

Amerigo Resources Ltd.

Consolidated Financial Statements

March 31, 2010

Unaudited

(expressed in U.S. dollars)

Amerigo Resources Ltd.

Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	March 31 2010 \$	December 31 2009 \$
Assets		
Current assets		
Cash and cash equivalents	14,725,869	7,191,093
Accounts receivable	19,427,370	19,144,815
Prepaid expenses	488,110	96,306
Plant supplies and inventory	4,830,024	4,666,104
	<u>39,471,373</u>	<u>31,098,318</u>
Investments (Note 10)	7,885,675	6,754,790
Property, plant and equipment - net (Note 3)	122,282,190	121,783,483
Contractual right - net (Note 4)	6,386,444	6,475,923
Other	62,310	82,913
	<u>176,087,992</u>	<u>166,195,427</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,331,209	9,999,369
Enami loan (Note 5)	7,548,632	6,636,468
El Teniente royalty payable (Note 6)	8,098,711	11,474,509
Bank loans (Note 7)	4,197,763	9,275,968
Due to non-controlling interests (Note 8(a))	48,645	65,741
	<u>29,224,960</u>	<u>37,452,055</u>
Bank loan (Note 7)	7,121,412	3,450,996
Enami loan (Note 5)	-	1,887,164
Other payables	1,252,739	1,434,383
Asset retirement obligation	5,576,865	5,480,949
Future income tax	9,429,026	9,292,881
Non-controlling interests (Note 8(a))	1,000	1,000
	<u>52,606,002</u>	<u>58,999,428</u>
Shareholders' Equity		
Capital stock (Note 9)	76,928,224	64,282,591
Value assigned to stock options and warrants (Note 9(e))	2,979,573	3,917,591
Retained earnings	38,901,050	35,324,886
Accumulated other comprehensive income	4,673,143	3,670,931
	<u>123,481,990</u>	<u>107,195,999</u>
	<u>176,087,992</u>	<u>166,195,427</u>
Contingencies (Note 12)		
Subsequent Events (Note 13)		
Approved by the Board of Directors		
"Robert Gayton"	"Ruston Goepel"	
_____ Director	_____ Director	

Amerigo Resources Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2010 \$	Quarter ended March 31, 2009 \$
Revenue	29,656,765	13,021,611
Costs		
Production costs	16,524,619	11,572,837
El Teniente royalty (Note 6)	6,321,273	1,976,005
Depreciation and amortization	1,671,097	1,387,644
Administration	742,449	377,512
Transportation	277,954	225,022
Asset retirement accretion cost	95,916	83,777
Cost of sales	25,633,308	15,622,797
Operating profit (loss)	4,023,457	(2,601,186)
Other expenses		
Office and general expenses	345,624	323,582
Salaries, management and professional fees	175,832	230,426
Interest expense	399,055	628,181
Stock-based compensation (Note 9(e))	295,907	52,503
	1,216,418	1,234,692
Earnings (loss) before the undernoted items	2,807,039	(3,835,878)
Foreign exchange gain (loss)	932,558	(1,179,068)
Interest income	11,030	12,425
Other income	50,707	30,296
Equity investment loss	-	(4,489)
Earnings (loss) before taxes and non-controlling interests	3,801,334	(4,976,714)
Income tax expense, net of (tax recoveries)	85,949	(312,687)
Earnings (loss) before non-controlling interests	3,715,385	(4,664,027)
Non-controlling interests (Note 8(a))	139,221	115,047
Net earnings (loss)	3,576,164	(4,779,074)
Other comprehensive income	1,002,212	1,872,143
Comprehensive income (loss)	4,578,376	(2,906,931)
Weighted average number of shares outstanding, basic	159,273,397	113,435,126
Weighted average number of shares outstanding, diluted	162,467,014	113,435,126
Earnings (loss) per share		
Basic	0.02	(0.04)
Diluted	0.02	(0.04)

