

Amerigo Resources Ltd.

Consolidated Financial Statements

December 31, 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 judgments 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
Chairman

March 24, 2009

Aurora Davidson
Chief Financial Officer

March 24, 2009

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, 2008 and 2007 and the consolidated statements of operations and comprehensive income, cash flows and changes in shareholders' equity for each of the years in the two year period ended December 31, 2008. These consolidated 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, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC
March 24, 2009

Amerigo Resources Ltd.

Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31 2008	December 31 2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,187,084	16,712,630
Accounts receivable	11,501,868	16,901,271
Prepaid expenses	205,897	106,289
Plant supplies and inventory (Note 5)	4,230,508	4,231,984
	<u>19,125,357</u>	<u>37,952,174</u>
Investments (Note 14)	1,855,435	21,171,455
Property, plant and equipment - net (Note 6)	116,243,844	98,136,625
Contractual right - net (Note 7)	6,950,942	7,437,823
Other	83,299	40,864
	<u>144,258,877</u>	<u>164,738,941</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	18,091,337	16,635,329
Enami loan (Note 8)	3,538,102	-
El Teniente royalty payable (Note 9)	2,549,392	5,742,906
Bank loans (Note 10)	9,012,992	-
Due to non-controlling interests (Note 12(a))	49,670	61,735
	<u>33,241,493</u>	<u>22,439,970</u>
Enami loan (Note 8)	5,896,837	-
Other payables	1,004,599	1,003,500
Asset retirement obligation (Note 11)	5,122,382	4,787,273
Future income tax (Note 15)	4,956,851	6,180,703
Non-controlling interests (Note 12(a))	1,000	1,000
	<u>50,223,162</u>	<u>34,412,446</u>
Shareholders' Equity		
Capital stock (Note 13)	56,345,311	56,933,105
Value assigned to stock options (Note 13(c))	2,433,377	1,949,218
Retained earnings	35,279,137	67,070,515
Accumulated other comprehensive income (loss)	(22,110)	4,373,657
	<u>94,035,715</u>	<u>130,326,495</u>
	<u>144,258,877</u>	<u>164,738,941</u>
Going Concern (Note 1)		
Contingencies (Note 22)		
Subsequent events (Note 23)		

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, 2008 \$	Year ended December 31, 2007 \$
Revenue	97,627,482	105,694,549
Costs		
Production costs	70,005,003	50,214,815
El Teniente royalty (Note 9)	19,712,621	18,673,900
Depreciation and amortization	5,310,865	4,086,845
Administration	2,529,531	1,469,759
Transportation	1,082,064	1,051,392
Asset retirement accretion cost	335,109	164,289
Stock-based compensation (Note 13(c))	-	149,276
Cost of sales	98,975,193	75,810,276
Operating profit (loss)	(1,347,711)	29,884,273
Other expenses		
Office and general expenses	1,349,908	1,136,365
Salaries, management and professional fees	1,181,253	1,429,902
Interest expense	548,564	19,100
Stock-based compensation (Note 13(c))	484,159	749,406
	3,563,884	3,334,773
Earnings (loss) before the undernoted items	(4,911,595)	26,549,500
Write-down of investments (Note 14(a))	(18,855,343)	-
Foreign exchange gain	2,210,633	1,348,336
Interest income	457,719	1,272,014
Other income	236,965	297,750
Equity investment loss (Note 14(b))	(78,491)	(224,573)
Realized gain on sale of financial instruments	-	711,591
Earnings (loss) before taxes and non-controlling interests	(20,940,112)	29,954,618
Income tax expense, net of (tax recoveries) (Note 15)	(2,576,855)	5,085,223
Earnings (loss) before non-controlling interests	(18,363,257)	24,869,395
Non-controlling interests (Note 12(a))	623,588	587,041
Net earnings (loss)	(18,986,845)	24,282,354
Other comprehensive income (loss)	(4,395,767)	4,395,767
Comprehensive income (loss)	(23,382,612)	28,678,121
Weighted average number of shares outstanding, basic	93,912,981	94,279,636
Weighted average number of shares outstanding, diluted	93,912,981	94,523,810
Earnings (loss) per share		
Basic	(0.20)	0.26
Diluted	(0.20)	0.26

