

# **Amerigo Resources Ltd.**

## **Consolidated Financial Statements September 30, 2009**

Unaudited

(expressed in U.S. dollars)

# Amerigo Resources Ltd.

## Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	September 30 2009 \$	December 31 2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,881,832	3,187,084
Accounts receivable	19,877,151	11,501,868
Prepaid expenses	206,097	205,897
Plant supplies and inventory	6,188,189	4,230,508
	29,153,269	19,125,357
<b>Investments</b> (Note 10)	5,496,694	1,855,435
<b>Property, plant and equipment</b> - net (Note 3)	119,527,875	116,243,844
<b>Contractual right</b> - net (Note 4)	6,587,772	6,950,942
<b>Other</b>	75,319	83,299
	160,840,929	144,258,877
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	13,076,613	15,365,036
Enami loans (Note 5)	5,724,312	3,538,102
El Teniente royalty payable (Note 6)	10,405,219	5,275,693
Bank loans (Note 7)	7,366,150	9,012,992
Due to non-controlling interests (Note 8(a))	49,438	49,670
	36,621,732	33,241,493
<b>Bank loans</b> (Note 7)	3,605,360	-
<b>Enami loans</b> (Note 5)	3,774,320	5,896,837
<b>Other payables</b>	1,313,724	1,004,599
<b>Asset retirement obligation</b>	5,373,714	5,122,382
<b>Future income tax</b>	7,505,938	4,956,851
<b>Non-controlling interests</b> (Note 8(a))	1,000	1,000
	58,195,788	50,223,162
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (Note 9)	63,646,327	56,345,311
<b>Value assigned to stock options and warrants</b> (Note 9(e))	3,884,325	2,433,377
<b>Retained earnings</b>	31,413,120	35,279,137
<b>Accumulated other comprehensive income (loss)</b>	3,701,369	(22,110)
	102,645,141	94,035,715
	160,840,929	144,258,877
<b>Contingencies</b> (Note 12)		
<b>Subsequent events</b> (Note 13)		
<b>Approved by the Board of Directors</b>		
"Robert Gayton"	Director	"Ruston Goepel"
		Director

# Amerigo Resources Ltd.

## Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(expressed in U.S. dollars)

	Quarter ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
	\$	\$	\$	\$
<b>Revenue</b>	24,532,499	29,915,602	55,621,143	97,013,303
<b>Costs</b>				
Production costs	13,813,976	19,368,515	37,579,258	55,501,073
El Teniente royalty (Note 6)	4,686,346	6,631,296	10,296,948	17,097,521
Depreciation and amortization	1,811,765	1,453,941	5,043,576	3,815,186
Administration	404,432	910,159	1,060,517	1,920,188
Transportation	280,798	315,692	789,603	819,080
Asset retirement accretion cost	83,778	83,777	251,332	251,332
<b>Cost of sales</b>	21,081,095	28,763,380	55,021,234	79,404,380
<b>Operating profit</b>	3,451,404	1,152,222	599,909	17,608,923
<b>Other expenses</b>				
Office and general expenses	232,767	356,114	664,194	1,167,153
Salaries, management and professional fees	280,952	266,608	750,453	909,165
Interest expense	585,027	116,608	1,760,610	338,262
Stock-based compensation (Note 9(c))	55,815	122,873	159,672	365,885
	1,154,561	862,203	3,334,929	2,780,465
<b>Earnings (loss) before the undernoted items</b>	2,296,843	290,019	(2,735,020)	14,828,458
Foreign exchange gain (loss)	1,585,513	813,688	(572,486)	1,182,013
Interest income	5,109	102,946	20,100	397,340
Other income	250,126	54,916	575,462	197,004
Other expenses	(389,030)	-	(389,030)	-
Equity investment loss (Note 10(b))	-	(42,363)	(82,220)	(72,485)
Write-down of investments	-	(12,237,741)	-	(12,237,741)
<b>Earnings (loss) before taxes and non-controlling interests</b>	3,748,561	(11,018,535)	(3,183,194)	4,294,589
<b>(Income tax expense), net of tax recoveries</b>	(346,422)	802,082	(253,124)	(1,646,683)
<b>Earnings (loss) before non-controlling interests</b>	3,402,139	(10,216,453)	(3,436,318)	2,647,906
<b>Non-controlling interests</b>				
(Note 8(a))	164,023	190,974	429,699	453,877
<b>Net earnings (loss)</b>	3,238,116	(10,407,427)	(3,866,017)	2,194,029
<b>Other comprehensive income (loss) Note 10 (a)</b>	1,617,075	985,314	3,723,479	(4,395,767)
<b>Comprehensive income (loss)</b>	4,855,191	(9,422,113)	(142,538)	(2,201,738)
<b>Weighted average number of shares outstanding, basic</b>	132,295,292	93,790,354	126,017,872	94,094,778
<b>Weighted average number of shares outstanding, diluted</b>	153,129,123	93,790,354	146,851,703	94,094,778
<b>Earnings (loss) per share</b>				
Basic	0.02	(0.11)	(0.03)	0.02
Diluted	0.02	(0.11)	(0.03)	0.02

