

Amerigo Resources Ltd.

Consolidated Financial Statements
December 31, 2009 and 2008
(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 accounting principles generally accepted in Canada 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.

"Steven G. Dean"

Steven G. Dean
Chairman

March 3, 2010

"Aurora Davidson"

Aurora Davidson
Chief Financial Officer

March 3, 2010

Auditors' Report

**To the Shareholders of
Amerigo Resources Ltd.**

We have audited the consolidated balance sheets of **Amerigo Resources Ltd.** (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive income (loss), cash flows, and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, BC
March 3, 2010

Amerigo Resources Ltd.

Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31 2009 \$	December 31 2008 \$
Assets		
Current assets		
Cash and cash equivalents (Note 15)	7,191,093	3,187,084
Accounts receivable	19,144,815	11,501,868
Prepaid expenses	96,306	205,897
Plant supplies and inventory (Note 4)	4,666,104	4,230,508
	31,098,318	19,125,357
Investments (Note 13)	6,754,790	1,855,435
Property, plant and equipment - net (Note 5)	121,783,483	116,243,844
Contractual right - net (Note 6)	6,475,923	6,950,942
Other	82,913	83,299
	166,195,427	144,258,877
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,999,369	15,365,036
Enami loan (Note 7)	6,636,468	3,538,102
El Teniente royalty payable (Note 8)	11,474,509	5,275,693
Bank loans (Note 9)	9,275,968	9,012,992
Due to non-controlling interests (Note 11(a))	65,741	49,670
	37,452,055	33,241,493
Bank loan (Note 9)	3,450,996	-
Enami loan (Note 7)	1,887,164	5,896,837
Other payables	1,434,383	1,004,599
Asset retirement obligation (Note 10)	5,480,949	5,122,382
Future income tax (Note 14)	9,292,881	4,956,851
Non-controlling interests (Note 11(a))	1,000	1,000
	58,999,428	50,223,162
Shareholders' Equity		
Capital stock (Note 12)	64,282,591	56,345,311
Value assigned to stock options and warrants (Note 12(c))	3,917,591	2,433,377
Retained earnings	35,324,886	35,279,137
Accumulated other comprehensive income (loss)	3,670,931	(22,110)
	107,195,999	94,035,715
	166,195,427	144,258,877
Contingencies (Note 21)		
Subsequent events (Note 22)		
Approved by the Board of Directors		
"Robert Gayton"	Director	"Ruston Goepel" Director

Amerigo Resources Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(expressed in U.S. dollars)

	Year ended December 31, 2009 \$	Year ended December 31, 2008 \$
Revenue	89,473,248	97,627,482
Costs		
Production costs	54,338,480	70,005,003
El Teniente royalty (Note 8)	17,172,395	19,712,621
Depreciation and amortization	5,650,418	5,310,865
Administration	1,892,212	2,529,531
Transportation	1,167,373	1,082,064
Asset retirement accretion cost	358,567	335,109
Cost of sales	80,579,445	98,975,193
Operating profit (loss)	8,893,803	(1,347,711)
Other expenses		
Office and general expenses	818,944	1,349,908
Salaries, management and professional fees	1,402,381	1,181,253
Interest expense	2,376,054	548,564
Stock-based compensation (Note 12(c))	255,063	484,159
	4,852,442	3,563,884
Earnings (loss) before the undernoted items	4,041,361	(4,911,595)
Write-down of investments (Note 13(a))	-	(18,855,343)
Foreign exchange (loss) gain	(953,882)	2,210,633
Interest income	46,888	457,719
Other income	637,825	236,965
Equity investment loss (Note 13(b))	(82,220)	(78,491)
Other expenses	(1,386,200)	-
Income (loss) before taxes and non-controlling interests	2,303,772	(20,940,112)
Income tax expense, net of (tax recoveries) (Note 14)	1,632,655	(2,576,855)
Income (loss) before non-controlling interests	671,117	(18,363,257)
Non-controlling interests (Note 11(a))	625,368	623,588
Net earnings (loss)	45,749	(18,986,845)
Other comprehensive income (loss) (Note 13)	3,693,041	(4,395,767)
Comprehensive income (loss)	3,738,790	(23,382,612)
Weighted average number of shares outstanding, basic	127,882,372	93,912,981
Weighted average number of shares outstanding, diluted	146,160,161	93,912,981
Earnings per share		
Basic and diluted	\$0.00	\$(0.20)