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Year ended December 31, 2008 \$	Year ended December 31, 2007 \$
Cash flows from operating activities		
Net earnings (loss) for the year	(18,986,845)	24,282,354
Items not affecting cash -		
Write-down of investments and equity investment loss	18,933,834	224,573
Depreciation and amortization	5,310,865	4,086,845
Unrealized foreign exchange gains	(1,607,209)	(86,186)
Future income tax expense (recovery)	(1,153,109)	1,975,269
Stock-based compensation	484,159	898,682
Accrued interest on bank loans	112,987	-
Asset retirement accretion cost	335,109	164,289
Other receivables	(42,435)	(17,310)
Realized gain on sale of financial instruments	-	(711,591)
	<u>3,387,356</u>	<u>30,816,475</u>
Changes in non-cash working capital		
Accounts receivable	5,399,403	(5,208,024)
Prepaid expenses	(99,608)	102,982
Plant, supplies and inventory	1,476	(1,705,073)
Accounts payable	1,587,070	4,720,836
El Teniente royalty payable	(3,193,514)	2,118,989
Enami loan	3,538,102	-
Due to non-controlling interests	(12,065)	18,878
Other payables	1,099	417,092
Net cash provided by operating activities	<u>10,609,319</u>	<u>31,282,155</u>
Cash flows from investing activities		
Purchase of plant and equipment	(23,133,008)	(17,307,167)
Purchase of investments	(4,013,581)	(15,795,314)
Sale of investments	-	1,941,092
Net cash used in investing activities	<u>(27,146,589)</u>	<u>(31,161,389)</u>
Cash flows from financing activities		
Proceeds from bank loans	10,507,214	-
Enami loan	5,896,837	-
Payment of dividends	(11,802,999)	(11,089,289)
Purchase of share capital for cancellation	(1,589,328)	(340,301)
Issuance of shares for cash – net of issue costs	-	1,447,395
Net cash provided by (used in) financing activities	<u>3,011,724</u>	<u>(9,982,195)</u>
Net decrease in cash and cash equivalents	<u>(13,525,546)</u>	<u>(9,861,429)</u>
Cash and cash equivalents – Beginning of year	<u>16,712,630</u>	<u>26,574,059</u>
Cash and cash equivalents – End of year	<u>3,187,084</u>	<u>16,712,630</u>

Supplemental disclosure with respect to cash flows (Note 16)

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity

(expressed in U.S. dollars)

	Common shares		Retained Earnings	Value assigned to stock options	Accumulated Other Comprehensive Income	Shareholders' equity
	No. of shares	Amount				
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance – Dec. 31, 2006	93,443,244	55,026,997	54,123,820	1,603,180	(22,110)	110,731,887
Issue of shares						
Exercise of stock options	1,089,500	1,447,395	-	-	-	1,447,395
Shares repurchased	(160,000)	(93,931)	(246,370)	-	-	(340,301)
Options vested	-	-	-	898,682	-	898,682
Transfer of value on exercise of stock options	-	552,644	-	(552,644)	-	-
Unrealized gains on “available for sale” instruments	-	-	-	-	4,395,767	4,395,767
Dividends paid	-	-	(11,089,289)	-	-	(11,089,289)
Net earnings for the year	-	-	24,282,354	-	-	24,282,354
Balance – Dec. 31, 2007	94,372,744	56,933,105	67,070,515	1,949,218	4,373,657	130,326,495
Shares repurchased	(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 14)	-	-	-	-	(4,395,767)	(4,395,767)
Dividends paid	-	-	(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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(expressed in U.S. dollars)

1 Going concern

In the year ended December 31, 2008 the Company incurred a net loss of \$18,986,845. The net loss includes a write-down of investments of \$18,855,343. The Company's working capital position was severely affected by the sharp decline in copper and molybdenum prices during the fourth quarter of 2008. At December 31, 2008, the Company had a working capital deficiency of \$14,116,136 which includes \$11,836,724 of negative pricing adjustments to copper and molybdenum sales provisionally priced at substantially higher prices in the third quarter of 2008.

In addition to ongoing working capital requirements in depressed copper and molybdenum markets and high production costs, the Company had to meet the negative pricing adjustments previously described. These adverse conditions lend significant doubt as to the Company's ability to meet its obligations as they come due and accordingly, the appropriateness of using accounting principles applicable to a going concern.

