

Amerigo Resources Ltd.

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

Amerigo Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

(expressed in U.S. dollars)

		September 30, 2011	December 31, 2010
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents		34,260,808	35,044,797
Trade, other receivables and advances		17,427,878	18,003,124
Inventories	4	<u>11,668,770</u>	<u>6,120,345</u>
		63,357,456	59,168,266
Non-current assets			
Available-for-sale financial assets	5	8,414,706	25,583,511
Property, plant and equipment	7	129,671,770	140,673,643
Intangible assets	8	7,844,813	9,233,924
Other non-current assets		<u>156,886</u>	<u>13,710</u>
Total assets		<u>209,445,631</u>	<u>234,673,054</u>
Liabilities			
Current liabilities			
Trade and other payables		16,569,498	13,782,947
El Teniente royalties payable	6	10,011,771	11,663,151
Current income tax liabilities		1,065,760	314,976
Royalties to related parties	10	572,817	546,039
Borrowings	9	<u>4,746,210</u>	<u>9,851,457</u>
		32,966,056	36,158,570
Non-current liabilities			
Borrowings	9	1,723,211	4,883,974
Trade and other payables		2,517,069	1,462,006
Royalties to related parties	10	4,990,538	5,460,390
Asset retirement obligation		6,992,417	7,168,372
Deferred income tax liability		<u>15,137,059</u>	<u>17,530,894</u>
Total Liabilities		<u>64,326,350</u>	<u>72,664,206</u>
Equity			
Share Capital	11	77,513,839	77,166,170
Other reserves		5,351,344	3,804,484
Retained earnings		58,384,584	49,598,089
Accumulated other comprehensive income		<u>3,869,514</u>	<u>31,440,105</u>
Total equity		<u>145,119,281</u>	<u>162,008,848</u>
Total equity and liabilities		<u>209,445,631</u>	<u>234,673,054</u>

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

Subsequent events (Note 18)

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 September 30, 2011 \$	Quarter ended September 30, 2010 \$	Nine months ended September, 30 2011 \$	Nine months ended September 30, 2010 \$
Revenue		41,958,747	39,303,405	125,768,882	101,394,152
Cost of sales	13	38,815,312	33,716,814	113,032,945	89,770,596
Gross profit		3,143,435	5,586,591	12,735,937	11,623,556
Other expenses					
General and administration	13	2,956,514	901,893	5,872,378	3,271,887
Other losses (gains)	15	1,025,709	(2,876,910)	17,302	(1,835,602)
		3,982,223	(1,975,017)	5,889,680	1,436,285
Operating (loss) profit		(838,788)	7,561,608	6,846,257	10,187,271
Finance expense		(184,535)	(163,923)	(713,835)	(1,098,621)
Gain on sale of available-for-sale financial assets	5	-	-	9,750,931	-
		(184,535)	(163,923)	9,037,096	(1,098,621)
(Loss) profit before tax		(1,023,323)	7,397,685	15,883,353	9,088,650
Income tax expense		171,176	1,496,853	3,537,684	1,969,098
(Loss) profit for the period		(1,194,499)	5,900,832	12,345,669	7,119,552
Cumulative translation adjustment		(14,323,211)	12,283,558	(14,702,774)	5,475,314
Unrealized (losses) gains on available-for-sale financial assets, net of tax		(2,084,993)	2,047,497	(4,496,137)	1,426,008
Transfer of other comprehensive income on sale of financial assets		-	-	(8,371,680)	-
Other comprehensive (loss) income		(16,408,204)	14,331,055	(27,570,591)	6,901,322
Comprehensive (loss) income		(17,602,703)	20,231,887	(15,224,922)	14,020,874
Weighted average number of shares outstanding, basic		172,290,344	170,965,235	171,964,140	167,092,486
Weighted average number of shares outstanding, diluted		172,290,344	174,317,616	172,380,558	170,444,867
(Loss) earnings per share					
Basic		(0.01)	0.04	0.07	0.05
Diluted		(0.01)	0.04	0.07	0.05

