



**Toronto Stock Exchange: ARG**

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**ANNUAL INFORMATION FORM**

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**For year ended December 31, 2009**

**Dated: March 29, 2010**

## TABLE OF CONTENTS

	<u>Page</u>
<b>PRELIMINARY NOTES.....</b>	<b>1</b>
Financial Statements .....	1
Currency.....	1
Cautionary Statement Regarding Forward-Looking Statements .....	1
<b>CORPORATE STRUCTURE .....</b>	<b>2</b>
Name, Address and Incorporation .....	2
Intercorporate Relationships .....	2
<b>GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>3</b>
Three Year History and Significant Acquisitions .....	3
Year Ended December 31, 2007 .....	3
Year Ended December 31, 2008 .....	5
Year Ended December 31, 2009 .....	6
<b>DESCRIPTION OF THE BUSINESS.....</b>	<b>9</b>
General .....	9
Minera Valle Central, S.A .....	9
Underlying Contracts with Codelco.....	9
Concentrate Sales Agreement with Empresa Nacional de Minería (“Enami”).....	11
Other Royalties .....	11
Risk Factors .....	12
MVC revenue is subject to supply of tailings from El Teniente and extraction of old tailings.....	12
Fluctuating Metal Prices .....	13
Working Capital.....	13
History of Profits or Dividends.....	13
Operating and Development Risks .....	13
Foreign Operations .....	14
Environmental and Other Regulatory Requirements .....	14
Competition for Acquisitions.....	15
Repatriation Of Earnings .....	15
Currency Fluctuations.....	15
Foreign Exchange Controls.....	15
Uninsurable Risks .....	15
Price Volatility Of Public Stock .....	15
Shares Reserved For Future Issuance .....	15
Management.....	16
Conflicts of Interest .....	16
Minera Valle Central Operations .....	16
<b>DIVIDENDS .....</b>	<b>18</b>
<b>DESCRIPTION OF CAPITAL STRUCTURE.....</b>	<b>18</b>
<b>MARKET FOR SECURITIES .....</b>	<b>19</b>
Trading Price and Volume .....	19
Escrowed Securities .....	20
<b>DIRECTORS AND OFFICERS .....</b>	<b>20</b>

## TABLE OF CONTENTS

(continued)

	Page
Name, Occupation and Security Holding .....	20
Directors' Term.....	22
Committees of the Board of Directors .....	22
Audit Committee.....	22
Nomination Committee.....	23
Disclosure Policy Committee .....	23
Compensation Committee.....	23
Corporate Governance .....	23
Cease Trade Orders, Bankruptcies, Penalties or Sanctions .....	23
Conflicts of Interest .....	24
<b>AUDIT COMMITTEE INFORMATION .....</b>	<b>25</b>
Audit Committee Mandate.....	25
Composition of the Audit Committee.....	25
Relevant Education and Experience .....	25
External Auditor Services Fees (By Category).....	25
<b>LEGAL PROCEEDINGS .....</b>	<b>25</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>26</b>
<b>TRANSFER AGENTS AND REGISTRARS .....</b>	<b>26</b>
<b>MATERIAL CONTRACTS .....</b>	<b>26</b>
<b>INTERESTS OF EXPERTS .....</b>	<b>26</b>
Names of Experts .....	26
Interests of Experts .....	26
<b>ADDITIONAL INFORMATION.....</b>	<b>26</b>
<b>SCHEDULE "A" AUDIT COMMITTEE CHARTER .....</b>	<b>1</b>

## **PRELIMINARY NOTES**

In this Annual Information Form ("AIF"), Amerigo Resources Ltd., including all subsidiaries as the context requires, is referred to as the "Company". All information contained herein is as at December 31, 2009, unless otherwise stated.

### **Financial Statements**

This AIF should be read in conjunction with the Company's consolidated audited financial statements and notes thereto, as well as with management's discussion and analysis for the year ended December 31, 2009. The financial statements and management's discussion and analysis are available at [www.amerigoresources.com](http://www.amerigoresources.com) and under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Currency**

All sums of money which are referred to in this AIF are expressed in lawful money of the United States, unless otherwise specified.

### **Cautionary Statement Regarding Forward-Looking Statements**

This AIF contains "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; earthquakes and other natural disasters; actual results of planned expansion activities; changes in project parameters as plans continue to be refined, future prices of resources; possible variations in grade or recovery rates, accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed under "Description of the Business – Risk Factors". Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements or information contained in this AIF.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

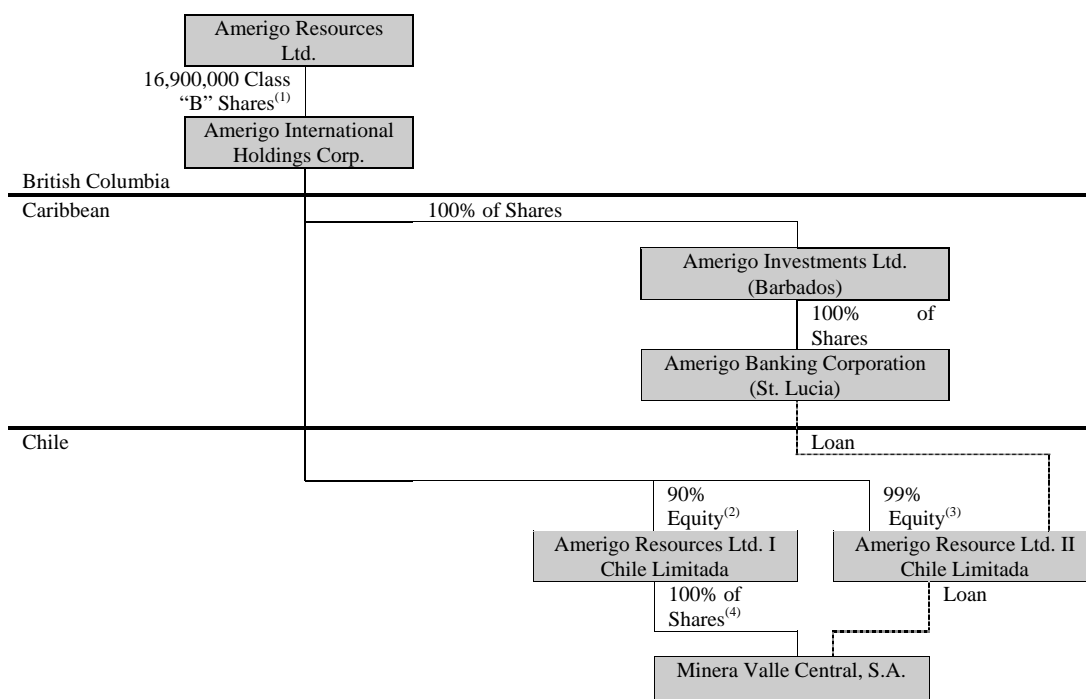
Amerigo Resources Ltd. was incorporated by registration of its memorandum and articles pursuant to the laws of the Province of British Columbia on January 23, 1984 under the name “Silent Canyon Resources Ltd.” Effective April 27, 1988, the Company changed its name from “Silent Canyon Resources Ltd.” to “Golden Adit Resources Ltd.”, consolidated its share capital on a 2:1 basis and subsequently increased its authorized capital to 20,000,000 common shares without par value. The Company changed its name effective June 8, 1990 from “Golden Adit Resources Ltd.” to “First Northern Developments Inc.” Effective September 20, 1993, the Company changed its name from “First Northern Developments Inc.” to “Consolidated First Northern Developments Inc.”, consolidated its share capital on a 2.65:1 basis and increased its authorized capital to 25,000,000 common shares without par value. Effective March 15, 1996, the Company changed its name from “Consolidated First Northern Developments Inc.” to “Golden Temple Mining Corp.”, consolidated its share capital on a 5:1 basis and increased its authorized capital to 25,000,000 common shares without par value. The Company increased its authorized capital to 100,000,000 common shares without par value effective August 5, 1997. Effective March 8, 2002, the Company changed its name from “Golden Temple Mining Corp.” to “Amerigo Resources Ltd.” and consolidated its share capital on a 4:1 basis. Effective September 11, 2002, the Company increased its authorized capital to 100,000,000 common shares without par value. Effective March 16, 2004, the Company increased its authorized capital to 200,000,000 common shares without par value. Also effective March 16, 2004, the Company amended its articles to provide for a rotating board of directors, divided into Class I, II and III, each class having a three year term. On June 29, 2004, the Company transitioned to the *Business Corporations Act* (British Columbia), and on June 17, 2004 the shareholders of the Company approved the replacement of the Articles of the Company and an increase in the authorized capital to an unlimited number of common shares without par value.

The Company’s head and principal office is located at Suite 3083 – 595 Burrard Street, P.O. Box 49298, Bentall III, Vancouver, B.C. V7X 1L3. The Company’s registered and records office is located at Suite 2300 – 550 Burrard Street, P.O. Box 30, Vancouver, B.C., V6C 2B5.