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Year ended December 31, 2009 \$	Year ended December 31, 2008 \$
Cash flows from operating activities		
Net earnings (loss) for the year	45,749	(18,986,845)
Items not affecting cash -		
Write-down of investments and equity investment loss	82,220	18,933,834
Depreciation and amortization	5,650,418	5,310,865
Unrealized foreign exchange loss (gain)	1,971,275	(1,607,209)
Future income tax expense (recovery)	3,116,516	(1,153,109)
Stock-based compensation	255,063	484,159
Accrued interest on bank loans	74,288	112,987
Asset retirement accretion cost	358,567	335,109
Other receivables	386	(42,435)
	11,554,482	3,387,356
Changes in non-cash working capital		
Accounts receivable	(7,642,947)	5,399,403
Prepaid expenses	109,591	(99,608)
Plant, supplies and inventory	(435,596)	1,476
Accounts payable	(4,592,271)	1,587,070
El Teniente royalty payable	6,198,816	(3,193,514)
Enami loan	-	3,538,102
Due to non-controlling interests	16,071	(12,065)
Other payables	429,784	1,099
Net cash provided by operating activities	5,637,930	10,609,319
Cash flows from investing activities		
Purchase of plant and equipment	(11,557,454)	(23,133,008)
Purchase of investments	-	(4,013,581)
Net cash used in investing activities	(11,557,454)	(27,146,589)
Cash flows from financing activities		
Proceeds from bank loans	1,668,409	10,507,214
Enami loan	(911,307)	5,896,837
Payment of dividends	-	(11,802,999)
Purchase of share capital for cancellation	-	(1,589,328)
Exercise of warrants	724,735	-
Issuance of shares for cash – net of issue costs	8,441,696	-
Net cash provided by financing activities	9,923,533	3,011,724
Net increase (decrease) in cash and cash equivalents	4,004,009	(13,525,546)
Cash and cash equivalents – Beginning of year	3,187,084	16,712,630
Cash and cash equivalents – End of year	7,191,093	3,187,084

Supplemental disclosure with respect to cash flows (Note 15)

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity

(expressed in U.S. dollars)

	Common shares					
	No. of shares	Amount	Retained Earnings	Value assigned to stock options and warrants	Accumulated Other Comprehensive Income	Shareholders' equity
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance – December 31, 2007	94,372,744	56,933,105	67,070,515	1,949,218	4,373,657	130,326,495
Shares repurchased (Note 12)	(1,001,200)	(587,794)	(1,001,534)	-	-	(1,589,328)
Options vested	-	-	-	484,159	-	484,159
Realized losses on “available for sale” instruments (Note 13)	-	-	-	-	(4,395,767)	(4,395,767)
Dividends paid (Note 12)	-	-	(11,802,999)	-	-	(11,802,999)
Net loss for the year	-	-	(18,986,845)	-	-	(18,986,845)
Balance – December 31, 2008	93,371,544	56,345,311	35,279,137	2,433,377	(22,110)	94,035,715
Issue of shares - Private placement – net of issuance costs	37,500,000	6,895,450	-	1,266,142	-	8,161,592
Finders' fees on private placement – net of issuance costs	1,244,400	238,088	-	42,016	-	280,104
Warrants exercised	2,340,000	803,742	-	(79,007)	-	724,735
Options vested	-	-	-	255,063	-	255,063
Unrealized gains on “available for sale” instruments (Note 13)	-	-	-	-	3,693,041	3,693,041
Net earnings for the year	-	-	45,749	-	-	45,749
Balance – December 31, 2009	134,455,944	64,282,591	35,324,886	3,917,591	3,670,931	107,195,999

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Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(expressed in U.S. dollars)

1 Operations

Amerigo Resources Ltd. (the “Company”) was incorporated under the laws of British Columbia, Canada.

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

2 Significant accounting policies

Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in Canada.

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Templo Dorado S.A. de C.V. (inactive), Amerigo International Holdings Corp., Amerigo Resources Ltd. Chile I Limitada, Amerigo Resources Ltd. Chile II Limitada, Minera Valle Central S.A., Amerigo Banking Corporation and Amerigo Investments Limited. All significant intercompany transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

The most significant estimates are related to the physical and economic lives of mineral assets and their recoverability or potential impairment, the estimation of fair values, the estimation of cash flow requirements to determine the Company’s ability to continue operating as a going concern, the estimation of the Company’s asset retirement obligations and the measurement of stock-based compensation.

Foreign currency translation

The Company’s subsidiaries are considered integrated operations and are translated using the temporal method. Under this method, monetary assets and liabilities are translated into U.S. dollars at the balance sheet date rate of exchange, and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at transaction date rates, except for depreciation, amortization and accretion, which are translated at historical rates. Gains and losses on translation are included in income.

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Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments that are readily convertible into cash with maturities of three months or less when purchased. Interest earned is recognized immediately in operations.

Equity Investment

The Company holds approximately 26% of the share capital of Nikos Explorations Ltd. (“Nikos”), a TSX-Venture Exchange (“TSXV”) issuer. The Company is considered to have significant influence over Nikos and accordingly uses the equity method to account for its equity investment in Nikos. At December 31, 2009, the carrying value of this investment was \$nil (\$82,220 at December 31, 2008).

Mineral property, plant and equipment

Plant and equipment are carried at cost. Assets used in commercial production are subject to depreciation on the basis described below:

Plant and infrastructure and major equipment are depreciated using the units of production method over the lesser of the useful life of the asset or the estimated life of the mineral resource. Other fixed assets are depreciated over the useful life of the asset on a straight-line basis.

The units of production method is defined as contained pounds of copper produced over estimated production under the tailings supply agreement. The tailings supply agreement has a term extending to the later of the year 2021 or the date by which El Teniente has delivered to the Company tailings containing a predetermined amount of copper.

Estimated future cash flows are calculated using estimated future prices, mineral resource, operating and capital costs on an discounted basis. If the carrying value of the plant, equipment and mineral resource exceeds estimated discounted cash flows from these assets, they are considered to be impaired and the Company records a write-down in the amount the carrying value exceeds the estimated discounted future cash flows.

