

Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Unaudited
For the quarter and six months ended June 30, 2011
(expressed in U.S. dollars)

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in U.S. dollars)

		June 30, 2011	December 31, 2010
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents		35,814,356	35,044,797
Trade, other receivables and advances		21,783,441	18,003,124
Inventories	4	<u>10,739,093</u>	<u>6,120,345</u>
		68,336,890	59,168,266
Non-current assets			
Available-for-sale financial assets	5	10,922,270	25,583,511
Property, plant and equipment	7	142,750,641	140,673,643
Intangible assets	8	8,889,068	9,233,924
Other non-current assets		<u>174,809</u>	<u>13,710</u>
Total assets		<u>231,073,678</u>	<u>234,673,054</u>
Liabilities			
Current liabilities			
Trade and other payables		16,490,102	13,782,947
El Teniente royalties payable	6	9,705,904	11,663,151
Current income tax liabilities		1,416,366	314,976
Royalties to related parties	10	559,179	546,039
Borrowings	9	<u>6,536,575</u>	<u>9,851,457</u>
		34,708,126	36,158,570
Non-current liabilities			
Borrowings	9	2,365,543	4,883,974
Trade and other payables		2,680,007	1,462,006
Royalties to related parties	10	5,156,089	5,460,390
Asset retirement obligation		6,880,898	7,168,372
Deferred income tax liability		<u>16,909,995</u>	<u>17,530,894</u>
Total Liabilities		<u>68,700,658</u>	<u>72,664,206</u>
Equity			
Share Capital	11	77,513,839	77,166,170
Other reserves		5,002,380	3,804,484
Retained earnings		59,579,083	49,598,089
Accumulated other comprehensive income		<u>20,277,718</u>	<u>31,440,105</u>
Total equity		<u>162,373,020</u>	<u>162,008,848</u>
Total equity and liabilities		<u>231,073,678</u>	<u>234,673,054</u>

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

Subsequent events (Note 17)

Approved by the Board of Directors

“Robert Gayton”

Director

“Ruston Goepel”

Director

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss) - Unaudited

(expressed in U.S. dollars)

	Note	Quarter ended June 30, 2011	Quarter ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
		\$	\$	\$	\$
Revenue		38,294,635	32,433,982	83,810,135	62,090,747
Cost of sales	13	34,824,206	29,678,570	74,217,633	56,053,782
Gross profit		3,470,429	2,755,412	9,592,502	6,036,965
Other expenses					
General and administration	13	1,583,245	1,302,704	2,915,864	2,369,994
Other (gains) losses	14	(550,821)	1,049,253	(1,008,407)	1,041,309
		1,032,424	2,351,957	1,907,457	3,411,303
Operating profit		2,438,005	403,455	7,685,045	2,625,662
Finance expense		340,782	544,109	529,300	934,697
Gain on sale of available-for-sale financial assets	5	-	-	(9,750,931)	-
		340,782	544,109	(9,221,631)	934,697
Profit (loss) before tax		2,097,223	(140,654)	16,906,676	1,690,965
Income tax expense		211,341	140,918	3,366,508	472,245
Profit (loss) for the period		1,885,882	(281,572)	13,540,168	1,218,720
Cumulative translation adjustment		4,334,866	(3,117,914)	(379,563)	(6,137,701)
Unrealized losses on available-for-sale financial assets, net of tax		(3,799,569)	(2,269,249)	(2,411,144)	(1,292,030)
Transfer of other comprehensive income on sale of financial assets		-	-	(8,371,680)	-
Other comprehensive income (loss)		535,297	(5,387,163)	(11,162,387)	(7,429,731)
Comprehensive income (loss)		2,421,179	(5,668,735)	2,377,781	(6,211,011)
Weighted average number of shares outstanding, basic		172,073,146	170,910,344	171,799,245	165,124,017
Weighted average number of shares outstanding, diluted		174,661,530	171,951,389	174,387,629	166,165,062
Earnings (loss) per share					
Basic		0.01	-	0.08	0.01
Diluted		0.01	-	0.08	0.01

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows - Unaudited

(expressed in U.S. dollars)

