Amerigo Resources Ltd.
Management Discussion and Analysis
For the Year Ended December 31, 2006

All figures expressed in US Dollars except where noted

The following discussion and analysis of the results of operations and financial position of Amerigo Resources Ltd. (“Amerigo”) together with its subsidiaries (collectively, the “Company”), is prepared as of February 20, 2007 and should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2006.

Amerigo 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 Codelco through at least the year 2021 to process the tailings from El Teniente, the world’s largest underground copper mine.

The Company’s financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles. The Company’s reporting currency is the US Dollar.

Highlights

- **Net earnings after tax** for the year ended December 31, 2006 were **$39,283,683,** 119% higher than earnings of $17,992,467 in 2005 due to higher copper prices more than offsetting lower production and profit from the sale of a strategic investment. Despite production restrictions imposed by El Teniente, 2006 is an **record earnings year** for Amerigo.

- **Earnings per share** for the year were **42¢**, compared to earnings per share of 23¢ in 2005.

- **Cash flow from operating activities** was **$26,576,910** or 29¢ per share in 2006, compared to $21,874,229 or 28¢ per share in 2005.

- **Production** in 2006 was **24.67 million pounds of copper** and **674,549 pounds of molybdenum**, a copper production decrease of 17% due to restricted tailings flow and various temporary plant shutdowns imposed by El Teniente. Molybdenum production increased 7% due to a full year of molybdenum production.

- **Gross copper selling price was $3.33/lb** after settlement adjustments, compared to an LME average price of $3.05/lb during the year. **Realized copper price** (copper revenue net of smelter and refinery charges and including settlement adjustments to prior year sales divided by copper pounds sold in the year) **was $2.74/lb.**

- **Cash cost** (the aggregate of smelter, refinery and other charges, production costs net of molybdenum-related net benefits, administration and transportation costs) before El Teniente royalty was **$1.20/lb** in 2006, compared to 60¢/lb in 2005. The increase in cash cost was caused by lower copper production due to production constraints, higher smelter and refinery costs due to the effect of copper price participation with the smelter and higher power, steel and maintenance costs.

- **Total cost** (the aggregate of cash cost, El Teniente royalty, MVC stock-based compensation, depreciation and accretion) for the year ended December 31, 2006 was **$1.80/lb** compared to 94¢/lb in 2005. The increase in total cost was driven by higher cash costs and higher royalty payments to El Teniente caused by higher copper prices. .

- **Capital plant expenditures** for the construction of two thickeners and an industrial water recovery system required to meet Chilean environmental regulations and for the final stages of the MVC plant expansion were **$31,943,881** in 2006, funded substantially from operating cash flow.

- **Cash balance** was **$26,574,059** at December 31, 2006 after $27,890,637 of cash payments for capital expenditures, dividend payments of $7,449,203 and the repayment in full of a $3,736,979 note and interest that was issued in 2003 in connection with the acquisition of MVC.

- **Dividend** – In accordance with Amerigo's stated policy, two semi-annual dividends of Cdn 4.5¢ per share each were paid in 2006, for aggregate dividends of $7,449,203.

- **Determination of Dividend** – Amerigo's Board of Directors will consider and resolve on the level of the next semi-annual dividend at its scheduled February 24, 2007 meeting.

- **Cash and marketable securities** are **$27,581,427** at the date of this report.

Overall Performance

Net earnings after tax for the year ended December 31, 2006 were $39,283,683, 119% higher than net earnings of $17,992,467 in fiscal 2005 due to higher copper prices which more than offset lower production.

Revenue of $82,054,432 is derived from the sale of 24.91 million pounds of copper and 697,171 pounds of molybdenum. Other revenue of $2,150,853 is from molybdenum tolling fees.

In fiscal 2006, the Company's activities contributed to operating cash flow of $26,576,910, which includes the effect of changes in non-cash working capital accounts. Cash resources of $27,890,637 were allocated to investing activities in the year, mainly for the construction of two thickeners and an industrial water recovery system to comply with recently implemented environmental regulations in Chile, and for the final stages of the MVC plant expansion. Amerigo also made a strategic investment in Chariot Resources Limited ("Chariot"), an issuer listed on the TSX that is developing the Marcona copper project in Peru. The Chariot investment was substantially sold during the year resulting in a gain on sale of investment of $8,530,377.

In fiscal 2006 Amerigo received $14,554,274 net of issue costs from the sale of 7 million of its common shares pursuant to a bought deal offering under a short term prospectus and $925,698 from the exercise of stock purchase options. Amerigo also paid two semi-annual dividends in the aggregate amount of $7,449,203 and repurchased 712,600 shares for cancellation at a cost of $1,131,443.