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 September 30, 2011 \$	Quarter ended September 30, 2010 \$	Nine months ended September, 2011 \$	Nine months ended September 30, 2010 \$
Cash flows from operating activities				
(Loss) profit for the period	(1,194,499)	5,900,832	12,345,669	7,119,552
Adjustment for items not affecting cash:				
Gain on available-for-sale financial asset	-	-	(9,750,931)	-
Depreciation and amortization	3,501,761	3,120,509	10,317,956	8,358,338
Bad debt expense	1,534,141	-	1,534,141	-
Income tax expense	294,222	900,867	3,660,730	1,696,510
Share-based compensation	348,964	11,672	1,629,537	1,029,448
Accrued interest	44,037	69,510	60,106	7,146
Change in fair value of interest rate swap	14,313	(2,241)	217,366	286,588
Other	20,774	(120,472)	1,019,894	(28,614)
	4,563,713	9,880,677	21,034,468	18,468,968
Changes in non-cash working capital				
Trade, other receivables and advances	5,351,307	(1,592,855)	1,600,948	1,194,927
Inventories	(2,252,016)	(1,553,299)	(6,828,409)	(2,448,968)
Trade and other payables	(1,795,845)	(384,012)	281,071	111,832
El Teniente royalty payables	1,449,787	846,530	(485,289)	(2,333,113)
Net cash from operating activities	7,316,946	7,197,041	15,602,789	14,993,646
Cash flows from investing activities				
Purchase of plant and equipment	(4,503,714)	(1,871,850)	(13,096,219)	(7,812,973)
Proceeds from sale of plant and equipment	-	-	21,365	-
Loan to investee	-	(416,000)	-	(416,000)
Proceeds from sale of available-for-sale financial assets	-	-	10,405,571	-
Net cash from investing activities	(4,503,714)	(2,287,850)	(2,669,283)	(8,228,973)
Cash flows from financing activities				
Repayments of borrowing	(2,023,795)	(3,242,938)	(7,870,776)	(7,986,307)
Dividends	-	-	(3,559,174)	-
Issuance of shares on exercise of share options and warrants	-	180,653	264,992	11,592,361
Net cash from financing activities	(2,023,795)	(3,062,285)	(11,164,958)	3,606,054
Net increase in cash and cash equivalents	789,437	1,846,906	1,768,548	10,370,727
Effect of exchange rate changes on cash	(2,342,985)	(1,262,211)	(2,552,537)	234,568
Cash and cash equivalents - Beginning of period	35,814,356	17,211,693	35,044,797	7,191,093
Cash and cash equivalents - End of period	34,260,808	17,796,388	34,260,808	17,796,388

Supplementary cash flow information (Note 16)

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	650,000	257,516	(62,067)	-	-	195,449
Options vested	-	-	1,029,448	-	-	1,029,448
Cumulative translation adjustment	-	-	-	5,475,314	-	5,475,314
Unrealized losses on available-for-sale financial assets	-	-	-	1,426,008	-	1,426,008
Net earnings for the period	-	-	-	-	7,119,552	7,119,552
Balance September 30, 2010	171,510,344	77,166,170	3,655,821	10,572,253	45,684,408	137,078,652
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	-	-	1,629,537	-	-	1,629,537
Cumulative translation adjustment	-	-	-	(14,702,774)	-	(14,702,774)
Unrealized losses on available-for-sale financial assets (net of tax recoveries of \$1,553,429)	-	-	-	(4,496,137)	-	(4,496,137)
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	-	-	-	-	12,345,669	12,345,669
Dividends paid	-	-	-	-	(3,559,174)	(3,559,174)
Balance September 30, 2011	172,290,344	77,513,839	5,351,344	3,869,514	58,384,584	145,119,281

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
September 30, 2011

(expressed in U.S. dollars)

1 General Information

Amerigo Resources Ltd. ("the Company") is a company incorporated pursuant to 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. The Company is in the process of commissioning a pilot plant for the production of copper concentrates from highly oxidized tailings.

These consolidated financial statements were authorised for issue by the board of directors on November 2, 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 and June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company's financial position as at September 30, 2010 and comprehensive income and loss for the three and nine months ended September 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 November 2, 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 quarters ended March 31, 2011 and June 30, 2011, prepared in accordance with IFRS applicable to interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements - Unaudited
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(expressed in U.S. dollars)

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

	September 30, 2011 \$	December 31, 2010 \$
Supplies and consumables	6,586,228	4,014,876
Concentrate inventories	5,410,324	2,105,469
Provision for lower of costs or net realizable value	(327,782)	-
	11,668,770	6,120,345

Copper concentrate inventories were valued at \$3,728,561 at September 30, 2011 and then re-valued at the lower of cost or net realizable value, resulting in a reduction of \$327,782 in inventory cost, with a corresponding increase to cost of sales.