In light of these circumstances, the Company secured equity funding of Cdn\$10.5 million in February 2009 (Note 23), secured additional bank financing of \$5,000,000 in 2008 and \$1,100,000 in 2009 (Note 23), structured the repayment of \$9,434,939 of negative copper pricing adjustments at December 31, 2008 into a payment programme extending from April 2009 to March 2011 (Note 8), arranged for the repayment of \$2,401,785 of molybdenum negative settlement adjustments against physical molybdenum deliveries starting in January 2009, and deferred payments of 70% of the El Teniente royalties from November 2008 to April 2009 (Note 9). The Company has also reduced capital and discretionary expenditures and will be suspending dividend distributions for the foreseeable future.

These actions, while significant, may not be in and of themselves sufficient to enable the Company to fund all aspects of its operations and, accordingly, management is pursuing a number of financial and strategic alternatives including potential changes to the terms of the royalty agreement with El Teniente and the extension of the terms of its short-term bank financing.

The terms of the royalty agreement with El Teniente have been renegotiated at various times over the history of MVC's operations. The Company is currently in negotiations with El Teniente to again modify the terms of the royalty agreement to better reflect the industry's and MVC's higher production costs in recent years and therefore modify the present royalty formula, for the mutual general benefit of both parties.

MVC has two bank loans with renewal dates in May and August of 2009. It is customary in Chile to have short term renewal dates for loans and for loans to be rolled over as long as they remain in good standing; historically this has been MVC's experience. Notwithstanding this practice, to alleviate uncertainties introduced from holding short-term debt in current market conditions, MVC is in discussions with its bankers in Chile to restructure the existing facilities into long-term loans.

The Company's ability to continue as a going concern is dependent upon copper and molybdenum prices and/or MVC's ability to reduce operating costs, including royalties, to generate positive cash flows from operations, and to renew its current debt facilities. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that may be necessary were the going concern assumption inappropriate. Such adjustments could be material.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(expressed in U.S. dollars)

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

3 Significant accounting policies

Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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 generally accepted accounting principles 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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(expressed in U.S. dollars)

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 a TSX-Venture Exchange issuer and is considered to have significant influence in this investment. Accordingly, the Company uses the equity method to account for this investment. In addition, management assesses whether any "other than temporary" impairment in the value of this investment has occurred during each period and if so, a write-down to estimated fair value is made.

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 unit 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.

Unit 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 at which a predetermined amount of copper in tailings from El Teniente has been delivered.

The Company regularly reviews the carrying value of its plant, equipment and mineral resource. Where information is available and conditions suggest impairment of long-lived assets, estimated future net cash flows are calculated. If projected future cash flows are less than the carrying value and the fair value is less than the carrying value, a write-down to the estimated fair value is made with a corresponding charge to earnings.

Plant supplies and inventory

Plant supplies are valued at the lower of cost and net realizable value. Concentrate inventory is valued at the lower of cost and net realizable value.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(expressed in U.S. dollars)

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 2008 set the Company's copper sale price at the average market price for the fourth month after delivery ("M+4"). 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 second 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 2008 annual quota was not fully met by December 31, 2008, accordingly copper deliveries in 2009 were allocated to fulfill the 2008 quota. The Company believes that this pricing arrangement is standard in the industry.

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 November 2008, however, the Company and Molymet agreed to observe an M+5 pricing arrangement for deliveries of molybdenum from August 2008 to December 31, 2009. Accordingly, deliveries by the Company in one quarter are being sold at market prices prevailing in the following second quarter.

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.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(expressed in U.S. dollars)

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 2008, basic and diluted loss per share are the same as the effect of outstanding stock options is anti-dilutive.

4 Adoption of new accounting standards and accounting pronouncements

Accounting Changes

Effective January 1, 2008 the Company adopted the following new accounting standards:

Section 1400 - Assessing Going Concern

CICA Handbook Section 1400, as amended, changed the guidance related to management's responsibility to assess the ability of an entity to continue as a going concern. Management is required to make an assessment of the Company's ability to continue as a going concern, taking into account all information available for at least, but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements December 31, 2008 and 2007

(expressed in U.S. dollars)

The adoption of this standard had no impact on the Company's presentation of its financial position or consolidated results of operations as at December 31, 2008 and the year then ended.

