

Amerigo Resources Ltd.

Consolidated Financial Statements

March 31, 2007

Unaudited

(expressed in U.S. dollars)

Amerigo Resources Ltd.

Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	March 31, 2007	December 31, 2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	28,743,136	26,574,059
Deposits in transit (Note 7(a))	940,582	-
Marketable securities (Note 3)	1,599,565	777,457
Accounts receivable	10,986,575	11,693,247
Prepaid expenses	640,280	209,271
Plant supplies and inventory	3,202,492	2,526,911
	<u>46,112,630</u>	<u>41,780,945</u>
Investment in Nikos Explorations (Note 9)	1,043,046	1,204,947
Mineral property, plant and equipment - net (Note 4)	84,673,071	83,414,103
Contractual right - net (Note 5)	7,777,712	7,880,319
Other	23,060	23,734
	<u>139,629,519</u>	<u>134,304,048</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	11,055,341	13,066,490
El Teniente royalty payable (Note 8)	2,949,995	3,623,917
Due to minority shareholders (Note 6)	30,126	42,857
Dividends payable (Note 7(c))	5,286,918	-
	<u>19,322,380</u>	<u>16,733,264</u>
Other payables	655,490	586,408
Asset retirement obligation	2,386,673	2,346,989
Future income tax	4,556,524	4,270,358
Minority interest (Note 6)	1,000	1,000
	<u>26,922,067</u>	<u>23,938,019</u>
Shareholders' Equity		
Capital stock (Note 7)	56,934,021	55,026,997
Value assigned to stock options (Note 7(b))	1,407,357	1,603,180
Retained earnings	54,388,184	53,757,962
Accumulated other comprehensive income	(22,110)	(22,110)
	<u>112,707,452</u>	<u>110,366,029</u>
	<u>139,629,519</u>	<u>134,304,048</u>

Approved by the Board of Directors
"Robert J. Gayton"

Director

"Ruston Goepel"

Director

Amerigo Resources Ltd.

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2007 \$	Quarter ended March 31, 2006 \$
Revenue, net of smelter and refinery charges	18,171,183	16,352,741
Other revenue	-	685,002
Total revenue	18,171,183	17,037,743
Costs		
Production costs	7,538,240	7,246,857
El Teniente royalty (Note 8)	2,891,838	2,607,462
Depreciation and amortization	575,734	397,210
Administration	292,721	333,659
Transportation	191,898	205,039
Stock-based compensation (Note 7(b))	54,695	53,376
Asset retirement accretion cost	39,684	37,087
Cost of sales	11,584,810	10,880,690
	6,586,373	6,157,053
Other expenses		
Stock-based compensation (Note 7(b))	295,296	150,222
Salaries, management and professional fees	244,095	381,370
Office and general expenses	223,223	120,504
Transfer agent and filing fees	60,222	62,362
Shareholder information	16,222	24,773
Insurance expense	8,573	13,066
Interest expense	1,619	46,664
	849,250	798,961
Earnings before the undernoted items	5,737,123	5,358,092
Gain on fair value adjustments to financial instruments	441,915	-
Interest income	275,129	107,092
Foreign exchange gain (loss)	230,597	(42,107)
Other income	38,622	10,785
Investment loss (Note 9)	(161,901)	-
Earnings before taxes and minority interest	6,561,485	5,433,862
Income tax expense, net of tax recoveries	895,255	699,514
Earnings before minority interest	5,666,230	4,734,348
Minority interest (Note 6)	114,948	127,580
Net earnings for the period	5,551,282	4,606,768
Other comprehensive income	-	-
Comprehensive income	5,551,282	4,606,768
Weighted average number of shares outstanding, basic	93,562,388	87,901,400
Weighted average number of shares outstanding, diluted	95,295,572	89,384,211
Earnings per share		
Basic	0.06	0.05
Diluted	0.06	0.05