### **Intercorporate Relationships**

The Company has subsidiaries in Canada (Amerigo International Holdings Corp., incorporated on June 20, 2003), Chile (Amerigo Resources Ltd. I Chile Limitada and Amerigo Resources Ltd. II Chile Limitada, both formed on June 20, 2003), St. Lucia (Amerigo Banking Corporation, incorporated on February 27, 2004) and Barbados (Amerigo Investments Ltd., incorporated on December 23, 2004). The foreign subsidiaries were created for the purpose of acquiring and holding Minera Valle Central, S.A. (“MVC”), a Chilean copper producer, in a tax effective manner. MVC was incorporated under the laws of Chile on October 9, 1990. Amerigo Banking Corporation is licensed as a bank under the laws of St. Lucia.

The following chart sets forth the names of the current active subsidiaries of the Company, their respective jurisdictions of incorporation or formation, as the case may be, and the Company’s current voting and equity interest therein.



- (1) These represent 100% of the Class B Common Shares. A director of the Company and associates of directors of the Company indirectly hold 1,900,000 Class A Common Shares of Amerigo International Holdings Corp. See "Description of the Business – General - Royalties".
- (2) The other equity owner (10%) is Amerigo Resources Ltd.
- (3) The other equity owner (1%) is Amerigo Resources Ltd.
- (4) Amerigo International Holdings Corp. holds the minimum number of shares of Minera Valle Central S.A. required by Chilean law.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History and Significant Acquisitions

#### Year Ended December 31, 2007

The Company's net earnings for the year ended December 31, 2007 were \$24,282,354 or \$0.26 per share, down from net earnings of \$39,283,683 or \$0.42 per share in 2006. Revenue was \$105,694,549 compared to \$82,054,432 in 2006. Normalized earnings for each year (after removing \$711,591 and \$8,530,377 for gains recorded in 2007 and 2006 respectively on the sale of the Company's holdings in Chariot Resources), were \$23,570,763 in 2007 and \$30,753,306 in 2006, a variance of \$7,182,543. In addition, during 2007 the Company experienced an unprecedented increase in power costs due to the extremely tight power market and consequently high cost of power in Chile. Power costs were \$19,992,177 higher than in 2006.

During 2007, MVC produced 33.21 million pounds of copper from its processing facility, 35% higher than the 24.67 million pounds of copper produced in 2006. Copper production increased in 2007 mainly as a result of the normalization of fresh tailings flow to MVC. The Company also recommenced processing of old tailings in the amount of 10,000 to 12,000 tonnes per day in Q4-2007. Molybdenum production decreased to 639,020 lbs. compared to 674,549 lbs. produced in 2006, due to lower molybdenum content in fresh tailings.

2007 revenue included copper revenue of \$90,033,959 and molybdenum revenue of \$15,660,590, all net of smelter, refinery and roasting charges. Copper revenue increased from 2006 due to a 33% increase in annual sales volume and lower smelter and refinery and other charges, despite lower average copper

prices. The Company sold 33.15 million pounds of copper, up from 24.91 million pounds sold in 2006, and the Company's gross copper selling price was \$3.10/lb, as compared to \$3.33/lb in 2006.

The Company sold 611,885 pounds of molybdenum at a gross selling price of \$31.21/lb, compared to 697,171 pounds sold in 2006 at a gross selling price of \$24.34/lb. Gross molybdenum selling prices are calculated by dividing moly revenue (before roasting charges and including settlement adjustments to prior year's sales) by the number of pounds of moly sold in the year. During fiscal 2006, the Company earned revenues of \$2,150,853 pursuant to a tolling agreement with Codelco's Chuquicamata division to process certain of Codelco's molybdenum-copper bulk concentrates at MVC's plant. In 2007 the Company earned no such revenues.

Smelter and refinery costs were \$12,846,668, and cash costs were \$49,922,044 or \$1.50 per pound in fiscal 2007. On a quarterly basis, cash costs per pound were \$1.47 in Q1; \$1.19 in Q2; \$1.78 in Q3; and \$1.60 in Q4.

The most significant increase in cash costs came from a \$0.34/lb increase in production costs, mostly due to an almost threefold increase in power costs to \$0.1732/kWh compared to \$0.0603/kWh in 2006. Argentina suffered one of its coldest winters on record, and virtually stopped gas exports to Chile. This forced Chile to adopt diesel-based power production, which resulted in increased energy production costs that are expected to continue for the next several years at least until the completion of major power supply projects currently in the permitting stage or under construction in Chile. In light of this situation, and to secure MVC's power supply, the Company made the strategic decision to become substantially energy self-sufficient and to limit the Company's exposure to high power costs through the purchase of two used 10 megawatt generators that operate on heavy oil fuel.

In fiscal 2007, total production costs were \$72,996,354 or \$2.20/lb. The most significant impact on total costs was a \$0.30/lb increase in cash costs. There also was a \$0.04/lb increase in the royalty paid to El Teniente, and a \$0.06/lb increase in amortization due to MVC's higher asset base.

During the year, the price of copper decreased from \$3.05 per pound (December 2006 average) to \$2.99 (December 2007 average). Molybdenum sales were priced at a gross price of \$30.31/lb for Q1, \$33.06/lb for Q2, \$28.36/lb for Q3 and \$31.75/lb for Q4. Molybdenum production was 123,448 lbs during Q1, 204,647 lbs during Q2, 153,295 lbs in Q3 and 157,630 lbs during Q4.

During 2007, capital expenditures of \$16,155,170 included \$10,291,687 for mill refurbishing, equipment and studies for old tailings extraction, increase of rougher circuit capacity, refurbishing of pre-classification areas and other miscellaneous projects under MVC's approved annual capital expenditures budget of \$10,312,584. MVC also incurred \$5,863,483 in capital expenditures on the Company's self-generation power project.

On February 24, 2007 the Company declared a dividend of \$5,286,918 or Cdn 6.5¢ per share that was paid on April 4, 2007 to shareholders of record as of March 27, 2007. On July 30, 2007 the Company declared a dividend of \$5,802,371 or Cdn 6.5¢ per share that was paid on August 31, 2007 to shareholders of record as of August 22, 2007.

The Company once again renewed its normal course issuer bid effective the one year period commencing on November 14, 2007 and ending on November 13, 2008, pursuant to which the Company's board authorized the acquisition of up to 2,000,000 of Amerigo's common shares. During the year ended December 31, 2007, Amerigo purchased and cancelled 160,000 shares at a total cost of \$340,301.

Year Ended December 31, 2008

The Company had a net loss of \$18,986,845 for the year ended December 31, 2008, or (\$0.20) per share, compared to net earnings of \$24,282,354 or \$0.26 per share in 2007. Revenue was \$97,627,482 compared to \$105,694,549 in 2007. The loss included an \$18,855,343 write-down of investments to fair value, \$3,049,900 in negative settlement adjustments to prior quarters' copper sales in Q3, and \$12,463,135 in negative settlement adjustments to prior quarters' copper and molybdenum sales in Q4. Power costs were \$37,945,807 (\$0.21/kwh) for the year, compared to \$27,501,016 (\$0.17/kwh) in 2007 and \$7,508,839 in 2006.

MVC produced 34.63 million pounds of copper and 769,142 pounds of molybdenum from its processing facility, higher than the 33.21 million pounds of copper and 639,020 pounds of molybdenum produced in 2007, due to higher flow and grades of fresh tailings, continued processing of old tailings and more efficient recoveries in the molybdenum plant.

2008 revenue included copper revenue of \$82,564,295 and molybdenum revenue of \$15,063,187, both of which are net of smelter, refinery and roasting charges. Copper revenue decreased from 2007 due to lower average copper prices. In 2008 the Company sold 34.69 million pounds of copper, compared to 33.15 million pounds in 2007. In 2008 the Company's copper selling price before smelter, refinery and other charges and settlement adjustments to prior quarters' production was \$2.77/lb, compared to \$3.18/lb in 2007.

In 2008 the Company sold 778,501 pounds of molybdenum at a selling price before roasting charges and settlement adjustments to prior quarters' production of \$29.05/lb, compared to 611,885 pounds of molybdenum sold in 2007 at a selling price before roasting charges and settlement adjustments to prior quarters' production of \$30.06/lb.

Smelter and refinery costs were \$11,187,779 and cash costs were \$ 69,741,190 or \$2.01/lb. in 2008. On a quarterly basis, cash costs per pound were \$2.51 in Q1; \$2.11 in Q2; \$1.60 in Q3; and \$1.99 in Q4. Total costs were \$95,099,785 or \$2.75/lb, compared to \$72,996,354 or \$2.20/lb. in 2007.

Power, MVC's most significant cost, increased to \$0.2103/kWh in 2008, compared to \$0.1732/kWh in 2007. Chile's tight energy situation was affected by severe droughts in the first half of 2008, severely affecting MVC's power costs in Q1-2008 and Q2-2008. Signs of improvement were visible as of Q3-2008, as intensive rains during the winter allowed increased access to hydroelectric power supplies. The Chilean government also adopted a series of measures to avoid the possibility of power blackouts, including a temporary 10% voltage reduction in the grid, mass media campaigns aimed at conserving energy and economic incentives for domestic and industrial users reaching certain energy saving goals. According to Chile's Ministry of Energy, new power generation projects are also becoming operational.

