



3083 Three Bentall Centre, 595 Burrard Street Box 49298 Vancouver B.C. Canada V7X 1L3 P + 1.604.681.2802 F + 1.604.682.2802

**Amerigo Resources Ltd.  
Management Discussion and Analysis  
For the Quarter Ended March 31, 2009**

---

## **TABLE of CONTENTS**

This Management Discussion & Analysis (“MD&A”) is comprised of the following sections:

1. **Company Profile** – Provides an executive description of Amerigo’s business and its partnership with Codelco-EI Teniente...(PAGE 3)
2. **Introduction** – Provides information on accounting principles, reporting currency and other background factors to facilitate the understanding of this document... (PAGE 3)
3. **Highlights and Significant Events** – Provides a summary of the key operating and financial metrics of the Company during Q1-2009 and as at March 31, 2009...(PAGE 4)
4. **Operating Results** – Provides an analysis of the Company’s production, sales, cash cost and total cost for Q1-2009 and the comparative or quarter ended March 31, 2008 (“Q1-2008”)... (PAGE 6)
5. **Financial Results** – Provides an analysis of the Company’s financial performance during Q1-2009 and compares it to performance in Q1-2008...(PAGE 10)
6. **Liquidity and Capital Resources** – Reviews the Company’s cash flow during Q1-2009 and provides an analysis of liquidity and financial position as at March 31, 2009...(PAGE 12)
7. **Outlook** – Provides an update of the Company’s activities and management’s production and operations forecasts for 2009...(PAGE 15)
8. **Other** –Includes disclosure of related party transactions, accounting pronouncements adopted during Q1-2009 and other MD&A requirements...(PAGE 15)

## **COMPANY PROFILE**

Amerigo owns a 100% interest in Minera Valle Central S.A. ("MVC"), a Chilean copper and molybdenum producer that has a long-term partnership with the National Copper Corporation of Chile ("Codelco") to treat fresh and old tailings from Codelco's El Teniente mine, the largest underground copper mine in the world. Chile is the world's largest copper mining country, and Codelco is the world's largest copper producer. It is estimated that Codelco owns approximately 20% of all known copper reserves on earth. Codelco produced 1.548 million tonnes of copper and generated a pre-tax profit of US \$4.968 billion during 2008. El Teniente commenced operations in 1904 and has a remaining mine life that is estimated will run for decades. Since MVC was built in 1992, Codelco has almost doubled production from El Teniente, and Codelco's mine plans contemplate continued expansion of operations at El Teniente for the foreseeable future

The fresh tailings come from El Teniente's current production, and the old tailings mainly from Colihues, a tailings pond located near MVC's plant that contains more than 200 million tonnes of material. The old tailings from Colihues contain approximately 2-3 times the copper content of the fresh tailings and, once MVC gears up to process these tailings at the maximum contractual rate, the Company will be in a position to substantially increase production and profitability from current levels. In addition, there are 2 other tailings ponds in the area, the rights to which MVC hopes to obtain in future. These 3 tailings ponds combined contain a similar size copper resource as that of Highland Valley Copper, the largest copper mine in Canada, when it first started operations.

## **INTRODUCTION**

The following MD&A of the results of operations and financial position of Amerigo Resources Ltd. ("Amerigo") together with its subsidiaries (collectively, the "Company"), is prepared as of May 11, 2009, and should be read in conjunction with the Company's unaudited consolidated financial statements and related notes for the quarter ended March 31, 2009 ("Q1-2009") and the audited consolidated financial statements and related notes for the year ended December 31, 2008.

The MD&A's objective is to help the reader understand the factors affecting the Company's current and future financial performance.

The Company's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company's reporting currency is the US Dollar. Reference is made in this MD&A to various non-GAAP measures such as cash flow from operating activities, operating profit/(loss), cash cost and total cost, which do not have a standardized meaning but are widely used in the mining industry as performance indicators. Descriptions of the Company's use of non-GAAP measures are included in this MD&A.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

## **HIGHLIGHTS and SIGNIFICANT EVENTS**

### **Key achievements**

In Q1-2009 the Company successfully faced very challenging working capital demands following the precipitous fall of copper and molybdenum prices in Q4-2008. Management was able to achieve the following:

- Structured terms for the repayment of substantial negative copper and molybdenum pricing adjustments that occurred in Q4-2008;
- Secured additional bank financing and negotiated payment deferrals with key partners and suppliers, including El Teniente;
- Completed an equity financing in very difficult financial markets;
- Implemented changes to the mining plan for old tailings, which will increase production as of Q2-2009;
- Introduced a series of cost containment strategies.

Despite the short-term challenges faced in the quarter, the long-term prospects of the Company remain favourable.