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2007 \$	Quarter ended March 31, 2006 \$
Cash flows from operating activities		
Net earnings for the period	5,551,282	4,606,768
Items not affecting cash -		
Gain on fair value adjustments to financial instruments	(441,915)	-
Depreciation and amortization	575,734	397,210
Stock-based compensation	349,991	203,598
Income tax expense, net of tax recoveries	(41,912)	(77,455)
Asset retirement accretion cost	39,684	37,087
Investment loss	161,901	-
	<u>6,194,765</u>	<u>5,167,208</u>
Changes in non-cash working capital		
Accounts receivable	706,672	(298,839)
Prepaid expenses	(431,009)	(412,624)
Plant, supplies and inventory	(675,581)	(13,062)
Accounts payable	1,774,674	(195,575)
Due to related parties	(12,731)	(12,633)
El Teniente royalty payable	(673,922)	(195,271)
Note and interest payable	-	46,214
	<u>6,882,868</u>	<u>4,085,418</u>
Net cash provided by operating activities	<u>6,882,868</u>	<u>4,085,418</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,532,826)	(6,798,049)
Investment in Chariot Resources	-	(10,307,046)
	<u>(5,532,826)</u>	<u>(17,105,095)</u>
Net cash used in investing activities	<u>(5,532,826)</u>	<u>(17,105,095)</u>
Cash flows from financing activities		
Issuance of shares for cash – net of issue costs and subscriptions receivable	420,628	15,534,275
Other payables	69,082	61,654
	<u>489,710</u>	<u>15,595,929</u>
Net cash provided by financing activities	<u>489,710</u>	<u>15,595,929</u>
Increase in cash and cash equivalents due to exchange rate changes	<u>329,325</u>	<u>(76,478)</u>
Net increase in cash and cash equivalents	<u>2,169,077</u>	<u>2,499,774</u>
Cash and cash equivalents – Beginning of period	<u>26,574,059</u>	<u>12,953,516</u>
Cash and cash equivalents – End of period	<u>28,743,136</u>	<u>15,453,290</u>

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in U.S. dollars)

	Common shares		Retained Earnings	Value assigned to stock options	Accumulated Other Comprehensive Income	Shareholders' equity
	No. of shares	Amount				
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance – Dec. 31, 2005	86,225,844	39,451,043	22,642,726	1,219,194	(22,110)	63,290,853
Issue of shares						
Brokered placement	7,000,000	14,554,274	-	-	-	14,554,274
Exercise of stock options	930,000	925,698	-	-	-	925,698
Shares repurchased	(712,600)	(412,199)	(719,244)	-	-	(1,131,443)
Options granted	-	-	-	892,167	-	892,167
Transfer of value on exercise of stock options	-	508,181	-	(508,181)	-	-
Dividends paid	-	-	(7,449,203)	-	-	(7,449,203)
Net earnings for the year	-	-	39,283,683	-	-	39,283,683
Balance – Dec. 31, 2006 as previously reported	93,443,244	55,026,997	53,757,962	1,603,180	(22,110)	110,366,029
Adoption of financial instruments standards (Note 2)	-	-	365,858	-	-	365,858
Issue of shares						
Exercise of stock options	1,047,000	1,361,210	-	-	-	1,361,210
Options granted	-	-	-	349,991	-	349,991
Transfer of value on exercise of stock options	-	545,814	-	(545,814)	-	-
Dividends declared	-	-	(5,286,918)	-	-	(5,286,918)
Net earnings for the period	-	-	5,551,282	-	-	5,551,282
Balance – March 31, 2007	94,490,244	56,934,021	54,388,184	1,407,357	(22,110)	112,707,452

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Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

1 Significant accounting policies

The financial statements of Amerigo Resources Ltd. (“Amerigo”) together with its subsidiaries (collectively, the “Company”) have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. These statements follow the same accounting policies and methods of application as the most recent annual financial statements, except as described in Note 2. Accordingly, they should be read in conjunction with Amerigo’s audited financial statements for the year ended December 31, 2006.

2 Adoption of new accounting standards

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506 “Accounting Changes”, which requires that (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

Financial Instruments

Effective January 1, 2007, the Company adopted the new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

Financial Instruments – Recognition and Measurement (Section 3855): The standard prescribes when a financial asset, financial liability and non-financial derivative is to be recognized on the Balance Sheet and whether fair value or cost-based measures should be used to measure the recorded amounts. It also specifies how financial instruments gains or losses should be presented. Effective January 1, 2007, the Company’s marketable securities have been classified as “held for trading” and are recorded at fair value on the Balance Sheet. Fair value is determined directly by reference to published price quotations in the active market where the securities are traded. Changes in the fair value of these instruments are reflected in income and included in shareholders’ equity on the Balance Sheet. The Company has also determined that it has no derivatives, including embedded derivatives.

Hedges (Section 3865): The standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline 13 (acG-13) “Hedging Relationships” and Section 1650 “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. At March 31, 2007, the Company had no hedging relationships.

Comprehensive Income (Section 1530): The standard requires the presentation of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses related to self-sustaining operations, all of which are not included in the calculation of net earnings until realized. Comprehensive income is being

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Notes to Consolidated Financial Statements (Unaudited)

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disclosed as a component in the Company's Statement of Shareholders' Equity.