During the year, the price of copper decreased to \$1.39/lb. (December 2008 average) from \$2.99 (December 2007 average). Molybdenum sales were priced at a gross price of \$32.41/lb for Q1, \$34.12/lb for Q2, \$33.76/lb for Q3 and \$17.76/lb for Q4. Molybdenum production was 148,670 lbs during Q1, 147,508 lbs during Q2, 261,234 lbs in Q3 and 211,730 lbs during Q4.

Capital plant increased by \$23,001,946 in 2008, including \$13,980,404 in capital expenditures on the self-generation power project. Expenditures for other major capital projects were made in connection with old tailings extraction, increase of rougher circuit recovery and pre-classification of fresh tailings. Total cash payments for capital expenditures in 2008 were \$23,133,008.

On February 27, 2008 the Company declared a dividend of \$6,018,524 or Cdn 6.5¢ per share that was paid on April 2, 2008 to shareholders of record as of March 25, 2008. On July 24, 2008 the Company



declared a dividend of \$5,784,475 or Cdn 6.5¢ per share that was paid on September 5, 2008 to shareholders of record as of August 22, 2008.

The Company had in place a one-year normal course issuer bid that ended on November 13, 2008. During 2008 the Company purchased and cancelled 1,001,200 shares pursuant to the bid at a total cost of \$1,589,328.

The Company's board of directors adopted a Shareholder Rights Plan (the 'Rights Plan') for the Company, and the Rights Plan was entered into by the Company and Computershare Investor Services Inc., the Company's transfer agent, on December 24, 2008. The implementation of the Rights Plan was ratified by the Company's shareholders at the Company's annual general meeting held June 24, 2009.

#### Year Ended December 31, 2009

The Company posted net earnings of \$45,749 for the year ended December 31, 2009, or \$nil per share, compared to a net loss of \$18,986,845 or (\$0.20) per share in 2008. The Company's results included net earnings of \$7,149,882 and operating cash flow of \$11,342,732 in the last six months of the year. Financial performance improved in 2009 due to a combination of higher copper production, a recovery in copper market prices and lower production costs. Revenue was \$89,473,248 compared to \$97,627,482 in 2008. Power costs were \$23,336,113 (\$0.1135/kwh) for the year, compared to \$37,945,807 (\$0.21/kwh) in 2008, due to lower Chilean central grid power costs.

During 2009, MVC produced 38.96 million pounds of copper and 594,813 pounds of molybdenum, compared to 34.63 million pounds of copper and 769,142 pounds of molybdenum produced in 2008.

2009 revenue included copper revenue of \$84,528,778 and molybdenum revenue of \$4,944,470, both of which are net of smelter, refinery and roasting charges.

The Company sold 39.39 million pounds of copper compared to the 34.69 million pounds of copper sold in 2008. Since MVC does not ship concentrates overseas, smelter and refinery charges include the smelter's participation in MVC's cost savings for shipping. The Company's copper selling price before smelter, refinery and other charges and settlement adjustments to prior quarters' production was \$2.35/lb, compared to \$2.77/lb in 2008.

In 2009 the Company sold 594,380 pounds of molybdenum, compared to 778,501 pounds of molybdenum sold in 2008. Molybdenum revenue of \$4,944,470 for the year was dramatically lower than \$15,063,187 in 2008, due to decreased production and sales levels and a 61% decrease in the Company's molybdenum selling price to \$11.20/lb from \$29.05/lb in 2008.

Smelter and refinery costs were \$10,562,676 and cash costs were \$63,016,271 or \$1.62/lb. in 2009, a significant improvement from \$2.01/lb. in 2008. On a quarterly basis, cash costs per pound were \$1.94 in Q1; \$1.56 in Q2; \$1.49 in Q3; and \$1.58 in Q4. Total costs were \$86,197,651 or \$2.21/lb., compared to \$95,099,785 or \$2.75/lb in 2008, despite increased production levels.

The Company's production levels continued to improve during the course of the year. Copper production rose each quarter, and was 3,288 tonnes in Q1, 4,358 tonnes in Q2, 4,589 tonnes Q3 and 5,498 tonnes in Q4. Molybdenum production also increased each quarter and was 97,184 lbs during Q1, 99,683 lbs during Q2, 151,310 lbs in Q3 and 246,636 lbs during Q4. Copper and molybdenum unit production costs continue to show a declining trend from historically high levels in 2008. The Company believes that this trend will continue as production is expected to increase in 2010 from 2009 levels.

Capital plant increased by \$10,784,059 in 2009 compared to \$23,001,945 in 2008. The most significant capital expenditures in 2009 were made in connection with equipment and installations for old tailings classification and recirculation, and to increase MVC's processing capacity of old tailings to 30,000TPD. The Company's 2009 capital expenditures budget originally had anticipated an expansion to the old tailings processing facilities to 25,000TPD but management decided to undertake additional capital projects to further increase processing capacity in order to take advantage of stronger copper prices. In addition, a total of \$4,070,314 was spent on MVC's power plant project.

During the year the Company completed a non-brokered private placement of 37,500,000 units at a price of Cdn\$0.28 per unit for gross proceeds of \$8,480,068 (Cdn\$10,500,000). Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase one additional share of the Company at a price of Cdn\$0.33 per share until February 15, 2010, and thereafter at a price of Cdn\$0.40 per share until February 14, 2011. The Company also issued a further 1,244,400 units as finders' fees in respect of a portion of the private placement. Total share issuance costs were \$318,476.

#### *Liquidity and Capital Resources*

The Company's cash and cash equivalents at December 31, 2009 were \$7,191,093, compared to \$3,187,084 at December 31, 2008. The Company had a working capital deficiency of \$6,353,737 at December 31, 2009 compared to a working capital deficiency of \$14,116,136 at December 31, 2008.

The Company's cash and working capital were severely affected by the sharp decline in copper and molybdenum prices that took place in Q4-2008. Depressed metal prices subjected the Company to negative pricing adjustments in sales which had been provisionally priced at substantially higher prices, resulting in significantly reduced revenue and cash inflows.

With stronger copper prices, higher copper production levels and lower production costs, the Company generated positive operating cash flows in 2009. The Company also returned to a positive working capital position in February 2010 after receiving proceeds of Cdn\$12,013,452 on the exercise of the remainder of all warrants outstanding pursuant to the February 2009 non-brokered private placement.

In order to ensure adequate levels of operating cash flow to service trade and bank debt, during 2009 MVC entered into two separate transactions with Enami to obtain a guaranteed floor price for a portion of its copper production, making use of a zero cost minimum/maximum price structure.

Under the first transaction, MVC obtained the right to receive a minimum price of \$2.00/lb for 800 tonnes per month of copper production for the June to November 2009 quotas (quotas were subject to M+1 pricing), representing approximately 50% of MVC's forecast copper production over that period. In return for the guaranteed minimum price, MVC agreed to a maximum price of \$2.48/lb on this production.

Under the second transaction, MVC obtained the right to receive a minimum price of \$2.60/lb for 800 tonnes per month of copper production, for quotas from December 2009 to May 2010 (the price-protected portion of the December 2009 quota was subject to M+1 pricing, the price-protected portions of the January to May 2010 quotas is subject to M+4 pricing), representing approximately 45% of MVC's forecast copper production over that period. In return for the guaranteed minimum price, MVC agreed to a maximum price of \$3.20/lb on this production.

Enami also provided MVC with a loan to cover payments for negative settlement adjustments to copper sales that resulted from the sharp decline in copper prices in Q4-2008. As at December 31, 2009 the principal amount of this loan was \$8,523,632, and monthly payments were set at \$325,000 plus interest

for the period from May 2009 to March 2010, and \$629,052 plus interest for the period from April 2010 to March 2011.

In addition to the facilities described above, Enami provided MVC with copper price sustainability loans in the amount of \$683,961. The sustainability loans were fully repaid in June 2009.

MVC also obtained a loan from Codelco-El Teniente for the equivalent of \$5,376,216, in respect of the deferral of 70% of the royalty invoices to MVC for the months of November 2008 to April 2009. The amount outstanding on this loan at December 31, 2009 was the equivalent of \$3,889,903. MVC agreed to make monthly installment payments to Codelco of approximately \$486,238 during the period from July 2009 to August 2010, except in cases where the average monthly copper price falls below \$1.50/lb or increases to more than \$3/lb for three consecutive months, in which case the monthly installments will be adjusted to be approximately \$364,678 or \$729,357 respectively. All such payments have been made to date. The total El Teniente royalty payable amounts shown in the Balance Sheet at December 31, 2009 include the loan and the current royalties due to El Teniente in the normal course of business.

MVC and Molymet agreed that negative molybdenum pricing adjustments would be settled against physical deliveries of molybdenum in 2009. Amounts due to Molymet were fully repaid in July 2009.