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2010 \$	Quarter ended March 31, 2009 \$
Cash flows from operating activities		
Net earnings (loss) for the period	3,576,164	(4,779,074)
Items not affecting cash -		
Depreciation and amortization	1,671,097	1,387,644
Equity investment loss	-	4,489
Unrealized foreign exchange (gain) loss	(377,240)	407,756
Future income tax expense	23,824	1,049,885
Stock-based compensation	295,907	52,503
Asset retirement accretion cost	95,916	83,777
Other receivables	20,603	789
Accrued interest on bank loans	(156,405)	246,547
	<u>5,149,866</u>	<u>(1,545,684)</u>
Changes in non-cash working capital		
Accounts receivable	(282,555)	(8,371,807)
Prepaid expenses	(391,804)	139,060
Plant, supplies and inventory	(163,920)	(1,090,487)
Accounts payable	188,877	2,753,844
El Teniente royalty payable	(3,375,798)	(610,756)
Due to non-controlling interests	(17,096)	(10,979)
Other payables	(181,644)	97,022
Net cash provided by (used in) operating activities	<u>925,926</u>	<u>(8,639,787)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(2,953,714)	(2,965,313)
Net cash used in investing activities	<u>(2,953,714)</u>	<u>(2,965,313)</u>
Cash flows from financing activities		
Issuance of shares and warrants for cash – net of issuance costs	-	8,441,696
Proceeds from (repayment of) bank loans	(874,144)	1,072,607
Proceeds from (repayment of) Enami loans	(975,000)	2,366,363
Exercise of warrants	11,396,912	-
Exercise of options	14,796	-
Net cash provided by financing activities	<u>9,562,564</u>	<u>11,880,666</u>
Net increase in cash and cash equivalents	<u>7,534,776</u>	<u>275,566</u>
Cash and cash equivalents – Beginning of period	<u>7,191,093</u>	<u>3,187,084</u>
Cash and cash equivalents – End of period	<u>14,725,869</u>	<u>3,462,650</u>

Supplemental disclosure with respect to cash flows (Note 11)

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in U.S. dollars)

	Common shares		Retained Earnings	Value assigned to stock options and warrants	Accumulated Other Comprehensive Income (Loss)	Shareholders' equity
	No. of shares	Amount				
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance – December 31, 2008	93,371,544	56,345,311	35,279,137	2,433,377	(22,110)	94,035,715
Issue of shares - Private placement – net of issuance costs	37,500,000	6,895,450	-	1,266,142	-	8,161,592
Finders' fees on private placement – net of issuance costs	1,244,400	238,088	-	42,016	-	280,104
Warrants exercised	2,340,000	803,742	-	(79,007)	-	724,735
Options vested	-	-	-	255,063	-	255,063
Unrealized gains on “available for sale” instruments (Note 10)	-	-	-	-	3,693,041	3,693,041
Net earnings for the year	-	-	45,749	-	-	45,749
Balance – December 31, 2009	134,455,944	64,282,591	35,324,886	3,917,591	3,670,931	107,195,999
Exercise of Warrants (Note 9(a))	36,404,400	12,626,063	-	(1,229,151)	-	11,396,912
Exercise of options (Note 9(a))	50,000	19,570	-	(4,774)	-	14,796
Options vested	-	-	-	295,907	-	295,907
Unrealized gains on “available for sale” instruments (Note 10)	-	-	-	-	1,002,212	1,002,212
Net earnings for the period	-	-	3,576,164	-	-	3,576,164
Balance- March 31, 2010	170,910,344	76,928,224	38,901,050	2,979,573	4,673,143	123,481,990

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2010

(expressed in U.S. dollars)

1 Operations

The consolidated 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 (“Canadian GAAP”) for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. This interim financial information is unaudited and includes all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of Amerigo's financial position at March 31, 2010 and its results of operations and cash flows for the three months ended March 31, 2010 and 2009 in conformity with Canadian GAAP. These statements follow the same accounting policies and methods of application as the most recent annual financial statements. Accordingly, they should be read in conjunction with Amerigo's audited consolidated financial statements for the year ended December 31, 2009. Operating results for the three months ended March 31, 2010 are not necessarily indicative of results that may be expected for the entire fiscal year.

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 the National Copper Corporation of Chile (“Codelco”) through at least 2021 to process the tailings from El Teniente, the world's largest underground copper mine.

2 Accounting pronouncements

Accounting Pronouncements

Business combination, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new Canadian Institute of Chartered Accountants (“CICA”) Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements.” The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IRFS 3 “Business Combinations” and International Accounting Standard IAS 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards has not yet been assessed.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

March 31, 2010

(expressed in U.S. dollars)

3 Property, plant and equipment

	March 31, 2010	December 31, 2009
	\$	\$
Plant and infrastructure	58,820,369	57,587,284
Machinery and equipment and other assets	82,523,919	81,660,328
	141,344,288	139,247,612
Accumulated depreciation and amortization	(19,062,098)	(17,464,129)
	<u>122,282,190</u>	<u>121,783,483</u>

4 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 processing El Teniente mine tailings. The contractual right is amortized using the units of production method.