As at January 1, 2007, the effect on the Company's Balance Sheet of adopting these standards is summarized below. As prescribed by these standards, prior periods have not been restated.

	January 1, 2007		
	As reported	Adjusted on adoption of Financial Instruments standards	Restated opening balances in 2007
Assets			
Cash and cash equivalents	26,574,059		26,574,059
Marketable securities	777,457	365,858 ¹	1,143,315
Accounts receivable	11,693,247		11,693,247
Prepaid expenses	209,271		209,271
Plant supplies and inventory	2,526,911		2,526,911
	<u>41,780,945</u>		<u>42,146,803</u>
Investment in Nikos Explorations	1,204,947		1,204,947
Mineral property, plant and equipment	83,414,103		83,414,103
Contractual right	7,880,319		7,880,319
Other	23,734		23,734
	<u>134,304,048</u>		<u>134,669,906</u>
Liabilities			
Accounts payable and accrued liabilities	13,066,490		13,066,490
El Teniente royalty payable	3,623,917		3,623,917
Due to minority shareholders	42,857		42,857
	<u>16,733,264</u>		<u>16,733,264</u>
Other payables	586,408		586,408
Asset retirement obligation	2,346,989		2,346,989
Future income tax	4,270,358		4,270,358
Minority interest	1,000		1,000
	<u>23,938,019</u>		<u>23,938,019</u>
Shareholders' Equity			
Capital stock	55,026,997		55,026,997
Value assigned to stock options	1,603,180		1,603,180
Retained earnings	53,757,962	365,858 ¹	54,123,820
Cumulative translation adjustment	(22,110)		(22,110)
	<u>110,366,029</u>		<u>110,731,887</u>
	<u>134,304,048</u>		<u>134,669,906</u>

¹ Investments in marketable securities previously accounted for at cost are designated as "held for trading" and are measured at fair market value.

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(expressed in U.S. dollars)

3 Marketable securities

The Company holds, with the intention to sell, certain common shares of an issuer listed on the TSX. There are no trading restrictions on these shares. On January 1, 2007, the Company adopted new accounting standards that require that these securities be reported at fair market value rather than at cost. Gains or losses from variations in fair value are included in income.

	March 31, 2007	December 31, 2006
	\$	\$
Cost	784,162	777,457
Market value	1,599,565	1,143,315

4 Mineral property, plant and equipment

	March 31, 2007	December 31, 2006
	\$	\$
Plant and infrastructure	47,650,520	46,848,139
Machinery and equipment and other assets	41,126,925	40,182,303
Accumulated depreciation and amortization	88,777,445 (4,104,374)	87,030,442 (3,616,339)
	<u>84,673,071</u>	<u>83,414,103</u>

5 Contractual right

At the time of the acquisition of MVC, Amerigo assigned the excess of the purchase price over the fair value of the tangible assets acquired to the MVC and Codelco contract for the processing of tailings from the El Teniente mine. The initial value of this contractual right was determined to be \$8,029,185. A future income tax liability of \$1,364,961 was recorded in connection with the contractual rights, resulting in an increase in its value to \$9,394,146. The contractual right and the associated future income tax liability are amortized using the units of production method.

	March 31, 2007	December 31, 2006
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(1,616,434)	(1,513,827)
	<u>7,777,712</u>	<u>7,880,319</u>

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Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

6 Related party transactions

a) Minority Interest

Amerigo holds its interest in MVC through its subsidiary Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by Amerigo and is a wholly-owned subsidiary, except for certain outstanding Class A shares which are shown on Amerigo's Balance Sheet as Minority Interest at their book value of \$1,000. The Class A shares are owned indirectly by a director and associates of two of the directors of Amerigo.

The holders of the Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend calculated as follows:

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

During the quarter ended March 31, 2007, royalty dividends totalling \$114,948 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (Quarter ended March 31, 2006: \$127,580). Royalty dividends are shown as Minority Interest in the Consolidated Statement of Operations. At March 31, 2007, \$30,126 of this amount remained outstanding.

b) Directors fees and remuneration to officers

During the quarter ended March 31, 2007 the Company paid or accrued \$169,943 in fees to companies associated with certain directors and officers of Amerigo (Quarter ended March 31, 2006: \$295,611). Included in these fees are bonuses of \$43,902 to senior management (Quarter ended March 31, 2006: \$210,804). In the same period, Amerigo paid or accrued \$20,363 in directors' fees to independent directors (Quarter ended March 31, 2006: \$37,403). Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's consolidated financial statements. At March 31, 2007, an aggregate amount of \$46,882 was due to directors and officers for management fees, directors fees and for reimbursement of expenses in the ordinary course of business and there was an aggregate amount of \$940,582 in deposits in transit from a director and officers pursuant to the exercise of stock options in the quarter ended March 31, 2007, processed subsequent to quarter end.