### **Financial results**

- In Q1-2009 the Company had an operating loss of \$2,601,186 and a net loss of \$4,779,074, compared to operating profit of \$8,847,744 and net earnings of \$6,383,012 in Q1-2008. Significant factors affecting financial performance in Q1-2009 included a 64% decrease in revenue due to lower copper and molybdenum prices, partially offset by a 42% reduction in cost of sales compared to Q1-2008.
- Cash flows used in operating activities totaled \$8,639,787 or 8¢ per share in Q1-2009 compared to cash flows from operating activities of \$2,197,096 or 2¢ per share in Q1-2008 largely due to the increase in accounts receivable from December 31, 2008 when trade receivables were lower because of negative pricing adjustments.

### **Production**

- Production in Q1-2009 was 7.12 million pounds of copper and 97,184 pounds of molybdenum, compared to 7.80 million pounds of copper and 148,670 pounds of molybdenum produced in Q1-2008. The Company suspended mining of old tailings for much of the quarter in order to reposition equipment to access higher grade material, which resulted in a reduction in both the amount of feed material processed and copper produced in Q1-2009. Molybdenum production was also adversely affected due to lower grades in fresh tailings and the absence of higher grade material from old tailings..

## Revenue

- Revenue decreased to \$13,021,611 compared to \$35,933,465 in Q1-2008 due to sharply decreased metal prices and lower production during the quarter. The Company's copper selling price before smelter, refinery and other charges was \$1.82/lb in Q1-2009 compared to \$3.56/lb in Q1-2008 and the Company's molybdenum selling price was \$8.63/lb in Q1-2009 compared to \$32.41/lb in Q1-2008.

## Costs

- 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 \$1.94/lb in Q1-2009, compared to \$2.51/lb in Q1-2008. Cash costs decreased in Q1-2009 as a result of lower overall production costs, principally power costs.
- Total cost (the aggregate of cash cost, El Teniente royalty, depreciation and accretion) in Q1-2009 was \$2.42/lb compared to \$3.34/lb in Q1-2008. The decrease in total cost was driven by lower cash cost and lower El Teniente royalty due to lower copper and molybdenum prices between the comparative periods.
- Power costs in Q1-2009 were \$5,842,586 (\$0.1468/kwh) compared to \$13,903,331 (\$0.3268/kwh) in Q1-2008. Electricity costs in Chile are expected to trend lower in Q2-2009.
- Operating costs such as power, steel and reagents have decreased from their high 2008 levels but the effect was not fully evident in Q1-2009. Unit costs were affected by lower production in the quarter. If production increases as expected, unit costs will continue to trend downwards in 2009.

## Cash and Financing Activities

- During Q1-2009 the Company completed a private placement, resulting in gross proceeds of \$8,480,068 (Cdn\$10,500,000). The Company also secured additional bank debt in Chile of \$1,072,607 during the quarter.
- Cash balance was \$3,462,650 at March 31, 2009 compared to cash of \$3,187,084 at December 31, 2008.
- Subsequent to March 31, 2009, a Chilean bank loan with a review date of May 2009 was extended to a review date of July 2009, at which time further steps towards rolling the facility to a long-term loan will be reviewed.
- The Company expects to receive tax refunds from the Chilean Internal Revenue Service of approximately \$7,000,000 in the course of the year, of which approximately \$3,500,000 are expected to be received in Q2-2009.

## Investments

- Payments for capital expenditures were \$2,965,313 in Q1-2009 compared to \$6,870,595 in Q1-2008. Capital expenditures incurred in the quarter were \$2,653,414 (Q1-2008: \$6,532,247) of which \$1,808,250 were for MVC's energy self-generation project.

- The Company's investments in Candente Resource Corp. ("Candente") and Los Andes Copper Ltd. ("Los Andes") had a fair value of \$3,196,125 and \$449,233 respectively at March 31, 2009. Fair value increases of these investments in Q1-2009 totaled \$1,872,143 and were included as other comprehensive income, and therefore not included in the net loss for the quarter.

## **OPERATING RESULTS**

Traditionally MVC's first quarter production is low due to annual plant maintenance shutdowns which results in a reduced number of production days and lower grade feed material.

In Q1-2009 production was lower than in Q1-2008 due to a change to the extraction plan for the processing of old tailings in order to gain access to higher grade material. This new plan required the reorientation of the hydraulic extraction equipment and mining faces, and made it necessary to suspend mining of old tailings for much of the quarter. Molybdenum production was affected by lower grades in fresh tailings and the absence of feed material from higher grade old tailings.

Although production was adversely affected in Q1-2009, going forward these steps will result in improved grades and recoveries and will allow the Company to increase processing of old tailings. This in turn will increase short to medium term cash flow in these times of low copper prices and challenging and volatile market conditions.

The Company produced 3,228 tonnes of copper and 97,184 lbs of molybdenum in Q1-2009, a 9% decrease in copper production and a 35% decrease in molybdenum production compared to Q1-2008.