	March 31, 2010	December 31, 2009
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(3,007,702)	(2,918,223)
	<u>6,386,444</u>	<u>6,475,923</u>

5 Enami loan

MVC sells its copper production to Chile's Empresa Nacional de Minería ("Enami"). During the quarter ended March 31, 2009 Enami provided a loan facility (the "Loan") of \$11,123,735 to MVC to settle the final negative pricing adjustments due to Enami for the quotas from June to September 2008 (priced at October 2008 to January 2009 prices). Under the terms of the Loan, MVC agreed to make monthly instalments to Enami of \$325,000 plus interest during the period from May 2009 to March 2010 and of \$629,052 plus interest during the period from April 2010 to March 2011. The Loan bears interest at a rate of Banco de Chile Prime (currently 3.25%) + 2%.

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

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Notes to Consolidated Financial Statements

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In 2009 MVC entered into two price protection transactions under its sales contract with Enami to obtain guaranteed minimum/maximum prices for a portion of its copper production, making use of a zero cost minimum/maximum price structure.

The first price-protection transaction entitled MVC to receive a minimum price of \$2.00/lb for 800 tonnes per month of copper production for the June to November 2009 quotas (quotas were subject to M+1 pricing), representing approximately 50% of MVC's forecast copper production over that period. In return for the guaranteed minimum price, the Company agreed to a maximum price of \$2.48/lb on this production. As a result, if the London Metal Exchange ("LME") monthly average copper price (the "LME Price") traded between \$2.00 and \$2.48/lb, MVC received the LME Price on this copper production.

The second price-protection transaction entitled MVC to receive a minimum price of \$2.60/lb for 800 tonnes per month of copper production for quotas from December 2009 to May 2010 (the price-protected portion of the December 2009 quota was subject to M+1 pricing, and the January to May 2010 price-protected portion of the quotas subject to M+4 pricing), representing approximately 45% of MVC's forecast copper production over that period. In return for the guaranteed minimum price, the Company agreed to a maximum price of \$3.20/lb on this production. As a result, if the LME monthly average copper price trades between \$2.60 and \$3.20/lb, MVC will receive the LME Price for this copper production.

Given that these transactions were modifications to MVC's sales agreement with Enami and the related sales are in the normal course of MVC's business, the Company has determined that they did not constitute derivatives for accounting purposes. The Company has applied the provisions of CICA Handbook Section 3855 in respect to contracts that were entered into and continue to be held for the purpose of delivery of a non-financial item in accordance with the Company's expected sale requirements, considering that the agreement has a price based on a variable that is closely related to the asset being sold. Accordingly the Company's sales to Enami pursuant to the first price-protection transaction were priced at the LME price where the LME Price was between \$2.00 and \$2.48/lb and at \$2.48/lb in instances where the LME Price exceeded \$2.48/lb. In the case of the second transaction, sales to Enami are priced at the LME price where the LME Price was between \$2.60 and \$3.20/lb and at \$3.20/lb where the LME Price exceeds \$3.20/lb.

MVC agreed to provide certain machinery and equipment as collateral for the Loan and the minimum price transactions. The minimum/maximum price contracts include a provision for the potential requirement to provide to Enami additional collateral in the event of increases in the copper price.

6 El Teniente Royalty payable

MVC has a contract with Codelco – El Teniente ("DET") until at least the year 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty to DET 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/lb (for copper content in fresh tailings between 0.09% and 0.1499%); if the copper price is between \$0.80 and \$0.95 the royalty varies on a sliding scale from 0% to 10%; if the copper price is between \$0.95 and \$1.30 the royalty is 10%; and if the copper price is \$1.30/lb or higher, a maximum royalty of 13.5% is payable.

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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 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.

During the quarter ended September 30, 2009 MVC reached an agreement in principle with DET dealing with MVC's rights to process tailings from the Colihues tailings impoundment. The agreement provides for a sliding scale copper royalty that is nil if the LME Price is less than \$1.52/lb, and rises to approximately 26% at an LME Price of \$4.27, but also contains a provision that the parties will review and potentially adjust the formula where the LME Price remains lower than \$1.95/lb or higher than \$4.27/lb for 3 consecutive months. For molybdenum prices lower than \$35/lb, the royalty is 11.9% and for molybdenum prices greater than or equal to \$35/lb, the royalty is 12.4%. The agreement further provides that in December of each year the parties will revise the formula's grade and recovery parameters if necessary.