# Amerigo Resources Ltd.

## Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Quarter ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Net earnings (loss) for the period	3,238,116	(10,407,427)	(3,866,017)	2,194,029
Items not affecting cash -				
Depreciation and amortization	1,811,765	1,453,941	5,043,576	3,815,186
Equity investment loss	-	42,363	82,220	72,485
Unrealized foreign exchange expense (gain)	(387,257)	(165,220)	945,419	(780,994)
Future income tax expense	287,188	(588,230)	2,601,855	99,640
Stock-based compensation	55,815	122,873	159,672	365,885
Asset retirement accretion cost	83,778	83,777	251,332	251,332
Other receivables	(21,385)	(9,194)	7,980	(6,714)
Accrued interest on bank and Enami loans	(106,950)	(173,154)	(59,508)	(173,154)
Write-down of investments	-	12,237,741	-	12,237,741
	4,961,070	2,597,470	5,166,529	18,075,436
<b>Changes in non-cash working capital</b>				
Accounts receivable	(3,443,260)	3,783,054	(8,375,283)	2,643,999
Prepaid expenses	(37,172)	40,684	(200)	(239,199)
Plant, supplies and inventory	215,398	(798,831)	(1,957,681)	(950,107)
Accounts payable	(2,355,246)	99,994	(2,055,918)	(2,305,012)
El Teniente royalty payable	583	1,540,961	5,129,526	423,120
Due to non-controlling interests	926	10,417	(232)	6,586
Other payables	99,415	364,841	309,125	317,617
<b>Net cash (used in) provided by operating activities</b>	(558,286)	7,638,590	(1,784,134)	17,972,440
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment	(2,039,630)	(5,985,103)	(8,249,710)	(18,527,776)
Purchase of investments	-	(1,883,600)	-	(4,013,581)
<b>Net cash used in investing activities</b>	(2,039,630)	(7,868,703)	(8,249,710)	(22,541,357)
<b>Cash flows from financing activities</b>				
Issuance of shares and warrants for cash				
– net of issuance costs	-	-	8,441,696	-
Exercise of warrants	150,596	-	150,596	-
Proceeds from bank loans	-	-	1,072,607	5,507,214
Enami loans	(975,000)	-	63,693	-
Payment of dividends	-	(5,784,475)	-	(11,802,999)
Purchase of shares for cancellation	-	(919,807)	-	(1,589,328)
<b>Net cash (used in) provided by financing activities</b>	(824,404)	(6,704,282)	9,728,592	(7,885,113)
<b>Net (decrease) increase in cash and cash equivalents</b>	(3,422,320)	(6,934,395)	(305,252)	(12,454,030)
<b>Cash and cash equivalents – Beginning of period</b>	6,304,152	11,192,995	3,187,084	16,712,630
<b>Cash and cash equivalents – End of period</b>	2,881,832	4,258,600	2,881,832	4,258,600

Supplemental disclosure with respect to cash flows (Note 11)

# Amerigo Resources Ltd.

## Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in U.S. dollars)

	Common shares		Retained Earnings	Value assigned to stock options and warrants	Accumulated Other Comprehensive Income (Loss)	Shareholders' equity
	No. of shares	Amount				
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance – December 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 10)	-	-	-	-	(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
Issue of shares - Private placement – net of issuance costs	37,500,000	6,895,450	-	1,266,142	-	8,161,592
Finders' fees on private placement – net of issuance costs	1,244,400	238,088	-	42,016	-	280,104
Warrants exercised	500,000	150,596	-	-	-	150,596
Transfer of value on exercise of warrants	-	16,882	-	(16,882)	-	-
Options vested	-	-	-	159,672	-	159,672
Unrealized gains on “available for sale” instruments (Note 10)	-	-	-	-	3,723,479	3,723,479
Net loss for the period	-	-	(3,866,017)	-	-	(3,866,017)
Balance – September 30, 2009	132,615,944	63,646,327	31,413,120	3,884,325	3,701,369	102,645,141