At December 31, 2006 the Company had a strong balance sheet, with $26,574,059 in cash and cash equivalents and working capital of $25,047,681. This compares to cash and cash equivalents of $12,953,516 and working capital of $8,236,363 at December 31, 2005. Amerigo is well-positioned to evaluate and pursue further investment opportunities in 2007.

Selected Annual Information

	12 months ended December 31, 2006	**12 months ended December 31, 2005**	**12 months ended December 31, 2004**
Total revenue	$84,205,285	$58,328,082	$35,241,609
Net income	39,283,683	17,992,467	10,049,614 [1]
Earnings per share	0.42	0.23	0.16 [1]
Diluted earnings per share	0.42	0.20	0.12 [1]

	At December 31, 2006	At December 31, 2005	At December 31, 2004
Total assets	$134,304,048	$87,239,450	$49,747,212 [2]
Total long-term liabilities	7,204,755	6,933,480	9,100,919 [2]
Cash dividends declared	7,449,203	3,152,777	Nil

[1] Adjusted from net income of $10,941,614 to account for retroactive restatements to earnings of ($891,584) due to the elimination under Canadian GAAP of certain Chilean future income tax assets.

[2] Adjusted from total assets of $48,469,945 to account for a future income tax asset of $1,277,467 in connection with the Company's contractual rights.

[2] Adjusted from long-term liabilities of $6,185,287 to account for adjustments of $2,915,632 to future income tax liabilities.

Results of Operations – Year Ended December 31, 2006

Revenue

Total revenue in 2006 of $84,205,285 included copper revenue of $68,140,357, molybdenum revenue of $13,914,075 and tolling revenue of $2,150,853. Copper and molybdenum revenues are net of smelter, refinery and roasting charges.

Copper revenue increased from 2005 due to significantly higher copper prices, despite a 13% reduction in annual sales volume. In 2006 the Company sold 11,300 tonnes or 24.91 million pounds of copper, down from 28.92 million pounds sold in 2005, following restricted tailings flow and various temporary plant shutdowns imposed by El Teniente. The Company's annual realized copper price was $2.74/lb in 2006, a significant increase from its realized copper price of $1.34/lb in 2005. The realized copper price is calculated by dividing annual copper revenue (net of smelter and refinery charges and including settlement adjustments to the prior year's sales) by the number of pounds of copper sold in the year.

In 2006 the Company's gross copper selling price was $3.33/lb (2005: $1.73/lb). Gross copper selling price is calculated by dividing copper revenue (before smelter and refinery charges and including settlement adjustments to the prior year's sales) by the number of pounds of copper sold in the year. In 2006, the Company's gross copper selling price was higher than the average LME cash copper price of $3.05/lb due to pricing adjustments related to the fact that sales are priced on an M+3 basis.

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 sets the Company's copper sale price at the average market price for the third month after delivery ("M+3"). Accordingly, provided monthly quotas are met, all copper delivered by the Company to the smelter in one quarter is sold at market prices prevailing in the following quarter. 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. The Company believes that this pricing arrangement is standard in the industry.

In 2006, due to production restrictions imposed by El Teniente, MVC sold significantly less copper than estimated under the original 2006 concentrate supply quota with Enami. To address this matter, MVC and Enami agreed to lower the supply quotas for September, October, November and December 2006, and to maintain smelter and refinery charges at 2006 pricing until MVC meets the 2006 revised quota, at which time Enami and MVC will meet to discuss terms for 2007. It is projected that the 2006 revised quota will be met during April 2007. This agreement has reduced the Company's exposure to increases or decreases in copper prices until the 2006 revised quota is met, as illustrated below (pricing = M+3):

- January 2007 deliveries: August 2006 quota (November 2006 average prices)
- February 2007 deliveries: August and September 2006 quotas (November and December 2006 average prices)

- March 2007 deliveries: September, October and November 2006 quotas (December 2006, January 2007 and February 2007 prices)
- April 2007 deliveries: November and December 2006 quotas (February and March 2007 prices)

Molybdenum revenue increased in 2006 due to a full year of molybdenum production, compared to a nine-month production period in 2005, given that the molybdenum plant was completed in March 2005. In 2006 the Company sold 697,171 pounds of molybdenum at a gross moly selling price of $24.34/lb, compared to 651,071 pounds sold in 2005 at a gross selling price of $26.40/lb. Gross molybdenum selling prices are calculated by dividing moly revenue (before roasting charges and including settlement adjustments to the prior year's sales) by the number of pounds of moly sold in the year.