Copper prices continued to be low during the quarter but started to show signs of improvement in March, with the positive upward trend continuing to the effective date of this MD&A. Average LME copper prices were \$1.4609/lb in January, \$1.5035/lb in February and \$1.7009/lb in March. Molybdenum prices continued to decline during the quarter. The Platt's published molybdenum dealer oxide prices were \$9.21/lb in January, \$8.71/lb in February and \$8.33/lb in March.

Due to lower production and the impact of low metal settlement prices for most of the quarter, the Company posted an operating loss of \$2,601,186 in Q1-2009 compared to operating profit of \$8,847,744 in Q1-2008. Financial performance will be positively affected if copper prices continue to increase. However, unit costs will be affected if molybdenum prices continue to fall, due to lower molybdenum credits.

### **Production**

	<b>Q1-2009</b>	<b>Q1-2008</b>
Copper produced, tonnes	3,228	3,538
Copper produced, million lbs	7.12	7.80
Molybdenum produced, lbs	97,184	148,670

## Revenue

	Q1-2009	Q1-2008
Average LME copper price	\$ 1.56	\$ 3.54/lb
Average Platt's molybdenum dealer oxide price <sup>1</sup>	\$ 8.75/lb	\$ 33.01/lb
Copper sold, tonnes	3,228	3,234
Copper sold, million lbs	7.12	7.13
Molybdenum sold, lbs	101,661	157,739
Revenue, copper delivered during period <sup>2</sup>	\$ 10,841,881	\$ 25,018,997
Settlement adjustments to prior periods' sales	1,699,903	7,131,784
Total copper net sales during period	12,541,784	32,150,781
Revenue, molybdenum delivered during period <sup>3</sup>	719,371	4,192,214
Settlement adjustments during period	(239,544)	(409,530)
Total molybdenum net sales during period	479,827	3,782,684
Total revenue during period	\$ 13,021,611	\$ 35,933,465
Company's recorded copper price <sup>4</sup>	\$ 1.82/lb	\$ 3.56/lb
Company's recorded molybdenum price <sup>5</sup>	\$ 8.63/lb	\$ 32.41/lb

<sup>1</sup> Basis price for the Company's molybdenum sales.

<sup>2</sup> After smelter, refinery and other charges, excluding settlement adjustments to prior periods' sales.

<sup>3</sup> After roasting charges, excluding settlement adjustments to prior periods' sales.

<sup>4</sup> Copper recorded price for the quarter before smelter and refinery charges and settlement adjustments to prior periods' sales.

<sup>5</sup> Molybdenum recorded price for the quarter before roasting charges and settlement adjustments to prior periods' sales

Revenue in Q1-2009 was \$13,021,611 compared to \$35,933,465 in Q1-2008, including copper revenue of \$12,541,784 (Q1-2008: \$32,150,781) and molybdenum revenue of \$479,827 (Q1-2008: \$3,782,684). Copper and molybdenum revenues are net of smelter, refinery and roasting charges.

Copper revenue decreased 61% from Q1-2008 due to significantly lower copper prices. In Q1-2009 the Company's copper selling price was \$1.82/lb, a 49% decrease from \$3.56/lb in Q1-2008.

In Q1-2009 the Company recorded positive pricing adjustments to prior quarters' sales of \$1,699,903. In Q1-2008 adjustments of \$7,131,784 were significantly higher due to a higher variance between copper prices realized in Q1-2008 as compared to provisional prices booked in the prior period.

Copper produced by the Company is sold under a sales agreement with Chile's Empresa Nacional de Minería ("Enami") that establishes a delivery schedule of monthly sales quotas. The 2008 quota 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, in 2008 all copper delivered by the Company to Enami 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. Due to lower than expected production, the 2008 annual quota was not met until March 2009.

Copper settlement prices in Q1-2009 were the following:

Quota	Month of Sale	Final Price	LME Average Price For
September 08	October & November 08	\$1.4609/lb	January 09
October 08	November & December 08	\$1.5035/lb	February 09
November 08	Dec. 08, Jan. and Feb. 09	\$1.7009/lb	March 09

Copper deliveries in Q1-2009 were recorded into revenue at March 31, 2009 as follows:

Month of Sale	Quota	Metric for Revenue Recognition	Price
January 09	November 08	Final <sup>1</sup>	\$1.7009/lb
February 09	November 08	Final	\$1.7009/lb
February 09	December 08	Provisional <sup>2</sup>	\$1.8302/lb
March 09	December 08	Provisional	\$1.8302/lb
March 09	January 09	Provisional	\$1.8302/lb

<sup>1</sup> Refers to final LME average prices, subject to pricing terms with Enami. In 2008, the terms were "M+4".

<sup>2</sup> Refers to LME spot prices for the last day of each month of sale, used by the Company as a revenue recognition convention until final pricing terms are reached.

Enami has elected a pricing term of M+1 for the 2009 quota, which may indicate Enami's belief in an upward trend in the copper price during 2009.

In Q1-2009, molybdenum revenues were \$719,371, 87% lower than \$4,192,214 in Q1-2008 and the Company's molybdenum selling price decreased 73% to \$8.63/lb from \$32.41/lb in Q1-2008.