Plant supplies and inventory

Plant supplies are valued at the lower of average cost and net realizable value. Concentrate inventory is valued at the lower of cost and net realizable value. When inventories have been written down to net realizable value, a new assessment of net realizable value is required in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed. 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.

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Revenue recognition

Revenue from the sale of the Company's copper and molybdenum concentrates is recorded net of smelter and refinery charges when persuasive evidence of a sales arrangement exists, delivery has occurred, the rights and obligations of ownership have passed to the customer and the sale price is determinable, subject to adjustments during the settlement period.

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 2009 set the Company's copper sale price at the average market price for the first month after delivery (M+1). Accordingly, provided monthly quotas are met, all copper delivered by the Company to the smelter in one month is sold at market prices prevailing in the following month. However, 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"). In 2009 the sale price to Molymet was the average market price for the fifth month after delivery. Accordingly, deliveries by the Company in one quarter were sold at market prices prevailing five months following delivery.

In normal supply conditions, sales for copper and molybdenum 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. 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. The Company's reported revenue is therefore very sensitive to increases and decreases in copper and molybdenum prices. 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 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.

Financial instruments

All derivative instruments, including certain embedded derivatives that are required to be separated from their host contracts, are recorded on the balance sheet at fair value. Mark to market adjustments on these instruments are included in net income.

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Contractual right

At the time of the acquisition of MVC, the Company assigned the excess of the purchase price over the fair value of the tangible assets acquired to the MVC and Codelco contract for the processing of tailings from the El Teniente mine. This contractual right is amortized using the units of production method.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock option plan

The Company accounts for share purchase options using the fair value method. Fair value is measured using the Black-Scholes valuation model on the date of grant of stock purchase options, and is recognized as stock-based compensation expense and shareholders' equity at the options' vesting dates. Consideration paid on exercise of share purchase options is recorded as share capital. The Company does not recognize stock-based compensation on options that are forfeited prior to vesting.

Earnings (loss) per share

Earnings (loss) per common share are calculated based on the weighted average number of common shares outstanding during the year. Under this method the weighted average number of common shares used to calculate the dilutive effect on earnings assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In 2009 and 2008, basic and diluted loss per share are the same as the effect of outstanding stock options is anti-dilutive.

3 Adoption of new accounting standards and accounting pronouncements

Accounting Changes

Effective January 1, 2009 the Company adopted the following new accounting standards:

Goodwill and intangible assets

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 "Goodwill and intangible assets" which establishes standards for the recognition, measurement, presentation and disclosure of Goodwill subsequent to its initial recognition and of intangible assets by profit orientated enterprises. The adoption of this new section did not have any material impact on the Company's financial statements.

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Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued Emerging Issues Committee Abstracts (“EIC”) 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this EIC did not have a significant effect on the financial statements.

Financial Instruments - Disclosures

The CICA amended Section 3862, “Financial Instruments – Disclosures,” in 2009 to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. Adoption of this standard did not have a significant effect on the financial statements.

Accounting Pronouncements

Business combination, Consolidated Financial Statements and Non-controlling interest

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

4 Plant supplies and inventory

	December 31, 2009	December 31, 2008
	\$	\$
Plant supplies	3,868,056	3,234,927
Concentrate inventory	798,048	995,581
	<u>4,666,104</u>	<u>4,230,508</u>

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5 Property, plant and equipment

	December 31, 2009	December 31, 2008
	\$	\$
Plant and infrastructure	57,587,284	53,894,767
Machinery and equipment and other assets	81,660,328	74,568,786
	139,247,612	128,463,553
Accumulated depreciation and amortization	(17,464,129)	(12,219,709)
	<u>121,783,483</u>	<u>116,243,844</u>

During the year ended December 31, 2008, the sharp decline in copper and molybdenum prices constituted a triggering event for the Company to review the carrying value of the Company's property, plant and equipment and contractual rights for possible impairment. Based on undiscounted cash flow projections for the years 2009 to 2021, the current term of the contract with El Teniente, management determined that the recoverable value of assets in use exceeded their carrying values and therefore, no impairment was required.

6 Contractual right

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

	December 31, 2009	December 31, 2008
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(2,918,223)	(2,443,206)
	<u>6,475,923</u>	<u>6,950,942</u>

7 Enami loan

MVC sells its copper production to Enami. During the quarter ended March 31, 2009 Enami provided a loan facility of \$11,123,735 to MVC to settle the final negative pricing adjustments due to Enami for the quotas from June to September 2008 (priced at October 2008 to January 2009 prices). Under the terms of the loan

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Notes to Consolidated Financial Statements December 31, 2009 and 2008

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facility MVC agreed to make monthly instalments to Enami of \$325,000 plus interest during the period from May 2009 to March 2010 and of \$629,052 plus interest during the period from April 2010 to March 2011. The Enami loan bears interest at a rate of Banco de Chile Prime (currently 3.25%) + 2%.

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

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

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

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

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

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

8 El Teniente Royalty payable

MVC has a contract with Codelco – El Teniente ("DET") until at least the year 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty to DET on copper and molybdenum produced by

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MVC. The amount of the copper royalty is determined pursuant to a formula that considers both the price of copper and the copper content in the tailings. No royalties are payable if the copper price is below \$0.80/lb (for copper content in tailings between 0.09% and 0.1499%); if the copper price is between \$0.80 and \$0.95 the royalty varies on a sliding scale from 0% to 10%; if the copper price is between \$0.95 and \$1.30 the royalty is 10%; and if the copper price is \$1.30/lb or higher, a maximum royalty of 13.5% is payable.