Finally, MVC has two bank loans in Chile, the first being denominated in Unidades de Fomento (“UF”), a Chilean indexed monetary unit, and the second one in Chilean pesos, for a total of the equivalent of \$12,726,964 at December 31, 2009. A \$7,015,635 loan was structured as a medium term loan on October 20, 2009. This loan is repayable in eight equal quarterly installments of UF20,950.035 each starting on January 20, 2010. The second loan of \$5,711,329 has had several review dates, the current one being March 28, 2010. It is customary in Chile to have short term renewal dates for loans and for loans to be rolled over as long as they remain in good standing. In February 2010, the Company requested a one-month extension on this second loan to evaluate the bank’s proposal for structuring this loan into a long-term loan or for the repayment of the loan.

At December 31, 2009, the Company was not subject to debt covenants except for covenants that MVC has to meet at December 31 and June 30 of each year in connection with the medium-term bank loan referred to above. As at December 31, 2009, MVC was in compliance with these covenants.

In addition to the steps outlined above, the Company has also reduced capital and discretionary expenditures and suspended dividend distributions for the foreseeable future.

The Company’s long-term liabilities (Long Term Enami Loan, Long Term El Teniente Royalty Payable, Other Payables, Asset Retirement Obligations and Future Income Tax Liabilities) at December 31, 2009 were \$21,547,373, compared to \$16,981,669 on December 31, 2008. The increase in long-term liabilities is due largely to an increase in the Company’s future income tax liabilities and the reclassification of bank debt of \$3,450,996 as long-term debt.

#### *Projected Capital Expenditures*

The Company has budgeted for a total of approximately \$9.3 million in capital expenditures for 2010.

#### *Subsequent Events*

Subsequent to December 31, 2009:

- (a) The Company received proceeds of Cdn\$12,013,452 on the exercise of 36,404,400 warrants.

- (b) On February 27, 2010, a bank loan's review date was extended to March 28, 2010 at MVC's request, in order for MVC to evaluate the bank's proposal with respect to structuring the loan on a long-term basis or repayment of the loan.
- (c) An 8.8 magnitude earthquake struck Chile on February 27, 2010, and there have been a number of aftershocks since then. Fortunately there have been no reported injuries to MVC employees and family members, but tailings flow to MVC's operations has been interrupted and the plant shut down because of power outages caused by the earthquake and aftershocks. As of the date of this AIF, MVC's operations are once again in full production.

## **DESCRIPTION OF THE BUSINESS**

### **General**

Since July 3, 2003, the Company, through its wholly-owned Chilean subsidiary MVC, has been in the business of processing copper tailings for the production of copper concentrate in Chile. During the spring of 2005, the Company completed the construction of a molybdenum plant in Chile and has been producing molybdenum concentrate since that time.

As of December 31, 2009, the Company had one employee at its head office in Vancouver and MVC had 168 employees and 426 sub contractors at its operation in Rancagua, Chile. The Company also retains 4 subcontractors in Vancouver. All aspects of the Company's business require specialized skill and knowledge, particularly with respect to the areas of tailings processing, engineering and accounting. The Company has found that it can locate and retain employees and contractors with such skills and knowledge.

### Minera Valle Central, S.A.

MVC, with its production facilities located 8 kilometres east of Rancagua, Chile and 90 kilometres south of Santiago, Chile, has a tailings supply contract with Codelco, Chile's state-owned copper producer, to process copper tailings discharged from the concentrators used in connection with the El Teniente mine in Chile. The Company also has an agreement with Codelco to process a supplementary source of tailings from the old tailings impoundment located adjacent to MVC's facilities.

MVC's copper production facility commenced operations in 1992, and in 2009 treated an average of 3,772,845 tonnes per month of fresh tailings.

### Underlying Contracts with Codelco

The El Teniente concentrator tailings are processed by MVC pursuant to a contract originally completed in 1991 which currently runs to 2021. Since it was originally negotiated, this contract has been extended twice, in 1996 and 2002. Pursuant to the amendment to the contract made in 2002, MVC negotiated the right to treat up to 10,000 tpd of higher grade tailings from the old tailings impoundment located near MVC's plant. On November 12, 2004, the Company announced an agreement in principle to increase the rate of extraction of feed material from the old tailings impoundment from 10,000 tpd to 45,000 tpd.

The contract with Codelco sets out the following schedule containing a projection (as of January 2001) for the supply of fresh El Teniente tailings:

**FRESH TAILINGS PROJECTION TABLE**

Year	Tons of Tailings (tpd)	Copper Grade (% Cu T)	Tons of Copper (fmt)	Year	Tons of Tailings (tpd)	Copper Grade (% Cu T)	Tons of Copper (fmt)
2001	94,207	0.15	52,632	2014	121,685	0.11	48,759
2002	95,129	0.15	52,827	2015	121,724	0.11	50,140
2003	110,664	0.15	58,982	2016	121,878	0.11	47,219
2004	121,677	0.12	52,668	2017	122,020	0.11	47,858
2005	121,694	0.11	50,289	2018	122,049	0.11	46,900
2006	121,709	0.12	52,504	2019	122,122	0.10	45,922
2007	121,591	0.12	51,123	2020	122,122	0.10	44,862
2008	121,539	0.12	52,572	2021	122,338	0.10	45,679
2009	121,454	0.13	55,113	2022	122,338	0.10	44,449
2010	121,468	0.13	55,637	2023	122,179	0.11	47,794
2011	121,477	0.12	53,746	2024	122,157	0.11	50,913
2012	121,617	0.11	49,667	2025	111,574	0.11	43,068
2013	121,606	0.11	48,381				

Codelco has agreed to provide a total of 1,063,480 tonnes of fine copper from the supply of fresh tailings from El Teniente for the period from January 1, 2001 to December 31, 2021. If the total copper content during that period falls below that amount by more than 10%, the term of the contract will be extended by the proportion corresponding to the fine copper deficit exceeding such 10%. Otherwise, the contract terminates on December 31, 2021.

With respect to fresh tailings, a royalty is payable under a formula that takes into account both the price of copper and the copper content in the tailings. No royalties are payable if the copper price is below \$0.80 per pound (for copper content in tailings between 0.09% and 0.1499%); if the copper price is between \$0.80 and \$0.95 the royalty varies on a sliding scale from 0 to 10%; if the copper price is between \$0.95 and \$1.30 the royalty is 10%; and if the copper price is \$1.30 or higher, the maximum royalty of 13.5% is payable.

Molybdenum production from fresh tailings attracts a royalty of a flat 10% of net revenue received from the sale of molybdenum concentrates.

During 2009 MVC came to an agreement in principle with El Teniente dealing with MVC's rights to process old tailings from the Colihues tailings impoundment. The new agreement provides for a sliding scale copper royalty that is nil if the LME Price is less than \$1.52/lb, and rises to approximately 26% at an LME Price of \$4.27, but also contains a provision that the parties will review and potentially adjust the formula where the LME Price remains lower than \$1.95/lb or higher than \$4.27/lb for 3 consecutive months. For molybdenum prices lower than \$35/lb, the royalty is 11.9% and for molybdenum prices greater than or equal to \$35/lb, the royalty is 12.4%. The agreement further provides that in December of each year the parties will revise the formula's grade and recovery parameters if necessary.

Royalty payments are priced at the average LME published price for the month of delivery of the tailings, and invoiced by El Teniente 3 months following the month of delivery. Royalties are payable within 10 days of receipt of invoice.

### Concentrate Sales Agreement with Empresa Nacional de Minería (“Enami”)

All copper concentrate produced by the MVC operation is processed under smelting contracts with Enami.

In 2006 the Company paid a treatment charge of \$122 per tonne of concentrate, a refining charge of \$0.122 per pound of contained copper, and an increase in refining charges equal to 10% of the copper price over \$1.00 per pound. Due to production restrictions in 2006, MVC sold significantly less copper than estimated under the original 2006 concentrate supply quota with Enami. To address this matter, MVC and Enami agreed to lower the supply quotas for September, October, November and December 2006, and to maintain smelter and refinery charges at 2006 CRU pricing levels until MVC met the 2006 revised quota, which occurred in March 2007. The contract was modified for 2007 to provide for a treatment charge of \$125 per tonne of concentrate and a refining charge of \$0.125 per pound of contained copper. More significantly, the parties agreed that there would be no participation clause for 2007.

For 2008, MVC and Enami agreed to a treatment charge of \$133 per tonne of concentrate and a refining charge of \$0.045 per pound of contained copper. As in 2007, there was no price participation clause. Due to irregularities in tailings flow in April and May, and some operational restrictions during December, total deliveries to Enami reached 55,368 tons of copper concentrate during 2008, falling short of the 65,000 tonne quota. The deficit was delivered during Q1 2009.