5 Available-for-sale financial assets

	September 30, 2011 \$	December 31, 2010 \$
Start of period	25,583,511	6,754,790
Exchange differences	(25,794)	407,585
Additions	-	1,915,923
Disposals	(11,119,240)	-
Changes in fair value	(6,023,771)	16,505,213
End of period	8,414,706	25,583,511

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

(expressed in U.S. dollars)

Available-for-sale financial assets include the following:

	September 30, 2011 \$	December 31, 2010 \$
Candente Copper Corp. (a)	5,436,086	19,636,633
Candente Gold Corp. (b)	689,384	2,179,450
Los Andes Copper Ltd. (c)	2,289,236	3,767,428
	<u>8,414,706</u>	<u>25,583,511</u>

- a) During the nine months ended September 30, 2011, the Company sold 5,000,000 Candente Copper Corp. ("Candente Copper") shares, and recognized a gain of \$9,750,931 in earnings. At September 30, 2011, Candente Copper's closing share price was Cdn\$0.97 and the fair value of the Company's approximately 5% investment in Candente Copper was \$5,436,086. During the nine months ended September 30, 2011, the Company recorded other comprehensive loss of \$3,081,307 (2010: other comprehensive loss of \$981,911) for the changes in fair value of this investment, net of deferred income tax.
- b) At September 30, 2011, Candente Gold Corp. ("Candente Gold") had a closing share price of Cdn\$0.33 and the fair value of the Company's approximately 4% investment in Candente Gold was \$689,384. During the nine months ended September 30, 2011, the Company recorded other comprehensive loss of \$1,490,066 (2010: other comprehensive income of \$1,635,680) for the changes in the fair value of this investment, net of deferred income tax.
- c) At September 30, 2011, Los Andes Copper Ltd. ("Los Andes") had a closing share price was Cdn\$0.295 and the fair value of the Company's approximately 6% investment was \$2,289,236. During the nine months ended September 30, 2011, the Company recorded other comprehensive loss of \$1,478,192 (2010: other comprehensive income of \$987,211) for the changes in the fair value of this investment, net of deferred income tax.

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.

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

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(expressed in U.S. dollars)

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 September 30, 2011, royalties payable to El Teniente were \$10,011,771 (December 31, 2010: \$11,663,151), representing approximately three months of royalties.

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Notes to the Condensed Consolidated Interim Financial Statements - Unaudited
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(expressed in U.S. dollars)

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 September 30, 2011			
Opening net book amount	113,352,478	27,321,165	140,673,643
Exchange differences	(11,705,997)	(2,563,188)	(14,269,185)
Additions	10,619,887	2,504,028	13,123,915
Disposals	-	(21,275)	(21,275)
Depreciation charge	(7,655,479)	(2,179,849)	(9,835,328)
Closing net book amount	104,610,889	25,060,881	129,671,770
At September, 2011			
Cost	153,420,694	46,562,390	199,983,084
Accumulated depreciation	(48,809,804)	(21,501,510)	(70,311,314)
Net book amount	104,610,890	25,060,880	129,671,770

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Notes to the Condensed Consolidated Interim Financial Statements - Unaudited
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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	(906,483)
Amortization	(482,628)
Net book amount, September 30, 2011	7,844,813

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

	September 30, 2011	December 31, 2010
	\$	\$
Enami loan (Note 9 (a))	-	1,887,155
Bank loans (Note 9 (b), (c) and (d))	6,469,421	12,848,276
	6,469,421	14,735,431
Less: Short-term debt and current portion of long-term debt	(4,746,210)	(9,851,457)
	1,723,211	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.

Amerigo Resources Ltd.

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

(expressed in U.S. dollars)

- (a) MVC sells its copper production to Empresa Nacional de Minería (“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 September 30, 2011 was the equivalent of \$911,392 (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, the most recent review date.

- 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 to assist with the financing of MVC’s investment in a pilot plant to treat oxide material. The balance of this loan and accrued interest at September 30, 2011 was \$2,500,000 (December 31, 2010: \$4,006,920). Borrowing costs of \$178,550 on this loan have been capitalized, at a capitalization rate of 100%.

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, the most recent review date.

- 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 September 30, 2011 was the CLP equivalent of \$3,058,029 (December 31, 2010: \$4,947,511).

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(expressed in U.S. dollars)

- e) 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 0.62% per month on CLP draws and 2.09% per annum on US dollar draws. The Line of Credit requires MVC to meet minimum quarterly equity, debt to equity and maximum debt ratios. MVC was in compliance with these covenants at September 30, 2011.
- f) Minera Valle Central Generacion S.A. ("MVC-Generacion"), a fully-owned subsidiary, has an overdraft facility with a Chilean bank for up to CLP\$272,000,000 (September 30, 2011 equivalent to \$521,312). The facility is renewable every 90 days; its next renewable date is December 27, 2011. Interest rate on this facility is charged at a rate of 0.59% per month.