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure is presented in Note 18.

Section 3031 - Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this policy had no effect on the Company's financial statements.

Section 3862 – Financial Instruments – Disclosures and Section 3863 – Presentation

These Sections require additional disclosures to enable users of the Company's financial statements to evaluate the significance of financial instruments to the Company's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from the Company's financial instruments. Disclosure is presented in Note 17.

Accounting Pronouncements

Goodwill and intangible assets

In February 2008, the CICA issued Handbook section 3064 "Goodwill and intangible assets" which is required to be adopted for fiscal year-ends beginning on or after October 1, 2008. It 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 Company does not expect that the adoption of this new section will have any material impact on its financial statement.

International Financial Reporting Standards ("IFRS")

In 2006, The Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the change of the date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transitional date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has an IFRS implementation plan in progress.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(expressed in U.S. dollars)

5 Plant supplies and inventory

	December 31, 2008	December 31, 2007
	\$	\$
Plant supplies	3,234,927	2,624,750
Concentrate inventory	995,581	1,607,234
	<u>4,230,508</u>	<u>4,231,984</u>

6 Property, plant and equipment

	December 31, 2008	December 31, 2007
	\$	\$
Plant and infrastructure	53,894,767	50,431,227
Machinery and equipment and other assets	74,568,786	55,030,380
	<u>128,463,553</u>	<u>105,461,607</u>
Accumulated depreciation and amortization	(12,219,709)	(7,324,982)
	<u>116,243,844</u>	<u>98,136,625</u>

During the year ended December 21, 2008, the sharp decline in copper and molybdenum prices constituted a triggering event for the Company to review if impairment of the carrying value of the Company's property, plant and equipment and contractual rights was required. 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.

7 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 the processing of tailings from the El Teniente mine. The initial value of this contractual right was determined to be \$8,029,185. A future income tax liability of \$1,364,961 was recorded in connection with the contractual right, resulting in an increase in its value to \$9,394,146. The contractual right is amortized using the units of production method.

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements December 31, 2008 and 2007

(expressed in U.S. dollars)

	December 31, 2008	December 31, 2007
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(2,443,204)	(1,956,323)
	<u>6,950,942</u>	<u>7,437,823</u>

8 Enami loan

At December 31, 2008 MVC owed Enami \$9,434,939 in respect of negative pricing adjustments for final settlement of the quotas from June to September 2008 (priced at October 2008 to January 2009 prices). The final settlement on these amounts, subsequent to year end, was determined to be \$11,123,735. Enami has provided a loan facility to MVC to repay this amount in twenty four equal instalments extending from April 2009 to March 2011. The Enami loan bears interest at a rate of Banco de Chile Prime + 2%. A finance structure fee of 2.5% of the loan is payable to Enami.

In addition to the loan described above, in January 2009 Enami provided to MVC a copper price sustainability loan whereby Enami will lend to MVC up to 10¢/lb of copper delivered to the smelter (to a maximum of \$1.70/lb for the aggregate of the sustainability loan and the provisional copper price paid by the smelter to MVC). The sustainability loan was provided retroactively to November 2008 and will extend to December 2009. The loan bears interest at a rate of Banco de Chile Prime + 2%. Repayment of the sustainability loan is subject to copper prices.

In connection with the Enami loan MVC agreed to provide machinery and equipment collateral of \$16.5 million for the instalment loan and \$5.8 million for the estimated value of the sustainability loan.

9 El Teniente Royalty payable

MVC has a contract with Codelco until at least the year 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty to Codelco – El Teniente on copper and molybdenum produced by MVC. The amount of the copper royalty is determined pursuant to a formula that considers both the price of copper and the copper content in the tailings. No royalties are payable if the copper price is below \$0.80 per pound (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 or higher, a maximum royalty of 13.5% is payable.

Royalty payments for copper production are calculated using the average LME published price for copper for the month of delivery of the tailings, and invoiced by Codelco - El Teniente on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings; payment to Codelco - El Teniente

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is made within 10 days of receipt of invoices. Accordingly, the price base used for the calculation of the El Teniente royalty is not the same price base used for the pricing of copper sales.

Royalties payable to Codelco - El Teniente are classified as current liabilities. Adjustments to the El Teniente royalty are recorded on a monthly basis for changes in copper deliveries during the settlement period.