- c) At March 31, 2007 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd. ("Nikos"), a company in which Amerigo holds a substantial shareholding.

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Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

7 Capital stock

Authorized – Unlimited common shares without par value.

a) Summary of capital stock issued in the period

During the quarter ended March 31, 2007, 1,047,000 stock options at exercise prices ranging from Cdn\$1.23 to Cdn\$2.43 per stock option were exercised by employees, officers or directors of the Company, for aggregate proceeds of \$1,361,210, of which \$940,582 were deposits in transit, processed subsequent to quarter end.

On March 17, 2006, Amerigo issued 7,000,000 common shares at the price of Cdn\$2.60 per share by way of a bought deal offering under a short form prospectus to raise gross proceeds, before expenses and underwriters' fees, of Cdn\$18,200,000 (\$15,763,020). In connection with the financing, Amerigo incurred share issuance costs of \$1,208,746. The net proceeds from this offering were \$14,554,274.

During the year ended December 31, 2006, Amerigo received \$925,698 from the exercise of 930,000 stock options at exercise prices ranging from Cdn\$0.36 to Cdn\$1.77 per stock option.

Amerigo has in place a normal course issuer bid through the facilities of the Toronto Stock Exchange ("TSX"), whereby Amerigo is entitled to purchase for cancellation up to 2,612,815 of its common shares during the one-year period ending on November 13, 2007. There were no Amerigo shares purchased and cancelled under the normal course issuer bid in the quarter ended March 31, 2007. Amerigo was entitled to purchase for cancellation up to 7,845,154 of its common shares during the one-year period ending on November 13, 2006. During the year ended December 31, 2006, Amerigo purchased and cancelled 712,600 shares at a total cost of \$1,131,443. The premium on the purchase of shares for cancellation amounted to \$719,244 and was applied against Retained Earnings.

b) Stock options

Stock option plan

Amerigo established a stock option plan (the "Plan") on April 2, 2003, which was amended on June 20, 2006 at Amerigo's annual general meeting. Amerigo's Board of Directors (the "Board") administers the Plan, whereby it may from time to time grant options to purchase common shares of Amerigo to directors, officers, key employees and certain other persons who provide services to the Company. In accordance with the current terms and provisions of the Plan, the maximum aggregate number of common shares issuable under the Plan must not exceed 10% of Amerigo's issued and outstanding common shares at the date of any grant and the aggregate number of common shares reserved for issuance to any one person under the Plan in any 12-month period must not exceed 5% of Amerigo's outstanding common shares, on a non-diluted basis. The exercise price of an option is determined by the Board and shall be no less than the closing price of Amerigo's common shares on the TSX on the day preceding the date of grant, less the maximum discount permitted by the policies of the TSX, subject to the minimum exercise price per common share permitted by the TSX. Options must be exercised within a five-year period from the date of grant. Vesting periods are determined by the Board.

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(expressed in U.S. dollars)

A summary of the Company's stock options at March 31, 2007 and December 31, 2006 and the changes for the periods ending on those dates is presented below:

	Three months ended March 31, 2007		Twelve months ended December 31, 2006	
	Outstanding options	Weighted average exercise price Cdn\$	Outstanding options	Weighted average exercise price Cdn\$
Balance – start of year	2,902,000	2.14	2,297,000	1.39
Granted	1,760,000	2.23	1,535,000	2.67
Forfeited	(130,000)	2.16	-	-
Exercised	<u>(1,047,000)</u>	1.50	<u>(930,000)</u>	1.15
Outstanding	<u>3,485,000</u>	2.38	<u>2,902,000</u>	2.14
Exercisable	<u>2,127,500</u>	2.47	<u>2,802,000</u>	2.13

On February 28, 2007, Amerigo granted stock options to purchase an aggregate of 1,760,000 common shares to directors, officers and employees of the Company, with an exercise price of Cdn\$2.23 per share, expiring on February 28, 2012. The options vest in four equal quarterly instalments, on March 31, June 30, September 30 and December 31, 2007. Amerigo recorded a stock-based compensation expense of \$320,875 for these options on March 31, 2007, of which \$54,695 was charged to Cost of Sales as the options were granted to MVC employees and \$266,180 was charged to Other Expenses. Amerigo also recorded stock-based compensation expense of \$29,116 charged to Other Expenses in connection with 200,000 options granted in 2006 with a vesting schedule that goes into 2007. In the quarter ended March 31, 2007, 130,000 options at a weighted average price of Cdn\$2.16 expired unexercised.