	Quarter ended June 30, 2011 \$	Quarter ended June 30, 2010 \$	Six months ended June 30, 2011 \$	Six months ended June 30, 2010 \$
Cash flows from operating activities				
Profit (loss) for the period	1,885,882	(281,572)	13,540,168	1,218,720
Adjustment for items not affecting cash:				
Gain on available-for-sale financial asset	-	-	(9,750,931)	-
Depreciation and amortization	3,457,313	2,671,987	6,816,195	5,237,829
Income tax expense	211,341	769,235	3,366,508	795,643
Share-based compensation	754,337	611,163	1,280,573	1,017,776
Accrued interest	20,196	94,041	16,069	(62,364)
Change in fair value of interest rate swap	204,550	288,829	203,053	288,829
Other	55,366	82,242	999,120	91,858
	6,588,985	4,235,925	16,470,755	8,588,291
Changes in non-cash working capital				
Trade, other receivables and advances	8,711,263	4,126,310	(3,750,359)	2,787,782
Inventories	(3,603,901)	(593,678)	(4,576,393)	(895,669)
Trade and other payables	(1,251,333)	(157,618)	2,076,916	495,844
El Teniente royalty payables	(1,017,652)	(255,758)	(1,935,076)	(3,179,643)
Net cash from operating activities	9,427,362	7,355,181	8,285,843	7,796,605
Cash flows from investing activities				
Purchase of plant and equipment	(5,234,948)	(2,987,409)	(8,592,505)	(5,941,123)
Proceeds from sale of plant and equipment	-	-	21,365	-
Proceeds from sale of available-for-sale financial assets	-	-	10,405,571	-
Net cash from investing activities	(5,234,948)	(2,987,409)	1,834,431	(5,941,123)
Cash flows from financing activities				
Repayments of borrowing	(2,022,344)	(2,894,225)	(5,846,981)	(4,743,369)
Dividends	(3,559,174)	-	(3,559,174)	-
Issuance of shares on exercise of share options and warrants	243,399	-	264,992	11,411,708
Net cash from financing activities	(5,338,119)	(2,894,225)	(9,141,163)	6,668,339
Net (decrease) increase in cash and cash equivalents	(1,145,705)	1,473,547	979,111	8,523,821
Effect of exchange rate changes on cash	(215,190)	1,012,277	(209,552)	1,496,779
Cash and cash equivalents - Beginning of period	37,175,251	14,725,869	35,044,797	7,191,093
Cash and cash equivalents - End of period	35,814,356	17,211,693	35,814,356	17,211,693

Supplementary cash flow information (Note 15)

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity - Unaudited

(expressed in U.S. dollars)

	Share capital		Other reserves	Accumulated other comprehensive income	Retained earnings	Total equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance January 1, 2010	134,455,944	64,282,591	3,917,591	3,670,931	38,564,856	110,435,969
Issue of shares -						-
Exercise of warrants	36,404,400	12,626,063	(1,229,151)	-	-	11,396,912
Exercise of share options	50,000	19,570	(4,774)	-	-	14,796
Options vested	-	-	1,017,776	-	-	1,017,776
Cumulative translation adjustment	-	-	-	(6,137,701)	-	(6,137,701)
Unrealized losses on available-for-sale financial assets	-	-	-	(1,292,030)	-	(1,292,030)
Net earnings for the period	-	-	-	-	1,218,720	1,218,720
Balance June 30, 2010	170,910,344	76,928,224	3,701,442	(3,758,800)	39,783,576	116,654,442
Balance January 1, 2011	171,510,344	77,166,170	3,804,484	31,440,105	49,598,089	162,008,848
Issue of shares -						
Exercise of share options	780,000	347,669	(82,677)	-	-	264,992
Options vested	-	-	1,280,573	-	-	1,280,573
Cumulative translation adjustment	-	-	-	(379,563)	-	(379,563)
Unrealized losses on available-for-sale financial assets (net of tax recoveries of \$1,130,857)	-	-	-	(2,411,144)	-	(2,411,144)
Transfer of other comprehensive income on sale of financial assets (net of tax of \$2,092,920)	-	-	-	(8,371,680)	-	(8,371,680)
Net earnings for the period	-	-	-	-	13,540,168	13,540,168
Dividends paid	-	-	-	-	(3,559,174)	(3,559,174)
Balance June 30, 2011	172,290,344	77,513,839	5,002,380	20,277,718	59,579,083	162,373,020

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

Amerigo Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements - Unaudited
June 30, 2011

(expressed in U.S. dollars)

1 General Information

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

The Company is a producer of copper and molybdenum concentrates with operations in Chile. Its operating subsidiary Minera Valle Central S.A. ("MVC") has a contract with Chile's state-owned copper producer National Copper Corporation ("Codelco") through 2021 to process the tailings from El Teniente, the world's largest underground copper mine.

