

Amerigo Resources Ltd.

Consolidated Financial Statements
For the year ended December 31, 2011
(expressed in U.S. dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements, the Management Discussion and Analysis and the information contained in the company's annual filing of financial results have been prepared by the management of the company.

The financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgements based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent members, meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the financial statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews and evaluation of these controls and report on their findings to management and the Audit Committee.

"Klaus Zeitler"
Klaus Zeitler
President and Chief Executive Officer

"Aurora Davidson"
Aurora Davidson
Chief Financial Officer

March 1, 2012

March 1, 2012



Independent Auditor's Report To the Shareholders of Amerigo Resources Ltd

We have audited the accompanying consolidated financial statements of Amerigo Resources Ltd ("Amerigo" or the "Company"), which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of comprehensive (loss) income, cash flows and changes in equity for the years ended December 31, 2011 and 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC, Canada
March 1, 2012

Amerigo Resources Ltd.

Consolidated Statements of Financial Position

(expressed in U.S. dollars)

	Notes	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Assets				
Current assets				
Cash and cash equivalents	6	20,819,467	35,044,797	7,191,093
Trade and other receivables	7	18,885,945	17,786,455	19,176,962
Prepaid expenses		380,797	216,669	96,306
Inventories	8	9,564,669	6,120,345	4,666,104
		49,650,878	59,168,266	31,130,465
Non-current assets				
Available-for-sale financial assets	9	8,722,744	25,583,511	6,754,790
Property, plant and equipment	11	138,638,900	140,673,643	129,153,658
Intangible assets	12	7,726,251	9,233,924	9,157,500
Other non-current assets	7	590,846	13,710	20,883
Total assets		205,329,619	234,673,054	176,217,296
Liabilities				
Current liabilities				
Trade and other payables	13	21,338,603	13,782,947	10,089,158
El Teniente royalties payable	10	9,523,714	11,663,151	11,474,509
Current income tax liabilities	18	667,573	314,976	13,289
Royalties to related parties	16	646,214	546,039	516,076
Borrowings	14	3,854,551	9,851,457	15,912,436
		36,030,655	36,158,570	38,005,468
Non-current liabilities				
Borrowings	14	764,598	4,883,974	5,338,160
Trade and other payables	13	2,538,590	1,462,006	1,434,383
Royalties to related parties	16	5,141,220	5,460,390	5,676,835
Asset retirement obligation	15	6,841,707	7,168,372	5,480,949
Deferred income tax liability	18	15,031,235	17,530,894	9,845,532
Total Liabilities		66,348,005	72,664,206	65,781,327
Equity				
Share Capital	17	77,513,839	77,166,170	64,282,591
Other reserves		5,484,972	3,804,484	3,917,591
Retained earnings		53,519,770	51,669,516	38,564,856
Accumulated other comprehensive income		2,463,033	29,368,678	3,670,931
Total equity		138,981,614	162,008,848	110,435,969
Total equity and liabilities		205,329,619	234,673,054	176,217,296

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

Approved by the Board of Directors

“Robert Gayton”

Director

“Ruston Goepel”

Director

Amerigo Resources Ltd.

Consolidated Statements of Comprehensive Income

(expressed in U.S. dollars)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
		\$	\$
Revenue		166,073,816	152,120,143
Cost of sales	20	156,296,713	128,919,652
Gross profit		9,777,103	23,200,491
Other expenses			
General and administration	20, 21	7,258,711	5,430,717
Other gains	23	(72,879)	(1,394,195)
		7,185,832	4,036,522
Operating profit		2,591,271	19,163,969
Finance expense	22	1,013,271	1,460,983
Gain on sale of available for sale financial assets	9	(9,750,931)	-
		8,737,660	1,460,983
Profit before tax		11,328,931	17,702,986
Income tax expense	18	2,628,413	4,598,326
Profit for the year		8,700,518	13,104,660
Cumulative translation adjustment		(14,397,838)	10,537,850
Unrealized (losses) gains on available for sale financial assets net of taxes		(4,136,127)	15,159,897
Transfer of other comprehensive income on sale of financial assets net of taxes		(8,371,680)	-
Other comprehensive (loss) income		(26,905,645)	25,697,747
Comprehensive (loss) income		(18,205,127)	38,802,407
Weighted average number of shares outstanding basic		172,047,604	168,206,028
Weighted average number of shares outstanding diluted		172,537,078	170,323,322
Earnings per share			
Basic		0.05	0.08
Diluted		0.05	0.08

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

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Cash flows from operating activities		
Profit for the year	8,700,518	13,104,660
Adjustment for items not affecting cash:		
Gain on available-for-sale financial asset	(9,750,931)	-
Depreciation and amortization	14,820,614	11,673,882
Bad debt expense	1,548,751	-
Deferred income tax expense	1,871,101	1,480,099
Share-based compensation	1,763,165	1,178,110
Change in fair value of interest rate swap	200,657	62,688
Other	892,213	72,787
	<u>20,046,088</u>	<u>27,572,226</u>
Changes in non-cash working capital		
Trade, other receivables and advances	(4,586,748)	2,777,218
Inventories	(4,063,641)	(1,054,176)
Trade and other payables	3,648,189	3,432,651
El Teniente royalty payables	(993,404)	(758,777)
Net cash from operating activities	<u>14,050,484</u>	<u>31,969,142</u>
Cash flows from investing activities		
Purchase of plant and equipment	(21,346,199)	(11,302,271)
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	<u>(10,919,263)</u>	<u>(11,302,271)</u>
Cash flows from financing activities		
Repayments of borrowings	(9,757,661)	(7,345,439)
Dividends	(6,850,264)	-
Issuance of shares on exercise of share options and warrants	264,992	11,592,361
Net cash from financing activities	<u>(16,342,933)</u>	<u>4,246,922</u>
Net (decrease) increase in cash and cash equivalents	<u>(13,211,712)</u>	<u>24,913,793</u>
Effect of exchange rate changes on cash	(1,013,618)	2,939,911
Cash and cash equivalents – Beginning of year	<u>35,044,797</u>	<u>7,191,093</u>
Cash and cash equivalents - End of year	<u>20,819,467</u>	<u>35,044,797</u>

Supplementary cash flow information (Notes 6 and 26)

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

Amerigo Resources Ltd.