Royalty payments for copper production are calculated using the LME Price for copper for the month of delivery of the tailings, and invoiced by DET on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings; payment to DET is made within 10 days of receipt of invoices. Accordingly, the price base used for the calculation of the El Teniente royalty is, in most instances, not the same price base used for the pricing of copper sales.

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

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

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

Due to the sharp decline in copper and molybdenum prices in the latter part of 2008, DET agreed to defer payment of 70% of the royalty invoices to MVC for the months of November 2008 to April 2009. At December 31, 2009 the outstanding deferral was \$3,889,903. MVC agreed to make monthly instalments to DET on the royalty deferrals of approximately \$486,238 during the period from July 2009 to August 2010, except in cases where the average monthly copper price falls below \$1.50/lb or increases to more than \$3/lb for three consecutive months, in which cases the monthly instalments will be adjusted to be approximately \$364,678 or \$729,357 respectively. The El Teniente royalty deferrals bear interest at a rate of 6.90% per annum.

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(expressed in U.S. dollars)

9 Bank loans

- a) On October 20, 2009, MVC obtained from a Chilean bank a loan denominated in Unidades de Fomento (“UF”), a Chilean indexed monetary unit. The principal amount of the loan is UF167,600.28 (the equivalent of Chilean Pesos 3,500,000,000 or \$6,508,957 at the loan grant date). The loan was used to repay a Chilean Pesos 3,150,000,000 short-term loan with the same bank. The remaining Chilean Pesos 350,000,000 was used for working capital. The balance of the loan and accrued interest at December 31, 2009 was the equivalent of \$7,015,635,

The loan is repayable in eight equal quarterly instalments of UF20,950.035 from January 20, 2010 to October 20, 2011. The loan agreement provides for interest at an annual rate of 6.78%, and requires MVC to meet certain interest coverage and debt to equity ratios at June 30 and December 31 in each year during the term of the loan. MVC also agreed to allow the bank to maintain previously granted machinery and equipment collateral of approximately \$15.4 million. MVC was in compliance with debt covenants at December 31, 2009.

- b) In December 2008 the Company obtained a \$5,000,000 loan from a Chilean bank. In May 2009 the loan was converted into a Chilean Peso loan. The loan has had several review dates, the current one being March 28, 2010. The loan bears interest at an annual rate of 6.21%. The balance of the loan and accrued interest at December 31, 2009 was the Chilean Peso equivalent of \$5,711,329.

10 Asset retirement obligations

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 thereof.

At the end of 2007, the Company obtained an independent assessment of site restoration costs of \$6.2 million, which was adjusted to reflect inflation (estimated at an annual rate of 4.5%), risk premium (estimated at 8%) and time value of money (estimated at 7%). The 2007 independent assessment of asset recovery values indicated it was necessary to make adjustments to prospective amortization charges. In 2007, the Company recorded a further increase to property, plant and equipment of \$2,275,995, with a corresponding increase to the asset retirement liability. The Company also revised the associated future income tax asset to \$190,908, derived from applying a 17% tax rate to the \$4,787,273 asset retirement obligation less the \$3,664,286 unamortized balance of the asset.

Management estimates that the revisions introduced by the 2007 assessment continue to hold true in the year ended December 31, 2009.

The liability is being accreted over time.

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A reconciliation of the provision for asset retirement obligations is as follows:

	December 31, 2009 \$	December 31, 2008 \$
Balance – beginning of year	5,122,382	4,787,273
Arising from accretion expense	358,567	335,109
Balance – end of year	<u>5,480,949</u>	<u>5,122,382</u>

11 Related party transactions

a) Non-controlling interests

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

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

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

During the year ended December 31, 2009, royalty dividends totalling \$625,368 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (2008: \$623,588). Royalty dividends are shown as Non-Controlling Interests in the Consolidated Statement of Operations. At December 31, 2009, \$65,741 of this amount remained outstanding (December 31, 2008: \$49,670).

b) Directors fees and remuneration to officers

During the year ended December 31, 2009 the Company paid or accrued \$922,616 in fees to companies associated with certain directors and officers of Amerigo (2008: \$635,597). Included in these fees are accrued bonuses of \$309,790 to senior management (2008: \$nil). In the same period, Amerigo paid or accrued \$93,230 in directors' fees to independent directors (2008: \$96,468). Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's consolidated financial statements. At December 31, 2009, an aggregate amount of \$321,808 was due to directors and officers for bonuses payable, directors' fees and reimbursement of expenses (December 31, 2008: \$17,244). These transactions were in the ordinary course of business and measured at the exchange amounts agreed to by the parties.

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In the year ended December 31, 2009 a total of 2,200,000 options were granted to directors and officers of the Company (2008: 985,000 options) (Note 12(c)).