For 2009, MVC and Enami agreed to a treatment charge of \$133 per tonne of concentrate and a refining charge of \$0.045 per pound of contained copper. As in 2008, there was no price participation clause. Total deliveries to Enami reached 60,319 tons of copper concentrate during 2009, which completed the 50,606 tonne 2009 quota and a shortfall of approximately 9,600 tonnes of concentrate from the 2008 quota.

The Company and Enami continue to negotiate the 2010 modifications to the contract to take into account the CRU terms negotiated for 2010. The Company anticipates that such modifications will take place in the near future.

### Other Royalties

In addition to the royalties payable to Codelco, the Company’s subsidiary, Amerigo International Holdings Corp. (“Amerigo International”), pays a monthly royalty dividend to the holders of Class A shares of Amerigo International. This royalty was negotiated when Messrs. Steven G. Dean and Klaus M. Zeitler assigned the option to acquire MVC (the “Option”) to the Company in an agreement completed in March 2003 (the “Assignment Agreement”) and approved by shareholders in June 2003. Under the Assignment Agreement, Messrs. Dean and Zeitler could either receive 7,500,000 common shares of the Company, or a royalty on all production by MVC. Messrs. Dean and Zeitler subsequently elected in May 2003 to receive the royalty as consideration for the assignment of the Option.

During 2005 it was brought to the attention of the Company’s board of directors that, by virtue of a mutual mistake in documentation among the Company and Messrs. Dean and Zeitler, the description of the royalty was incomplete. Based on independent legal advice from external counsel, the Company agreed to take the steps necessary to rectify the description of the royalty to reflect the original intent and agreement of the parties. As a result, the documentation was amended to reflect that the royalty is calculated on a copper equivalent basis to thereby recognise the inclusion of other metals in addition to copper, and the shareholders of Amerigo International agreed to amend the articles of Amerigo International to effect this and several other amendments in connection with the rectification. The royalty dividend is equal to the following:

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

The Class A shares of Amerigo International are owned indirectly by Steven Dean, Klaus Zeitler and an associate of Dr. Zeitler. Messrs. Dean and Zeitler are directors and officers of the Company. In the event of the liquidation, dissolution or winding-up of the Company, or other distribution of the assets of the Company among the members for the purpose of winding-up its affairs, each holder of Class A common shares will be entitled to receive in preference to and priority over any distribution to the Class B shareholders, a pro rata portion of the net present value of the royalty dividend set out above. In all other respects, Amerigo International is controlled by the Company and is a wholly-owned subsidiary for accounting purposes.

### **Risk Factors**

An investment in the securities of the Company should be considered speculative due to the nature of the business of the Company, and involves significant risks which should be carefully considered by prospective investors. In addition to the other information set forth elsewhere in this AIF, the following risk factors should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the following risks could have a materially adverse effect upon the Company, its business and future prospects. In addition, other risks and uncertainties not presently known by management of the Company could impair the Company's business in the future.

#### MVC revenue is subject to supply of tailings from El Teniente and extraction of old tailings

The Company's operations at MVC are substantially dependent upon fresh tailings supplied under an agreement with the El Teniente division of Codelco. During 2006 Codelco reduced the flow of fresh tailings to MVC and prohibited MVC from processing old tailings for a period of approximately 4 months, while a bridge which forms part of Codelco's tailings launder was reinforced. This had an adverse affect on the Company's production and financial results for 2006. Codelco continued to prohibit the Company from processing old tailings until Q4 2007 and the flow of fresh tailings was stopped for an additional period during Q2 2007 in order for final repairs to be made to the bridge, both of which had an adverse affect on the Company's production and financial results for 2007. The tailings launder was also damaged as a result of the massive earthquake that struck Chile on February 27, 2010, at which time MVC's operations were suspended for approximately one week until power and tailings flow to MVC's plant were resumed. In future, the Company may encounter similar or more severe interruptions in the flow of fresh and old tailings for similar or different reasons or mining events such as cave-ins, fires, earthquakes or other natural disasters, or non-mining events such as falling commodity prices, changing environmental regulations, taxes or labour disputes.

The El Teniente mine has been in operation for more than 100 years and it is estimated that the mine has sufficient reserves for a minimum of several decades at present production rates. However, there is no guarantee that El Teniente operations will continue uninterrupted in the future. The Company has business interruption insurance but, as is the industry standard, such insurance is subject to qualification periods which limit its effectiveness.

There is no guarantee that the Company will be able to successfully extract old tailings at the rate of 45,000 tpd, as agreed in principle with Codelco. In addition, there is a degree of uncertainty attributable to the calculation of the inferred mineral resource tonnage and grade of the old tailings being processed, which calculation is contained in the technical report prepared by Roger Moss, Ph.D., P.Geo., and Raúl Pobleto de la Cerda dated March 11, 2006, and referenced under the heading "Minera Valle Central

Operations” below. Although the inferred mineral resource figure has been carefully prepared by a mining expert, these amounts are estimates only. There are no guarantees with respect to the amounts of copper and molybdenum that the Company will extract from the fresh or old tailings.

### Fluctuating Metal Prices

Declines in copper and molybdenum prices that occurred during the ongoing global financial crisis significantly and adversely affected the Company’s financial results and the price of the Company’s common shares. Copper and molybdenum prices may fluctuate significantly and are affected by numerous factors beyond the Company’s control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, speculative activities, increased production due to new extraction developments and improved extracting and production methods, and the political and economic conditions of major copper-producing and consuming countries throughout the world. Future additional price declines could cause continued development of and commercial production from the Company’s projects and operations to be uneconomical. During 2009 the Company effectively hedged approximately 45-50% of its production for the months from June 2009 to May 2010, inclusive, by entering into minimum/maximum pricing arrangements with Enami (see Liquidity and Capital Resources, above). The Company may decide to enter into similar transactions in future but, despite such transactions and depending on the price of copper and molybdenum, cash flow from operations may not be sufficient and the Company may not be able to fund any future expansion plans or may be forced to discontinue production altogether.

### History of Profits and Dividends

The Company has had a history of profitability only since the acquisition of MVC in July 2003. The Company began paying dividends on its shares in September 2005 and, although the Board of Directors of the Company has approved a policy of paying semi-annual dividends averaging at least one-third of reported net earnings over a period of years, payment of dividends in the future is dependent upon, among other things, the Company’s cash flow and short term and long term needs and objectives, and therefore cannot be guaranteed. The Company has not declared a dividend in 2009, and there are no plans to do so in the foreseeable future.

### Working Capital

In the past the Company had positive working capital generated through MVC, and has utilized this working capital to expand MVC's operations. The Company has a positive working capital position as of the date of this AIF, however, the global financial crisis resulted in a negative working capital position for the Company during the latter part of 2008 and throughout all of 2009. There is no guarantee the Company's working capital will remain positive in the foreseeable future, or that the working capital generated from MVC's operations will be sufficient to undertake any future expansion plans or be sufficient for future acquisitions. In that circumstance, the only additional sources of funds available to the Company would be from the sale of equity capital of the Company, the sale of an interest in its assets or its investments in other reporting issuers, if any, debt financing or the exercise of outstanding share purchase options. There can be no assurance that the Company will be able to raise funds by any of these methods.

### Operating and Development Risks

The Company’s operations involve a degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company may become subject to liability for pollution, accidents, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences, against which it cannot insure, or may elect not to insure, may delay production, increase



production costs or result in liability to the Company. The payment of any liabilities caused by such occurrences may have a material, adverse effect on the Company's financial position.

### Foreign Operations

The Company's operations are currently conducted in Chile, and as such are exposed to economic and other risks and uncertainties which may include, but are not limited to, terrorism; hostage taking; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing leases, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Chile may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, new production royalties, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

### Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and expansion of production on its projects, may require permits from various federal and local governmental authorities. Such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for the conduct of its operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in such operations may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could have a significantly adverse effect on the business of the Company. Any operations involving the Company may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation often includes provisions relating to restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that requires stricter standards and enforcement, and fines and penalties for non-compliance are more

stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with environmental legislation and changes in such legislation has the potential to reduce the profitability of operations below an acceptable level. Stricter standards in environmental legislation may be imposed on the industry, the Company or El Teniente in the future, which could materially and adversely affect the business of the Company or its ability to develop its projects on an economic basis. In addition, should the Company be found to be in serious non-compliance with any environmental legislation, regulatory requirements or environmental standards, there may be a possibility of the cancellation of the Company's contractual and other arrangements with El Teniente and Codelco.

#### Competition for Acquisitions

Significant and increasing competition exists for mineral acquisition opportunities. As a result of this competition, some of which is with large established mining companies with substantial capabilities and far greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive resource projects on terms it considers acceptable.

#### Repatriation Of Earnings

There is no assurance that Chile or any of the countries in which the Company may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

#### Currency Fluctuations

The operations of the Company in Chile or any of the countries in which the Company may operate are subject to currency fluctuations against both the Canadian and US dollar, and such fluctuations may materially affect the financial position and results of the Company.

#### Foreign Exchange Controls

The Company may be subject from time to time to foreign exchange controls in Chile and in other countries in which it may operate outside of Canada.