Consolidated Statements of Changes in Equity

(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	(1,229,150)	-	-	11,396,913
Exercise of share options	650,000	257,516	(62,067)	-	-	195,449
Options vested	-	-	1,178,110	-	-	1,178,110
Cumulative translation adjustment	-	-	-	10,537,850	-	10,537,850
Unrealized gains on available-for-sale financial assets (Net of tax of \$3,668,824)	-	-	-	15,159,897	-	15,189,897
Net earnings for the year	-	-	-	-	13,104,660	13,104,660
Balance December 31, 2010	171,510,344	77,166,170	3,804,484	29,368,678	51,669,516	162,008,848
Balance January 1, 2011	171,510,344	77,166,170	3,804,484	29,368,678	51,669,516	162,008,848
Issue of shares -						
Exercise of share options	780,000	347,669	(82,677)	-	-	264,992
Options vested	-	-	1,763,165	-	-	1,763,165
Cumulative translation adjustment	-	-	-	(14,397,838)	-	(14,397,838)
Unrealized losses on available-for-sale financial assets (net of tax recoveries of \$946,071)	-	-	-	(4,136,127)	-	(4,136,127)
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 year	-	-	-	-	8,700,518	8,700,518
Dividends paid	-	-	-	-	(6,850,264)	(6,850,264)
Balance December 31, 2011	172,290,344	77,513,839	5,484,972	2,463,033	53,519,770	138,981,614

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 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 Corporacion Nacional del Cobre de Chile ("Codelco"), Chile's state-owned copper producer, 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 March 1, 2012.

2 First-time adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") 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 has commenced reporting on this basis in these consolidated financial statements. In the consolidated financial statements, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS, including IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 28 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, 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 policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 1, 2012, the date the Board of Directors approved the statements.

IFRS accounting policies are presented in Note 4 and have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information, and the opening statement of financial position at the date of transition.

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First-time adoption exemptions applied

IFRS1 *First-time adoption of International Financial Reporting Standards*, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS. Those exemptions the Company has elected to apply and are considered significant to the Company include:

- Not to restate previous business combinations and the accounting thereof;
- Elect to use MVC's previous GAAP revaluation of property, plant and equipment at the date of transition to IFRS as deemed cost;
- Elect to capitalize borrowing costs related to qualifying assets commencing from the date of transition to IFRS.
- Reset the cumulative translation difference reserve for all foreign operations to zero at the date of transition to IFRS.

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, except IFRS 9 which is effective on January 1, 2011, 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

IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

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.

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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.

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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value. The consolidated financial statements are presented in U.S. dollars except when otherwise indicated.

4.2 Consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial

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statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

4.3 Segment reporting

The Company operates in one segment which is the production of copper concentrates, with the production of molybdenum concentrates as a by-product.

4.4 Foreign currency translation

(a) Functional and presentation currency

The Company's presentation currency is the U.S. dollar ("\$"). The functional currencies of the Company and MVC are the Canadian dollar and Chilean peso ("CLP"), respectively. These consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Resulting gains and losses on translation are included as a component of equity.

(b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

4.5 Property, plant and equipment

(a) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads. The costs of day-to-day servicing are recognized in profit or loss as incurred. Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Amerigo Resources Ltd.

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MVC depreciates its property, plant and equipment using the straight-line method over the estimated useful life of the assets, not to exceed the term of the current contract with El Teniente.

The depreciation method, useful life and residual values are assessed annually.

(b) Asset impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other long-lived assets in the unit on a pro-rata basis.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or cash generating unit ("CGU"). The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach as a fair value when an active market or bidding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those than an independent market participant would consider appropriate.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

4.6 Intangible assets

Intangible assets reflect the value assigned to the MVC and Codelco contract for the processing of tailings from the El Teniente mine. This contractual right is amortized on a units of production basis over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired. In addition to the amortization of the contractual right, royalties payable to El Teniente under the contract are recorded based on production in the year and included in cost of sales (Note 10).

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4.7 Financial assets and other financial liabilities

4.7.1 Classification

(a) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as FVTPL financial assets.

(b) Financial assets held to maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

(c) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(d) Available-for-sale financial assets ("AFS")

Investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and are accumulated in the investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date.

(e) Other financial liabilities

Other financial liabilities at amortized cost include trade and other payables, El Teniente royalties payable and borrowings. Trade payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. El Teniente royalties payable are recognized at the amount

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required to be paid. Borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(f) Derivative financial instruments

The Company uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. The Company's royalty to related parties is a derivative liability. All derivatives have been classified as held-for-trading, are included on the balance sheet within other liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in finance income (expense).