Molybdenum produced by the Company is sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"), which provides that the sale price is the average market price for the first ("M+1"), second ("M+2") or third ("M+3") month after delivery, with each delivery period nominated at the election of Molymet. In 2006 the sale price nominated by Molymet was predominantly M+3.

Revenue from the sale of the Company's copper and molybdenum concentrates is recorded net of smelter, refinery and roaster 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.

Sales are recognized into revenue using forward copper prices for the expected date of final settlement and spot prices for molybdenum, and adjustments to revenue are made at the end of each month to reflect changes in market prices until the sale price is settled under the terms of the agreement. This practice increases the sensitivity of the Company's reported revenue 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 be required to record lower revenues for current deliveries and negative adjustments to revenue for the prior period's deliveries.

The Company has a tolling agreement with Codelco's Chuquicamata division to process certain of Chuquicamata's molybdenum-copper bulk concentrates at MVC's plant. In 2006, 2,665 tonnes of Chuquicamata concentrates were processed by the Company, in contrast to 6,810 tonnes processed in 2005, which resulted in tolling revenue of $2,150,853 in 2006 and $5,417,507 in 2005. Tolling revenue is recognized when the processing is completed, the amounts to be received are known and collection is reasonably assured.

Production

In 2006, the Company produced 11,189 tonnes or 24.67 million pounds of copper compared to 13,552 tonnes or 29.88 million pounds of copper produced in 2005, a 17% decrease. Production was below budget following various temporary plant shutdowns and El Teniente's decision to restrict the tailings flow between MVC and El Teniente's Caren tailings impoundment from mid-August 2006 to early January 2007, due to environmental concerns, both with respect to the volume of water in the tailings being sent to Caren and the structural condition of the Cachapoal 2 bridge that forms part of the tailings launder downstream from MVC. Fresh tailings were diverted to Colihues during this period. In May 2006, the same environmental concerns had prompted El Teniente to ask MVC to temporarily stop processing tailings from Colihues. As of the date of this report, the Colihues restrictions are still in place.

In 2006 molybdenum production was 674,549 lbs, compared to 631,843 lbs produced in 2005, a 7% increase in production due to a full year of molybdenum production. Molybdenum production in 2006 was affected by the restricted tailings flow to MVC and by lower than historical molybdenum content in fresh tailings.

Despite the production challenges faced in 2006, the Company remains committed to attain its goals of annualized production rates of 60 million pounds of copper and 1 million pounds of molybdenum by the end of 2007, subject to approval from El Teniente to recommence operations at Colihues.

Cash Cost and Total Cost

Cash cost and total cost are non-GAAP measures prepared on a basis consistent with the industry standard Brook Hunt definitions. Cash cost is the aggregate of copper and molybdenum production costs, smelter and refinery charges, administration and transportation costs, minus molybdenum by-product credits. Total cost is the aggregate of cash cost, El Teniente royalty, depreciation, amortization and asset retirement accretion cost.

The Company's cash costs for the last two fiscal periods ($/lb of copper produced) were as follows:

	Q1-2006	Q2-2006	Q3-2006	Q4-2006	2006
Cu and Mo production	1.07	1.24	1.24	1.14	1.17
By-product credits	(0.35)	(0.99)	(0.98)	(0.40)	(0.65)
Smelter & refinery	0.59	0.57	0.67	0.59	0.60
Administration	0.05	0.05	0.07	0.07	0.05
Transportation	0.03	0.03	0.03	0.03	0.03
Cash Cost	**$1.39**	**$0.90**	**$1.03**	**$1.43**	**$1.20**

	Q1-2005	Q2-2005	Q3-2005	Q4-2005	2005
Cu and Mo production	0.50	0.74	0.85	1.14	0.81
By-product credits	-	(0.61)	(1.05)	(0.95)	(0.65)
Smelter & refinery	0.36	0.40	0.36	0.40	0.38
Administration	0.03	0.04	0.04	0.06	0.04
Transportation	0.02	0.02	0.02	0.02	0.02
Cash Cost	**$0.91**	**$0.59**	**$0.22**	**$0.67**	**$0.60**

Cash cost is driven mainly by production costs, smelter/refinery costs and moly by-product credits. This cost is expressed as a unit cost and therefore all things being equal will increase as production decreases.

In fiscal 2006, cash cost was $1.20/lb, compared to a cash cost of $0.60/lb in the preceding year. The most significant increase ($0.36/lb) in cash cost comes from copper and molybdenum unit production costs, as a result of lower production, the effect on costs of a stronger Chilean peso and higher steel and energy costs. Smelter and refinery costs increased by $0.22/lb in 2006 due to higher copper prices. Smelter and refinery costs will decrease as copper prices decline due to the price participation formula. Administration and transportation costs increased by $0.01/lb respectively in 2006.