Due to the sharp decline in copper and molybdenum prices in the latter part of 2008, DET agreed to defer payment of 70% of the royalty invoices to MVC for the months of November 2008 to April 2009. At March 31, 2010 the outstanding deferral was \$1,881,335. MVC agreed to make monthly instalments to DET on the royalty deferrals of approximately \$470,143 during the period from July 2009 to August 2010, except in cases where the average monthly copper price falls below \$1.50/lb or increases to more than \$3/lb for three consecutive months, in which cases the monthly instalments will be adjusted to be approximately \$352,607 or \$705,215 respectively. The El Teniente royalty deferrals bear interest at a rate of 6.90% per annum.

7 Bank loans

- a) On October 20, 2009, MVC obtained from a Chilean bank a loan denominated in Unidades de Fomento ("UF"), a Chilean indexed monetary unit. The principal amount of the loan is UF167,600.28 (the equivalent of Chilean Pesos 3,500,000,000 or \$6,508,957 at the loan grant date). The loan was used to repay a Chilean Pesos 3,150,000,000 short-term loan with the same bank. The remaining Chilean Pesos 350,000,000 was used for working capital. The balance of the loan and accrued interest at March 31, 2010 was the equivalent of \$5,869,284.

The loan is repayable in eight equal quarterly instalments of UF20,950.035 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 also agreed to allow the bank to maintain previously granted machinery and equipment collateral with a value of approximately \$15.4 million. MVC was in compliance with all debt covenants at December 31, 2009.

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- b) In December 2008 the Company obtained a \$5,000,000 loan from a Chilean bank. In May 2009 the loan was converted into a Chilean Peso loan. The loan had several review dates and was structured as a three year loan subsequent to March 31, 2010 (Note 13). The balance of the loan and accrued interest at March 31, 2010 was the Chilean Peso equivalent of \$5,449,891.

8 Related party transactions

- a) Non-controlling interests

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 two directors and an associate of a director 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 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, 2010, royalty dividends totalling \$139,221 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (Quarter ending March 31, 2009: \$115,047). Royalty dividends are shown as Non-Controlling Interests in the Consolidated Statement of Operations. At March 31, 2010, \$48,645 of this amount remained outstanding (December 31, 2009: \$65,741).

- b) Remuneration to officers

During the quarter ended March 31, 2010 the Company paid or accrued \$86,216 in fees to companies associated with certain directors and officers of Amerigo (Quarter ended March 31, 2009: \$143,719). The fees for the quarter ended March 31, 2010 included fees paid of \$151,645 and a reversal of bonus payments to management accrued in 2009 of \$65,429.

- c) At March 31, 2010 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence
- d) At March 31, 2010 one of Amerigo's directors acted as a director and one of Amerigo's officers acted as an officer of Candente Copper Corp., a company in which Amerigo holds an investment.
- e) At March 31, 2010 two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

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- f) At March 31, 2010, one of Amerigo's officers acted as an officer of Candente Gold Corp., a Company in which Amerigo holds an investment.

9 Capital stock

Authorized - Unlimited number of common shares without par value

- a) Summary of capital stock issued in the period

During the period ended March 31, 2010, a total of 36,404,400 warrants and 50,000 options were exercised for \$11,396,912 and \$14,796 in proceeds to the Company, respectively.

On February 13, 2009 the Company completed a non-brokered private placement for gross proceeds of \$8,480,068 (Cdn\$10,500,000). In connection with the private placement, the Company issued 37,500,000 units at a price of Cdn\$0.28 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase one additional common share of the Company at a price of Cdn\$0.33 per share until February 15, 2010, and thereafter at a price of Cdn\$0.40 until February 14, 2011. The warrants issued were valued by the Company at \$1,266,142 (Note 9(e)). The Company also issued a further 1,244,400 units, valued at \$280,104, as finders' fees in respect of a portion of the private placement, which is included in total share issuance costs of \$318,476. The warrants issued as finders' fees were valued by the Company at \$42,016 (Note 9(e)).

During the year ended December 31, 2009, a total of 2,340,000 warrants were exercised for \$724,735 in proceeds to the Company.