4.7.2 Recognition and measurement

(g) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(h) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer;
- default or delinquency in interest or principal payments; or
- it has become probable that the issuer will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(i) De-recognition of financial assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

4.8 Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the holders earn the options.

The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

4.9 Inventories

Inventories, comprising concentrates in process and copper and molybdenum concentrates are valued at the lower of cost and net realizable value. Consumables are valued at the lower of average cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Production cost is determined primarily on a weighted-average cost basis and includes direct production costs, direct labour costs and an allocation of variable and fixed production overhead including depreciation. Net realizable value is the estimated selling price in the ordinary course of business.

4.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

4.11 Current and deferred income tax

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

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A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.12 Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

MVC has a future obligation to retire the assets located at its facility at the end of its contract with El Teniente in 2021. This obligation has been recorded as a liability at present value in the Company's consolidated balance sheet. The value of asset retirement obligations is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The fair value of the liability is added to the carrying amount of plant and equipment, and this additional carrying amount is depreciated over time to 2021. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in finance expense.

4.13 Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

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4.14 Revenue recognition

Revenue from the sale of the Company's copper and molybdenum concentrates is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. In 2011 the majority of the Company's concentrates were sold under pricing arrangements where final prices were determined by quoted market prices in a period subsequent to the date of sale. For these sales, prices were determined on a provisional basis at the date of sale and revenues were recorded at that time based on forward prices.

Adjustments were made to the sale price in subsequent periods based on movements in quoted market prices up to date of the final pricing. As a result, the value of the Company's concentrate sales receivables changed as the underlying commodity market prices varied. This adjustment mechanism has the characteristics of a derivative. Accordingly, the fair value of the receivable is adjusted each reporting period by reference to forward market prices and changes in fair value are recorded as a component of revenue.

Copper produced by the Company is sold under a written sales agreement with Chile's Empresa Nacional de Minería ("Enami" or the "smelter"). The agreement with Enami establishes a delivery schedule of monthly sales quotas and in 2011 set the Company's copper sale price at the average market price for the month following delivery ("M+1"). Where production falls short of the monthly quota for a scheduled month of delivery, the quota is carried forward to a subsequent calendar month and the Company receives a sale price calculated for the originally scheduled month of delivery until the quota is met.

Molybdenum produced by the Company is sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet" or the "roaster"). In 2011, the sale price to Molymet is the average market price for the month of delivery ("M").

In normal supply conditions and in circumstances where the quotational period for sales goes beyond the sale price for the month of delivery, sales for copper and molybdenum concentrates are provisionally priced at the time of sale based on the prevailing copper forward market price or the current molybdenum market price, as specified in the sales contracts, where applicable. Variations between the price recorded at the time of sale and the actual final price received from the smelter or the roaster are caused by changes in copper and molybdenum market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. In a period of rising prices, not only will the Company record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for copper and molybdenum concentrates delivered in the prior period. Similarly, in a period of declining prices, the Company will record lower revenues for current deliveries and negative adjustments to revenue for prior period deliveries.

4.15 Comprehensive income (loss)

Comprehensive income (loss) includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

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5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful life of assets

As at December 31, 2011, the contract with El Teniente has been estimated to terminate as of December 31, 2021. The useful lives of assets have been determined based on their estimated economic life, not to exceed December 31, 2021. The remaining life of the contract with El Teniente may change based on executed term extensions.

Asset retirement obligation ("ARO")

The Company assesses its provision for ARO annually and fair values the liability at the end of each reporting year, using the current risk-free discount rates. The ARO results from the obligation to remove property and equipment at the term of the El Teniente contract and from environmental regulations set by Chilean authorities. AROs include costs related to MVC's plant and equipment. The ARO is a critical accounting estimate for the Company. There are significant uncertainties related to the ARO and the impact on the financial statements could be material. The eventual timing and costs of the ARO could differ from current estimates. The main factors that could cause expected ARO cash flows to change include changes to laws and legislation and additions of new plant and equipment.

The future value of the provision for ARO was determined using an estimated annual inflation rate of 4.5%, a risk premium estimated at 7% and discounted at the risk-free rate of 5.35%.

Impairment of property, plant and equipment

In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some

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or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of income.

Reserve estimates

Reserves are estimates of the amount of copper and molybdenum concentrates that can be produced by MVC under its agreements with El Teniente. The estimate of reserves is prepared by members of MVC management. Changes in the reserve estimates may impact upon impairment of property, plant and equipment analysis, amortization of intangible assets and valuation of royalties to related parties.

6 Cash and cash equivalents

	December 31, 2011 \$	December 31, 2010 \$
Cash at bank and on hand	3,150,994	1,177,148
Short-term bank deposits	17,668,473	33,867,649
	20,819,467	35,044,797

7 Trade and other receivables

	December 31, 2011 \$	December 31, 2010 \$
Current		
Accounts receivable	20,329,713	17,786,455
Less: Provision for impairment of trade receivables	(1,443,768)	-
Accounts receivable - net	18,885,945	17,786,455
Non-current		
Other non-current assets	590,846	13,710

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The ageing analysis of these trade receivables is as follows:

	December 31, 2011	December 31, 2010
	\$	\$
Up to 3 months	12,846,922	8,444,330
3 to 6 months	4,313,217	6,532,665
Greater than 6 months	1,725,806	2,809,460
	18,885,945	17,786,455

As of December 31, 2011, there were trade receivables of \$1,443,768 impaired and provided for (December 31, 2010: \$nil).