While molybdenum by-product credits are volatile in nature as they are impacted by settlement adjustments to prior quarter moly sales and by the Chuquicamata tonnage processed in a given period, these credits were $0.65/lb in both 2006 and 2005, as the lower credits coming from lower moly and Chuquicamata revenue in 2006 were divided over lower copper production.

The Company's total costs for the last two fiscal periods ($/lb of copper produced) were as follows:

	Q1-2006	Q2-2006	Q3-2006	Q4-2006	2006
Cash cost	1.39	0.90	1.03	1.43	1.20
El Teniente royalty	0.39	0.53	0.69	0.52	0.52
Amortization/depreciation/accretion	0.06	0.07	0.11	0.05	0.07
Stock-based compensation	0.01	0.01	0.01	0.01	0.01
Total Cost	**$1.85**	**$1.51**	**$1.84**	**$2.01**	**$1.80**

	Q1-2005	Q2-2005	Q3-2005	Q4-2005	2005
Cash cost	0.91	0.59	0.22	0.67	0.60
El Teniente royalty	0.19	0.25	0.30	0.39	0.28
Amortization/depreciation/accretion	0.04	0.05	0.05	0.05	0.05
Stock-based compensation	0.02	-	-	-	0.01
Total Cost	**$1.16**	**$0.89**	**$0.57**	**$1.11**	**$0.94**

Total cost in 2006 was $1.80/lb, compared to total cost of $0.94/lb in 2005. The most significant impact on total cost is a $0.60/lb increase in cash cost, followed by a $0.24/lb increase from El Teniente royalty, due mainly to higher copper prices.

The El Teniente royalty is based mainly on copper price; the royalty for fresh tailings declines to zero at a copper price of $0.80/lb or less, making MVC a copper producer whose costs decrease as copper prices decline.

Operating Costs and Expenses

Production costs include copper and molybdenum production costs, maintenance costs and Chuquicamata tolling costs. In 2006, production costs were $28,823,890 compared to production costs of $24,227,606 in 2005. The $4,596,284 increase in production costs is explained mainly by higher power and steel prices, and higher overall costs in Chile.

In 2006 the El Teniente royalty was $12,776,390 compared to $8,437,862 in 2005. The royalty increases or decreases as a function of copper and molybdenum prices and sales. The significant copper price increase in 2006 compared to 2005 accounts for the increased royalty cost despite lower sales volume for copper.

Administration expenses were $1,409,981 in 2006, $203,714 higher than in 2005 due to higher professional fees and salaries in Chile, and higher costs coming from a stronger Chilean peso.

Amortization cost increased by $280,235 to $1,618,424 in 2006, due to a higher asset base at MVC. Stock-based compensation for options granted to MVC employees was $218,412 in 2006 and $149,085 in 2005, for the same number of options granted.

Costs not related to MVC's production operations are identified as "Other Expenses" and were $3,140,918 in 2006 and $2,025,005 in 2005, an increase of $1,115,913. The most significant expenses in 2006 were salaries, management and professional fees of $1,295,705 (2005: $732,279), which in 2006 include bonuses paid or accrued to senior management for 2005 and 2006 corporate performance. No bonus was accrued in 2005. Stock-based compensation in 2006 was $673,755, compared to $396,004 in 2005 for substantially the same number of options vested, due to higher stock volatility. Office and general expenses were $597,753 (2005: $228,061) due to higher rent, travel and office expense and to expenses incurred in Chile that are not related to MVC's production operations. Other expenses are comparable to 2005 levels.

Non-operating items in 2006 include a gain on sale of investment of $8,530,377 from the sale of substantially all the Chariot investment held by the Company, interest income of $760,236 (2005: $374,604), a foreign exchange gain of $492,168 (2005: $1,944,800), a gain on settlement of debt of $202,027 ($Nil in 2005) and other income of $112,821 (2005: $94,423). In 2005 the Company also recorded a gain on disposition of mineral properties of $427,455 and investment income of $32,062. The variance in foreign exchange gains is due to significantly lower fluctuations of the Chilean Peso with regards to the US Dollar in 2006, and to an unrealized foreign exchange expense at year end from the decline in value of the Canadian dollar to the US dollar, given that the Company held a considerable portion of its cash position in Canadian dollars at year end. The Company will continue to hold its cash position significantly in Canadian dollars and expects this temporary foreign exchange loss to be reversed in subsequent periods.