#### Uninsurable Risks

In the course of exploration, development and production of mineral projects, certain risks, and in particular, unexpected or unusual operating conditions including, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

#### Price Volatility Of Public Stock

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for the common shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company's projects.

#### Shares Reserved For Future Issuance

The Company has reserved shares for issuance in respect of stock options granted to date. The Company may also enter into commitments in the future which would require the issuance of additional common

shares and the Company may grant share purchase warrants and additional stock options. Any issue of shares reserved for future issuance may result in dilution to the existing shareholdings of investors.

### Management

The business of the Company is highly dependent on the technical and financial ability of the management of the Company. Any change in management of the Company could therefore have a negative effect on the business of the Company. The Company does not have key person insurance in place.

### Conflicts of Interest

Some of the directors and officers of the Company are, or may be, on the board of directors of other natural resource companies from time to time resulting in conflicts of interests. In addition, Messrs. Dean and Zeitler are directors of the Company and receive a royalty dividend on all production by MVC. There is the potential for a conflict of interest between the interests of Messrs. Dean and Zeitler and the interest of the Company. These conflicts will be resolved in accordance with the governing legislation regarding conflicts of interests.

### **Asset-backed Securities**

The Company does not have, and has never had, any asset-backed securities.

### **Minera Valle Central Operations**

The following is the summary from a technical report (the "Technical Report") prepared by Roger Moss, Ph.D., P.Geo., and Raúl Poblete de la Cerda, General Manager of MVC, dated March 11, 2006. The full Technical Report may be found with the Company's filings at [www.sedar.com](http://www.sedar.com), and sections 4.0, 5.0, 9.0, 10.0, 11.0, 12.0, 13.0 and 14.0 of the Technical Report, and the subsections contained therein, are specifically incorporated by reference herein.

*"Minera Valle Central S.A. (MVC), a wholly-owned subsidiary of Amerigo Resources Ltd. (Amerigo), is a Chilean company that extracts copper and molybdenum from tailings discharged from CODELCO's El Teniente concentrators. The tailings are then returned to El Teniente's tailings disposal system. Roger Moss, Ph.D., P.Geo., was retained by Amerigo to provide a review of the past and future operation of MVC, to review the historical estimates regarding the Colihues tailings impoundment and to determine if such estimates could be classified as current mineral resources under National Instrument 43-101.*

*MVC currently has 15 years remaining on its tailings supply contract with El Teniente. It has also negotiated a supplementary source of higher grade tailings from the Colihues tailings impoundment. MVC has the right to treat up to 45,000 tonnes per day (tpd) of tailings from Colihues, mixed with the fresh tailings from El Teniente. El Teniente currently supplies approximately 130,000 tpd of fresh tailings.*

*This report covers the technical and production aspects of the present and potential future operation. Legal, specific tax issues and economic analysis are not covered.*

*MVC's operation is located in Region VI in central Chile, approximately 9 km east of the city of Rancagua. The site is 36 km west of the El Teniente mine and adjacent to the Colihues tailings impoundment. The Colihues impoundment was used from 1977 to 1987. El Teniente now deposits its tailings in the Carén impoundment that is 50 km east of the MVC site.*

*MVC first started recovering copper by reprocessing El Teniente tailings in 1992. The plant was expanded to 100,000 tpd in 1997 and, in 2004-2005, expanded again to its present capacity of 200,000 tpd.*

*El Teniente has been in operation since 1904 and is the world's largest underground copper mine. Current production is approximately 130,000 tpd of ore at an average grade of 1.16%Cu. El Teniente has reported more than 3 billion tonnes in reserves and at the present production rate of 130,000 tpd of ore has more than 60 years life remaining. El Teniente's production plans include the production of 1,139 million tonnes of tailings over the next 25 years at an average grade of 0.112%CuT (Total Copper) and 0.03% Soluble Cu. Based on historical performance, the authors recommend that this tonnage forecast be discounted by 3.5%, which will not significantly affect MVC's production.*

*An inferred resource of 213,697,056 tonnes at a grade of 0.262% CuT and 0.01% Mo, current as of March 7, 2006, has been calculated for the tailings in the Colihues impoundment. This represents a significant additional supply of high grade tailings for MVC.*

*MVC plans to extract the tailings from the Colihues impoundment using hydraulic monitors (currently operated by Fraser Alexander), with the backup of a "submersible miner" and dredge pumps on a floating platform. At present the system extracts tailings at the rate of 13,000 tpd, and is projected to expand to a capacity of 45,000 tpd by the end of 2007.*

*The existing MVC process plant is well designed and maintained and is in good condition. In 2005, it produced 13,552 tonnes of copper in concentrate and 631,843 pounds of molybdenum in concentrate.*

*MVC estimates that with the present fresh tailings conditions, the projected extraction rate from the Colihues dam (45,000 tpd) and the expansion of the grinding and flotation plant facilities, production of fine copper in concentrates could be increased on an annualized basis to a total of 30,000 tonnes per annum by the end of 2007.*

*MVC reported total cash operating costs to cathode (including royalty payments to the El Teniente Division of Corporacion Nacional del Cobre de Chile (CODELCO)) of US\$0.906 per pound for 2005. Dr. Moss has reviewed these costs and considers them reasonable.*

*At present, the plant has all the necessary environmental permits for the grinding and flotation plant expansion, and for the molybdenum plant. The permits for the construction of the industrial water recovery systems (thickeners) are in the approval process.*

*It is recommended that additional sampling of the Colihues tailings, especially in the central and western portions, be undertaken to increase the confidence in the resource. This will improve the knowledge of grade continuity and should allow an increase in the resource category to indicated or measured.*

*It is also recommended that alternative methods of tailings extraction from the Colihues dam be evaluated, bearing in mind the environmental impact of each of the methods. Continued optimization of the metallurgical processes such as the proposed construction of thickeners during 2006 will allow MVC to achieve the most efficient and economical means of copper and molybdenum recovery."*

As of the date of this AIF, the Company is treating approximately 30,000 tpd of old tailings from the Colihues impoundment. The Company did not meet the target of 30,000 tonnes per annum of copper

production on an annualized basis by the end of 2007 referred to above, and has not yet done so. The two industrial water recovery systems have been completed and are now in operation.

## **DIVIDENDS**

In August 2005, the Board of Directors of the Company approved a policy of paying semi-annual dividends. The Company's dividend policy is, under normal circumstances and after taking into account the Company's cash flow, short term and long term needs and objectives, to declare and pay dividends on the Common Shares averaging at least one-third of reported net earnings over a period of years. The declaration of each dividend, however, is in the discretion of the Board of Directors which reserves the right to adjust or terminate the declaration and payment of dividends from time to time according to the prevailing business environment and cash needs of the Company.

Pursuant to the Company's dividend policy, on September 1, 2005, the Company paid its first dividend of Cdn\$0.045 per common share. In 2006 the Company paid dividends of Cdn\$0.045 per common share on each of April 7, 2006 and on September 1, 2006. In 2007, the Company paid dividends of Cdn\$0.065 per share on April 4, 2007 and on August 31, 2007. In 2008, the Company paid dividends of Cdn\$0.65 per share on April 2, 2008 and on September 5, 2008.

The Company incurred a loss in 2008, mainly due to the precipitous drop in copper and molybdenum prices during the latter half of the year, and suspended the payment of dividends in 2009. Because of the ongoing effects of the global financial crisis, it is difficult to predict when the Company will once again be in a position pay dividends. There are no plans for dividends to be paid in the foreseeable future.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized share capital of the Company consists of an unlimited number of common shares. As at December 31, 2009, there were 134,455,944 common shares of the Company issued and outstanding as fully paid and non-assessable shares. As of the date of this AIF, 170,910,344 common shares of the Company are issued and outstanding as fully paid and non-assessable shares.