As agreed with Codelco - El Teniente, as of January 1, 2006 the same royalty described in the preceding paragraphs applies to copper extracted from Colihues, except for amounts calculated using half the volume of tailings extracted from Colihues, at an assumed copper grade of 0.32% and an assumed recovery rate of 40%. For these amounts the royalty to Codelco - El Teniente is calculated on a sliding scale from 3% if the copper price is below \$0.80 per pound to a maximum of 15% if the copper price is at \$1.35 per pound or higher.

MVC also pays to Codelco - El Teniente a royalty of 10% of MVC's net revenue received from the sale of molybdenum concentrates.

Due to the sharp decline in copper prices in recent months, Codelco agreed to defer payment of 70% of the royalty invoices to MVC for the months of November 2008 to April 2009. The deferred amounts are currently scheduled for repayment during July to December 2009.

The terms of the royalty agreement with El Teniente have been renegotiated at various times over the history of MVC's operations. The Company is currently in negotiations with El Teniente to again modify the terms of the royalty agreement to better reflect the industry's and MVC's higher production costs in recent years and therefore modify the present royalty formula, for the mutual general benefit of both parties.

10 Bank loans

- a) In February 2008 the Company obtained a loan of Chilean Pesos \$2,500,000,000 (approximately \$5,500,000 at the time the loan was granted) from a Chilean bank. The loan initially had a renewal date of September 22, 2008, was extended to December 15, 2008 and further extended to August 10, 2009. The loan bears interest at a monthly rate of 1.09%. The balance of the loan and accrued interest at December 31, 2008 was the Chilean Peso equivalent of \$3,949,616.
- b) In December 2008 the Company obtained a \$5,000,000 loan from a Chilean bank. The loan bears interest at a monthly rate of 0.78% and has a renewal date of May 12, 2009. The balance of the loan and accrued interest at December 31, 2008 was \$5,063,376.

11 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.

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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 premiums (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 unamortized balance of the asset of \$3,664,286.

The revisions introduced by the 2007 assessment hold true in the year ended December 31, 2008.

The asset is being amortized on a straight-line basis and the liability is being accreted over time.

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

	December 31, 2008 \$	December 31, 2007 \$
Balance – beginning of year	4,787,273	2,346,989
Arising from accretion expense	335,109	164,289
Revisions in estimated cash flows	-	2,275,995
Balance – end of year	<u>5,122,382</u>	<u>4,787,273</u>

12 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 a director and associates of two of the directors 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, 2008, royalty dividends totalling \$623,588 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (2007: \$587,041). Royalty

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dividends are shown as Non-Controlling Interests in the Consolidated Statement of Operations. At December 31, 2008, \$49,670 of this amount remained outstanding (December 31, 2007: \$61,735).

b) Directors fees and remuneration to officers

During the year ended December 31, 2008 the Company paid or accrued \$635,597 in fees to companies associated with certain directors and officers of Amerigo (2007: \$1,001,783). Included in these fees are bonuses of \$nil to senior management (2007: \$451,662). In the same period, Amerigo paid or accrued \$96,468 in directors' fees to independent directors (2007: \$91,365). Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's consolidated financial statements. At December 31, 2008, an aggregate amount of \$17,244 was due to directors and officers for bonuses payable, directors' fees and reimbursement of expenses in the ordinary course of business (December 31, 2007: \$450,729).

In the year ended December 31, 2008 a total of 985,000 options were granted to directors and officers of the Company (2007: 1,370,000 options) (Note 13(c)).

- c) At December 31, 2008 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, 2008 two of Amerigo's directors acted as directors and one of Amerigo's officers acted as an officer of Candente Resource Corp., a company in which Amerigo holds an investment.
- e) At December 31, 2008 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.

13 Capital stock

Authorized - Unlimited common shares without par value

a) Summary of capital stock issued in the period

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

During the year ended December 31, 2007, 1,089,500 stock options at exercise prices ranging from Cdn\$1.23 to Cdn\$2.43 per stock option were exercised by employees, officers or directors of the Company, for aggregate proceeds of \$1,447,395.

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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 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.