# Amerigo Resources Ltd.

Notes to Consolidated Financial Statements  
September 30, 2009

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(expressed in U.S. dollars)

## 1 Operations

The financial statements of Amerigo Resources Ltd. ("Amerigo") together with its subsidiaries (collectively, the "Company") have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. This interim financial information is unaudited and includes all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company's financial position at September 30, 2009 and its results of operations and cash flows for the nine months ended September 30, 2009 and 2008 in conformity with Canadian GAAP. These statements follow the same accounting policies and methods of application as the most recent annual financial statements, except as described in Note 2. Accordingly, they should be read in conjunction with Amerigo's audited financial statements for the year ended December 31, 2008. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of results that may be expected for the entire fiscal year.

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 the National Copper Corporation of Chile ("Codelco") through at least 2021 to process the tailings from El Teniente, the world's largest underground copper mine.

## 2 Adoption of new accounting standards

### Accounting Changes

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

#### *Goodwill and intangible assets*

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

# Amerigo Resources Ltd.

Notes to Consolidated Financial Statements  
September 30, 2009

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(expressed in U.S. dollars)

## 3 Property, plant and equipment

	September 30, 2009	December 31, 2008
	\$	\$
Plant and infrastructure	55,581,704	53,894,767
Machinery and equipment and other assets	80,899,056	74,568,786
	136,480,760	128,463,553
Accumulated depreciation and amortization	(16,952,885)	(12,219,709)
	<u>119,527,875</u>	<u>116,243,844</u>

The sharp decline in copper and molybdenum prices in the last quarter of 2008 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 had occurred. At December 31, 2008, 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 had occurred.

## 4 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 contractual right is amortized using the units of production method.

	September 30, 2009	December 31, 2008
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(2,806,374)	(2,443,204)
	<u>6,587,772</u>	<u>6,950,942</u>

## 5 Enami loans and hedging facility

MVC sells its copper production to Chile's Empresa Nacional de Minería ("Enami"). During the quarter ended March 31, 2009 Enami provided a loan facility of \$11,123,735 to MVC to settle the final negative pricing adjustments due to Enami for the quotas from June to September 2008 (priced at October 2008 to January 2009 prices). Under the terms of the loan facility MVC will make monthly instalments to Enami of \$325,000 plus interest during the period from May 2009 to March 2010 and of \$629,052 plus interest during the period from April 2010 to March 2011. The Enami loan bears interest at a rate of Banco de Chile Prime (currently 3.25%) + 2%.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

September 30, 2009

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(expressed in U.S. dollars)

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

In June 2009 MVC entered into a facility with Enami to hedge a portion of its copper production for the second half of 2009, making use of a zero cost minimum/maximum price structure. Under the hedging facility, MVC secured a minimum price of \$2.00/lb for 800 tonnes per month of copper production, for the June to November 2009 quotas (quotas are subject to M+1 pricing), representing approximately 50% of MVC's forecast copper production over that period. In return for the guaranteed minimum price, the Company agreed to a maximum price of \$2.48/lb on this production. As a result, if the London Metal Exchange ("LME") monthly average copper price (the "LME Price") trades between \$2.00 and \$2.48/lb, MVC receives the LME Price for copper delivered under this facility. The facility includes standard provisions for a facility of this nature, including the potential requirement to provide to Enami additional guarantees in the event of increases in the copper price.

Given that the hedging facility is a subordinate contract to MVC's supply agreement with Enami and sales under the hedging facility are in the normal course of business for MVC, the Company has determined that its current hedging facility is not a derivative for accounting purposes. The Company has applied the provisions of CICA Handbook Section 3855 in respect to contracts that were entered into and continue to be held for the purpose of delivery of a non-financial item in accordance with the Company's expected sale requirements, considering that the agreement has a price based on a variable that is closely related to the asset being sold. Accordingly the hedged portion of the Company's sales to Enami are priced at the LME price where the LME Price traded between \$2.00 and \$2.48/lb, and at \$2.48/lb in instances where the LME Price exceeded \$2.48/lb.

In connection with the Enami loans, MVC agreed to provide machinery and equipment collateral at appraisal values of \$16.5 million for the instalment loan and \$5.8 million for the sustainability loan. The guarantees provided in connection with the sustainability loans were allocated as guarantees on the hedging facility once the sustainability loans were repaid in June 2008.