The holders of the common shares are entitled to receive notice of and to attend and vote at all meetings of the Company's shareholders, and each common share confers the right to one vote in person or by proxy at all meetings of the Company's shareholders. The holders of the common shares, subject to the prior rights, if any, of the holders of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

As of the date of this AIF the Company does not have any warrants issued and outstanding. The Company has a rolling maximum stock option plan (the "Plan") pursuant to which the directors of the Company are authorized to grant options to directors, officers, employees and consultants of the Company and its subsidiaries on up to 10% of the issued and outstanding common shares of the Company. There currently are options to purchase a total of 9,690,000 shares outstanding under the Plan:

<b>Number of Options/Shares</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
80,000	August 30, 2010	Cdn\$1.77
1,260,000	February 21, 2011	Cdn\$2.71
100,000	August 4, 2011	Cdn\$2.43

<b>Number of Options/Shares</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
1,670,000	February 28, 2012	Cdn\$2.23
1,035,000	March 20, 2013	Cdn\$2.13
2,250,000	March 27, 2014	Cdn\$0.31
100,000	November 3, 2014	Cdn\$0.68
3,195,000	March 4, 2015	Cdn\$0.70
<b>9,690,000</b>		

The Company's shares last traded on the TSX in 2009 at a price of \$0.70 per share, therefore only 2,350,000 options (expiry dates of March 27, 2014 and November 3, 2014) were in the money at that date and remain in the money as of the date of this AIF.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

The Company's shares are listed for trading through the facilities of the TSX under the symbol "ARG". During the period from January 1, 2009 through to February 28, 2010, the Company's shares traded as follows:

<b>Month</b>	<b>Volume (Daily average)</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>
February 2010	1,066,100	0.76	0.66
January 2010	531,100	0.85	0.70
December 2009	353,000	0.75	0.61
November 2009	519,200	0.75	0.60
October 2009	479,300	0.83	0.60
September 2009	525,200	0.69	0.50
August 2009	802,700	0.61	0.48
July 2009	564,700	0.57	0.37
June 2009	548,600	0.46	0.37
May 2009	376,100	0.41	0.30
April 2009	367,900	0.41	0.29
March 2009	303,100	0.50	0.29

Month	Volume (Daily average)	High (Cdn\$)	Low (Cdn\$)
February 2009	293,300	0.34	0.25
January 2009	598,800	0.42	0.31

### Escrowed Securities

Designation of Class	Number of Securities in Escrow	Percentage of Class
Common Shares	42,216	0.025 %

The escrowed securities are held by the Company's transfer agent, Computershare Trust Company of Canada, on behalf of former officers and directors of the Company. These securities can only be released with the consent of the TSX, which requires an application by the Company. The Company has no present intention of making such an application.

### DIRECTORS AND OFFICERS

#### Name, Occupation and Security Holding

The name, province and country of residence, positions held with the Company, and principal occupation of each director and executive officer of the Company within the five preceding years as at the date of this AIF, is as follows:

Name, Province and Country of Residence, and Position with the Company	Principal Occupation within the five preceding years	Period of Service as a Director or Officer	Number of Shares and % of Class <sup>(4)</sup>
<b>Steven G. Dean</b> British Columbia, Canada Chairman & Director	Businessman, Chairman of the Company.	April 2003 to Present, Class III Director <sup>(3)</sup>	3,518,450 common shares, or 2.06%
<b>Klaus M. Zeitler</b> British Columbia, Canada President & Director	Businessman, President of the Company	April 2003 to Present, Class II Director <sup>(2)</sup>	3,233,751 common shares, or 1.89%
<b>Sidney Robinson</b> Ontario, Canada Independent Director	Corporate Director; until January 1, 2004, Senior Partner of Torys LLP, Toronto.	May 2003 to Present, Class III Director <sup>(3)</sup>	653,000 common shares, or 0.38%
<b>Robert Gayton</b> British Columbia, Canada Independent Director	Chartered Accountant; financial consultant to the mineral exploration and technology industries since 1990.	August 2004 to Present, Class I Director <sup>(1)</sup>	30,000 common shares, or .02%
<b>Ruston Goepel</b> British Columbia, Canada Independent Director	Senior Vice President of Raymond James Ltd.; formerly founding partner and CEO of Goepel Shields & Partners.	August, 2004 to Present, Class II Director <sup>(2)</sup>	125,000 common shares, or 0.07%
<b>Michael Kuta</b> British Columbia, Canada General Counsel and Corporate Secretary	Corporate and mining lawyer, General Counsel and Corporate Secretary of the Company and Los Andes Copper Ltd., formerly in the private practice of law.	August 2005 to Present	255,100 common shares, or 0.15%

Name, Province and Country of Residence, and Position with the Company	Principal Occupation within the five preceding years	Period of Service as a Director or Officer	Number of Shares and % of Class <sup>(4)</sup>
<b>Aurora Davidson</b> British Columbia, Canada Chief Financial Officer	Certified General Accountant; Chief Financial Officer to mineral exploration and technology companies.	January 2004 to Present	0 common shares, or 0%

- (1) The Class I director has been elected to a term expiring after the Company's annual general meeting to be held in 2010.
- (2) Class II directors have been elected to a term expiring after the Company's annual general meeting to be held in 2011.
- (3) Class III directors have been elected to a term expiring after the Company's annual general meeting to be held in 2012.
- (4) As a group, all directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over, a total of 7,815,301 common shares, representing 5.85% of the issued and outstanding common shares of the Corporation as of December 31, 2009 and 4.57% of the currently issued and outstanding common shares. In addition, as a group all directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over, 1,900,000 Class A Common Shares of Amerigo International Holdings Corp., representing 100% of the shares of that class.

**Steven G. Dean** is a Fellow of the Institute of Chartered Accountants of Australia, a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Canadian Institute of Mining, Metallurgy and Petroleum. He has extensive experience in mining, most recently as President of Teck Cominco Limited to July 2002. Mr. Dean is the Chairman and a director of Spur Ventures Inc., a company listed on the Toronto Stock Exchange, and of Infinito Gold Ltd., a company listed on the TSX Venture Exchange. He also was an Executive Director and Chief Financial Officer of the Normandy Mining Group from 1987 to 1994, and Chairman and Chief Executive Officer of PacMin Mining Corporation from 1995 to 1999, both of which traded on the Australian Stock Exchange.

**Dr. Klaus M. Zeitler** received his professional education at Karlsruhe University from 1959 to 1966 and obtained a PHD in economic planning. Dr. Zeitler is a member of the Canadian Institute of Mining and Metallurgy and the Prospectors and Developers Association. Dr. Zeitler financed, built and managed base metal and gold mines worldwide (Europe, Africa, North America, South America, Pacific) with a total investment value of \$4 billion. Dr. Zeitler was a managing director of Metallgesellschaft AG, a German metals conglomerate and in 1986 founded and was a director and CEO of Metall Mining, later Inmet Mining Corporation, a Toronto Stock Exchange listed company with assets of close to \$4 billion and base metal and gold mines in different parts of the world. After having been a director of Teck and Cominco for many years, Dr. Zeitler joined Teck in 1997 as Senior Vice President and had responsibilities for the exploration and development of mines in Peru, Mexico and the USA. Since his retirement in 2002 from Teck Cominco and in addition to being President and a director of Amerigo, Dr. Zeitler has been actively involved as a director in various junior base and precious metal companies.

**Sidney Robinson** was a senior partner at Torys LLP where he practiced corporate and mining law for over 30 years until he retired at the end of July 2004. He provided strategic and legal advice with respect to acquisitions, developments and financings to senior management and boards of directors of a number of Canadian and international mining companies. He sits on the boards of directors of a number of public and private corporations and has many years experience as a director of mining companies in Canada and in the United States.

**Robert J. Gayton, F.C.A.**, graduated from the University of British Columbia in 1962 with a Bachelor of Commerce and in 1964 earned the chartered accountant (C.A.) designation while at Peat Marwick Mitchell. Dr. Gayton joined the Faculty of Business Administration at the University of British Columbia in 1965, beginning 10 years in the academic world, including time at the University of California, Berkeley, earning a Ph.D. in Business. Dr. Gayton rejoined Peat Marwick Mitchell in 1974 and became a partner in 1976 where he provided audit and consulting services to private and public company clients for 11 years. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987. Dr. Gayton is a director of several public companies.



**Ruston Goepel** is Senior Vice President at Raymond James Ltd. He entered the investment business in 1968 specializing in institutional sales with Ryan Investments and Pemberton Securities Ltd. In 1989, he was a founding partner and CEO of Goepel Shields & Partners, a national securities dealer which was acquired by Raymond James Inc. in January 2001. Mr. Goepel is past Chairman of the Business Council of British Columbia and a Director and Chairman of the Nominating and Governance Committee of the Vancouver 2010 Olympic Organizing Committee. Mr. Goepel is a past member of the Executive Committee of the Investment Dealers Association of Canada and a Past Governor of the Vancouver Stock Exchange. He is also a director of a number of Canadian companies. Mr. Goepel was the recipient of the Queen's Jubilee Medal for Business Leadership and Community Service.

**Michael Kuta** is a member of the British Columbia and Canadian Bar Associations. Mr. Kuta has more than 25 years experience in corporate commercial, securities and taxation law, in both private and public practice. Mr. Kuta was an associate lawyer at Thorsteinssons LLP, Tax Lawyers, Vice-President, Law at The Loewen Group and InsulPro Industries, and Director, Content Development for the Thomson Corporation. Mr. Kuta has experience in domestic and international business acquisitions and combinations and finance. He has an HBA (Honours in Business Administration) degree from the University of Western Ontario, and an LLB from the University of British Columbia. Mr. Kuta is also General Counsel and Corporate Secretary for Los Andes Copper Ltd., and is a director of Nikos Explorations Ltd., both TSXV listed companies.

**Aurora Davidson** holds a Certified General Accountant designation from the Certified General Accountants Association of British Columbia and a BSc in Business Administration from Alliant International University in San Diego, California. Ms. Davidson has over 15 years of experience in financial and general business management having assisted private and public companies in the roles of Chief Financial Officer, Vice-president, Finance and Corporate Controller within the mineral exploration and technology sectors. She is also the Chief Financial Officer of Candente Resource Corp. and Candente Gold Corp., companies listed on the Toronto Stock Exchange, and of Los Andes Copper Ltd and of Nikos Explorations Ltd., both TSXV listed companies.