During the year ended December 31, 2007, Amerigo purchased and cancelled 160,000 shares at a total cost of \$340,301. The premium on the purchase of shares for cancellation amounted to \$246,370 and was applied against Retained Earnings.

c) Stock options

Stock option plan

Amerigo established a stock option plan (the “Plan”) on April 2, 2003, which was amended on June 20, 2006 at Amerigo's annual general meeting. 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, 2008 and December 31, 2007 and the changes for the twelve-month periods ending on those dates is presented below:

	Twelve months ended December 31, 2008		Twelve months ended December 31, 2007	
	Outstanding options	Weighted average exercise price Cdn\$	Outstanding options	Weighted average exercise price Cdn\$
Balance – start of year	3,365,000	2.38	2,902,000	2.14
Granted	1,055,000	2.13	1,760,000	2.23
Exercised	-	-	(1,089,500)	1.54
Forfeited	-	-	(207,500)	2.21
Outstanding	<u>4,420,000</u>	2.32	<u>3,365,000</u>	2.38
Exercisable	<u>4,420,000</u>	2.32	<u>3,365,000</u>	2.38

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

On February 28, 2007, Amerigo granted stock options to purchase an aggregate of 1,760,000 common shares to directors, officers and employees of the Company, with an exercise price of Cdn\$2.23 per share, expiring on February 28, 2012. The options vested in four equal quarterly instalments, on March 31, June 30, September 30 and December 31, 2007; 52,500 options were forfeited prior to vesting.

In the year ended December 31, 2007, 207,500 options at a weighted average price of Cdn\$2.21 were forfeited unexercised.

Value assigned to stock options

	December 31, 2008 \$	December 31, 2007 \$
Balance – beginning of period	1,949,218	1,603,180
Options vested	484,159	898,682
Transfer to capital stock on exercise of stock options	-	(552,644)
Balance – end of period	<u>2,433,377</u>	<u>1,949,218</u>

The Company estimated the fair value of each option grant based on the Black-Scholes Option Pricing Model using the following assumptions:

	2008	2007
Expected dividend yield	6.10%	4.89%
Expected stock price volatility	47.29%	47.67%
Risk-free interest rate	2.91%	4.04%
Expected life of options	2.3 years	2.21 years

The following stock options were outstanding and exercisable as at December 31, 2008:

Range of exercise prices Cdn\$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn\$
1.60 to 2.40	3,050,000	3.32 years	2.16
2.40 to 2.71	<u>1,370,000</u>	2.18 years	2.69
	<u>4,420,000</u>		

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d) Dividends

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.

On February 24, 2007 Amerigo declared a semi-annual dividend of Cdn 6.5¢ per share that was paid on April 4, 2007 to shareholders of record as of March 27, 2007, for a total of \$5,286,918; on July 30, 2007 the Board of Directors of Amerigo declared a second semi-annual dividend of Cdn 6.5¢ per share that was paid on August 31, 2007 to shareholders of record as of August 22, 2007, for a total of \$5,802,371.

14 Investments

	December 31, 2008	December 31, 2007
	\$	\$
Other investments	1,773,215	20,191,081
Equity instrument – Common shares of a TSX-V issuer	82,220	980,374
	<u>1,855,435</u>	<u>21,171,455</u>

a) Other investments

At various dates during 2007 and 2008, the Company acquired for investment purposes 10.8 million common shares of 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 investment 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 will be transferred into earnings. At December 31, 2008 this issuer’s closing share price was Cdn\$0.16 per share, and the fair value of the Company’s approximately 13% investment in this issuer was \$1,412,488. Management determined that the decline in market value of this investment met the characteristics of an “other than temporary impairment” and adjustments to fair value of \$14,449,498 were recorded in earnings.

At various dates during 2007 and 2008, the Company acquired for investment purposes 8 million common shares of an issuer listed on the TSX Venture Exchange, at an aggregate cost of \$3,946,908. Adjustments to fair value are required at each balance sheet date, as the investment is designated as “available for sale” for accounting purposes. At December 31, 2008 this issuer’s closing share price was Cdn\$0.055 per share, and the fair value of the Company’s approximately 4% investment in this issuer was \$360,727. Management

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determined that the decline in market value of this investment met the characteristics of an “other than temporary impairment” and adjustments to fair value of \$3,586,181 were recorded in earnings.

b) Equity instrument

In fiscal 2004 Amerigo entered into an agreement to sell a 100% interest in three Canadian exploration properties to a TSX-V issuer for consideration of 10,000,000 shares of the issuer. On August 18, 2006, Amerigo acquired a further 1.7 million shares of the issuer at a cost of \$268,200. At December 31, 2008, Amerigo held 11,666,667 common shares of the issuer, which represent approximately 26% of the issuer’s issued and outstanding common shares at that date. At December 31, 2008 this issuer’s closing share price was Cdn\$0.015 per share.