- c) At December 31, 2009 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence
- d) At December 31, 2009 one of Amerigo's directors acted as a director and one of Amerigo's officers acted as an officer of Candente Copper Corp., a company in which Amerigo holds an investment.
- e) At December 31, 2009 two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

12 Capital stock

Authorized - Unlimited common shares without par value

- a) Summary of capital stock issued in the year

On February 13, 2009 the Company completed a non-brokered private placement for gross proceeds of \$8,480,068 (Cdn\$10,500,000). In connection with the private placement, the Company issued 37,500,000 units at a price of Cdn\$0.28 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of Cdn\$0.33 per share until February 15, 2010, and thereafter at a price of Cdn\$0.40 until February 14, 2011. The warrants issued were valued by the Company at \$1,266,142 (Note 12(e)). The Company also issued a further 1,244,400 units, valued at \$280,104, as finders' fees in respect of a portion of the private placement which is included in total share issuance costs of \$318,476. The warrants issued as finders' fees were valued by the Company at \$42,016 (Note 12(e)).

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

No shares were issued during the year ended December 31, 2008.

- b) Purchase of shares for cancellation

Amerigo had in place a normal course issuer bid through the facilities of the Toronto Stock Exchange ("TSX"), whereby Amerigo was entitled to purchase for cancellation up to 2,000,000 of its common shares during the one-year period ended on November 13, 2008. During the year ended December 31, 2008, Amerigo purchased

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and cancelled 1,001,200 shares at a total cost of \$1,589,328. The premium on the purchase of shares for cancellation amounted to \$1,001,534 and was applied against Retained Earnings.

c) Stock options

Amerigo established a stock option plan (the “Plan”) on April 2, 2003, which was amended on June 24, 2009. Amerigo’s Board of Directors (the “Board”) administers the Plan, whereby it may from time to time grant options to purchase common shares of Amerigo to directors, officers, key employees and certain other persons who provide services to the Company. In accordance with the current terms and provisions of the Plan, the maximum aggregate number of common shares issuable under the Plan must not exceed 10% of Amerigo’s issued and outstanding common shares at the date of any grant, on a non-diluted basis. The exercise price of an option is determined by the Board, but can be no less than the closing price of Amerigo’s common shares on the TSX on the day preceding the date of grant, less the maximum discount permitted by the policies of the TSX and subject to the minimum exercise price per common share permitted by the TSX. Options must be exercised within a five-year period from the date of grant. Vesting periods are determined by the Board.

A summary of the Company’s stock options at December 31, 2009 and December 31, 2008 and the changes for the twelve-month periods ending on those dates is presented below:

	Twelve months ended December 31, 2009		Twelve months ended December 31, 2008	
	Outstanding options	Weighted average exercise price Cdn\$	Outstanding options	Weighted average exercise price Cdn\$
Balance – start of year	4,420,000	2.32	3,365,000	2.38
Granted	2,400,000	0.33	1,055,000	2.13
Expired	(150,000)	2.00	-	-
Outstanding	<u>6,670,000</u>	1.61	<u>4,420,000</u>	2.32
Exercisable	<u>6,670,000</u>	1.61	<u>4,420,000</u>	2.32

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

On March 27, 2009, Amerigo granted stock options to purchase an aggregate of 2,300,000 common shares to directors, officers, consultants and employees of the Company, with an exercise price of Cdn\$0.31 per share, expiring on March 27, 2014. The options vested in four equal quarterly instalments, on March 27, April 1, July 1 and October 1, 2009.

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

On March 20, 2008, Amerigo granted stock options to purchase an aggregate of 1,055,000 common shares to

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directors, officers and employees of the Company, with an exercise price of Cdn\$2.13 per share, expiring on March 20, 2013. The options vested in four equal quarterly instalments, on March 20, April 1, July 1 and October 1, 2008.

The following stock options were outstanding and exercisable as at December 31, 2009:

Range of exercise prices Cdn\$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn\$
0.31 to 1.60	2,400,000	4.26 years	0.33
1.60 to 2.40	2,900,000	2.45 years	2.16
2.40 to 2.71	1,370,000	1.18 years	2.69
	<u>6,670,000</u>		

d) Warrants

As part of its February 13, 2009 private placement, the Company issued 38,744,400 warrants exercisable at a price of Cdn\$0.33 per share to February 15, 2010 and thereafter at a price of Cdn\$0.40 per share until February 14, 2011. At December 31, 2009, 2,340,000 of the warrants had been exercised (Note 12(a)).

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A summary of the Company's warrants at December 31, 2009 and 2008, and the changes for the twelve-month periods ending on those dates is presented below:

		Year ended December 31, 2009		Year ended December 31, 2008
	Outstanding warrants	Weighted average exercise price Cdn\$	Outstanding warrants	Weighted average exercise price Cdn\$
Outstanding – start of period	-	-	-	-
Granted	38,744,400	0.33	-	-
Exercised	<u>(2,340,000)</u>	0.33	-	-
Outstanding – end of period	<u>36,404,400</u>	0.33	-	-
Exercisable	<u>36,404,400</u>	0.33	<u>-</u>	<u>-</u>

e) Value assigned to stock options and warrants

	December 31, 2009 \$	December 31, 2008 \$
Balance – beginning of period	2,433,377	1,949,218
Warrants vested	1,308,158	
Options vested	255,063	484,159
Transfer to capital stock on exercise of warrants	<u>(79,007)</u>	<u>-</u>
Balance – end of period	<u>3,917,591</u>	<u>2,433,377</u>

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

	2009	2008
Expected dividend yield	-	6.10%
Expected stock price volatility	47.96%	47.29%
Risk-free interest rate	1.52%	2.91%
Expected life of options	3.6 years	2.3 years

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

	<u>2009</u>	<u>2008</u>
Expected dividend yield	-	-
Expected stock price volatility	47.04%	-
Risk-free interest rate	1.20%	-
Expected life of warrants	2 years	-

f) Dividends

No dividends were declared or paid in the year ended December 31, 2009.