These consolidated financial statements were authorised for issue by the board of directors on August 9, 2011.

2 Basis of presentation and adoption of International Financial Reporting Standards

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company commenced reporting on this basis in its 2011 condensed consolidated interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these condensed consolidated interim financial statements are the same applied in the Company's condensed consolidated interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company's financial position as at June 30, 2010 and comprehensive income and loss for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2011, issued and outstanding as of August 9, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including transition adjustments recognized on change-over to IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's condensed consolidated interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

Amerigo Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements - Unaudited
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3 Application of new and revised International Financial Reporting Standards

The IASB has issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial instruments - Classification and Measurement (IFRS 9), IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial instruments - classification and measurement

This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

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Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

4 Inventories

	June 30, 2011 \$	December 31, 2010 \$
Supplies and consumables	6,059,120	4,014,876
Concentrate inventories	8,478,144	2,105,469
Provision for lower of costs or net realizable value	(3,798,171)	-
	10,739,093	6,120,345

Concentrate inventories were valued at \$8,478,144 at June 30, 2011 due to the absorption of high fixed costs over low units of production due to unusually low production results in June as a result of the suspended flow of fresh tailings to MVC. Inventories were then re-valued at the lower of cost or net realizable value, resulting in a reduction of \$3,798,171 in inventory cost, with a corresponding increase to cost of sales.

5 Available-for-sale financial assets

	June 30, 2011 \$	December 31, 2010 \$
Start of period	25,583,511	6,754,790
Exchange differences	606,954	407,585
Additions	-	1,915,923
Disposals	(11,119,240)	-
Changes in fair value	(4,148,955)	16,505,213
End of period	10,922,270	25,583,511

Available-for-sale financial assets include the following:

	June 30, 2011 \$	December 31, 2010 \$
Candente Copper Corp. (a)	6,696,427	19,636,633
Candente Gold Corp. (b)	1,148,684	2,179,450
Los Andes Copper Ltd. (c)	3,077,159	3,767,428
	10,922,270	25,583,511

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- a) At various dates during 2007 and 2008, the Company acquired for investment purposes a total of 10,788,280 common shares of Candente Copper Corp. ("Candente Copper"), an issuer listed on the Toronto, Lima and Frankfurt stock exchanges, at an aggregate cost of \$15,861,986. The Company's investment in Candente Copper is designated as "available for sale" for accounting purposes, which means it is an investment that is not held for trading. Gains or losses arising from changes in fair value are recorded in accumulated other comprehensive income in the Company's statements of financial position until the investment is sold or management determines that an other than temporary impairment in the value of the investment has occurred, at which time gains or losses are transferred into earnings. During the six months ended June 30, 2011, the Company sold 5,000,000 of its Candente Copper shares, and recognized a gain of \$9,750,931 in earnings. At June 30, 2011, Candente Copper's closing share price was Cdn\$1.13 and the fair value of the Company's approximately 5% investment in Candente Copper was \$6,696,427. During the six months ended June 30, 2011, the Company recorded other comprehensive loss of \$1,820,966 (2010: other comprehensive loss of \$2,361,295) for the changes in fair value of this investment.
- b) On January 4, 2010, the Company received 2,157,656 shares of Candente Gold Corp. ("Candente Gold"), an issuer listed on the TSX, following Candente Gold's spinout from Candente Copper. The initial cost of the Candente Gold shares and subsequent adjustments to fair value required at each financial position date are recorded in accumulated other comprehensive income, as the Company's investment in Candente Gold is designated as "available for sale" for accounting purposes. At June 30, 2011, Candente Gold's closing share price was Cdn\$0.52 and the fair value of the Company's approximately 4% investment in Candente Gold was \$1,148,684. During the six months ended June 30, 2011, the Company recorded other comprehensive loss of \$1,030,766 (2010: other comprehensive income of \$1,358,831) for the changes in the fair value of this investment.
- c) At various dates during 2007 and 2008, the Company acquired for investment purposes a total of 8,015,000 common shares of Los Andes Copper Ltd. ("Los Andes"), an issuer listed on the TSXV, at an aggregate cost of \$3,946,908. Adjustments to fair value are required at each financial position date, as the Company's investment in Los Andes is designated as "available for sale" for accounting purposes. At June 30, 2011, Los Andes's closing share price was Cdn\$0.375 and the fair value of the Company's approximately 6% investment was \$3,077,159. During the six months ended June 30, 2011, the Company recorded other comprehensive loss of \$690,269 (2010: other comprehensive income of \$402,341) for the changes in the fair value of this investment.