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	December 31, 2011	December 31, 2010
Currency	\$	\$
Chilean peso	18,799,369	17,718,797
Other	86,576	67,658
	18,885,945	17,786,455

The fair values of trade and other receivables are as follows:

	December 31, 2011	December 31, 2010
	\$	\$
Trade receivables	12,210,272	8,187,101
Other	6,675,673	9,599,354
	18,885,945	17,786,455

The effective interest rates on trade and other receivables were nil% (December 31, 2010: nil%).

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8 Inventories

	December 31, 2011 \$	December 31, 2010 \$
Plant supplies and consumables at cost	5,697,799	4,014,877
	5,697,799	4,014,877
Concentrate inventories at cost	3,866,870	2,105,468
	3,866,870	2,105,468
	9,564,669	6,120,345

Concentrates in process at the various processing stages of MVC's operations and finished product inventories are valued at the lower of cost and net realizable value.

For work in process and finished product inventories, cost includes all direct costs incurred in production including direct labor and materials, depreciation, and amortization and directly attributable overhead costs.

When inventories have been written down to net realizable value, the Company makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

Inventory of plant supplies and consumables is valued at the lower of the average cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

The write-down of inventories recognised in operating expenses amounted to \$nil (December 31, 2010: \$nil).

9 Available-for-sale financial assets

	December 31, 2011 \$	December 31, 2010 \$
Start of period	25,583,511	6,754,790
Exchange differences	245,285	407,585
Additions	-	1,915,923
Disposals	(11,119,240)	-
Changes in fair value	(5,986,812)	16,505,213
End of period	8,722,744	25,583,511

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Available-for-sale financial assets include the following:

	December 31, 2011 \$	December 31, 2010 \$
Candente Copper Corp.	5,527,254	19,636,633
Candente Gold Corp.	499,158	2,179,450
Los Andes Copper Ltd.	2,519,688	3,767,428
Cobrizo Metals Corp.	176,644	-
	8,722,744	25,583,511

- a) During the year ended December 31, 2011, the Company sold 5,000,000 Candente Copper Corp. (“Candente Copper”) shares, and recognized a gain of \$9,750,931 in earnings. At December 31, 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 \$5,527,254. During the year ended December 31, 2011, the Company recorded other comprehensive loss of \$2,990,139 (2010: other comprehensive income of \$13,569,434) for the changes in fair value of this investment, net of deferred income tax.
- b) At December 31, 2011, Candente Gold Corp. (“Candente Gold”) had a closing share price of Cdn\$0.235 and the fair value of the Company’s approximately 4% investment in Candente Gold was \$499,158. During the year ended December 31, 2011, the Company recorded other comprehensive loss of \$1,680,292 (2010: other comprehensive income of \$2,179,450) for the changes in the fair value of this investment, net of deferred income tax.
- c) At December 31, 2011, Los Andes Copper Ltd. (“Los Andes”) had a closing share price of Cdn\$0.32 and the fair value of the Company’s approximately 5% investment was \$2,519,668. During the year ended December 31, 2011, the Company recorded other comprehensive loss of \$1,247,740 (2010: other comprehensive income of \$3,079,837) for the changes in the fair value of this investment, net of deferred income tax.
- d) On October 6, 2011, the Company received a total of 1,157,656 shares of Cobrizo Metals Corp. (“Cobrizo”), an issuer listed on the TSX, following Cobrizo’s spinout from Candente Copper. At December 31, 2011, Cobrizo’s closing share price was Cdn\$0.155 and the fair value of the Company’s approximately 4% investment in Cobrizo was \$176,644. The Company recorded other comprehensive income of \$176,644 for the increase in the fair value of this investment during the year ended December 31, 2011, net of deferred income tax.

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10 El Teniente royalty 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 concentrates 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 varies on a sliding scale from 10% to 13.5%; and if the copper price is \$1.30/lb or higher, a maximum royalty of 13.5% is payable.

Royalty payments for copper concentrates 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 concentrate sales.

Adjustments to the El Teniente royalty are recorded on a monthly basis for changes in copper concentrate 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 December 31, 2011, royalties payable to El Teniente were \$9,523,714 (December 31, 2010: \$11,663,151), representing approximately three months of royalties.

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11 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
Year ended December 31, 2011			
Opening net book amount	113,352,478	27,321,165	140,673,643
Exchange differences	(11,056,710)	(2,508,032)	(13,564,742)
Additions	20,708,643	5,029,752	25,738,395
Disposals	-	(36,335)	(36,335)
Depreciation charge	(11,492,306)	(2,679,755)	(14,172,061)
Closing net book amount	111,512,105	27,126,795	138,638,900
At December 31, 2011			
Cost	164,135,741	49,111,576	213,247,317
Accumulated depreciation	(52,623,637)	(21,984,780)	(74,608,417)
Net book amount	111,512,104	27,126,796	138,638,900

\$160,006 (December 31, 2010: \$nil) of interest was capitalised during the year and is included in property, plant and equipment at December 31, 2011.

In connection with one of the bank loans described in Note 14, MVC has provided collateral on machinery and equipment valued at approximately \$14,340,000.

