disclosure policy in place which includes the setting up of a Disclosure Policy Committee currently consisting of the members of the Company’s Board of Directors, Rob Henderson, the Company’s President and CEO and Aurora Davidson, the Company’s Executive Vice President and CFO.

Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis as of the end of the period covered by this report.

Internal Controls over Financial Reporting (“ICFR”)

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

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

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

An evaluation of the design and operating effectiveness of the Company's ICFR was conducted as of December 31, 2016 by the Company's management, including the CEO and CFO. Based on this evaluation, management has concluded that the design and operation of the Company's ICRF was effective.

There were no changes during the year ended December 31, 2016 that have materially affected, or are reasonably likely to affect, the Company's ICFR.

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 $0.4 million per month.

b) MVC entered into an agreement with its current power provider to supply MVC's annual power requirements during the period from January 1, 2018 to December 31, 2027. The agreement establishes minimum charges based on peak hour power supply calculations, currently estimated to be approximately $1.4 million per month.

c) Amerigo entered into an agreement for the lease of office premises in Vancouver for a five-year period commencing December 1, 2016. Amerigo's rent commitments during the term of the lease are expected to be approximately $0.5 million.

d) The Master Agreement with DET has a Closure Plan clause requiring MVC and DET to work jointly to assess, under the new tolling/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 of or compensation for 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.

Other

As of February 20, 2017, Amerigo has outstanding 174,682,058 common shares and 12,600,000 options (exercisable at prices ranging from Cdn$0.147 to Cdn$0.77 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 our 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 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 forward-looking statements. These statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- forecast production and operating costs;
- our strategies and objectives;
- our estimates of the availability and quantity of tailings, and the quality of our mine plan estimates;
- the extension of El Teniente's useful life and the extent of its remaining ore reserves;
- 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;
- 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, 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 (including the full funding for phase one of the Cauquenes project) and to comply with our loan covenants;
- 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 capital expenditures (including our plan to upgrade our existing plant and operations after phase one of the Cauquenes project is complete) and estimates of asset retirement, royalty, severance and other obligations;
- 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;
- our capital expenditures, including the timing and cost of completion of capital projects;

- disruptions to the Group's information technology systems, including those related to cyber-security;
- 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 associated with the availability and pricing of materials used in our operations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with availability of tailings and 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. All of these risks and uncertainties apply not only 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 production and 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;
- levels of and 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 of the products used in our operations;
- the ongoing supply of material for processing from Codelco's current mining operations;
- MVC's ability to profitably extract and process material from the Colihues and Cauquenes tailings deposits;
- the timing of the receipt and ongoing retention of permits and other regulatory and governmental approvals;
- the availability of and ability of the Company to obtain adequate financing for expansions and acquisitions, including the Cauquenes expansion;
- our tolling/production costs and our production and productivity levels, as well as those of our competitors;
- changes in credit market conditions and conditions in financial markets generally;
- the availability of funding on reasonable terms, including financing for the Group's expansions and acquisitions;
- 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 mine plan estimates (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, 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 in a timely manner;
- our ability to meet production and cost budgets and plans; 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.

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. You should also carefully consider the matters discussed under *"Risk Factors"* in our Annual Information Form. 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.