6 El Teniente royalties payable

MVC has a contract with Codelco – El Teniente ("DET") until 2021 to process tailings from the current production of the El Teniente mine in Chile ("fresh tailings"). MVC pays a royalty to DET on copper and molybdenum produced by MVC. The amount of the copper royalty on fresh tailings is determined pursuant to a formula that considers both the price of copper and the copper content in the fresh tailings. No royalties are payable on fresh tailings if the copper price is below \$0.80/lb (for copper content in fresh tailings between 0.09% and 0.1499%); if the copper price is between \$0.80/lb and \$0.95/lb, the royalty varies on a sliding scale from 0% to 10%; if the copper price is between \$0.95/lb and \$1.30/lb, the royalty is 10%; and if the copper price is \$1.30/lb or higher, a maximum royalty of 13.5% is payable.

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(expressed in U.S. dollars)

Royalty payments for copper production are calculated using the LME Price for copper for the month of delivery of the tailings, and invoiced by DET in Chilean Pesos ("CLP") using the higher of either the "Dolar Acuerdo" or the "Dolar Observado" exchange rates, on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings. Payment to DET is made within 10 days of receipt of invoices. Accordingly, the price base used for the calculation of the El Teniente royalty is, in most instances, not the same price base used for the pricing of copper sales.

Adjustments to the El Teniente royalty are recorded on a monthly basis for changes in copper deliveries during the settlement period.

MVC also pays to DET a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates produced from fresh tailings.

The El Teniente royalties are recorded as a component of cost of sales.

During the quarter ended June 30, 2009, MVC reached an agreement with DET providing MVC the right to process tailings from the Colihues tailings impoundment ("old tailings"). The agreement provides for a sliding scale copper royalty on old tailings that is 3% if the LME Price is less than \$0.80/lb, and rises to approximately 30% at an LME Price of \$4.27/lb, 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 three consecutive months. For molybdenum prices lower than \$35/lb, the royalty on old tailings 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.

As at June 30, 2011, royalties payable to El Teniente were \$9,705,904 (December 31, 2010: \$11,663,151), representing approximately three months of royalties.

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7 Property, plant and equipment

	Plant and infrastructure \$	Machinery and equipment and other assets \$	Total \$
At January 1, 2010			
Cost	137,332,863	44,179,757	181,512,620
Accumulated depreciation	(34,657,394)	(17,701,568)	(52,358,962)
Net book amount	102,675,469	26,478,189	129,153,658
Year ended December 31, 2010			
Opening net book amount	102,675,469	26,478,189	129,153,658
Exchange differences	8,786,109	2,285,703	11,071,812
Additions	10,317,454	1,165,448	11,482,902
Depreciation charge	(8,426,554)	(2,608,175)	(11,034,729)
Closing net book amount	113,352,478	27,321,165	140,673,643
At December 31, 2010			
Cost	160,070,864	49,042,806	209,113,670
Accumulated depreciation	(46,718,386)	(21,721,641)	(68,440,027)
Net book amount	113,352,478	27,321,165	140,673,643
Period ended June 30, 2011			
Opening net book amount	113,352,478	27,321,165	140,673,643
Exchange differences	11,274	225,786	237,060
Additions	6,707,708	1,652,651	8,360,359
Disposals	-	(21,275)	(21,275)
Depreciation charge	(5,073,213)	(1,425,933)	(6,499,146)
Closing net book amount	114,998,247	27,752,394	142,750,641
At June 30, 2011			
Cost	166,815,853	50,311,120	217,126,973
Accumulated depreciation	(51,817,606)	(22,558,726)	(74,376,332)
Net book amount	114,998,247	27,752,394	142,750,641

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(expressed in U.S. dollars)

8 Intangible assets

	\$
January 1, 2010	
Cost	9,157,500
Exchange differences	231,304
Amortization	(154,880)
Net book amount, December 31, 2010	9,233,924
Exchange differences	(27,807)
Amortization	(317,049)
Net book amount, June 30, 2011	8,889,068

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 processing El Teniente mine tailings. The contractual right is amortized to the end of 2021.