## **6 El Teniente Royalty payable**

MVC has a contract with Codelco – El Teniente ("DET") until at least the year 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty to DET on copper and molybdenum produced by MVC. The amount of the copper royalty is determined pursuant to a formula that considers both the price of copper and the copper content in the tailings. No royalties are payable if the copper price is below \$0.80/lb (for copper content in tailings between 0.09% and 0.1499%); if the copper price is between \$0.80 and \$0.95 the royalty varies on a sliding scale from 0% to 10%; if the copper price is between \$0.95 and \$1.30 the royalty is 10%; and if the copper price is \$1.30/lb or higher, a maximum royalty of 13.5% is payable.

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



# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

### September 30, 2009

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(expressed in U.S. dollars)

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

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

During the quarter ended September 30, 2009 MVC came to an agreement in principle with DET dealing with MVC's rights to process tailings from the Colihues tailings impoundment. The new agreement provides for a sliding scale copper royalty that is nil if the LME Price is less than \$US1.52/lb, and rises to approximately 26% at an LME Price of \$4.27, but also contains a provision that the parties will review and potentially adjust the formula where the LME Price remains lower than \$1.95/lb or higher than \$4.27/lb for 3 consecutive months. For molybdenum prices lower than \$35/lb, the royalty is 11.9% and for molybdenum prices greater than or equal to \$35/lb, the royalty is 12.4%. The agreement further provides that in December of each year the parties will revise the formula's grade and recovery parameters if necessary.

Due to the sharp decline in copper and molybdenum prices in the latter part of 2008, DET agreed to defer payment of 70% of the royalty invoices to MVC for the months of November 2008 to April 2009. At September 30, 2009 the deferral was \$5,376,216. MVC will make monthly instalments to DET of approximately \$448,018 during the period from July 2009 to August 2010, except in cases where the average monthly copper price falls below \$1.50/lb or increases to more than \$3/lb for three consecutive months, in which cases the monthly instalments will be adjusted to be approximately \$336,013 or \$672,027 respectively. The El Teniente royalty deferrals bear interest at a rate of 6.90% per annum.

## 7 Bank loans

- a) In February 2008 MVC 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. In February 2009 the loan 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. The loan has had several review dates, the most recent being October 20, 2009. On this date, the loan was structured as a medium term loan (Note 13).

The balance of the loan and accrued interest at September 30, 2009 was the Chilean Peso equivalent of \$5,768,576.

- b) In December 2008 the Company obtained a \$5,000,000 loan from a Chilean bank. In May 2009 the loan was converted into a Chilean peso loan. The loan has had several review dates, the current one being February 27, 2010. The loan bears interest at an annual rate of 6.21%. The balance of the loan and accrued interest at September 30, 2009 was the Chilean Peso equivalent of \$5,202,934.

# Amerigo Resources Ltd.

Notes to Consolidated Financial Statements  
September 30, 2009

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(expressed in U.S. dollars)

## 8 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 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 nine months ended September 30, 2009, royalty dividends totalling \$429,699 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (Nine months ending September 30, 2008: \$453,877). Royalty dividends are shown as Non-Controlling Interests in the Consolidated Statement of Operations. At September 30, 2009, \$49,438 of this amount remained outstanding (December 31, 2008: \$49,670).

### b) Remuneration to officers

During the nine months ended September 30, 2009 the Company paid or accrued \$461,897 in fees to companies associated with certain directors and officers of Amerigo (Nine months ended September 30, 2008: \$490,407).

- c) At September 30, 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 September 30, 2009 one of Amerigo's directors acted as a director and one of Amerigo's officers acted as an officer of Candente Resource Corp., a company in which Amerigo holds an investment.
- e) At September 30, 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.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements

### September 30, 2009

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(expressed in U.S. dollars)

#### 9 Capital stock

Authorized - Unlimited common shares without par value

##### a) Summary of capital stock issued in the period

On February 13, 2009 the Company completed a non-brokered private placement for gross proceeds of \$8,480,068 (Cdn\$10,500,000). In connection with the private placement, the Company issued 37,500,000 units at a price of Cdn\$0.28 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of Cdn\$0.33 per share until February 15, 2010, and thereafter at a price of Cdn\$0.40 until February 14, 2011. The warrants issued were valued by the Company at \$1,266,142. 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.

On August 28, 2009 a total of 500,000 warrants were exercised; the Company received proceeds of \$150,596.