The Company recorded income tax expense net of recoveries of $5,690,569 in 2006, compared to income tax expense net of recoveries of $4,390,854 in 2005. Tax expense in relation to earnings before taxes is significantly lower in 2006 as there is no tax expense or tax payable associated with the gain on sale of the Chariot investment due to the utilization of a portion of previously unrecognized tax losses in Canada.

Operating Cash Flows
In 2006, the Company's activities generated operating cash flow of $26,576,910 (or 29¢ per share, a non-GAAP measure), which includes the effect of changes in non-cash working capital items, compared to operating cash flow of $21,874,229 or 28¢ per share in 2005.

Summary of Quarterly Results

	Qtr. ended Dec. 31, 2006	**Qtr. ended Sept. 30, 2006**	**Qtr. ended June 30, 2006**	**Qtr. ended March 31, 2006**
Total revenue	$19,944,732	$19,739,861	$27,482,949	$17,037,743
Net income	13,981,236	8,251,071	12,444,608	4,606,768
Earnings per share	0.1490	0.0877	0.1322	0.0524
Diluted earnings per share	0.1475	0.0868	0.1285	0.0515

	Qtr. ended Dec. 31, 2005	**Qtr. ended Sept. 30, 2005**	**Qtr. ended June 30, 2005**	**Qtr. ended March 31, 2005**
Total revenue	$19,459,021	$17,702,172	$12,768,609	$8,398,280
Net income	5,208,566	6,503,415	4,635,764	1,644,722
Earnings per share	0.0604	0.0757	0.0607	0.0237
Diluted earnings per share	0.0588	0.0735	0.0525	0.0186

Liquidity and Capital Resources
Amerigo's cash and cash equivalents at December 31, 2006 were $26,574,059, compared to $12,953,516 at December 31, 2005. The Company's working capital at December 31, 2006 was $25,047,681 compared to $8,236,363 at December 31, 2005. The Company continues to be able to generate sufficient cash resources in the short and long-term to maintain existing operations and to evaluate and pursue further investment opportunities in 2007.

During the year ended December 31, 2006 Amerigo received net proceeds of $14,554,274 from the issuance of 7 million shares by way of a bought deal offering under a short form prospectus and $925,698 from the exercise of stock options.

Amerigo also purchased and cancelled 712,600 of its common shares at a total cost of $1,131,443. A premium on the purchase of shares for cancellation of $719,244 was applied against Retained Earnings. The purchase of shares for cancellation took place under the terms of a normal course issuer bid through the facilities of the Toronto Stock Exchange ("TSX"), whereby Amerigo was entitled to purchase for cancellation up to 7,845,154 of its common shares during the one-year period ending on November 13, 2006. The term of the normal course issuer bid was renewed and Amerigo is currently entitled to purchase for cancellation up to 2,612,815 of its common shares during the one-year period ending on November 13, 2007. No further shares have been purchased for cancellation up to the date of this report.

On April 26, 2006, MVC obtained a short-term loan of Chilean Pesos $2,000,000,000 (approximately $4,000,000) from a Chilean bank at an annual borrowing rate of 7.68%. These funds were used to finance timing differences between accounts receivable and accounts payable. The Company repaid this loan in full on December 29, 2006.

On July 6, 2006, the Company paid in cash a $3,400,000 note and accrued interest of $539,006, due in connection with the acquisition of MVC. The Company negotiated a 5% discount on the principal and interest of the note, resulting in a $202,027 gain realized on settlement of the debt.

The Company's long-term liabilities (Other Payables, Asset Retirement Obligations and Future Income Tax Liabilities) at December 31, 2006 were $7,204,755 compared to $6,933,480 on December 31, 2005.

The Company is not subject to debt covenants and does not anticipate it will incur any default or arrears on payment of leases, debt principal or interest.

The Company's gross copper sales are dependent on sales volumes and market prices for copper. Average LME cash copper prices in 2006 were the following:

January	$2.1475	April	$2.8975	July	$3.4982	October	$3.4021
February	2.2600	May	3.6495	August	3.4907	November	3.1884
March	2.3146	June	3.2648	September	3.4484	December	3.0278

In accordance with its stated dividend policy, on February 14, 2006 Amerigo declared a semi-annual dividend of Cdn 4.5¢per share payable to shareholders of record as of March 31, 2006, for a total of $3,630,307 paid on April 7, 2006; on July 31, 2006 Amerigo declared a second semi-annual dividend of Cdn 4.5¢ per share payable to shareholders of record as of August 18, 2006, for a total of $3,818,896 paid on September 1, 2006.