9 Borrowings

	June 30, 2011	December 31, 2010
	\$	\$
Enami loan (Note 9 (a))	-	1,887,155
Bank loans (Note 9 (b), (c) and (d))	8,902,118	12,848,276
	8,902,118	14,735,431
Less: Short-term debt and current portion of long-term debt	(6,536,575)	(9,851,457)
	2,365,543	4,883,974

The fair values of debt are determined using market values where available and discounted cash flows based on the expected cost of borrowing on other items.

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Notes to the Condensed Consolidated Interim Financial Statements - Unaudited June 30, 2011

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- (a) MVC sells its copper production to Enami. During the quarter ended March 31, 2009, Enami provided a loan facility of \$11,123,735 to MVC to settle final negative pricing adjustments due to Enami. The loan was repaid in full during the quarter ended March 31, 2011.
- b) In October 2009, MVC obtained from a Chilean bank a loan denominated in Unidades de Fomento (“UF”), the Chilean indexed monetary unit. The principal amount of the loan was UF167,600 (the equivalent of CLP 3,500,000,000 or \$6,508,957 at the loan grant date). The balance of the loan and accrued interest at June 30, 2011 was the equivalent of \$1,984,764 (December 31, 2010: \$3,893,845).

This loan is repayable in eight equal quarterly instalments of UF20,950 from January 20, 2010 to October 20, 2011. The loan agreement provides for interest at an annual rate of 6.78%, and requires MVC to meet certain interest coverage and debt to equity ratios at June 30 and December 31 in each year during the term of the loan. MVC granted security in certain machinery and equipment with a carrying value of approximately \$11,900,000 as collateral. MVC was in compliance with all debt covenants at June 30, 2011.

- c) In November 2010, the Company obtained from the same bank described in note 9(b) an additional loan denominated in U.S. dollars in the principal amount of \$4,000,000. The balance of this loan and accrued interest at June 30, 2011 was \$3,002,261 (December 31, 2010: \$4,006,920).

This loan is repayable in eight equal quarterly instalments of \$500,000 from March 15, 2011 to October 15, 2012, provides for interest at an annual rate of 4.68%, and requires MVC to meet certain interest coverage, debt to equity and bank debt to EBITDA ratios at June 30 and December 31 in each year during the term of the loan. MVC was in compliance with all debt covenants at June 30, 2011.

- d) In December 2008, the Company obtained a \$5,000,000 loan from a Chilean bank. In May 2009, the loan was converted into a CLP loan and on May 12, 2010 it was restructured as a three year loan.

The principal amount of the loan is CLP2,858,250,000. The loan is repayable in 36 equal monthly instalments of CLP79,395,833 from June 2010 to May 2013. The loan agreement provides for interest at a variable rate of Chilean Association of Banks and Financial Institutions Tasa Bancaria (“TAB”) plus 2.5%. Concurrently with the loan agreement, the Company entered into an interest rate swap (“IRS”) through which it fixed the rate of the loan to an annual rate of 9.96%. The Company has recognized the IRS in the balance sheet at fair value with changes in its fair value recognized in earnings. MVC provided the bank with security in certain machinery and equipment with a value of approximately \$4,010,000 as collateral. The balance of the loan and accrued interest at June 30, 2011 was the CLP equivalent of \$3,915,093 (December 31, 2010: \$4,947,511).

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10 Related party transactions

(a) Royalties to related parties

Amerigo holds its interest in MVC through Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by Amerigo except for certain outstanding Class A shares with a book value of \$1,000. The Class A shares are owned indirectly by the President and Chief Executive Officer, an associate of the President and Chief Executive Officer, a former director and an associate of a former director of Amerigo, and were issued in order to structure a more tax-efficient manner of paying the royalty obligation (the "Royalty") owing to the director and former director, who transferred to the Company the rights to purchase the interest in MVC.

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

The Royalty is calculated as follows:

- \$0.01 for each pound of copper equivalent produced 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.

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at June 30, 2011 is \$5,715,268 (December 31, 2010: \$6,006,429).

For MVC production up to the end of 2010, the Royalty was paid as a royalty dividend on the Class A shares of Amerigo International. During the six months ended June 30, 2011, Royalties totalling \$333,336 were paid or accrued to the Amerigo International Class A shareholders on production in the period (2010: \$323,648). At June 30, 2011, \$14,186 of this amount remained outstanding (December 31, 2010: \$67,064).