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

##### b) Purchase of shares for cancellation

Amerigo had in place a normal course issuer bid through the facilities of the Toronto Stock Exchange ("TSX"), whereby Amerigo was entitled to purchase for cancellation up to 2,000,000 of its common shares during the one-year period ended on November 13, 2008. During the year ended December 31, 2008, Amerigo purchased and cancelled 1,001,200 shares at a total cost of \$1,589,328. The premium on the purchase of shares for cancellation amounted to \$1,001,534 and was applied against Retained Earnings.

##### c) Stock options

Amerigo established a stock option plan (the "Plan") on April 2, 2003, which was amended on June 20, 2006. 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.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements September 30, 2009

(expressed in U.S. dollars)

A summary of the Company's stock options at September 30, 2009 and December 31, 2008 and the changes for the nine and twelve-month periods ending on those dates is presented below:

	<b>Nine months ended September 30, 2009</b>		<b>Twelve months ended December 31, 2008</b>	
	<b>Outstanding options</b>	<b>Weighted average exercise price Cdn\$</b>	<b>Outstanding options</b>	<b>Weighted average exercise price Cdn\$</b>
Outstanding – start of period	4,420,000	2.32	3,365,000	2.38
Granted	2,300,000	0.31	1,055,000	2.13
Outstanding – end of period	<u>6,720,000</u>	1.63	<u>4,420,000</u>	2.32
Exercisable	<u>6,145,000</u>	1.76	<u>4,420,000</u>	2.32

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

On March 20, 2008, Amerigo granted stock options to purchase an aggregate of 1,055,000 common shares to directors, officers, consultants and employees of the Company, with an exercise price of Cdn\$2.13 per share, expiring on March 20, 2013. The options vested in four equal quarterly instalments, on March 20, April 1, July 1 and October 1, 2008.

The following stock options were outstanding and exercisable as at September 30, 2009:

<b>Range of exercise prices Cdn\$</b>	<b>Number exercisable</b>	<b>Weighted average remaining contractual life</b>	<b>Weighted average exercise price Cdn\$</b>
0.31 to 1.590	1,725,000	4.49 years	0.31
1.60 to 2.39	3,050,000	2.57 years	2.16
2.40 to 2.71	<u>1,370,000</u>	1.43 years	2.69
	<u>6,145,000</u>		

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements September 30, 2009

(expressed in U.S. dollars)

### d) Warrants

As part of its February 13, 2009 private placement, the Company issued 38,744,400 warrants with an exercise price of Cdn\$0.33 per share to February 15, 2010 and thereafter at a price of Cdn\$0.40 per share until February 14, 2011. At September 30, 2009, 500,000 of the warrants had been exercised (Note 9(a)).

A summary of the Company's warrants at September 30, 2009 and December 31, 2008 and the changes for the nine and twelve-month periods ending on those dates is presented below:

	<b>Nine months ended September 30, 2009</b>		<b>Twelve months ended December 31, 2008</b>	
	<b>Outstanding warrants</b>	<b>Weighted average exercise price Cdn\$</b>	<b>Outstanding warrants</b>	<b>Weighted average exercise price Cdn\$</b>
Outstanding – start of period	-	-	-	-
Granted	38,744,400	0.33	-	-
Exercised	(500,000)	0.33	-	-
Outstanding – end of period	<u>38,244,400</u>	0.33	-	-
Exercisable	<u>38,244,400</u>	0.33	<u>-</u>	<u>-</u>

### e) Value assigned to stock options and warrants

	<b>September 30, 2009 \$</b>	<b>December 31, 2008 \$</b>
Balance – beginning of period	2,433,377	1,949,218
Options vested	159,672	484,159
Warrants vested	1,308,158	-
Transferred to share capital on exercise of warrants	(16,882)	-
Balance – end of period	<u>3,884,325</u>	<u>2,433,377</u>

**Amerigo Resources Ltd.**  
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(expressed in U.S. dollars)

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

	<u>2009</u>	<u>2008</u>
Expected dividend yield	-	6.10%
Expected stock price volatility	46.78%	47.29%
Risk-free interest rate	1.51%	2.91%
Expected life of options	3.6 years	2.3 years

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

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

f) Dividends

No dividends were declared or paid in the nine months ended September 30, 2009.

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

The Company has suspended dividend distributions for the foreseeable future.