As of December 31, 2006 Amerigo had 2,902,000 outstanding share purchase options (with exercise prices ranging from Cdn$1.23 to Cdn$2.71). During the year ended December 31, 2006, 930,000 options were exercised for net proceeds of $925,698 and 1,535,000 options were granted (1,335,000 exercisable at a price of Cdn$2.71 per share and 200,000 exercisable at a price of Cdn$2.43 per share).

Stock-based compensation is recognized as options vest. The 1,335,000 options granted in Q1-2006 vested in four equal installments, on March 31, June 30, September 30 and December 31, 2006. Amerigo recorded in aggregate a stock-based compensation expense of $833,093 for these options, of which $218,412 was charged to Costs as the options were granted to MVC employees and $614,681 was charged to Other Expenses.

The 200,000 options granted in Q3-2006 vest in four equal installments, on September 30, 2006, December 31, 2006, March 31, 2007 and June 30, 2007. For the options vested on September 30 and December 31, 2006, Amerigo recorded a stock-based compensation expense of $59,074 charged to Other Expenses.

Investing Activities

In the year ended December 31, 2006, the Company incurred $31,943,881 in capital expenditures in MVC. These capital expenditures were funded substantially from operating cash flow and were primarily for the construction of two thickeners and an industrial water recovery system built in order to meet Chilean environmental regulations that came into effect in 2006, the construction of a pipeline system to divert tailings to Colihues, the final stages of the mill expansion project and equipment for the extraction of tailings from Colihues. At December 31, 2006, the Company had accounts payable and accrued liabilities of $4,053,244 in connection with these capital expenditures.

On February 10, 2006, Amerigo acquired for investment purposes 25.6 million common shares and 11,532,000 share purchase warrants (the "Chariot Warrants") of Chariot. Each of the Chariot Warrants entitled Amerigo to purchase an additional common share of Chariot at a price of Cdn$0.35 per share until December 22, 2006. Amerigo made subsequent purchases of Chariot shares during 2006 and on

October 20, 2006, sold a total of 31,812,500 Chariot common shares and 11,532,000 Chariot Warrants to an arm's-length party. The selling prices were Cdn$0.65 per common share and Cdn$0.30 for each Chariot Warrant. Total proceeds of the sale were $21,271,128, which resulted in a gain on sale of investment of $8,530,377.

In 2006, Amerigo increased its investment in Nikos Explorations Ltd. ("Nikos") by $268,200. Nikos is an issuer listed on the TSX Venture Exchange. The total book value of the investment in Nikos is $1,204,947. Amerigo holds approximately 26% of Nikos's issued and outstanding common shares (assuming the exercise of outstanding warrants).

Transactions with Related Parties

a) Minority Interest

A detailed description of Minority Interest is provided in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2006.

During the year ended December 31, 2006, royalty dividends totaling $452,217 were paid or accrued to the Amerigo International Class A shareholders (2005: $619,266). Royalty dividends are shown as Minority Interest in the Consolidated Statement of Operations. At December 31, 2006, $42,857 of this amount remained outstanding (December 31, 2005: $59,789).

b) Directors' fees and remuneration to officers

During the year ended December 31, 2006, the Company paid or accrued $833,480 in fees to companies associated with certain directors and officers of Amerigo (2005: $345,699). Included in these fees are bonuses of $416,748 to senior management (2005: $Nil). In the same period, Amerigo paid or accrued $115,320 in directors' fees to independent directors (2005: $80,309). Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's consolidated financial statements. At December 31, 2006, an aggregate amount of $230,970 was due to directors and officers in the ordinary course of business (December 31, 2005: $46,778).

c) At December 31, 2006 one of Amerigo's officers acted as an officer and another as a director of Nikos.

<u>Fourth Quarter</u>

Net earnings after tax in the three months ended December 31, 2006 ("Q4-2006") were $13,981,236, compared to net earnings of $5,208,566 in the three months ended December 31, 2005 ("Q4-2005").

Revenue

Total revenue during Q4-2006 was $19,944,732, which includes copper revenue of $17,317,506 (Q4-2005: $12,174,062) and molybdenum revenue of $2,627,226 (Q4-2005: $3,949,634).

Copper revenue increased from Q4-2005 due to significantly higher copper prices, despite an 11% reduction in sales volume between the two quarters. In Q4-2006 the Company sold 2,957 tonnes or 6.52 million pounds of copper, down from 7.38 million pounds sold in Q4-2005, following restricted tailings flow imposed by El Teniente. The Company's quarterly realized copper price was $2.66/lb in Q4-2006, a significant increase from its realized copper price of $1.65/lb in Q4-2005. During Q4-2006, the Company's gross copper selling price was $3.25/lb (Q4-2005: $2.07/lb) and the average LME cash copper price was $3.21/lb.