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12 Intangible assets

	\$
January 1, 2010	
Cost	9,157,500
Exchange differences and other	715,578
Charged to earnings	(639,154)
Net book amount, December 31, 2010	9,233,924
Exchange differences	(859,120)
Charged to earnings	(648,553)
Net book amount, December 31, 2011	7,726,251

13 Trade and other payables

	2011 \$	2010 \$
Current		
Trade payables	21,338,603	13,782,947
Income tax liabilities	667,573	314,976
El Teniente royalty payable	9,523,714	11,663,151
Royalty payable to related parties	646,214	546,039
	32,176,104	26,307,113
Non-current		
Other payables	2,538,590	1,462,006

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14 Borrowings

	December 31, 2011 \$	December 31, 2010 \$
Enami loan (Note 14(a))	-	1,887,155
Bank loans (Note 14(b), (c) and (d))	4,619,149	12,848,276
	4,619,149	14,735,431
Less: Short-term debt and current portion of long-term debt	(3,854,551)	(9,851,457)
	764,598	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.

- (a) MVC sells its copper concentrates 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 loan was repaid in full during the quarter ended December 31, 2011.
- (c) In November 2010, the Company obtained from the same bank described in note 14(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 December 31, 2011 was \$2,004,160 (December 31, 2010: \$4,006,920). Borrowing costs of \$160,006 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 December 31, 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

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equipment with a value of approximately \$4,010,000 as collateral. The balance of the loan and accrued interest at December 31, 2011 was the CLP equivalent of \$2,614,989 (December 31, 2010: \$4,947,511).

- 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 0.66% per month on CLP draws and 3.10% 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 December 31, 2011.

15 Asset retirement obligation

MVC is obligated through its operating contract with Codelco to remove the facilities and equipment used in its operations and to leave the land occupied by MVC's operations clean and clear within six months of expiry of the contract or any extensions to it.

The Company obtained an independent assessment of site restoration costs of \$6,933,670 as at the end of 2011, which was adjusted to reflect inflation (estimated at an annual rate of 4.5%), risk premium (estimated at 7%) and discounted at the risk-free rate of 5.35%. The 2011 independent assessment of asset recovery values indicated it was necessary to make adjustments to prospective amortization charges. In 2011, the Company recorded a further decrease to property, plant and equipment of \$772,742, with a corresponding decrease to the asset retirement liability.

The liability is being accreted over time to 2021, the current term of the contract with El Teniente.

	\$
At January 1, 2011	7,168,372
Charged to the income statement	
- Accretion	446,077
Change in obligation	(772,742)
At December 31, 2011	6,841,707

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16 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 an option to purchase 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 December 31, 2011 is \$5,787,434 (December 31, 2010: \$6,006,429), with a current portion of \$646,214 (December 31, 2010: \$546,039) and a long-term portion of \$5,141,220 (2010: \$5,460,390).

The Royalty is paid as a royalty dividend on the Class A shares of Amerigo International. During the year ended December 31, 2011, Royalties totalling \$731,585 were paid or accrued to the Amerigo International Class A shareholders on production in the period (2010: \$751,758). At December 31, 2011, \$74,967 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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	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Management fees	1,130,880	1,135,804

(c) Key management compensation

The remuneration of directors and other members of key management during the year ended December 31, 2011 and 2010 were as follows:

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Management and directors' fees	1,337,021	1,228,049
Share-based payments	1,708,515	1,106,206
	3,045,536	2,334,255

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

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(expressed in U.S. dollars)

17 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\$0.54 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	3.17%	-
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:

	December 31, 2011		December 31, 2010	
	Share options	Weighted average exercise price Cdn\$	Share options	Weighted average exercise price Cdn\$
At start of the year	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 year	10,070,000	1.25	9,010,000	1.38
Vested and exercisable	10,070,000	1.25	9,010,000	1.38

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Information relating to share options outstanding at December 31, 2011 is as follows:

Outstanding share options (in 000's)	Vested share 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	3,200,000	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	10,070,000		1.25	1.25	2.97

The weighted average remaining life of vested options at December 31, 2011 was 2.71 years.

Further information about share options is as follows:

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Total compensation cost recognized	1,763,165	1,178,110

All option pricing models take into account, as a minimum, the following factors:

- The exercise price of the option;
- The life of the option;
- The current price of the underlying shares;
- The expected volatility of the share price;
- The dividends expected on the shares (if appropriate); and
- The risk-free interest rate for the life of the option.

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c) Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

	December 31, 2011	December 31, 2010
	\$	\$
Profit for the year	8,700,518	13,104,660
Weighted average number of shares (000's)	172,047,604	168,206,028
Basic earnings per share	0.05	0.08

(ii) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Potentially dilutive shares relate to the exercise of outstanding share purchase options.

	December 31, 2011	December 31, 2010
	\$	\$
Profit for the year	8,700,518	11,033,233
Weighted average number of ordinary shares in issue	172,047,604	168,206,028
Effect of dilutive securities:		
Share options	489,474	2,117,294
Weighted average diluted shares outstanding	172,537,078	170,323,322
Diluted earnings per share	0.05	0.07

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(expressed in U.S. dollars)

18 Income tax expense

a) The income tax expense charged to income during the periods is as follows:

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Current		
Canadian income tax	1,446	566
Foreign income and resource tax	755,866	660,394
Total current tax	757,312	660,960
Deferred		
Canadian income tax	(7,945)	(203,465)
Foreign income and resource tax	1,879,046	4,140,831
Total deferred tax	1,871,101	3,937,366
Income tax expense	2,628,413	4,598,326

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- b) The tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Tax expense at the statutory income tax rate of 26.50% (2010: 28.50%)	3,002,166	5,045,351
Tax effect of:		
Non-deductible expenses	668,098	671,041
Benefit of current tax losses not recognised (recognition of previously unrecognized losses)	575,298	48,897
Benefit of tax rate reduction	38,929	292,701
Difference in tax rates in foreign jurisdictions	(1,169,220)	(2,795,932)
Other	(486,858)	1,336,268
	2,628,413	4,598,326