Molybdenum produced by the Company is sold under a sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"), which currently provides that the sale price is the average market price for the fifth ("M+5") month after delivery which may indicate that Molymet continues to carry unsold inventory.

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 of copper and molybdenum are provisionally priced at the time of sale based on the prevailing copper 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 prior periods. Similarly, in a period of declining prices, the Company will record lower revenues for current deliveries and negative adjustments to revenue from prior periods' deliveries.

### 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 trailing cash costs for the most recent quarters (\$/lb of copper produced) were:

	Q1-2009	Q4-2008	Q3-2008	Q2-2008	Q1-2008
Power costs	0.83	0.66	0.85	1.28	1.78
Steel costs	0.23	0.24	0.24	0.22	0.19
Other costs	0.58	0.62	0.81	0.81	0.57
By-product credits	(0.07)	0.10 <sup>1</sup>	(0.75)	(0.65)	(0.49)
Smelter & refinery	0.29	0.28	0.33	0.35	0.36
Administration	0.05	0.06	0.09	0.07	0.06
Transportation	0.03	0.03	0.03	0.03	0.04
<b>Cash Cost</b>	<b>\$1.94</b>	<b>\$1.99</b>	<b>\$1.60</b>	<b>\$2.11</b>	<b>\$2.51</b>

<sup>1</sup> Molybdenum by-product credits in Q4-2008 were in fact by-product costs due to the effect of negative pricing adjustments to molybdenum sales in the quarter.

Cash cost is driven mainly by power and steel production costs, smelter/refinery costs and molybdenum by-product credits.

In Q1-2009, cash cost was \$1.94/lb, compared to \$2.51/lb in Q1-2008, a decrease of \$0.57/lb. The most significant items affecting cash costs during the quarter were a \$0.95/lb decrease in power costs offset by a \$0.42/lb decrease in by-product credits.

Power, MVC's most significant cost was \$0.1468/kWh in Q1-2009, compared to \$0.3268/kWh in Q1-2008. Chile's energy supply crisis has improved significantly since Q1-2008 due to the high snow melt benefiting hydro generation during Q1-2009, lower oil prices, lower industrial demand and additional supply from new in country generating facilities. The Company's power generators reduce the Company's exposure to potential higher grid costs in future periods.

Molybdenum by-product credits of \$0.07/lb were significantly lower than \$0.49/lb in Q1-2008 due to the sharp decline in molybdenum prices and lower production in Q1-2009.

Steel costs increased \$0.04/lb compared to Q1-2008 as MVC depleted inventory of grinding balls purchased in Q4-2008 when steel costs were higher. Other production costs increased \$0.01/lb compared to Q1-2008 mainly due to lower production, but decreased when compared to Q2, Q3 and Q4-2008.

Copper and molybdenum unit production costs other than steel costs show a decreasing trend from the historically high cash cost of \$2.51/lb in Q1-2008. This trend is expected to continue in 2009. If production increases as expected, unit costs will continue to trend downwards in 2009.

The Company's trailing total costs for the most recent quarters (\$/lb of copper produced) were:

	Q1-2009	Q4-2008	Q3-2008	Q2-2008	Q1-2008
Cash cost	1.94	1.99	1.60	2.11	2.51
El Teniente royalty	0.28	0.27	0.65	0.75	0.66
Amortization/depreciation/accretion	0.20	0.17	0.15	0.16	0.17
<b>Total Cost</b>	<b>\$2.42</b>	<b>\$2.43</b>	<b>\$2.40</b>	<b>\$3.02</b>	<b>\$3.34</b>

Total cost in Q1-2009 was \$2.42/lb, compared to total cost of \$3.34/lb in Q1-2008. The most significant impact on total cost is a \$0.57/lb decrease in cash cost, followed by a \$0.38/lb decrease in El Teniente royalty due to lower average copper and molybdenum prices in Q1-2009 and a \$0.03/lb increase in amortization due to MVC's higher asset base.

## FINANCIAL RESULTS

For Q1-2009 the Company posted a net loss of \$4,779,074 (or a basic loss of \$0.04 per share), compared to Q1-2008 net earnings of \$6,383,012 (basic earnings of \$0.07 per share). The decline in financial performance between the comparative periods was the result of lower revenues from lower copper and molybdenum prices and lower production and a foreign exchange loss of \$1,179,068 partially offset by lower production costs.

Due to the sharp decline in copper and molybdenum prices experienced in Q4-2008, on December 31, 2008 the Company assessed the carrying value of its plant, equipment and contractual rights. Based on undiscounted cash flow projections for the years 2009 to 2021 built from MVC's production model at assumed copper prices of \$1.50/lb for 2009, \$1.60/lb for 2010, \$1.70/lb for 2011 and \$1.80/lb thereafter, and molybdenum prices of \$10/lb for 2009, \$11/lb for 2010 and \$12/lb thereafter, management concluded the MVC asset has a carrying value of approximately \$255,000,000, or \$1.93 per share and that no impairment to the carrying value of the Company's assets was required.