On February 27, 2008 Amerigo declared a semi-annual dividend of Cdn 6.5¢ per share that was paid on April 2, 2008 to shareholders of record as of March 25, 2008, for a total of \$6,018,524. On July 24, 2008, the Board of Directors of Amerigo declared a semi-annual dividend of Cdn 6.5¢ per share that was paid on September 5, 2008 to shareholders of record as of August 22, 2008, for a total of \$5,784,475.

13 Investments

	December 31, 2009	December 31, 2008
	\$	\$
Other investments	6,754,790	1,773,215
Equity instrument – Common shares of Nikos Explorations Ltd.	-	82,220
	<u>6,754,790</u>	<u>1,855,435</u>

a) Other investments

At various dates during 2007 and 2008, the Company acquired for investment purposes 10.8 million common shares of Candente Copper Corp. (“Candente”, formerly Candente Resource Corp.), an issuer listed on the Toronto, Lima and Frankfurt Stock Exchanges, at an aggregate cost of \$15,861,986. Adjustments to fair value are required at each balance sheet date. Given that the Company’s investment in Candente is designated as “available for sale” for accounting purposes, which means it is an investment that is not held for trading, gains or losses arising from changes in fair value are recorded in Accumulated Other Comprehensive Income (Loss) in the Company’s Balance Sheet until the investment is sold or management determines that an other than temporary impairment in the value of the investment has occurred, at which time gains or losses are transferred into earnings. At December 31, 2008 Candente’s closing share price was Cdn\$0.16 per share, and the market

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value of the Company's approximately 13% investment in Candente was \$1,412,488. Management determined that the decline in Candente's market value met the characteristics of an "other than temporary impairment", and a reduction of \$14,449,498 to the fair value of the Company's investment in Candente was recorded in earnings. At December 31, 2009 Candente's closing share price was Cdn\$0.59 and the fair value of the Company's approximately 13% investment was \$6,067,199. During the year ended December 31, 2009 the Company recorded other comprehensive income of \$4,654,711 for the fair value appreciation of this investment during the year.

At various dates during 2007 and 2008, the Company acquired for investment purposes 8 million common shares of Los Andes Copper Ltd. ("Los Andes"), an issuer listed on the TSXV, at an aggregate cost of \$3,946,908. Adjustments to fair value are required at each balance sheet date, as the Company's investment in Los Andes is designated as "available for sale" for accounting purposes. At December 31, 2008 Los Andes's closing share price was Cdn\$0.055 per share, and the market value of the Company's approximately 4% investment was \$360,727. Management determined that the decline in market value of this investment met the characteristics of an "other than temporary impairment", and a reduction of \$3,586,181 to its fair value was recorded in earnings. At December 31, 2009 Los Andes's closing share price was Cdn\$0.09 and the fair value of the Company's approximately 4% investment was \$687,591. During the year ended December 31, 2009 the Company recorded other comprehensive income of \$326,864 for the fair value appreciation of this investment during the year.

In fiscal 2009, the Company recorded an unrealized tax expense associated with the fair value appreciation of these investments of \$1,303,130, as a reduction to Accumulated Other Comprehensive Income in the Company's Balance Sheet.

b) Equity investment

Amerigo accounts for its investment in Nikos using the equity method, given that Amerigo is considered to have significant influence over this company. During the year ended December 31, 2009 the Company recorded an equity investment loss of \$82,220 on its investment in Nikos, fully impairing the investment's carrying value. At December 31, 2009, Amerigo held 11,666,667 common shares of Nikos, which represent approximately 26% of Nikos's issued and outstanding common shares at that date. At December 31, 2009 Nikos's closing share price was Cdn\$0.04 per share.

14 Income Taxes

The components of the tax expense net of recoveries were as follows:

	December 31, 2009	December 31, 2008
	\$	\$
Current	(2,703,376)	(2,258,864)
Future	4,336,031	(317,991)
	<u>1,632,655</u>	<u>(2,576,855)</u>

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The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	December 31, 2009	December 31, 2008
	\$	\$
Combined federal and provincial statutory tax rate	30%	31%
Income tax at statutory rates	368,729	(6,491,435)
Difference in foreign tax rates	(361,291)	1,642,437
Other non deductible items, Canada	162,217	180,787
Other non deductible items, Chile	(255,025)	315,702
Foreign permanent tax differences	797,569	(832,528)
Tax benefits of capital loss not previously recognized	-	(14,015)
Non-taxable portion of loss on disposal of available for sale investments	-	780,836
Change in tax rates, Canada	800,432	633,241
Change in valuation allowance	654,303	1,638,456
Other local taxes	-	52,163
Other comprehensive income movement on write-down of investments	(485,099)	(557,542)
Share issue costs not expensed, Canada	(86,838)	
Other	37,658	75,043
Income tax expense (recovery)	<u>1,632,665</u>	<u>(2,576,855)</u>

Future income taxes are provided to account for temporary differences. The significant components of future income tax assets and liabilities at December 31, 2009 and December 31, 2008 are as follows:

	December 31, 2009	December 31, 2008
	(\$)	(\$)
Future income tax assets		
Unused non-capital losses, Canada	1,336,954	814,991
Unused net capital losses, Canada	92,471	73,197
Unrealized foreign exchange, Canada	92,576	-
Resource assets, Canada	340,753	310,610
Charitable donations, Canada	3,177	2,830
Plant and equipment, Canada	3,189	3,938
Other intangible assets, Canada	153,042	122,478
Available for sale securities, Canada	798,296	725,965
Available for sale securities, Chile	709,754	1,851,357
Intercompany receivable, Canada	13,797	-
Other deductible temporary differences, Chile	932,137	870,805
	<u>4,476,146</u>	<u>4,776,171</u>

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Future income tax liabilities

Intercompany payable, Canada	(13,797)	-
Unrealized foreign exchange, Canada	(38,810)	-
Plant and equipment, Chile	(9,993,785)	(6,595,672)
Contractual right	(940,987)	(1,010,006)
	<u>(10,987,379)</u>	<u>(7,605,678)</u>
Net future tax liability before valuation allowance	(6,511,233)	(2,829,507)
Less valuation allowance, Canada	(2,781,648)	(2,127,344)
Net future tax liability	<u>(9,292,881)</u>	<u>(4,956,851)</u>

As at December 31, 2009, the Company had non-capital losses and capital losses in Canada of approximately \$5,384,000 and \$740,000 respectively, carried forward for tax purposes. The Company also has cumulative exploration, development and depletion expenses in Canada of \$1,363,000 carried forward.

These amounts carried forward are available to reduce taxable income in future years.

The non-capital losses in Canada expire in the years presented below:

	\$
2015	56,000
2027	1,460,000
2028	2,144,000
2029	1,688,000
	<u>5,348,000</u>

Capital losses in Canada are \$740,000. Net capital losses can be carried forward indefinitely.

The Canadian resource pools consist of the following amounts. The cumulative exploration, development and depletion expenses can be carried forward indefinitely.

	\$
Cumulative Canadian Exploration Expenses	1,075,000
Foreign Exploration and Development Expenses	288,000
	<u>1,363,000</u>

As at December 31, 2009 the Company had no material unused tax losses in Chile.

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The Company has non-resident subsidiaries that have undistributed earnings. Provisions have not been recorded for taxes that may arise on repatriation of these earnings, as the Company does not plan to repatriate these undistributed earnings in the foreseeable future.

15 Supplemental Disclosure with Respect to Cash Flows

	December 31, 2009	December 31, 2008
	(\$)	(\$)
Cash paid during the year for interest	1,649,253	376,871
Cash paid during the year for income taxes	900,733	3,993,714
Change in accounts payable related to the acquisition of plant and equipment	773,395	131,603
Cash paid during the year for dividends to minority interests	609,297	635,652
Cash paid during the year for dividends	-	11,802,999

	December 31, 2009	December 31, 2008
	(\$)	(\$)
Cash	3,443,792	2,895,170
Cash equivalents	3,747,301	291,914
	<u>7,191,093</u>	<u>3,187,084</u>

16 Accounting for Financial Instruments

Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, El Teniente royalty payable, bank loans, Enami loans and other payables. 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.

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The following table provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2009:

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total fair value
	\$	\$	\$	\$	\$
Cash & cash equivalents			7,191,093		7,191,093
Accounts receivable	19,144,815				19,144,815
Investments		6,754,790			6,754,790
Accounts payable & accrued liabilities				9,999,369	9,999,369
El Teniente royalty payable				11,474,509	11,474,509
Bank loans				12,726,964	12,726,964
Enami loans				8,523,632	8,523,632
Other payables				1,434,383	1,434,383

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

Cash and cash equivalents are classified as “Assets held for trading” and are measured at fair value at the end of each period with any resulting gains or losses recognized in operations. Accounts receivable are classified as “Receivables and loans” and are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of trade receivables is at amortized cost, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts. Other investments have been designated as “Available for sale.” Accordingly, gains or losses arising from changes in fair value are recorded as Other Comprehensive Income and included in Accumulated Other Comprehensive Income in the Company’s Balance Sheet until the investments are sold or management determines that other than temporary impairments in the value of the investments have occurred, at which time the accumulated gains or losses are transferred to earnings. Accounts payable and accrued liabilities, El Teniente royalty payable, bank loans and other liabilities are classified as “Other financial liabilities” and are measured at amortized cost using the effective interest rate method.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require 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 and
- Level 3 – Inputs that are not based on observable market data.

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At December 31, 2009, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents and investments. These financial instruments were classified as "level 1" financial instruments.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts 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.

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. Copper and molybdenum sales are denominated in US dollars, and the majority of operating expenses are in Chilean Pesos. 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, 2009, a 1% increase (decrease) in the Chilean Peso/US dollar or on the Canadian dollar/US dollar exchange rates on that day would have resulted in a increase or decrease of approximately \$355,786 and \$26,331 in earnings, respectively, before income taxes. There would be no effect in other comprehensive income.