Amerigo accounts for this investment using the equity method, given that Amerigo is considered to have significant influence over this investment. An investment loss of \$78,491, being Amerigo’s proportionate share of the investee’s loss for the year, was recorded in the year ended December 31, 2008. At December 31, 2008 and December 31, 2007 the fair value and the carrying cost of the investment were \$82,220 and \$901,883 respectively. Management determined this decline in fair value was other than temporary and recorded an impairment loss of \$819,662 on this investment.

15 Income Taxes

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

	December 31, 2008	December 31, 2007
	\$	\$
Current	(2,258,864)	3,790,020
Future	(317,991)	1,295,203
	<u>(2,576,855)</u>	<u>5,085,223</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, 2008	December 31, 2007
	\$	\$
Combined federal and provincial statutory tax rate	31%	34.12%
Income tax at statutory rates	(6,491,435)	10,220,516
Difference in foreign tax rates	1,642,437	(5,398,827)
Other non deductible items, Canada	180,787	36,934
Other non deductible items, Chile	315,702	227,895
Foreign permanent tax differences	(832,528)	(208,523)
Tax benefits of capital loss not previously recognized	(14,015)	-
Non-taxable portion of loss on disposal of available for sale investments	780,836	-
Non-taxable portion of gain on sale of investment	-	(61,974)
Change in tax rates, Canada	633,241	152,526
Change in valuation allowance	1,638,456	(335,605)
Other local taxes	52,163	92,000
Other comprehensive income movement on write-down of investments	(557,542)	472,794
Other	75,043	(112,513)
Income tax expense (recovery)	<u>(2,576,855)</u>	<u>5,085,223</u>

Future income taxes are provided for to account for temporary differences. The significant components of future income tax assets and liabilities at December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31, 2007
	(\$)	(\$)
Future income tax assets		
Unused non-capital losses, Canada	814,991	341,059
Unused net capital losses, Canada	73,197	-
Resource assets, Canada	310,610	412,051
Charitable donations, Canada	2,830	3,303
Plant and equipment, Canada	3,938	6,463
Other intangible assets, Canada	122,478	241,120
Available for sale securities, Canada	725,965	(515,113)
Available for sale securities, Chile	1,851,357	-
Other deductible temporary differences, Chile	870,805	813,837
	<u>4,776,171</u>	<u>1,302,720</u>

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Future income tax liabilities

Plant and equipment, Chile	(6,595,672)	(5,913,790)
Contractual right	(1,010,006)	(1,080,750)
	<u>(7,605,678)</u>	<u>(6,994,540)</u>
Net future tax liability before valuation allowance	(2,829,507)	5,691,820
Less valuation allowance, Canada	(2,127,344)	(488,883)
Net future tax liability	<u>(4,956,851)</u>	<u>(6,180,703)</u>

As at December 31, 2008, the Company had non-capital losses and cumulative exploration, development and depletion expenses in Canada of approximately \$3,134,000 and \$281,528 respectively, carried forward for tax purposes. The Company also has cumulative exploration, development and depletion expenses in Canada of \$1,195,000 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	48,000
2027	1,250,000
2028	1,836,000
	<u>3,134,000</u>

Capital losses in Canada are \$563,000, 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	921,000
Foreign Exploration and Development Expenses	274,000
	<u>1,195,000</u>

As at December 31, 2008 the Company had no material unused tax losses in Chile.

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 these undistributed earnings are not planned to be repatriated in the foreseeable future.

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16 Supplemental Disclosure with Respect to Cash Flows

	December 31, 2008 (\$)	December 31, 2007 (\$)
Cash paid during the year for interest	376,871	19,101
Cash paid during the year for income taxes	3,993,714	6,753,335
Change in accounts payable related to the acquisition of plant and equipment	131,603	1,151,997

	December 31, 2008 (\$)	December 31, 2007 (\$)
Cash	2,895,170	2,553,334
Cash equivalents	291,914	14,159,296
	3,187,084	16,712,630

17 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 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.