- c) The income tax charged/(credited) to equity during the year is as follows:

	2011 \$	2010 \$
Deferred tax	3,038,993	(3,688,824)
	3,038,993	(3,688,824)

- d) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	December 31, 2011 \$	December 31, 2010 \$
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(15,031,235)	(17,530,894)
Deferred tax liabilities/asset - net	(15,031,235)	(17,530,894)

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e) The movement in the net deferred income tax position is as follows:

	2011	2010
	\$	\$
At start of period	(17,530,894)	(9,845,532)
Income statement charge	(1,871,101)	(3,937,366)
Tax credited (charged) directly to equity	3,038,993	(3,688,824)
Foreign exchange impact in equity	1,331,767	(59,172)
At end of period	(15,031,235)	(17,530,894)

f) The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment	Intangible assets	Other	Total
	\$	\$	\$	\$
At January 1, 2010	(9,993,785)	(1,556,775)	63,138	11,487,422
Charged/(credited) to the income statement	(3,092,988)	(12,992)	-	(3,105,980)
Charged directly to equity	-	-	(3,529,481)	(3,529,481)
At December 31, 2010	(13,086,773)	(1,569,767)	(3,466,343)	(18,122,883)
Charged/(credited) to the income statement	126,274	624,784	814,932	1,565,990
Charged directly to equity	-	(368,480)	997,038	628,558
At December 31, 2011	(12,960,499)	(1,313,463)	(1,654,373)	(15,928,335)

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Deferred tax assets	Asset Retirement obligation \$	Other \$	Total \$
At January 1, 2010	397,822	1,244,068	1,641,890
Charged/(credited) to the income statement	109,718	(527,241)	(417,523)
Charged directly to equity	-	(632,378)	(632,378)
At December 31, 2010	507,540	84,449	591,989
Charged/(credited) to the income statement	132,588	172,524	305,111
At December 31, 2011	640,128	256,973	897,100

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

g) Non-resident subsidiaries

The Company has non-resident subsidiaries that have undistributed earnings. For certain non-resident subsidiaries, undistributed earnings are not expected to be repatriated in the foreseeable future, therefore no provision has been made for taxes. Unrecognised tax liabilities associated with undistributed earnings are \$9.8 million at December 31, 2011 (2010: \$8.6 million).

h) Loss Carry-Forwards

At December 31, 2011, the Company had \$8.6 million of Canadian federal net operating loss carry-forwards. These loss carry-forwards expire at various dates between 2015 and 2031

Net operating loss carry-forwards have not been recognized, as it is not probable that taxable profit will be available against which can be utilized in the legal entity in which they arose.

19 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.

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

	Property, plant and equipment		Other	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Chile	138,250,167	140,346,816	15,779,857	32,943,530
Canada	388,736	326,827	1,259,984	1,887,615

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138,638,900	140,673,643	17,039,841	34,831,145
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All of the Company's revenue originates in Chile.

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

20 Expenses by nature

	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
Production costs	94,178,029	78,559,539
El Teniente royalty	41,544,730	33,835,083
Depreciation and amortization	14,820,614	11,673,882
Administration	4,180,408	3,358,519
Transportation	1,572,932	1,492,629
Total cost of sales	156,296,713	128,919,652

The general and administration expenses consist of the following:

	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
Office and general expenses	1,217,870	1,341,979
Salaries, management and professional fees	1,997,340	2,158,870
Share-based payment compensation	1,763,165	1,178,110
Royalties to related parties	731,585	751,758
Bad debt expense	1,548,751	-
	7,258,711	5,430,717

21 Bad Debt Expense

In the year ended December 31, 2011, MVC-Generacion accrued a one-time charge of \$1,548,751 against bad debt expense, to fully account for the outstanding amounts due for power sales to a Chilean company that has formally initiated bankruptcy proceedings in Chile. Any amounts recovered in the future from these proceedings will be recognized in earnings.

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22 Finance expense

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Finance expenses		
- Interest charges	660,499	1,201,112
- Interest rate swap – change in fair value	200,657	62,688
- Asset retirement obligation accretion cost	446,077	383,665
- Royalty accretion adjustment	(293,962)	(186,482)
Finance expense	1,013,271	1,460,983

23 Other gains

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Foreign exchange loss (gain)	684,792	(907,703)
Other gains	(757,671)	(486,492)
	(72,879)	(1,394,195)

24 Financial and capital risk management

(a) Financial risk management

The Company's activities expose it to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections, by maintaining strong banking relationships in Chile where the Company has historically

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obtained short-term debt facilities to meet working capital requirements and by raising additional capital for investment or operations as required from time to time.

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The Company's liabilities fall due as indicated in the following table:

At December 31,2011	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	23,877,193	21,338,603	77,454	-	2,461,136
El Teniente royalties payable	9,523,714	9,523,714	-	-	-
Borrowings	4,619,149	3,854,551	764,598	-	-
Current income tax liabilities	667,573	667,573	-	-	-
Royalties to related parties	5,787,434	646,214	784,505	2,032,380	2,324,335
Asset retirement obligation	6,841,707	-	-	-	6,841,707

At December 31, 2010	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	15,244,953	13,782,947	76,663	-	1,385,343
El Teniente royalties payable	11,663,151	11,663,151	-	-	-
Borrowings	14,735,431	9,851,457	4,035,746	848,228	-
Current income tax liabilities	314,976	314,976	-	-	-
Royalties to related parties	6,006,429	546,039	761,762	2,137,824	2,560,804
Asset retirement obligation	7,168,372	-	-	-	7,168,372

Foreign exchange risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Company's main foreign exchange risks arise with respect to the Canadian dollar and the Chilean Peso. The Company has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2011, a 1% increase (decrease) in the Chilean Peso/U.S. dollar or the Canadian dollar/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately \$276,284 in earnings, respectively, before income taxes. There would be no effect on other comprehensive income.