Molybdenum revenue in Q4-2006 was lower than in Q4-2005 due to lower sales volume. In Q4-2006 the Company sold 144,583 pounds of molybdenum at a gross moly selling price of $22.16/lb, compared to 240,923 pounds sold in Q4-2005 at a gross selling price of $19.99/lb.

There was no tolling revenue from Chuquicamata during Q4-2006. In Q4-2005, tolling revenue was $3,335,325.

Production

In Q4-2006, the Company produced 3,007 tonnes or 6.63 million pounds of copper and 130,538 pounds of molybdenum. Results were below budget due to restricted tailings flow. In Q4-2005, copper production was 3,506 tonnes or 7.73 million pounds of copper and 245,950 pounds of molybdenum. Accordingly, Q4-2006 production shows reductions of 14% for copper and 47% for moly compared to Q4-2005. In addition to the effect of restricted tailings flow to MVC, molybdenum production was also affected by a significant decrease in molybdenum content in the fresh tailings.

Cash Cost and Total Cost

Cash cost in Q4-2006 was $1.43/lb compared to $0.67 in Q4-2005:

	Q4-2006	**Q4-2005**
Cu and Mo production	1.14	1.14
Smelter & refinery	0.59	0.40
Administration	0.07	0.06
Transportation	0.03	0.02
By-product credits	(0.40)	(0.95)
Cash Cost	**$1.43**	**$0.67**

The increase in cash cost results mainly from a lower by-product credit due to lower molybdenum sales and tolling revenue in Q4-2006. Also, smelter & refinery charges were higher in Q4-2006 due to higher copper prices. Administration and transportation costs increased by $0.01/lb respectively as a result of higher costs in Chile in Q4-2006.

The Company's total cost in Q4-2006 was $2.01/lb, compared to $1.11/lb in Q4-2005:

	Q4-2006	**Q4-2005**
Cash cost	1.43	0.67
El Teniente royalty	0.52	0.39
Amortization/depreciation	0.05	0.05
Stock-based compensation	0.01	-
Accretion cost	-	-
Total Cost	**$2.01**	**$1.11**

In addition to the impact of a higher cash cost, the Teniente royalty had a significant effect on the increase in total cost in Q4-2006 compared to Q4-2005.

Operating Costs and Expenses

In Q4-2006, production costs were $7,567,573 (Q4-2005: $8,778,891). The $1,211,318 decrease in production costs is explained by decreases in tolling costs of $1,889,418 (as no Chuquicamata material was processed in Q4-2006) and in moly production costs of $434,868 due to lower molybdenum production. The decrease in costs from these two factors was offset by higher maintenance costs and higher copper production costs due to environmental control and miscellaneous costs that are not associated with levels of production.

In Q4-2006 the El Teniente royalty was $3,433,644 compared to $2,980,792 in Q4-2005. The significant copper price increases in Q4-2006 from Q4-2005 account for the increased royalty cost despite lower sales volume for both copper and molybdenum.

Administration expenses were $447,388 in Q4-2006 compared to $434,440 in Q4-2005. Amortization cost of $340,575 in Q4-2006 was comparable to Q4-2005 amortization. Stock-based compensation for options granted to MVC employees was $53,459 in Q4-2006 and $Nil in Q4-2005.

Costs not related to MVC's production operations are identified as "Other Expenses" and were $868,506 in Q4-2006 and $446,476 in Q4-2005. The most significant expenses in Q4-2006 were salaries, management and professional fees of $436,979 (2005: $250,439), which are higher due to accrued senior management performance bonuses in Q4-2006. Stock-based compensation in Q4-2006 was $179,315 ($Nil in Q4-2005) as this cost was recognized in 2006 as options vest on a quarterly basis, while in 2005 the cost of options was recognized fully in the quarter of issuance as options vested on grant. Office expense was $135,759 in Q4-2006 (Q4-2005: $113,201), the increase is from higher travel and office costs.

Non-operating items in Q4-2006 include a gain on settlement of investments of $8,530,377 from the sale of substantially all the Chariot investment, a foreign exchange expense of $589,213 (Q4-2005: gain of $250,169), interest income of $275,727 (Q4-2005: $136,768) and other income of $37,006 (Q4-2005: $54,453). In Q4-2005 the Company also recorded investment income of $32,062. The foreign exchange expense is significantly an unrealized expense, resulting from the decline in value of the Canadian dollar with respect to the US dollar at December 31, 2006, as the Company held most of its cash position in Canadian dollars at that date. The exchange rate of the Canadian dollar to the US dollar could reverse in 2007, offsetting this foreign exchange expense.