#### Directors' Term

In accordance with the Articles of the Company, each Director is elected for a three-year term, or until his successor is elected or appointed or the position vacated in accordance with the Articles of the Company or with the provisions of the *Business Corporations Act* (British Columbia).

Directors are divided into Class I, Class II, and Class III with terms expiring at the Annual General Meeting in 2010, 2011 and 2012 respectively.

#### **Committees of the Board of Directors**

The committees of the board of directors of the Company and the directors serving on each of the committees are described below:

##### Audit Committee

The members of the Company's audit committee are Robert Gayton (Chairman), Sidney Robinson and Ruston Goepel, all of whom are independent directors. The audit committee oversees the Company's financial reporting obligations, financial system and disclosures, reviews the annual financial statements, monitors and assesses the integrity of the Company's internal control systems, meets with the Company's auditors and liaises between the board of directors and the auditors.

### Nomination Committee

The members of the Company's nomination committee are Ruston Goepel (Chairman), Sidney Robinson and Robert Gayton, all of whom are independent directors. This committee is responsible for reviewing the performance of the Company's senior management, the Board as a whole, and individual directors, and also oversees the orientation program for new recruits to the Board. When required the committee recommends nominees for election to the Board of Directors to fill Board vacancies and newly created Director positions.

### Compensation Committee

The members of the Company's compensation committee are Sidney Robinson (Chairman), Ruston Goepel and Robert Gayton, all of whom are independent directors. This committee is responsible for determining the compensation to be paid to the Company's executive officers and for reviewing the corporate goals and objectives of the executive officers.

### Corporate Governance

The Board of Directors has approved a Corporate Governance Charter which provides that all members of the board are responsible for corporate governance matters. Accordingly, the Board as a whole is responsible for developing and implementing the Company's approach to corporate governance. The Board's corporate governance mandate includes responsibility to develop, implement and monitor the Company's environmental and safety practices.

### Disclosure Policy Committee

The Company also has in place a Corporate Disclosure Policy, the objective of which is to ensure that communications to the investing public about the Company and its subsidiaries are timely, factual and accurate, and are broadly disseminated in accordance with all applicable legal and regulatory requirements. In accordance with the terms of the Corporate Disclosure Policy, the board approved the formation of a disclosure policy committee that is responsible for overseeing the Corporation's disclosure practices. The disclosure policy committee consists of the Corporation's Chairman, Steven Dean; President, Klaus Zeitler; and Corporate Secretary, Michael Kuta.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Robert Gayton was director or officer of Newcoast Silver Mines Ltd. as of the dates of cease trade orders issued by the British Columbia Securities Commission on September 30, 2003 and by the Alberta Securities Commission on October 10 (interim) and 31 (final), 2003 for failure to file financial statements. The orders were revoked on October 31, 2003 in British Columbia and March 25, 2004 in Alberta.

Other than as disclosed above, none of the Company's directors or executive officers or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF or has been, within the ten years before the date of this AIF, a director or executive officer of any company, that while that person was acting in that capacity;
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

- (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder; or
- (c) has been subject to:
  - (i) any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting and will not participate in negotiating and concluding terms of any proposed transaction. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in a greater number of and larger programs, and reducing financial exposure in respect of any one program. A particular company may also assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. See also "Description of the Business – Risk Factors – Conflicts of Interest", above.

## AUDIT COMMITTEE INFORMATION

### Audit Committee Mandate

The Company's audit committee has a charter (the "Audit Committee Charter") in the form attached to this AIF as Schedule "A".

### Composition of the Audit Committee

The following are the members of the Company's Audit Committee:

Robert Gayton (Chairman)	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Sidney Robinson	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Ruston Goepel	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

(1) As defined by Multilateral Instrument 52-110 ("MI 52-110").

### Relevant Education and Experience

A description of the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member may be found above under the heading "Directors and Officers: Name, Occupation and Security Holding".

### External Auditor Services Fees (By Category)

The aggregate fees billed by the Company's external auditors in the last two fiscal years (all amounts are in Canadian dollars) are as follows:

Fee Summary	2009	2008
PWC Vancouver	\$47,000	\$45,000
PWC Chile	\$37,900	\$29,700
Quarterly Reviews	\$30,000	\$30,000
Preparation of draft set of IFRS-compliant shelf financial statements (bulleted)	\$13,500	[Nil]
<b>Total Services</b>	<b><u>\$128,400</u></b>	<b><u>\$104,700</u></b>

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not a party to any material legal proceedings and is not aware of any such proceedings pending or contemplated. There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the last financial year or by a court or regulatory authority that would likely be considered important to a reasonable investor in making an investment decision. The Company did not enter into any settlement agreement with a court relating to securities legislation or with a securities regulatory authority during the last financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, within the Company's three most recently completed financial years no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company.

## **TRANSFER AGENTS AND REGISTRARS**

The Company's transfer agent and registrar is Computershare Trust Company of Canada, 510 Burrard Street, 2<sup>nd</sup> Floor, Vancouver, British Columbia, V6C 3B9, and Computershare Trust Company of Canada, 4 King Street West, Suite 1101, Toronto, Ontario, M5H 1B6, is the Company's co-transfer agent and registrar.

## **MATERIAL CONTRACTS**

There are no material contracts required to be filed as defined in National Instrument 51-102.

## **INTERESTS OF EXPERTS**

### **Names of Experts**

PricewaterhouseCoopers LLP ("PWC") of Suite 700, 250 Howe Street, Vancouver, British Columbia, V6C 3S7, are the auditors for the Company. PWC audited the annual financial statements of the Company for the year ended December 31, 2009. PWC reports that it is independent from the Company in accordance with the rules of professional conduct in British Columbia.

Dr. Roger Moss, Ph.D., P.Geo., and Raúl Poblete de la Cerda, General Manager and director of MVC, prepared the Technical Report (please refer to Minera Valle Central Operations, above). Mr. Poblete is remunerated by the Company for his services as General Manager and director of MVC.

### **Interests of Experts**

Dr. Moss held less than one percent of the Company's outstanding common shares and no options to purchase common shares in the capital of the Company when he was involved in preparing the Technical Report. Mr. Poblete held 223,788 shares in the Company and options to purchase a total of 113,000 common shares in the Company at a price of \$2.71 per share as of the date of the Technical Report and subsequently received additional options to purchase 120,000 common shares at a price of \$2.23 per share in February of 2007. Other than as set out in this AIF, and as disclosed in all other documents filed by the Company on SEDAR, neither Roger Moss or Raúl Poblete de la Cerda, when or after they prepared the Technical Report, has received or is about to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates (based on information provided to the Company by them) or is or is expected to be elected, appointed or employed for the first time as a director, officer or employee of the Company or of any associate or affiliate of the Company.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Information Circular for its most recent annual general meeting of securityholders that involved the election of directors.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the 12 months ended December 31, 2009.

## **SCHEDULE “A”**

### **AUDIT COMMITTEE CHARTER**

Amended March 24, 2009

#### **A. AUDIT COMMITTEE PURPOSE**

The Board of Directors of the Amerigo Resources Ltd. (the “Company”) has an overall responsibility to oversee the affairs of the Company for the benefit of the shareholders. The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

- Ensure the effectiveness of the overall process of identifying and addressing principal business risk and the adequacy of the related disclosure;
- Monitor the integrity of the Company’s financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;
- Monitor the independence and performance of the Company’s independent auditors;
- Provide an avenue of communications among the independent auditors, management and the Board of Directors; and
- Encourage adherence to, and continuous improvement of, the Company’s policies, procedures and practices at all levels.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company’s expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

#### **B. AUDIT COMMITTEE COMPOSITION AND MEETINGS**

Audit Committee members shall meet the requirements of the TSX. The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgement. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Committee shall have accounting or related financial expertise.

Audit Committee members shall be appointed by the Board. If the Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the independent auditors and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed.

## C. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES – DETAIL

### Review Procedures

1. Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
2. Review the Company's annual audited financial statements and management discussion and analysis prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgements.
3. In consultation with management and the independent auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.
4. Review with financial management the Company's quarterly financial results and management discussion and analysis prior to the release of earnings. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors.

### Independent Auditors

5. The independent auditors are accountable directly to the Audit Committee. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.
6. Approve the fees and other significant compensation to be paid to the independent auditors, and pre-approve any non-audit services that the auditor may provide.
7. On an annual basis, the Committee should review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditor's independence.
8. Review the independent auditors audit plan and engagement letter.
9. Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors.
10. Consider the independent auditors' judgements about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

### Other Audit Committee Responsibilities

11. On at least an annual basis, review with the Company's counsel, any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.



12. The Chairman of the Committee will review all disclosure documents to be issued by the Company relating to financial matters, including news releases, annual information forms and information circulars.
13. Establish a procedure for the: (i) confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and (ii) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.