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 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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As at December 31, 2009 the Company's liabilities fall due as indicated in the following table:

	Less than 1 year	1 – 3 years	4 - 5 years	More than 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	9,999,369	-	-	-	9,999,369
Enami loan	6,636,468	1,887,164	-	-	8,523,632
El Teniente royalty payable	11,474,509	-	-	-	11,474,509
Bank loans	9,275,968	3,450,996	-	-	12,726,964
Due to non-controlling interests	65,741	-	-	-	65,741
Other payables	-	-	-	1,434,383	1,434,383
Asset retirement obligations	-	-	-	5,480,949	5,480,949
Future income tax	-	-	-	9,292,881	9,292,881
Non-controlling interests	-	-	-	1,000	1,000
Total	37,452,055	5,338,160	-	16,209,213	58,999,428

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. The Company was partially protected against commodity price risk in 2009 (as described in Note 7).

Interest Rate Risk

Included in the results of operations of the Company are interest income on US Dollar, Canadian Dollar and Chilean Peso cash and cash equivalents. The Company also has two outstanding short-term bank loans, a loan with Enami and a loan with El Teniente. 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, with the exception of the Enami loan, are at fixed interest rates. The Company receives interest on cash and cash equivalents based on market interest rates. As at December 31, 2009, 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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17 Capital Risk Management

The Company manages as capital its share capital, value assigned to stock options and warrants 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 the year ended December 31, 2008 and as a result of the sharp decline in copper and molybdenum prices, the Company increased its traditionally low levels of short term debt to meet working capital requirements.

18 Segmented Information

As at December 31, 2009, 98% of the Company's assets were located in Chile and 2% in Canada. All of the Company's revenues and production costs arise from its Chilean operations. The Company's sales to one customer represent 94% of reported revenue, being the Company's copper sales to Enami in 2009.

19 Commitments

MVC has certain commitments to sell copper concentrate to Enami in 2010. It also has certain commitments to sell molybdenum concentrate to Molybmet on a yearly basis through 2010.

MVC entered into an agreement with its current power provider in order to guarantee power supply to MVC from Chile's central power grid. The agreement also provides MVC with the flexibility to switch from self-generation to grid supply and extends from January 1, 2009 to December 31, 2017, establishing minimum stand-by charges based on peak hour power supply calculations, currently estimated to be approximately \$170,000 per month for the period January 1, 2009 to December 31, 2012, and \$85,000 per month for the period January 1, 2013 to December 31, 2017.

Amerigo is obligated to pay basic and additional rent of approximately \$140,186 for its head office premises under a lease expiring on September 30, 2010.

20 Guarantees

As required by contract, MVC has provided Codelco with a guarantee in the form of letter of credit with Banco de Chile in the amount of UF 4,500 or approximately \$185,847 at December 31, 2009, renewed on January 26, 2010.

In connection with the Enami loan described in Note 7, MVC agreed to provide machinery and equipment collateral of approximately \$19.9 million.

In connection with one of the bank loans described in Note 9, MVC agreed to provide machinery and equipment collateral of approximately \$15.4 million.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(expressed in U.S. dollars)

21 Contingencies

In the third quarter of 2007, the Chilean Internal Revenue Services ("SII") issued a tax assessment to MVC challenging the tax losses reported by MVC for the fiscal years 1999 to 2004. The tax assessment claims that some of these losses could be denied and MVC could face a tax liability of approximately \$1.15 million. Although the Company believes there is no merit to this assessment, the final outcome of this matter cannot be predicted with certainty. The Company retained legal counsel to prepare a response to SII in accordance with Chilean law and is awaiting the SII's determination on this matter. Management believes that if the SII claim is ultimately upheld, the Company will have a claim for full indemnification from the sellers of MVC pursuant to the terms of the MVC purchase and sale agreement for losses incurred prior to the MVC purchase date of July 2003.

In the fourth quarter of 2007, the SII issued a tax assessment to MVC for adjustments, penalties and interest of approximately \$135,000, derived from MVC's alleged failure to remit provisional monthly payments towards a Chilean mining royalty tax in 2006. When the mining royalty tax was instituted in Chile, MVC obtained a legal opinion stating that the tax did not apply to MVC's operations, as MVC does not exploit under the definition of the Chilean Income Tax Law. Even if the mining royalty tax applied to MVC, management believes there would have been no tax payable in 2006 as MVC's production levels that year fell below the threshold prescribed by the SII for this tax. MVC has also retained legal counsel to prepare a response to the SII on this matter.

No amounts have been recorded by the Company in respect of these matters. While the SII has conducted reviews during 2007, 2008 and 2009 in connection with these contingencies, as of December 31, 2009, these contingencies had not been resolved.

22 Subsequent Events

Subsequent to December 31, 2009:

- a) The Company received proceeds of Cdn\$12,013,452 on the exercise of 36,404,400 warrants.
- b) On February 26, 2010 a bank loan described in Note 9(b) was extended at MVC's request to a review date of March 28, 2010 in order for MVC to evaluate the bank's proposals with respect to structuring the loan on a long-term basis or repayment of the loan.
- c) The Company is in the process of assessing the full impact on MVC of an earthquake measuring 8.8 degrees on the Richter scale that struck Chile on February 27, 2010. Based on preliminary information and assessments received from MVC to date, there have been no reported injuries to MVC employees and family members. MVC has reported that tailings flow to its operations was interrupted and the plant shut down because of a power outage caused by the earthquake. MVC has also advised that although a complete review of the effect of the earthquake will only be possible once tailings flow is resumed, visual inspection indicates that there is no apparent material damage to MVC's operations.