### Revenue

Revenue during the quarter was \$13,021,611 compared to \$35,933,465 in Q1-2008. Revenue decreased mainly due to lower copper and molybdenum prices and production in Q1-2009. Refer to **Operating Results – Revenue** for additional analysis.

### Production Costs

	Q1-2009	Q1-2008
Production costs		
Power costs	\$ 5,842,586	\$ 13,903,331
Steel costs	1,602,087	1,470,748
Other production costs	4,128,164	4,432,514
	11,572,837	19,806,593
EI Teniente royalty	1,976,005	5,146,561
Depreciation and amortization	1,387,644	1,280,217
Administration	377,512	492,298
Transportation	225,022	276,274
Asset retirement obligation accretion cost	83,777	83,778
	\$ 15,622,797	\$ 27,085,721

Production costs in Q1-2009 were \$11,572,837 compared to \$19,806,593 in Q1-2008, a decrease of 42% between the two periods, mainly due to a decrease of 58% in power costs resulting from lower Chilean central grid power costs. Steel costs for grinding balls used in mills increased by 9% as MVC used higher-priced inventory of grinding balls purchased in Q4-2008. Other production costs decreased 7% between the two comparative quarters.

In Q1-2009 the EI Teniente royalty was \$1,976,005 compared to \$5,146,561 in Q1-2008, a decrease of 62%. Lower royalties to EI Teniente were the result of significantly lower copper and molybdenum prices and lower sales volume. Royalty costs are based on average monthly copper prices in the month produced and not subject to pricing settlement adjustments affecting copper revenue.

Depreciation and amortization cost was \$1,387,644 in Q1-2009 compared to \$1,280,217 in Q1-2008, an 8% increase due mainly to a higher asset base at MVC.

Administration expenses were \$377,512 in Q1-2009 compared to \$492,298 in Q1-2008 due to lower general overhead at MVC.

Transportation costs decreased to \$225,022 in Q1-2009 from \$276,274 in Q1-2008. Asset retirement accretion costs were \$83,777, at comparable levels to Q1-2008.

## **Operating loss**

In Q1-2009 the Company posted an operating loss of \$2,601,186 compared to operating profit of \$8,847,744 in Q1-2008 due to a 64% decrease in revenue resulting from lower copper and molybdenum prices and lower production, partially offset by a 42% reduction in cost of sales from lower production costs and royalty expenses in Q1-2009.

## **Other expenses**

“Other expenses” (costs not related to MVC’s production operations) increased 17% to \$1,234,692 in Q1-2009 from \$1,056,773 in Q1-2008 as a result of an increase of \$506,588 in interest expense to service bank and Enami loans in Chile. Other expenses within this category decreased as a result of cost containment initiatives and reduction of discretionary expenditures, including office and general expenses of \$323,582 (Q1-2008: \$504,322), salaries, management and professional fees of \$230,426 (Q1-2008: \$325,602) and stock-based compensation expense of \$52,503 (Q1-2008: \$105,256).

During Q1-2009, the Company granted 2,300,000 options to directors, officers, consultants and employees at an exercise price of Cdn\$0.31 per share. Stock-based compensation is recognized as options vest. The options granted in Q1-2009 vest in four equal installments on March 27, April 1, July 1 and October 1, 2009.

## **Non-operating Items**

Non-operating items in Q1-2009 included a foreign exchange loss of \$1,179,068 (Q1-2008: gain of \$67,407), interest income of \$12,425 (Q1-2008: \$154,348), other income of \$30,296 (Q1-2008: \$74,364) and an equity investment loss of \$4,489 (Q1-2008: (\$24,714)). Foreign exchange loss increased due to the impact of Chilean Peso and Canadian dollar fluctuations against the US dollar in the quarter, including the effect of translation of cash and other working capital balances denominated in those currencies to the US dollar. Interest income decreased due to lower average cash balances held by the Company in Q1-2009.

## **Taxes**

The Company recorded income tax recoveries of \$312,687 in Q1-2009 compared to income tax expense of \$1,541,792 in Q1-2008, due to the effect of losses incurred in Q1-2009 and the application of tax loss carry-backs in Chile, offset by the effect of changes in future income taxes.

## **Non-Controlling Interests**

Non-controlling interest cost was \$115,047 in Q1-2009 compared to \$137,572 in Q1-2008 due to the effect of lower production levels for copper and copper equivalent in Q1-2009. Refer to **Related Parties**.

## Comparative Periods

The following tables provide highlights of the Company's quarterly results for the past eight quarters.