Interest rate risk

Included in the results of operations of the Company are interest income on U.S. dollar, Canadian dollar and Chilean peso cash and cash equivalents. The Company also has three outstanding short-term bank loans. The Company's interest rate risk mainly arises from the interest rate impact on its cash and cash equivalents and on loans outstanding. The interest rate risk is minimal as the Company's loans are at fixed interest rates. The Company receives interest on cash and cash equivalents based on market interest rates. As at December 31, 2011, with other variables unchanged, a 1% change in Prime rates would have had a marginal impact on net earnings and no effect on other comprehensive income.

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Commodity price risk

The Company faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of delivery of concentrates to the time of final price settlement. This risk is mitigated given the quotational periods in place for copper and molybdenum sales in 2011 which were “M+1” and “M”, respectively.

The following represents the effect of financial instruments on after-tax net earnings from a 10% increase to commodity prices.

	Price		Increase (decrease) on after-tax net earnings	
	2011 \$/lb	2010 \$/lb	2011 \$	2010 \$
Copper	3.43	4.42	778,858	399,351
Molybdenum	13.41	16.02	106,968	202,226

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company has an investment policy which requires that cash and cash equivalents can only be deposited in investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions in Canada and Chile and are redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company’s maximum exposure to credit risk. In 2011 the Company sold its copper and molybdenum concentrates to four customers and does not consider it has any significant credit risk exposure on its accounts receivable.

(b) Capital risk management

The Company manages as capital its capital stock, other reserves, and retained earnings. The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. In connection with some of the bank loans described in note 14, MVC is required to meet certain bank covenants.

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25 Financial instruments by category

Fair values

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, available-for-sale financial assets, trade and other payables, El Teniente royalties payable, borrowings and royalties to related parties. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

Available-for-sale financial assets consist of financial instruments traded in active markets and their fair value is based on quoted market prices at the statement of financial position date. The fair value of cash and cash equivalents, trade and other receivables, royalties to related parties, El Teniente royalties payable and trade and other payables approximate their carrying values due to the short-term maturities of these financial instruments.

The Company is required to make disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

At December 31, 2011, the Company's financial instruments which are measured at fair value on a recurring basis were investments and royalties to related parties. Investments are classified as "level 1" and royalties to related parties are classified as Level 3.

The Company has made the following classifications for its financial instruments:

	Loans and receivables \$	Available for sale \$	Total \$
December 31, 2011			
Assets as per statement of financial position			
Available-for-sale financial assets	-	8,722,744	8,722,744
Trade and other receivables	18,885,945	-	18,885,945
Cash and cash equivalents	20,819,467	-	20,819,467
Total	39,705,412	8,722,744	48,428,156

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	Liabilities Held for trading \$	Other financial liabilities at amortised cost \$	Total \$
December 31, 2011			
Liabilities as per statement of financial position			
Borrowings	-	4,619,149	4,619,149
Royalties to related parties	5,787,434	-	5,787,434
El Teniente royalties payable	-	9,523,714	9,523,714
Trade and other payables	-	21,338,603	21,338,603
Total	5,787,434	35,481,466	41,268,900

	Loans and receivables \$	Available for sale \$	Total \$
December 31, 2010			
Assets as per statement of financial position			
Available-for-sale financial assets	-	25,583,511	25,583,511
Trade and other receivables	17,786,455	-	17,786,455
Cash and cash equivalents	35,044,797	-	35,044,797
Total	52,831,252	25,583,511	78,414,763

	Liabilities at held for trading \$	Other financial liabilities at amortised cost \$	Total \$
December 31, 2010			
Liabilities as per statement of financial position			
Borrowings	-	14,735,431	14,735,431
Royalties to related parties	6,006,429	-	6,006,429
El Teniente royalties payable	-	11,663,151	11,663,151
Trade and other payables	-	15,244,953	15,244,953
Total	6,006,429	41,643,535	47,649,964

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26 Supplementary cash flow information

	2011	2010
	\$	\$
(a) Interest and taxes paid		
Interest paid	232,842	891,532
Income taxes paid	2,592,944	1,508,620
(b) Other		
Increase (decrease) in accounts payable related to the acquisition of plant and equipment	5,163,089	(574,039)
Cash paid during the year for royalty dividends to non-controlling interests	656,618	751,759

27 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 was August 1, 2011, for a five year term. The Company's share of basic rent commitments for the remaining term of the contract is approximately Cdn\$561,000.