On August 4, 2006 Amerigo granted stock options to purchase an aggregate of 200,000 common shares to a consultant and an officer of the Company, with an exercise price of Cdn\$2.43 per share, expiring on August 4, 2011. The options vest in four equal quarterly instalments, on September 30, 2006, December 31, 2006, March 31, 2007 and June 30, 2007. For the options that vested in 2006, Amerigo recorded a stock-based compensation expense of \$59,074, charged to Other Expenses.

On February 21, 2006 Amerigo granted stock options to purchase an aggregate of 1,335,000 common shares to directors, officers and employees of the Company, with an exercise price of Cdn\$2.71 per share, expiring on February 21, 2011. The options vested in four equal quarterly instalments, on March 31, September 30, September 30 and December 31, 2006. Amerigo recorded a stock-based compensation expense of \$833,093 for these options, of which \$218,412 was charged to Cost of Sales as the options were granted to MVC employees and \$614,681 was charged to Other Expenses.

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Value assigned to stock options

The Company estimated the fair value of each option grant based on the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Quarter ended March 31, 2007	Year ended December 31, 2006
Expected dividend yield	4.89%	3.35%
Expected stock price volatility	75.66%	33.62%
Risk-free interest rate	4.04%	4.07%
Expected life of options	2.21 years	5 years

The following stock options were outstanding and exercisable as at March 31, 2007:

Range of exercise prices Cdn\$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn\$
1.60 to 2.40	745,000	4.06 years	2.07
2.40 to 2.71	1,382,500	3.95 years	2.68
	<u>2,127,500</u>		

c) Dividends

On February 24, 2007 Amerigo declared a semi-annual dividend of Cdn\$0.065 per share payable on April 4, 2007 to shareholders of record as of March 27, 2007, for a total of \$5,286,918.

On February 14, 2006 Amerigo declared a semi-annual dividend of Cdn\$0.045 per share payable on April 6, 2006 to shareholders of record as of March 31, 2006, for a total of \$3,630,307; on July 31, 2006 Amerigo declared a second semi-annual dividend of Cdn\$0.045 per share payable on September 1, 2006 to shareholders of record as of August 18, 2006, for a total of \$3,818,896.

8 El Teniente Royalty

MVC has a contract with Codelco through at least the year 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty to Codelco – El Teniente on copper and molybdenum produced by MVC. The amount of the copper royalty is determined pursuant to a formula that considers 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

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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, a maximum royalty of 13.5% is payable.

Royalty payments for copper production are calculated using the average LME published price for copper for the month of delivery of the tailings, and invoiced by Codelco - El Teniente on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings; payment to Codelco - El Teniente is made within 10 days of receipt of invoices. Accordingly, royalties payable to Codelco - El Teniente are classified as current liabilities. Adjustments to the El Teniente royalty are recorded on a monthly basis for changes in copper deliveries during the settlement period.

As agreed with Codelco - El Teniente, as of January 1, 2006 the same royalty described in the preceding paragraphs applies to copper extracted from Colihues, except for amounts calculated using half the volume of tailings extracted from Colihues, at an assumed copper grade of 0.32% and an assumed recovery rate of 40%. For these amounts the royalty to Codelco - El Teniente is calculated on a sliding scale from 3% if the copper price is below \$0.80 per pound to a maximum of 15% if the copper price is at \$1.35 per pound or higher.

MVC also pays to Codelco - El Teniente a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates.

9 Investment in Nikos Explorations

In fiscal 2004 Amerigo entered into an agreement to sell a 100% interest in three Canadian exploration properties to Nikos for consideration of 10,000,000 shares of Nikos. On August 18, 2006, Amerigo acquired a further 1.7 million units of Nikos Explorations at a cost of \$268,200. Each unit is comprised of one common share and one warrant entitling Amerigo to purchase an additional share of Nikos at a price of Cdn\$0.25 per share until August 18, 2008. At March 31, 2007, Amerigo held 11,666,667 common shares and 1,666,667 warrants of Nikos, which collectively represent approximately 26% of Nikos's issued and outstanding share capital (including the common shares issuable on the exercise of the warrants).

The investment in Nikos is accounted for using the equity method, given that Amerigo has significant influence over this investment. An investment loss of \$161,901 was recorded in the quarter ended March 31, 2007. At March 31, 2007, Nikos's common share closing price was Cdn\$0.265 per share.