	QE March 31, 2009	QE Dec. 31, 2008	QE Sept. 30, 2008	QE June 30, 2008
Total revenue	\$13,021,611	\$614,179	\$29,915,602	\$31,164,236
Net income (loss)	(4,779,074)	(21,180,874) <sup>1</sup>	(10,407,427) <sup>2</sup>	6,218,444
Earnings (loss) per share	(0.0421)	(0.2268)	(0.1124)	0.0660
Diluted earnings (loss) per share	(0.0421)	(0.2268)	(0.1124)	0.0660

	QE March 31, 2008	QE Dec. 31, 2007	QE Sept. 30, 2007	QE June 30, 2007
Total revenue	\$35,933,465	\$26,974,854	\$28,536,864	\$32,011,648
Net income	6,383,012	1,816,498	6,581,887	10,332,687
Earnings per share	0.0677	0.0122	0.0696	0.1093
Diluted earnings per share	0.0668	0.0122	0.0694	0.1076

<sup>1</sup> Includes a write-down of investments of \$6,617,602

<sup>2</sup> Includes a write-down of investments of \$12,237,741

## LIQUIDITY and CAPITAL RESOURCES

### Cash Flow from Operations

In Q1-2009, the Company's used cash of \$8,639,787 (8¢ per share) in operations, compared to cash generated from operations of \$2,197,096 (2¢ per share) in Q1-2008, including the effect of changes in non-cash working capital items.

The dominant factor affecting operating cash flows was an increase of \$8,371,807 in accounts receivable in the quarter. Accounts receivable were unusually low as of December 31, 2008, offset by negative settlement adjustments owed to Enami and Molybmet as a result of the sharp declines in copper and molybdenum prices in Q4-2008. Excluding the effect of changes in working capital accounts, the Company used cash of \$1,545,684 in operations (Q1-2008: cash flow from operations of \$9,383,363).

### Cash Flow from Financing Activities

Cash from financing activities was \$11,880,666 in Q1-2009 compared to cash used in financing activities of \$926,234 in Q1-2008.

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

In Q1-2009 the Company completed negotiations with Enami for repayment terms of \$11,123,735 of negative settlement adjustments to copper sales resulting from the sharp decline in copper prices in Q4-2008. This amount has been converted into a loan which will be paid in monthly installments of \$325,000

plus interest during the period from May 2009 to March 2010 and \$629,052 plus interest during the period from April 2010 to March 2011. As a result of final terms negotiated with Enami, the Company reclassified as long-term \$2,366,363 of the amounts due to Enami.

In Q1- 2009 the Company received additional proceeds of Chilean Pesos \$650,000,000 (\$1,072,607) from a Chilean bank loan with a review date of August 10, 2009.

### **Cash Flow used in Investing Activities**

Payments for capital expenditures in Q1-2009 were \$2,965,313, substantially lower than \$6,870,595 in Q1-2008. Capital expenditures in the quarter were \$2,653,414 of which \$1,808,250 were for the energy self-generation project, substantially lower than capital expenditures of \$6,532,247 in Q1-2008.

The generators are expected to be operational in Q2-2009. The power generation project's cost of approximately \$22.1 million or \$1,000,000/megawatt of installed capacity is less than that of other similar power projects in Chile either currently under construction or in the planning process.

### **Liquidity and Financial Position**

The Company's cash and cash equivalents at March 31, 2009 were \$3,462,650 compared to \$3,187,084 at December 31, 2008. The Company had a working capital deficiency of \$8,094,959 at March 31, 2009 compared to a working capital deficiency of \$14,116,136 at December 31, 2008.

The Company's cash and working capital have been severely affected in the past six months by the sharp decline in copper and molybdenum prices that took place in Q4-2008. Depressed metal prices affected the Company both in terms of significantly reduced revenue and cash inflows and with respect to negative pricing adjustments for sales which had been provisionally priced at substantially higher prices.

While most of MVC's operating costs show a decreasing trend, the adjustments are gradual and are not yet fully evident in the Company's financial results.

Faced with a sharp reduction in operating cash flows, substantial negative pricing adjustments and high operating costs, the Company proceeded to secure additional bank financing in Chile and negotiated extended credit terms with its key suppliers and royalty deferrals with El Teniente. The Company also reached agreements with Enami and Molymet with respect to the payment of negative pricing adjustments.

In Q1-2009 the Company secured an increase of \$650,000,000 Chilean pesos to an existing bank loan for a total facility of \$3,150,000,000 Chilean pesos (approximately \$5,330,000). The loan has a renewal date of August 10, 2009. Another bank loan in Chile for \$5,000,000 with a renewal date of May 12, 2009 was rolled over to a renewal date of July 12, 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. Based on its experience with prior bank renewals in Chile, the Company expects that bank loans will continue to be rolled over on their renewal dates until they are paid or structured into long-term loans as credit markets in Chile continue to improve. The Company is not subject to debt covenants.

The Company and El Teniente reached an agreement whereby 70% of the royalty invoices for the months from November 2008 to April 2009 would be deferred, and scheduled for repayment from July to December 2009. The Company and El Teniente also initiated discussions with respect to a potential review of the terms of the royalties payable to El Teniente.