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28 First-time adoption of IFRS

Reconciliations of the statements of financial position

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at January 1, 2010 (date of transition to IFRS) and December 31, 2010 are provided below:

	Note	January 1, 2010 (Canadian GAAP) \$	Transition Impact \$	January 1, 2010 (IFRS) \$
Assets				
Current assets				
Cash and cash equivalents		7,191,093	-	7,191,093
Trade and other receivables	6	19,241,121	32,147	19,273,268
Inventories	6	4,666,104	-	4,666,104
		<u>31,098,318</u>	<u>32,147</u>	<u>31,130,465</u>
Non-current assets				
Available-for-sale financial assets		6,754,790	-	6,754,790
Property, plant and equipment	2,3	121,783,483	7,370,175	129,153,658
Intangible assets	1	6,475,923	2,681,577	9,157,500
Other non-current assets	6	82,913	(62,030)	20,883
Total assets		<u>166,195,427</u>	<u>10,021,869</u>	<u>176,217,296</u>
Liabilities				
Current liabilities				
Trade and other payables	6	21,526,330	37,337	21,563,667
Current income tax liabilities		13,289	-	13,289
Royalties to related parties	1	-	516,076	516,076
Borrowings		15,912,436	-	15,912,436
		<u>37,452,055</u>	<u>553,413</u>	<u>38,005,468</u>
Non-current liabilities				
Borrowings		5,338,160	-	5,338,160
Trade and other payables		1,434,383	-	1,434,383
Royalties to related parties	1	-	5,676,835	5,676,835
Asset retirement obligation		5,480,949	-	5,480,949
Deferred income tax liability	4	9,292,881	552,651	9,845,532
Total Liabilities		<u>58,998,428</u>	<u>6,782,899</u>	<u>65,781,327</u>
Equity				
Share Capital		64,282,591	-	64,282,591
Minority interest	1	1,000	(1,000)	-
Other reserves		3,917,591	-	3,917,591
Retained earnings		35,324,886	3,239,970	38,564,856
Accumulated other comprehensive income	2	3,670,931	-	3,670,931
Total equity		<u>107,196,999</u>	<u>3,238,970</u>	<u>110,435,969</u>
Total equity and liabilities		<u>166,195,427</u>	<u>10,021,869</u>	<u>176,217,296</u>

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(expressed in U.S. dollars)

		December 31, 2010 (Canadian GAAP) \$	Transition Impact \$	December 31, 2010 (IFRS) \$
Assets				
Current assets				
Cash and cash equivalents		35,044,797	-	35,044,797
Trade and other receivables	6	18,008,746	(5,622)	18,003,124
Inventories	6	5,021,884	1,098,461	6,120,345
		<u>58,075,427</u>	<u>1,092,839</u>	<u>59,168,266</u>
Non-current assets				
Available-for-sale financial assets		25,583,511	-	25,583,511
Property, plant and equipment	3	127,154,030	13,519,613	140,673,643
Intangible assets	1	6,107,198	3,126,726	9,233,924
Other non-current assets	6	100,096	(86,386)	13,710
Total assets		<u>217,020,262</u>	<u>17,652,792</u>	<u>234,673,054</u>
Liabilities				
Current liabilities				
Trade and other payables	6	25,454,729	(8,631)	25,446,098
Current income tax liabilities		314,976	-	314,976
Royalties to related parties	1	-	546,039	546,039
Borrowings		9,851,457	-	9,851,457
		<u>35,621,162</u>	<u>537,408</u>	<u>36,158,570</u>
Non-current liabilities				
Borrowings		4,883,974	-	4,883,974
Trade and other payables		1,462,006	-	1,462,006
Royalties to related parties	1	-	5,460,390	5,460,390
Asset retirement obligation		7,168,372	-	7,168,372
Deferred income tax liability	4	17,367,667	163,227	17,530,894
Total Liabilities		<u>66,503,181</u>	<u>6,161,025</u>	<u>72,664,206</u>
Equity				
Share Capital		77,166,170	-	77,166,170
Minority interest	1	1,000	(1,000)	-
Other reserves		3,804,483	-	3,804,483
Retained earnings		50,714,330	955,186	51,669,516
Accumulated other comprehensive income	2	18,831,098	10,537,581	29,368,679
Total equity		<u>150,517,081</u>	<u>11,491,767</u>	<u>162,008,848</u>
Total equity and liabilities		<u>217,020,262</u>	<u>17,652,792</u>	<u>234,673,054</u>

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Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for year ended December 31, 2010 are provided below.

	Note	Year ended December 31, 2010 (Canadian GAAP)		Year ended December 31, 2010 (IFRS)
Revenue		152,120,143	-	152,120,143
Cost of sales	3,6	125,398,388	3,521,264	128,919,652
Gross profit		26,721,755	(3,521,264)	23,200,491
Other expenses				
General and administration	6	5,430,175	542	5,430,717
Other (gains) losses	2	(797,438)	(596,757)	(1,394,195)
		4,632,737	(596,215)	4,036,522
Operating profit		22,089,018	(2,925,049)	19,163,969
Finance expense	1,6	1,653,725	(192,742)	1,460,983
Profit before tax		20,435,293	(2,732,307)	17,702,986
Income tax expense	4	5,045,849	(447,523)	4,598,326
Profit for the period		15,389,444	(2,284,784)	13,104,660
Other comprehensive income	2	15,160,167	10,537,580	25,697,747
Comprehensive income		30,549,611	8,252,796	38,802,407
Weighted average number of shares outstanding, basic		168,206,028		168,206,028
Weighted average number of shares outstanding, diluted		170,323,322		170,323,322
Earnings per share				
Basic and diluted		0.09		0.08

Statement of cash flows

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

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 preceding tables.

Note 1. The Company has the obligation to pay a royalty to certain related parties (Note 16), the right to which was granted as consideration for an option to purchase what is now the Company's interest in MVC, and is currently payable by way of royalty dividend. Under Canadian GAAP, the royalty dividend interest was accounted for as a minority interest, measured at a nominal amount of \$1,000. Under IFRS, the royalty dividend 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.

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- 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 have been reclassified within statement of financial position accounts.