(b) Purchases of goods and services

The Company's related parties consist of companies owned by executive officers and directors, as follows:

	<u>Nature of transactions</u>
Zeitler Holdings Corp.	Management
Michael J. Kuta Law Corporation	Management
Delphis Financial Strategies Inc.	Management

The Company incurred the following fees in connection with companies owned by executive officers and directors. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

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	Six months ended June 30, 2011	Six months ended June 30, 2010
	\$	\$
Management fees	361,130	235,535

(c) Key management compensation

The remuneration of directors and other members of key management during the six months ended June 30, 2011 and 2010 were as follows:

	Six months ended June 30, 2011	Six months ended June 30, 2010
	\$	\$
Management and directors' fees	459,094	282,355
Share-based payments	1,239,868	719,692
	1,698,962	1,002,047

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

11 Equity

a) Share capital

Authorised share capital consists of an unlimited number of common shares without par value.

b) Share options

Amerigo established a stock option plan (the "Plan") on April 2, 2003. 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 its current terms and provisions, 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, on a non-diluted basis. The exercise price of an option is determined by the Board, but can 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 and subject to the minimum exercise price per common

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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.

The weighted average fair value of the share options granted in the period was estimated at Cdn\$0.45 per option (2010: Cdn\$0.36) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2011	2010
	\$	\$
Weighted average share price	1.28	0.70
Weighted average exercise price	1.28	0.70
Dividend yield	3.16%	-
Risk free interest rate	2.29%	2.19%
Expected life	3.61	4.03
Expected volatility	67.93%	66.50%

Expected volatility is based on historical share price volatility for a term of 3.61 years prior to the date of grant.

Outstanding share options:

	June 30, 2011		December 31, 2010	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the period	9,010,000	1.38	6,670,000	1.61
Granted	3,200,000	1.28	3,195,000	0.70
Exercised	(780,000)	0.33	(650,000)	0.31
Forfeited	-		(50,000)	2.29
Expired	(1,260,000)	2.71	(155,000)	1.69
At end of the period	10,170,000	1.26	9,010,000	1.38
Vested and exercisable	8,570,000	1.26	9,010,000	1.38

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Information relating to share options outstanding at June 30, 2011 is as follows:

Outstanding share options (in 000's)	Vested stock options (in 000's)	Price range Cdn\$	Weighted average exercise price on outstanding options Cdn\$	Weighted average exercise price on vested options \$	Weighted average remaining life of outstanding options (months)
1,000,000	1,000,000	0.31-0.69	0.35	0.35	2.80
3,165,000	3,165,000	0.70-0.91	0.70	0.70	3.68
3,200,000	1,600,000	0.92-1.73	1.28	1.28	4.71
1,035,000	1,035,000	1.74-2.18	2.13	2.13	1.72
1,770,000	1,770,000	2.19-2.43	2.24	2.24	0.63
10,170,000	8,570,000		1.26	1.26	3.19

The weighted average remaining life of vested options at June 30, 2011 was 3.19 years.

Further information about share options is as follows:

	Six months ended June 30, 2011 Cdn\$	Six months ended June 30, 2010 Cdn\$
Total compensation cost recognized	1,249,485	1,052,177
Total fair value of share options vested	863,782	562,967

The unrecognized compensation cost for non-vested share options at June 30, 2011 was Cdn\$1.28. The period over which it is expected to be recognized is 0.50 years.

12 Segment information

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions. The Company has one operating segment, the production of copper concentrates with the production of molybdenum concentrates as a by-product.

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The geographic distribution of non-current assets is as follows:

	Property, plant and equipment		Other	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Chile	142,326,260	140,346,816	18,444,312	32,943,530
Canada	424,381	326,827	1,541,835	1,887,615
	142,750,641	140,673,643	19,986,147	34,831,145

All of the Company's revenue originates in Chile.

The Company's sales to one customer represent 93% of reported revenue (2010: 88%).

13 Expenses by nature

	Three months ended June 30, 2011 \$	Three months ended June 30, 2010 \$	Six months ended June 30, 2011 \$	Six months ended June 30, 2010 \$
Production costs	19,631,156	18,239,858	43,827,726	34,704,867
El Teniente royalty	10,440,175	7,722,759	20,991,977	14,044,032
Depreciation and amortisation	3,457,313	2,671,987	6,816,195	5,237,829
Administration	946,857	686,037	1,861,953	1,431,171
Transportation	348,705	357,929	719,782	635,883
Total cost of sales	34,824,206	29,678,570	74,217,633	56,053,782

The general and administration expenses consist of the following:

	Three months ended June 30, 2011 \$	Three months ended June 30, 2010 \$	Six months ended June 30, 2011 \$	Six months ended June 30, 2010 \$
Office and general expenses	285,087	235,432	548,404	581,057
Salaries, management and professional fees	390,613	271,683	753,551	447,515
Share-based payment compensation	754,337	611,163	1,280,573	1,017,776
Royalties to related parties	153,208	184,426	333,336	323,646
	1,583,245	1,302,704	2,915,864	2,369,994

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14 Other (gains) losses

	Three months ended June 30, 2011 \$	Three months ended June 30, 2010 \$	Six months ended June 30, 2011 \$	Six months ended June 30, 2010 \$
Foreign exchange (gain) loss	(281,440)	1,491,837	(576,199)	1,644,171
Other	(269,381)	(442,584)	(432,208)	(602,862)
	(550,821)	1,049,253	(1,008,407)	1,041,309

15 Supplementary cash flow information

	2011 \$	2010 \$
(a) Interest and taxes paid		
Interest paid	106,569	589,379
Tax installments paid	831,593	664,162
(b) Other		
Change in accounts payable related to the acquisition of plant and equipment	232,146	(170,905)
Cash paid during the period for royalties to non-controlling interests	380,756	336,775

16 Commitments

Operating lease commitments

The Company has entered into a joint lease agreement together with an unrelated corporation, for the lease of office premises in Vancouver. The commencement date of the lease is August 1, 2011, for a five year term. The Company's share of basic rent commitments for the duration of the contract is approximately Cdn\$414,200.

17 Subsequent events

Subsequent to June 30, 2011, the Company entered into an agreement with a Chilean bank to secure a revolving working capital line of credit for up to \$20 million or its equivalent in CLP (the "Line of Credit"). The Line of Credit has a term to July 4, 2014 and provides for interest at a variable rate of TAB plus an applicable margin for borrowings in CLP and interest at a variable rate of LIBOR-30 days plus a Banco de Chile margin plus an applicable margin, for borrowings in US dollars. Current borrowing rates would be 0.63% per month on CLP draws and 2.39% per annum on US dollar draws. The Line of Credit requires MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios.

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18 Adoption of IFRS

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments presented in the financial statements contained in this note.

- Note 1. The Company has a royalty payable to certain related parties (Note 10(a)). The Company originally entered into this arrangement as consideration for the rights to purchase the interest in MVC. Under Canadian GAAP, the royalty interest was accounted for as a minority interest, measured at a nominal amount of \$1,000. Under IFRS, the royalty is a derivative financial instrument and the flow of royalties estimated to be payable to related parties to 2021 needs to be measured as such, through the recognition of a liability in the Company's statement of financial position. This liability has been recorded at fair value, with changes in fair value recorded in profit for the period.
- Note 2. Under Canadian GAAP, the Company and all of its subsidiaries had a U.S. dollar measurement currency. Under IFRS, the functional currencies of the Company and MVC are the Canadian dollar and Chilean peso, respectively. The Company's presentation currency remains the U.S. dollar. The current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS.
- Note 3. On transition to IFRS, the cost of MVC's plant and equipment was deemed to be the previous Chilean GAAP revaluated amount. Additionally, plant and equipment was analyzed on a component-level, based on the significance of components to total cost. Depreciation timeframes were established for significant components.
- Note 4. Tax effect of IFRS adjustments – Adjustments were recorded related to the income tax impact of the Canadian GAAP to IFRS reconciling differences.
- Note 5. Under Canadian GAAP, the Company recorded stock based compensation on a straight-line basis over the vesting period. Under IFRS, the Company records share based compensation for each tranche within an award over the vesting period of the corresponding tranche.
- Note 6. Certain balances and transactions have been reclassified within the statements of financial position and statements of comprehensive income (loss), respectively.