Enami has provided an \$11,123,735 loan to MVC for repayment of the negative settlement adjustments that resulted from the sharp copper price decline in Q4-2008. The loan will be repaid in monthly installments of \$325,000 plus interest during the period from May 2009 to March 2010 and of \$629,052 plus interest during the period from April 2010 to March 2011.

In addition to the loan described above, in January 2009 Enami agreed to provide copper price sustainability loans to MVC whereby Enami will lend to MVC the amount, if any, obtained when the copper price per pound is subtracted from \$1.70 up to a maximum of 10¢/lb of copper delivered to Enami. The sustainability loans were provided retroactively to November 2008 and will extend to December 2009. As of March 31, 2009 the sustainability loans totaled \$683,961.

With respect to the negative pricing adjustments due to Molymet, MVC and Molymet agreed that these would be settled against physical deliveries of molybdenum in 2009. It is currently expected that the amounts due to Molymet will be paid within 2009.

The measures described above have had a major positive impact in the Company's working capital. However, the Company still needs to ensure that its two outstanding bank loans will continue to be rolled over at their renewal dates in July and August 2009.

The Company expects to receive refunds from the Chilean Internal Revenue Service of approximately \$7,000,000 from provisional tax payments made by MVC in 2008 and from the application of allowable tax carry-backs in Chile for 2008. The Company expects to receive approximately \$3,500,000 of the refund in Q2-2009.

The Company also believes that additional cash could be realized in the next 12 to 18 months from the exercise of outstanding warrants and stock options currently in the money.

The Company's ability to fund operations in the short-term depends on a number of factors, some of which are beyond the Company's control such as general global economic, credit and capital market conditions and the selling price of copper and molybdenum. Copper prices have continued to strengthen since March 2009.

In addition to the steps outlined above, the Company has also reduced capital and discretionary expenditures and has suspended dividend distributions for the foreseeable future.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite these short-term liquidity challenges, MVC remains a valuable long-life asset. El Teniente, the source of MVC's feed material, is the world's largest underground copper mine with remaining ore reserves expected to last decades. MVC's current contract with El Teniente runs to 2021, has been renewed twice in the past and is expected to be renewed again before its current expiry date.

The Company's long-term liabilities (Long Term Enami Loan, Other Payables, Asset Retirement Obligations and Future Income Tax Liabilities) at March 31, 2009 were \$20,531,238, compared to \$16,981,669 on December 31, 2008. The increase in long-term liabilities is due largely to an increase to the long-term portion of the Enami loan of \$2,335,859 in Q1-2009.

## **Investments**

The Company holds a total of 10,788,280 shares and 2,007,500 warrants in Candente, an issuer listed on the Toronto, Lima and Frankfurt Stock Exchanges. Each warrant provides the holder with the right to purchase an additional common share in the capital of Candente at a price of Cdn\$2.00 on or before June 26, 2010. The aggregate cost of the investment was \$15,861,986. At March 31, 2009, Candente's closing share price was Cdn\$0.37 per share, and the fair value of the Company's approximately 13% investment was \$3,196,125. During Q1-2009 the appreciation in fair value of the Candente investment was \$1,783,637, recorded as other comprehensive income.

The Company also holds a total of 8,015,000 shares and 4,000,000 warrants in Los Andes, an issuer listed on the TSX Venture Exchange. The warrants provide the holder with the right to purchase an

additional common share in the capital of Los Andes at a price of Cdn\$0.70 on or before August 21, 2009. The aggregate cost of the investment was \$3,946,908. At March 31, 2009, Los Andes' closing share price was Cdn\$0.07 per share, and the fair value of the Company's approximately 4% investment was \$449,233. During Q1-2009 the appreciation in fair value of the Candente investment was \$88,506, recorded as other comprehensive income.

## **OUTLOOK**

Notwithstanding lower than expected Q1-2009 production, management believes that the change to the extraction plan for the processing of old tailings that is now in place will result in increased copper and molybdenum production in Q2-2009 due to higher grades and recoveries. Management expects 2009 production to be 5 to 10% higher than in 2008.

If production increases as expected, unit costs will continue to trend downwards in 2009.

As of the effective date of this MD&A, power costs per kWh at MVC had decreased from Q1-2009 levels.

Given the positive production trends expected as of Q2-2009 and the expected continued reduction in cash and total cost, at copper and molybdenum prices prevailing as of the date of this MD&A the Company expects to generate operating profits and positive cash flows from operations in Q2-2009, excluding the effect of changes in non-cash working capital accounts.

Capital expenditures in 2009 are expected to be approximately \$5.6M. The most significant capital expenditures are expected to be approximately \$2.6M for the completion of the self-generation project and for synchronization of the generators.

These are forward-looking estimates and subject to the cautionary notes regarding risks associated with forward looking statements at the end of this MD&A.