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 September 30, 2011 is \$5,563,355 (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 nine months ended September 30, 2011, Royalties totalling \$535,949 were paid or accrued to the Amerigo International Class A shareholders on production in the period (2010: \$323,648). At September 30, 2011, \$63,823 of this amount remained outstanding (December 31, 2010: \$67,064).

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(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.

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	\$	\$
Management fees	498,813	355,963

(c) Key management compensation

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	\$	\$
Management and directors' fees	656,588	423,777
Share-based payments	1,578,614	966,618
	2,235,202	1,390,395

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

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11 Equity

a) Share capital

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

b) Share options

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:

	September 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	(1,360,000)	2.69	(155,000)	1.69
At end of the period	10,070,000	1.25	9,010,000	1.38
Vested and exercisable	9,270,000	1.25	9,010,000	1.38

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Information relating to share options outstanding at September 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	2.55
3,165,000	3,165,000	0.70-0.91	0.70	0.70	3.43
3,200,000	2,400,000	0.92-1.73	1.28	1.28	4.46
1,035,000	1,035,000	1.74-2.18	2.13	2.13	1.47
1,670,000	1,670,000	2.19-2.23	2.23	2.23	0.41
10,070,000	9,270,000		1.25	1.25	2.97

The weighted average remaining life of vested options at September, 2011 was 2.97 years.

Further information about share options is as follows:

	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Total compensation cost recognized	1,629,537	1,029,448

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	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Chile	129,270,485	140,346,816	15,269,269	32,943,530
Canada	401,285	326,827	1,147,136	1,887,615
	129,671,770	140,673,643	16,416,405	34,831,145

All of the Company's revenue originates in Chile.

The Company's sales to one customer represent 94% of reported revenue (2010: 88%).

13 Expenses by nature

	Three months ended September 30, 2011 \$	Three months ended September 30, 2010 \$	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Production costs	23,082,385	20,731,896	66,910,111	55,436,765
El Teniente royalty	10,817,627	8,733,791	31,809,604	22,777,822
Depreciation and amortisation	3,501,761	3,120,509	10,317,956	8,358,338
Administration	1,010,817	718,559	2,872,770	2,149,730
Transportation	402,722	412,059	1,122,504	1,047,941
Total cost of sales	38,815,312	33,716,814	113,032,945	89,770,596

The general and administration expenses consist of the following:

	Three months ended September 30, 2011 \$	Three months ended September 30, 2010 \$	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Office and general expenses	527,042	392,198	1,075,446	973,253
Salaries, management and professional fees	343,754	281,322	1,097,305	728,837
Share-based payment compensation	348,964	11,672	1,629,537	1,029,448
Royalties to related parties	202,613	216,701	535,949	540,349
Bad debt expense (Note 14)	1,534,141	-	1,534,141	-
	2,956,514	901,893	5,872,378	3,271,887

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14 Bad Debt Expense

In the quarter ended September 30, 2011, MVC-Generacion accrued a one-time charge of \$1,534,141 against bad debt expense, to fully account for the outstanding amounts due from a Chilean company for power sales to a client that has formally initiated bankruptcy proceedings in Chile. Any amounts recovered in the future from these proceedings will be recognized in earnings.

15 Other losses (gains)

	Three months ended September 30, 2011 \$	Three months ended September 30, 2010 \$	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Foreign exchange loss (gains)	1,181,474	(3,029,574)	605,275	(1,385,407)
Other	(155,765)	152,664	(587,973)	(450,195)
	1,025,709	(2,876,910)	17,302	(1,835,602)

16 Supplementary cash flow information

	2011 \$	2010 \$
(a) Interest and taxes paid		
Interest paid	167,799	757,066
Tax installments paid	1,930,630	1,007,456
(b) Other		
Change in accounts payable related to the acquisition of plant and equipment	813,759	(20,960)
Cash paid during the period for royalties to non-controlling interests	539,190	530,493

17 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.

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18 Subsequent events

On November 2, 2011, the Company declared a semi-annual dividend of Cdn\$0.02 per share, payable on November 30, 2011 to shareholders of record as of November 15, 2011.

19 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 its 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 option grant 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.