- b) Stock options

Amerigo established a stock option plan (the "Plan") on April 2, 2003, which was amended on June 24, 2009. 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, 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 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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A summary of the Company's stock options at March 31, 2010 and December 31, 2009 and the changes for the three and twelve-month periods ending on those dates is presented below:

	Three months ended March 31, 2010		Twelve months ended December 31, 2009	
	Outstanding options	Weighted average exercise price Cdn\$	Outstanding options	Weighted average exercise price Cdn\$
Outstanding – start of period	6,670,000	1.61	4,420,000	2.32
Granted	3,195,000	0.70	2,400,000	0.33
Exercised	(50,000)	0.31	-	-
Forfeited	(50,000)	2.29	-	-
Expired	(75,000)	1.60	(150,000)	2.00
Outstanding – end of period	<u>9,690,000</u>	1.31	<u>6,670,000</u>	1.61
Exercisable	<u>7,293,750</u>	1.52	<u>6,670,000</u>	1.61

On March 4, 2010, Amerigo granted stock options to purchase an aggregate of 3,195,000 common shares to directors, officers, consultants and employees of the Company, with an exercise price of Cdn\$0.70 per share, expiring on March 4, 2015. The options vest in four equal quarterly instalments, on March 31, June 30, September 30 and December 31, 2010.

On November 3, 2009, Amerigo granted stock options to purchase an aggregate of 100,000 common shares to two directors of MVC, with an exercise price of Cdn\$0.68 per share, expiring on November 3, 2014. The options vested on grant.

On March 27, 2009, Amerigo granted stock options to purchase an aggregate of 2,300,000 common shares to directors, officers, consultants and employees of the Company, with an exercise price of Cdn\$0.31 per share, expiring on March 27, 2014. The options vested in four equal quarterly instalments, on March 27, April 1, July 1 and October 1, 2009. A total of 50,000 options with an exercise price of Cdn\$0.31 per share were exercised on January 22, 2010. No options were exercised in fiscal 2009.

A total of 50,000 options with exercise prices ranging from Cdn\$2.13 to Cdn\$2.71 per share were forfeited in the quarter ended March 31, 2010. No options were forfeited in fiscal 2009.

A total of 75,000 options at an exercise price of Cdn\$0.75 per share expired unexercised on January 7, 2010. 150,000 stock options at an exercise price of Cdn\$2.00 per share expired unexercised on October 5, 2009.

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The following stock options were outstanding and exercisable as at March 31, 2010:

Range of exercise prices Cdn\$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn\$
0.31 to 1.77	3,148,750	4.25 years	0.42
1.77 to 2.40	2,785,000	2.27 years	2.18
2.40 to 2.71	1,360,000	0.93 years	2.69
	<u>7,293,750</u>		

d) Warrants

As part of its February 13, 2009 private placement, the Company issued 38,744,400 warrants with an exercise price of Cdn\$0.33 per share to February 15, 2010 and thereafter at a price of Cdn\$0.40 per share until February 14, 2011. At March 31, 2010, all the warrants had been exercised.

e) Value assigned to stock options and warrants

	March 31, 2010 \$	December 31, 2009 \$
Balance – beginning of period	3,917,591	2,433,377
Warrants vested	-	1,308,158
Options vested	295,907	255,063
Transfer to capital stock on exercise of warrants	(1,229,151)	(79,007)
Transfer to capital stock on exercise of options	(4,774)	-
Balance – end of period	<u>2,979,573</u>	<u>3,917,591</u>

The Company estimated the fair value of options granted based on the Black-Scholes Option Pricing Model using the following assumptions:

	2010	2009
Expected dividend yield	-	-
Expected stock price volatility	78.60%	47.96%
Risk-free interest rate	1.77%	1.52%
Expected life of options	3.3 years	3.6 years

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The Company estimated the fair value of warrants granted based on the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2010</u>	<u>2009</u>
Expected dividend yield	-	-
Expected stock price volatility	-	47.04%
Risk-free interest rate	-	1.20%
Expected life of warrants	-	2 years

10 Investments

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
	\$	\$
	<u>7,885,675</u>	<u>6,754,790</u>

At various dates during 2007 and 2008, the Company acquired for investment purposes 10.8 million common shares of Candente Copper Corp. (“Candente Copper”, formerly Candente Resource Corp.), an issuer listed on the Toronto, Lima and Frankfurt Stock Exchanges, at an aggregate cost of \$15,861,986. Adjustments to fair value are required at each balance sheet date. Given that 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 (Loss) in the Company’s Balance Sheet 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. At March 31, 2010 Candente Copper’s closing share price was Cdn\$0.485 and the fair value of the Company’s approximately 13% investment in Candente Copper was \$5,135,518. During the quarter ended March 31, 2010 the Company recorded other comprehensive loss of \$931,681 for the fair value depreciation of this investment. The Company recorded other comprehensive income of \$1,783,637 for the fair value appreciation of this investment during the quarter ended March 31, 2009.