Reconciliations of the statements of financial position

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at June 30, 2010 are provided below:

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Notes to the Condensed Consolidated Interim Financial Statements - Unaudited June 30, 2011

(expressed in U.S. dollars)

		June 30, 2010 (Canadian GAAP) \$	Transition Impact \$	June 30, 2010 (IFRS) \$
Assets				
Current assets				
Cash and cash equivalents		17,211,693	-	17,211,693
Trade and other receivables		15,137,099	-	15,137,099
Inventories		5,202,690	-	5,202,690
		<u>37,551,482</u>	<u>-</u>	<u>37,551,482</u>
Non-current assets				
Available-for-sale financial assets		5,982,485	-	5,982,485
Property, plant and equipment	3	124,105,753	(3,336,069)	120,769,684
Intangible assets	1	6,305,581	2,216,655	8,522,236
Other non-current assets	6	66,947	(55,476)	11,471
		<u>174,012,248</u>	<u>(1,174,890)</u>	<u>172,837,358</u>
Liabilities				
Current liabilities				
Trade and other payables		10,026,945	-	10,026,945
El Teniente royalty payable		7,515,314	-	7,515,314
Current income tax liabilities		20,313	-	20,313
Royalties to related parties	1	-	517,414	517,414
Borrowings		10,577,085	-	10,577,085
		<u>28,139,657</u>	<u>517,414</u>	<u>28,657,071</u>
Non-current liabilities				
Borrowings		5,105,853	-	5,105,853
Trade and other payables		1,446,706	-	1,446,706
Royalties to related parties	1	-	5,432,840	5,432,840
Asset retirement obligation		5,672,782	-	5,672,782
Deferred income tax liability	4	9,409,090	458,574	9,867,664
		<u>49,774,088</u>	<u>6,408,828</u>	<u>56,182,916</u>
Equity				
Share Capital		76,928,224	-	76,928,224
Minority interest	1	1,000	(1,000)	-
Other reserves	5	3,267,250	434,192	3,701,442
Retained earnings	1-5	40,934,060	(1,150,484)	39,783,576
Accumulated other comprehensive income	2	3,107,626	(6,866,426)	(3,758,800)
		<u>124,238,160</u>	<u>(7,583,718)</u>	<u>116,654,442</u>
Total equity and liabilities		<u>174,012,248</u>	<u>(1,174,890)</u>	<u>172,837,358</u>

Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the three and six months ended June 30, 2010 are provided below.

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(expressed in U.S. dollars)

	Note	Quarter ended June 30, 2010 (Canadian GAAP) \$	Transition Impact \$	Quarter ended June 30, 2010 (IFRS) \$
Revenue		32,433,982	-	32,433,982
Cost of sales	3,6	28,815,986	862,584	29,678,570
Gross profit		3,617,996	(862,584)	2,755,412
Other expenses				
General and administration	5,6	979,218	323,486	1,302,704
Other (gains) losses	2	(550,932)	1,600,185	1,049,253
		428,286	1,923,671	2,351,957
Operating profit		3,189,710	(2,786,255)	403,455
Finance expense	1,6	682,385	(138,276)	544,109
Profit (loss) before tax		2,507,325	(2,647,979)	(140,654)
Income tax expense	4	474,315	(333,397)	140,918
Profit (loss) for the period		2,033,010	(2,314,582)	(281,572)
Other comprehensive income (loss)	2	(1,565,517)	(3,821,646)	(5,387,163)
Comprehensive income (loss)		467,493	(6,136,228)	(5,668,735)
Weighted average number of shares outstanding, basic		170,910,344		170,910,344
Weighted average number of shares outstanding, diluted		171,951,389		171,951,389
Earnings (loss) per share				
Basic and diluted		0.01		-

	Note	Six months ended June 30, 2010 (Canadian GAAP) \$	Transition Impact \$	Six months ended June 30, 2010 (IFRS) \$
Revenue		62,090,747	-	62,090,747
Cost of sales	3,6	54,353,378	1,700,404	56,053,782
Gross profit		7,737,369	(1,700,404)	6,036,965
Other expenses				
General and administration	5,6	1,935,802	434,192	2,369,994
Other (gains) losses	2	(1,545,227)	2,586,536	1,041,310
		390,575	3,020,728	3,411,303
Operating profit		7,346,794	(4,721,132)	2,625,663
Finance expense	1,6	1,177,356	(242,659)	934,698
Profit before tax		6,169,438	(4,478,473)	1,690,965
Income tax expense	4	560,264	(88,019)	472,245
Profit (loss) for the period		5,609,174	(4,390,454)	1,218,720
Other comprehensive income (loss)	2	(563,305)	(6,866,426)	(7,429,731)
Comprehensive income (loss)		5,045,869	(11,256,880)	(6,211,011)
Weighted average number of shares outstanding, basic		165,124,017		165,124,017
Weighted average number of shares outstanding, diluted		166,165,062		166,165,062
Earnings per share				
Basic and diluted		0.03		0.01

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Statement of cash flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents. There were no changes to investing and financing cash flow sub-totals.