**10 Investments**

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
	<u>\$</u>	<u>\$</u>
Other investments	5,496,694	1,773,215
Equity investment – Common shares of a TSX Venture Exchange (“TSXV”) issuer	-	82,220
	<u>5,496,694</u>	<u>1,855,435</u>

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## Notes to Consolidated Financial Statements

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(expressed in U.S. dollars)

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 are transferred into earnings. At September 30, 2008 the issuer’s closing share price was Cdn\$0.55 per share, and the fair market value of the Company’s approximately 13% investment in this issuer was \$5,717,573. 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 \$10,144,413 were recorded in earnings. The value of the investment at December 31, 2008 was \$1,412,488. At September 30, 2009 this issuer’s closing share price was Cdn\$0.49 and the fair value of the Company’s approximately 13% investment in this issuer was \$4,869,172. During the nine months ended September 30, 2009 the Company recorded other comprehensive income of \$3,456,684 for the fair value appreciation of the investment during the period.

At various dates during 2007 and 2008, the Company acquired for investment purposes 8 million common shares of an issuer listed on the TSXV, at an aggregate cost of \$3,946,908. Adjustments to fair value are required at each balance sheet date, as the investment is designated as “available for sale” for accounting purposes. At September 30, 2008 the issuer’s closing share price was Cdn\$0.24 per share, and the fair market value of the Company’s approximately 4% investment in this issuer was \$1,853,581. 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 \$2,093,328 were recorded in earnings. The value of the investment at December 31, 2008 was \$360,727. At September 30, 2009 this issuer’s closing share price was Cdn\$0.085 and the fair value of the Company’s approximately 4% investment in this issuer was \$627,522. During the nine months ended September 30, 2009 the Company recorded other comprehensive income of \$266,795 for the fair value appreciation of the investment during the period.

b) Equity investment

Amerigo accounts for its investment in an additional TSXV issuer using the equity method, given that Amerigo is considered to have significant influence over this investment. During the nine months ended September 30, 2009 the Company recorded an equity investment loss of \$82,220 on this investment, fully impairing the investment’s carrying value. At September 30, 2009, Amerigo held 11,666,667 common shares of this issuer, which represent approximately 26% of the issuer’s issued and outstanding common shares at that date. At September 30, 2009 this issuer’s closing share price was Cdn\$0.035 per share.

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(expressed in U.S. dollars)

## 11 Supplemental Disclosure with Respect to Cash Flows

	<b>Nine months ended September 30, 2009 (\$)</b>	<b>Nine months ended September 30, 2008 (\$)</b>
Cash paid during the period for interest	1,338,155	272,345
Cash paid during the period for income taxes	606,779	4,113,902
Change in accounts payable related to the acquisition of plant and equipment	(232,504)	13,825
	<b>September 30, 2009 (\$)</b>	<b>December 31, 2008 (\$)</b>
Cash	2,881,832	2,895,170
Cash equivalents	-	291,914
	<b>2,881,832</b>	<b>3,187,084</b>

## 12 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 determined 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.



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(expressed in U.S. dollars)

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 September 30, 2009, these contingencies had not been resolved.

### 13 Subsequent events

- a) On October 20, 2009, MVC obtained from a Chilean bank a loan denominated in Unidades de Fomento (“UF”), a Chilean indexed monetary unit. The principal amount of the loan is UF167,600.28 (the equivalent of Chilean Pesos \$3,500,000,000 or \$6,508,957 at the loan grant date). The loan was used to repay a Chilean Pesos \$3,150,000,000 short-term loan with the same bank (Note 7(a)). The loan will be repaid in eight equal quarterly instalments of UF20,950.035 from January 20, 2010 to October 20, 2011. The loan bears interest at an annual rate of 6.78%. In connection with the loan, MVC needs to meet certain interest coverage and debt to equity ratios at June 30 and December 31 measurement dates. MVC also agreed to allow the bank to maintain previously granted machinery and equipment collateral of approximately \$10 million.
- b) The Company received proceeds of \$159,357 on the October 20, 2009 exercise of 500,000 warrants.
- c) On October 21, 2009, MVC extended its hedging facility with Enami. MVC secured a minimum price of \$2.60/lb for 800 tonnes per month of copper production for the months from December 2009 to May 2010, inclusive, representing approximately 45% of MVC’s forecast copper production over that period. The facility sets a maximum price of \$3.20/lb on this production. If the LME Price trades between \$2.60 and US\$3.20/lb, MVC will receive the LME Price for copper delivered under this facility. The facility includes standard provisions for a facility of this nature, including the potential requirement to provide to Enami additional guarantees subject to increases in the copper price.