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. The Company's equity investment was written down to estimated fair value at December 31, 2008.

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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 Permitted Investments with certain minimum credit ratings. Cash and cash equivalents are maintained with financial institutions of reputable credit and are redeemable on demand.

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 monitor this exposure to determine if any mitigation strategies become necessary. Based on the balances as at December 31, 2008, a 1% increase (decrease) in the exchange rates on that day would have resulted in a decrease of approximately \$428,000 in earnings 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 monitoring and prospective analysis of 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. As at December 31, 2008 the Company's current liabilities fall due as indicated in the following table:

Accounts payable and accrued liabilities	30 to 90 days
Enami loan (current)	9 monthly instalments from April to December 2009
El Teniente royalty payable	Royalties have normal terms of 120 days; current subject to 70% deferral as indicated in Note 9
Bank loans	Current renewal dates on May and August 2008
Due to non-controlling interests	Less than 30 days

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Commodity Price Risk

The Company faces commodity price risk arising from changes to the market prices for copper and molybdenum from the time of delivery of concentrates to the time of final price settlement. The Company has elected not to actively manage this exposure at this time.

Interest Rate Risk

Included in the results of operation 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, one dominated in Chilean Pesos and one in US Dollars. The Company's interest rate risk mainly arises from the interest rate impact on its cash and cash equivalents. The interest rate risk impact is minimal as the Company borrowed at fixed interest rates. Cash and cash equivalents receive interest based on market interest rates. As at December 31, 2008, with other variables unchanged, a 1% change in Prime rates would have had an insignificant impact on net earnings, and no effect on Other Comprehensive Income.

18 Capital Risk Management

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 shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

In the last quarter of 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. The Company's bank debt was obtained from commercial banks in Chile.

19 Segmented Information

As at December 31, 2008, 99% of the Company's assets are located in Chile and 1% in Canada. All of the Company's revenues and production costs arise from its Chilean operations. The Company's sales to one customer represent 85% of reported revenue.

20 Commitments

MVC has certain commitments to sell copper concentrate to Enami in 2009. It also has certain commitments to sell molybdenum concentrate to Molymet on a yearly basis through 2009.

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MVC entered into an agreement with its current power provider in order to guarantee power supply to MVC from Chile's central power grid beyond the supply expected to be generated by MVC's own power plant as of April 2009, and to provide MVC with the flexibility to switch from self-generation to grid supply based on comparative costs. The agreement extends from January 1, 2009 to December 31, 2017 and establishes 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. The estimated stand-by charges for 2009 represent approximately 5% of total power costs incurred by the Company in 2008.

Amerigo is obligated to pay basic and additional rent of approximately \$252,064 for its head office premises under a contract expiring on September 30, 2010.

21 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 \$151,680 at December 31, 2008, renewable on February 4, 2010. UF refers to "Unidades de Fomento" an indexed monetary unit utilized in Chile.

In connection with the Enami loan described in Note 8, MVC agreed to provide machinery and equipment collateral up to an estimated value of \$16.5 million for the instalment loan and \$5.8 million for the estimated value of the sustainability loan.

In connection with the increase to loan facility described in Note 23(a), MVC agreed to provide machinery and equipment collateral of approximately \$10 million.

22 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 commercial 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

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opinion stating that the tax did not apply to MVC's operations, as MVC does not exploit under the definition of the Chilean Income Tax Law. Even if the mining royalty tax applied to MVC, there would have been no tax payable in 2006 as MVC's production levels that year fell below the threshold prescribed by 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 and 2008 in connection with these contingencies, as of December 31, 2008, these contingencies had not been resolved.

23 Subsequent Events

- a) On February 13, 2009 the Company completed a non-brokered private placement for gross proceeds of 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 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 per share until February 14, 2011. The Company also issued a further 1,244,400 units as finders' fees in respect of a portion of the private placement.
- b) A Chilean bank loan described in Note 10 (a) was increased by Chilean Pesos \$650,000,000 (approximately \$1,100,000 at the time the funds were released to MVC; in connection with the increase to the loan facility, MVC agreed to provide machinery and equipment collateral of approximately \$10 million.