On January 4, 2010 the Company received as a return of capital pursuant to a capital reorganization of Candente Copper a total of 2,157,656 shares of Candente Gold Corp. (“Candente Gold”), an issuer listed on the Toronto Stock Exchange. The initial cost of the Candente Gold shares and subsequent adjustments to fair value required at each balance sheet date are recorded in Accumulated Other Comprehensive Income (Loss), as the Company’s investment in Candente Gold is designated as “available for sale” for accounting purposes. At March 31, 2010 Candente Gold’s closing share price was Cdn\$0.76 and the fair value of the Company’s investment was \$1,609,482. The Company recorded other comprehensive income of \$1,609,482 for the fair value appreciation of this investment during the quarter ended March 31, 2010.

At various dates during 2007 and 2008, the Company acquired for investment purposes 8 million 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 balance sheet date, as the Company’s investment in Los Andes is designated as “available for sale” for accounting purposes. At March 31, 2010 Los Andes’s closing share price was Cdn\$0.145 and the fair value of the Company’s approximately 4% investment was

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(expressed in U.S. dollars)

\$1,140,675. During the quarter ended March 31, 2010 the Company recorded other comprehensive income of \$453,084 for the fair value appreciation of this investment. The Company recorded other comprehensive income of \$88,506 for the fair value appreciation of this investment during the quarter ended March 31, 2009.

In the quarter ended March 31, 2010, the Company recorded an unrealized tax expense associated with the fair value appreciation of these investments of \$128,673, as a reduction to Accumulated Other Comprehensive Income in the Company's Balance Sheet.

11 Supplemental Disclosure with Respect to Cash Flows

	March 31, 2010	March 31, 2009
	(\$)	(\$)
Cash paid during the period for interest	444,516	88,088
Cash paid during the period for income taxes	330,246	106,166
Change in accounts payable related to the acquisition of plant and equipment	(857,037)	(311,899)
	March 31, 2010	December 31, 2009
	(\$)	(\$)
Cash	800,624	3,443,792
Cash equivalents	13,925,245	3,747,301
	<u>14,725,869</u>	<u>7,191,093</u>

12 Contingencies

In Q3-2007, the Chilean Internal Revenue Service ("SII") issued a tax assessment to MVC challenging the tax losses reported by MVC for the fiscal years 1999 to 2004. The tax assessment claimed that some of these losses could be denied and MVC could face a tax liability of approximately \$1.15 million. The Company believed there was no merit to this assessment and retained legal counsel to prepare a response to SII in accordance with Chilean law. Most of the losses under review have been validated to date by the Chilean SII except for certain tax depreciation charges of approximately \$1M. If the tax deductibility of these expenses is denied by the SII in a given year, it would be allowed in the subsequent year, resulting in no material tax adjustments to the Company.

In the fourth quarter of 2007, SII issued a tax assessment to MVC for adjustments, penalties and interest of approximately \$135,000, derived from MVC's alleged failure to remit provisional monthly payments towards a Chilean mining royalty tax in 2006. When the mining royalty tax was instituted in Chile, MVC obtained a legal opinion stating that the tax did not apply to MVC's operations, as MVC does not exploit under the definition of the Chilean Income Tax Law. Even if the mining royalty tax applied to MVC, there would have been no tax payable in 2006 as MVC's production levels that year fell below the threshold prescribed by SII for this tax. MVC also retained legal counsel to prepare a response to SII on this matter and is awaiting a resolution on this matter. Further tax assessments for the years 2007 and 2008 were also filed by the SII for approximately \$27,000 and \$38,000, respectively. While the amounts are not material, the Company is questioning how the assessments were calculated. Resolution on these assessments is also pending.

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No amounts have been recorded by the Company in respect of these matters.

13 Subsequent Events

Subsequent to March 31, 2010, MVC structured a demand loan obtained from a Chilean bank into a 3-year loan. The principal amount of the loan is Chilean Pesos 2,858,250,000 (\$5,449,891 at March 31, 2010). The loan is repayable in thirty six equal monthly instalments of Pesos \$79,395,833 from May 2010 to April 2013. The loan agreement provides for interest at an monthly rate of 0.81%, MVC provided to the bank machinery and equipment collateral with a value of approximately \$8.1 million.