## **OTHER MD&A REQUIREMENTS**

### ***Transactions with Related Parties***

#### **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 royalty dividend calculated as follows:

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

During the quarter ended March 31, 2009, royalty dividends totaling \$115,047 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (quarter ending March 31, 2008: \$137,572). Royalty dividends are shown as Non-Controlling Interests in the Consolidated Statement of Operations. At March 31, 2009, \$38,691 of this amount remained outstanding (December 31, 2008: \$49,670).

b) Remuneration to officers

During Q1- 2009 the Company paid or accrued \$143,719 in fees to companies associated with certain directors and officers of Amerigo (Q1-2008: \$180,060).

c) At March 31, 2009 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence

d) At March 31, 2009 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 March 31, 2009 two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

### **Contingencies**

In Q3-2007, 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 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, SII issued a tax assessment to MVC for adjustments, penalties and interest of approximately \$135,000, derived from MVC's alleged failure to remit provisional monthly payments towards a Chilean mining royalty tax in 2006. When the mining royalty tax was instituted in Chile, MVC obtained a legal opinion stating that the tax did not apply to MVC's operations, as MVC does not exploit under the definition of the Chilean Income Tax Law. Even if the mining royalty tax applied to MVC, there would have been no tax payable in 2006 as MVC's production levels that year fell below the threshold prescribed by SII for this tax. MVC has also retained legal counsel to prepare a response to 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 March 31, 2009, these contingencies had not been resolved.

### **Subsequent events**

Subsequent to March 31, 2009 a \$5,000,000 loan with a review date of May 12, 2009 was extended to July 12, 2009, at which time further steps toward rolling the facility onto a long term loan will be reviewed. The loan was converted into a Chilean peso loan and will bear interest at a monthly rate of 0.66%.



## ***Critical Accounting Estimates***

There were no changes to the nature of the Company's critical accounting estimates during Q1-2009. The most significant estimates are related to the physical and economic lives of contractual rights, property, plant and equipment and their recoverability, estimates regarding the future cost of retiring the Company's capital assets and the estimation of future cash flow requirements to determine the Company's ability to continue operating as a going concern.

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 assigns amortization charges based on actual production on a monthly basis.

Based on undiscounted cash flow projections for the years 2009 to 2021 built from MVC's production model at assumed copper prices of \$1.50/lb for 2009, \$1.60/lb for 2010, \$1.70/lb for 2011 and \$1.80/lb thereafter, and molybdenum prices of \$10/lb for 2009, \$11/lb for 2010 and \$12/lb thereafter, management concluded that no impairment to the carrying value of its assets was required as of December 31, 2008.

Amerigo has calculated an asset retirement obligation based on an estimated price of \$6,200,000 provided by an independent third party in 2007. Management's current estimates in calculating the asset retirement obligation include projected annual inflation rates in Chile of 4.5% per annum and a market risk premium of 8%. The present value of the asset retirement obligation was revised to \$4,787,273 in 2007, which will be systematically accreted to a 2021 value of approximately \$12,344,146.

## ***Changes in Accounting Policies, Including Initial Adoption***

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

### ***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 adoption of this standard did not have any material impact on the Company's financial statements.

## ***International Financial Reporting Standards ("IFRS") Implementation Plan***

In February 2008, the Accounting Standards Board ("AcSB") approved a strategic plan which requires public companies to converge with IFRS for fiscal periods beginning on or after January 1, 2011. The Company will therefore be required to have comparative financial information prepared under IFRS as of January 1, 2010.

The Company has initiated its IFRS convergence project and has set the following timing objectives: to be in a position to convert its December 31, 2009 Canadian GAAP Balance Sheet to IFRS on completion of the 2009 external audit in February 2010, to work both under Canadian GAAP and IFRS in 2010 in order for the Company to disclose to users of its financial statements the quantitative differences arising in 2010 under both frameworks, and to produce IFRS financial statements as of January 1, 2011.

In order to meet these objectives the Company's financial staff in Canada and Chile attended IFRS courses and in-house training sessions in 2008. IFRS introductory training has also been provided to MVC's managers and supervisors as the adoption of IFRS will have an impact on operational areas, particularly in connection with accounting of property, plant and equipment, major equipment overhauls, asset retirement obligations and functional currencies. Actual convergence tasks are taking place in 2009. It is currently anticipated that the Company will be able to continue using its current information technology platforms in Chile and in Canada.

## **Other**

As of May 11, 2009, Amerigo has outstanding 132,115,944 common shares, 38,744,400 warrants (exercisable 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) and 6,720,000 options (exercisable at prices ranging from Cdn\$0.31 to Cdn\$2.71 per share).

Additional information, including the company's most recent Annual Information Form, is available on SEDAR at [www.sedar.com](http://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 processing additional tailings. 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 copper and molybdenum price fluctuations, negotiations with El Teniente, extension of current short term debt facilities, ability to reduce operating costs, 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](http://www.sedar.com).