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(expressed in U.S. dollars)

Reconciliations of the statements of financial position

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

		September 30, 2010	Transition	September 30, 2010
	Note	(Canadian GAAP)	Impact	(IFRS)
			\$	\$
Assets				
Current assets				
Cash and cash equivalents		17,796,388	-	17,796,388
Trade and other receivables		19,406,107	-	19,406,107
Inventories		7,393,365	-	7,393,365
		<u>44,595,860</u>	<u>-</u>	<u>44,595,860</u>
Non-current assets				
Available-for-sale financial assets		8,395,770	-	8,395,770
Property, plant and equipment	3	124,066,492	11,122,558	135,189,050
Intangible assets	1	6,206,783	2,947,568	9,154,351
Other non-current assets	6	80,315	-	80,315
		<u>183,345,220</u>	<u>14,070,126</u>	<u>197,415,346</u>
Liabilities				
Current liabilities				
Trade and other payables		11,703,126	-	11,703,126
El Teniente royalty payable		9,648,153	-	9,648,153
Current income tax liabilities		25,996	-	25,996
Royalties to related parties	1	-	514,469	514,469
Borrowings		9,253,169	-	9,253,169
		<u>30,630,444</u>	<u>514,469</u>	<u>31,144,913</u>
Non-current liabilities				
Borrowings		4,460,727	-	4,460,727
Trade and other payables		1,620,578	-	1,620,578
Royalties to related parties	1	-	5,273,307	5,273,307
Asset retirement obligation		5,768,698	-	5,768,698
Deferred income tax liability	4	11,937,517	130,954	12,068,471
Non-controlling interest	1	1,000	(1,000)	-
		<u>54,418,964</u>	<u>5,917,730</u>	<u>60,336,694</u>
Equity				
Share Capital		77,166,170	-	77,166,170
Other reserves	5	3,502,969	152,852	3,655,821
Retained earnings	1-5	43,216,158	2,468,250	45,684,408
Accumulated other comprehensive income	2	5,040,959	5,531,294	10,572,253
		<u>128,926,256</u>	<u>8,152,396</u>	<u>137,078,652</u>
Total equity and liabilities		<u>183,345,220</u>	<u>14,070,126</u>	<u>197,415,346</u>

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

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Reconciliations of total comprehensive income

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

	Note	Quarter ended September 30, 2010 (Canadian GAAP) \$	Transition Impact \$	Quarter ended September 30, 2010 (IFRS) \$
Revenue		39,303,405	-	39,303,405
Cost of sales	3,6	32,853,439	863,375	33,716,814
Gross profit		6,449,966	(863,375)	5,586,591
Other expenses				
General and administration	5,6	1,183,233	(281,340)	901,893
Other (gains) losses	2	1,575,778	(4,452,688)	(2,876,910)
		2,759,011	(4,734,028)	(1,975,017)
Operating profit		3,690,955	3,870,653	7,561,608
Finance expense	1,6	(326,399)	162,476	(163,923)
Profit (loss) before tax		3,364,556	4,033,129	7,397,685
Income tax expense	4	(1,082,458)	(414,395)	1,496,853
Profit (loss) for the period		2,282,098	3,618,734	5,900,832
Other comprehensive income (loss)	2	1,933,333	12,397,722	14,331,055
Comprehensive income (loss)		4,215,431	16,016,456	20,231,887
Weighted average number of shares outstanding, basic		170,965,235		170,965,235
Weighted average number of shares outstanding, diluted		174,317,616		174,317,616
Earnings (loss) per share				
Basic and diluted		0.01		0.04
	Note	Nine months ended September 30, 2010 (Canadian GAAP) \$	Transition Impact \$	Nine months ended September 30, 2010 (IFRS) \$
Revenue		101,394,152	-	101,394,152
Cost of sales	3,6	87,206,817	2,563,779	89,770,596
Gross profit		14,187,335	(2,563,779)	11,623,556
Other expenses				
General and administration	5,6	3,119,035	152,852	3,271,887
Other (gains) losses	2	30,551	(1,866,153)	(1,835,602)
		3,149,586	(1,713,301)	1,436,285
Operating profit		11,037,749	(850,478)	10,187,271
Finance expense	1,6	(1,503,755)	405,134	(1,098,621)
Profit before tax		9,533,994	(445,344)	9,088,650
Income tax expense	4	(1,642,722)	326,376	1,969,098
Profit (loss) for the period		7,891,272	(771,720)	7,119,552
Other comprehensive income (loss)	2	1,370,028	5,531,294	6,901,322
Comprehensive income (loss)		9,261,300	4,759,574	14,020,874
Weighted average number of shares outstanding, basic		167,092,486		167,092,486
Weighted average number of shares outstanding, diluted		170,444,867		170,444,867
Earnings per share				
Basic and diluted		0.05		0.05

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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.