Despite the considerable increase in earnings in Q4-2006 from Q4-2005, the Company recorded income tax expense net of recoveries of $1,155,419 in Q4-2006 and $1,307,895 in Q4-2005, as there is no tax expense or tax payable associated with the gain on sale of the Chariot investment due to the utilization of a portion of previously unrecognized tax losses in Canada.

Critical Accounting Estimates

The most significant estimates are related to the physical and economic lives of mineral assets, property, plant and equipment and their recoverability.

The Company depreciates assets, capitalized acquisition costs and contractual rights based on the units of production method, whereby management has estimated copper units of production to 2021 and proceeds to allocate amortization charges based on actual production on a monthly basis.

The Company estimates the recoverable value of plant and equipment at the end of its contract with Codelco will be at least $2,000,000.

As required by accounting standards, Amerigo has calculated an asset retirement obligation based on a quoted market price of $3,500,000 provided by an independent third party. Management estimates required to calculate the asset retirement obligation include projected annual inflation rates in Chile of 3% per annum and a market risk premium of 5%. The present value of the asset retirement obligation at the time of adoption was estimated to be $1,851,055, which will be systematically accreted to a 2021 value of approximately $6,256,000.

On June 30, 2005, Amerigo increased its interest in Nikos to 27% of Nikos's then current outstanding shares, a level where Amerigo is deemed to assert significant influence over Nikos. Accordingly, on that date the Company started using the equity method to account for its investment in Nikos. The Company had previously considered the Nikos shares to be a long-term investment and used the cost method to account for the investment.

Changes in Accounting Policies, Including Initial Adoption

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued three new standards relating to financial instruments, applicable for fiscal years beginning on or after October 1, 2006, as follows:

a) Financial Instruments – Recognition and Measurement (Section 3855)

   The standard prescribes when a financial asset, financial liability and non-financial derivative is to be recognized on the Balance Sheet and whether fair value or cost-based measures should be used. It also specifies how financial instruments gains or losses should be presented.

b) Hedges (Section 3865)

   The standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline 13 (acG-13) "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

c) Comprehensive Income (Section 1530)

   This standard introduces new rules for the reporting and display of comprehensive income. Comprehensive income is currently reported under US generally accepted accounting principles to measure the change in shareholders' equity of a company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments, gains and losses on certain derivative instruments, and foreign currency gains and losses related to self-sustaining foreign operations.

The impact from the adoption of these new standards on the Company's financial statements is still to be determined.

Effective January 1, 2005, the Company adopted Accounting Guideline AcG-15, Consolidation of Variable Interest Entities, which requires consolidation of entities in which the Company has a controlling financial interest. The Company has determined that it has no variable interest entities.

Disclosure Controls and Procedures

During the year ended December 31, 2005, the Company's General Counsel and Corporate Secretary completed an evaluation of the effectiveness of the Company's existing disclosure controls and procedures, undertook extensive research and made presentations and recommendations to the Company's certifying officers and board of directors. Based on those recommendations, a draft corporate disclosure policy was presented to the Company's board and adopted on February 14, 2006. The disclosure policy includes the setting up of a Disclosure Policy Committee that consists of the Company's Chairman, President and Corporate Secretary.

The new disclosure policy and committee have been in place since the adoption date. Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The Chief Executive Officer and the Chief Financial Offer of the Company have evaluated the effectiveness of the Company's design of internal control over financial reporting. Based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of December 31, 2006.

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2006 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

Other MD&A Requirements

As of February 20,, 2007, Amerigo has 93,443,244 common shares outstanding and 2,802,000 exercisable options (at prices ranging from Cdn$1.23 to Cdn$2.71).

Additional information, including the company's most recent Annual Information Form, is available on SEDAR at www.sedar.com

Cautionary Statement on Forward Looking Information

This Report contains "forward-looking statements". These forward looking statements include, but are not limited to, statements regarding the Company's strategic plans, future commercial production and the timing for resolving Colihues restrictions from El Teniente. Forward-looking statements express, as at the date of this Report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "schedule", "estimates" "intends", "anticipates", or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to restricted tailings flow, restricted operations from Colhues, copper and molybdenum price fluctuations, currency fluctuations, possible variations in grade or recovery rates, failure of plant, equipment, or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; unexpected regulatory changes, delays in the completion of critical activities and projects, environmental risks and hazards, risks of delays in construction and other risks more fully described in Amerigo's Annual Information Form filed with the Securities Commissions of the provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec which is available on SEDAR at www.sedar.com.