Amerigo Resources Ltd.

Consolidated Financial Statements
March 31, 2008
Unaudited
(expressed in U.S. dollars)

Amerigo Resources Ltd.

Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	March 31 2008 $	December 31 2007 $
Assets		
Current assets		
Cash and cash equivalents	10,959,717	16,712,630
Accounts receivable	29,262,048	16,901,271
Prepaid expenses	603,957	106,289
Plant supplies and inventory	5,979,388	4,231,984
	46,805,110	37,952,174
Investments (Note 9)	16,794,259	21,171,455
Mineral property, plant and equipment - (Note 3)	103,484,574	98,136,625
Contractual right - net (Note 4)	7,325,598	7,437,823
Other	39,319	40,864
	174,448,860	164,738,941
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	23,818,172	16,635,329
El Teniente royalty payable (Note 5)	5,473,311	5,742,906
Bank loan (Note 6)	5,762,567	-
Due to non-controlling interests (Note 7)	57,375	61,735
	35,111,425	22,439,970
Other payables	1,175,846	1,003,500
Asset retirement obligation	4,871,051	4,787,273
Future income tax	7,397,548	6,180,703
Non-controlling interests (Note 7 (a))	1,000	1,000
	48,556,870	34,412,446
Shareholders' Equity		
Capital stock (Note 8)	56,825,257	56,933,105
Value assigned to stock options (Note 8(c))	2,070,811	1,949,218
Retained earnings	67,127,927	67,070,515
Accumulated other comprehensive income (loss) (Note 9 (a)(b))	(132,005)	4,373,657
	125,891,990	130,326,495
	174,448,860	164,738,941

Contingencies (Note 13)

Approved by the Board of Directors

"Robert Gayton" Director "Ruston Goepel" Director

Amerigo Resources Ltd.

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2008 $	Quarter ended March 31, 2007 $
Revenue	35,933,465	18,171,183
Costs		
Production costs	19,806,593	7,538,240
El Teniente royalty (Note 5)	5,146,561	2,891,838
Depreciation and amortization	1,280,217	575,734
Administration	492,298	292,721
Transportation	276,274	191,898
Asset retirement accretion cost	83,778	39,684
Stock-based compensation (Note 8(c))	-	54,695
Cost of sales	27,085,721	11,584,810
Operating profit	8,847,744	6,586,373
Other expenses		
Office and general expenses	504,322	308,240
Salaries, management and professional fees	325,602	244,095
Stock-based compensation (Note 8(c))	121,593	295,296
Interest expense	105,256	1,619
	1,056,773	849,250
Earnings before the under-noted items	7,790,971	5,737,123
Interest income	154,348	275,129
Other income	74,364	38,622
Foreign exchange gain	67,407	230,597
Investment loss (Note 9(c))	(24,714)	(161,901)
Gain on fair value adjustments to financial instruments	-	441,915
Earnings before taxes and non-controlling interests	8,062,376	6,561,485
Income tax expense, net of tax recoveries	1,541,792	895,255
Earnings before non-controlling interests	6,520,584	5,666,230
Non-controlling interests (Note 7(a))	137,572	114,948
Net earnings	6,383,012	5,551,282
Other comprehensive loss (Note 9(a)(b))	(4,505,662)	-
Comprehensive income	1,877,350	5,551,282
Weighted average number of shares outstanding, basic	94,332,384	93,562,388
Weighted average number of shares outstanding, diluted	95,620,801	95,295,572
Earnings per share		
Basic	0.07	0.06
Diluted	0.07	0.06

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2008 $	Quarter ended March 31, 2007 $
Cash flows from operating activities		
Net earnings	6,383,012	5,551,282
Items not affecting cash -		
Depreciation and amortization	1,280,217	575,734
Future income tax	1,216,845	286,166
Unrealized foreign exchange expense (gain)	204,932	(14,335)
Stock-based compensation	121,593	349,991
Asset retirement accretion cost	83,778	39,684
Accrued interest on bank loan	50,421	-
Investment loss	24,714	161,901
Amortization of future income tax asset	16,306	14,908
Other receivables	1,545	674
Gain on fair value adjustments to financial instruments	-	(441,915)
	9,383,363	6,524,090
Changes in non-cash working capital		
Accounts receivable	(12,360,777)	706,672
Prepaid expenses	(497,668)	(431,009)
Plant, supplies and inventory	(1,747,404)	(675,581)
Accounts payable	7,521,191	1,774,674
El Teniente royalty payable	(269,595)	(673,922)
Due to non-controlling interests	(4,360)	(12,731)
Other payables	172,346	69,082
Net cash provided by operating activities	2,197,096	7,281,275
Cash flows from investing activities		
Purchase of plant and equipment	(6,870,595)	(5,532,826)
Purchase of investments	(153,180)	-
Net cash used in investing activities	(7,023,775)	(5,532,826)
Cash flows from financing activities		
Proceeds from short-term bank loan	5,507,214	-
Payment of dividends	(6,018,524)	-
Purchase of share capital for cancellation	(414,924)	-
Issuance of shares for cash – net of issue costs	-	420,628
Net cash provided by (used in) financing activities	(926,234)	420,628
Net increase (decrease) in cash and cash equivalents	(5,752,913)	2,169,077
Cash and cash equivalents – Beginning of period	16,712,630	26,574,059
Cash and cash equivalents – End of period	10,959,717	28,743,136

Supplemental disclosure with respect to cash flows (Note 12)

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in U.S. dollars)

	Common shares					
	No. of shares	Amount ($)	Retained Earnings ($)	Value assigned to stock options ($)	Accumulated Other Comprehensive Income (Loss) ($)	Shareholders' equity ($)
Balance – Dec. 31, 2006 as previously reported	93,443,244	55,026,997	53,757,962	1,603,180	(22,110)	110,366,029
Adoption of financial instruments standards (Note 2)	-	-	365,858	-	-	365,858
Balance – Dec. 31, 2006 as restated	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 granted	-	-	-	898,682	-	898,682
Transfer of value on exercise of stock options	-	552,644	-	(552,644)	-	-
Unrealized gains on "available for sale" instruments (Note 9)	-	-	-	-	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	(183,700)	(107,848)	(307,076)	-	-	(414,924)
Options granted	-	-	-	121,593	-	121,593
Unrealized losses on "available for sale" instruments (Note 9)	-	-	-	-	(4,505,662)	(4,505,662)
Dividends paid	-	-	(6,018,524)	-	-	(6,018,524)
Net earnings for the period	-	-	6,383,012	-	-	6,383,012
Balance – March 31, 2008	94,189,044	56,825,257	67,127,927	2,070,811	(132,005)	125,891,990

(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 for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. 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, 2007.

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.

2 Adoption of new accounting standards

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

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 11.

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
This Section requires 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.

(expressed in U.S. dollars)

3 Mineral property, plant and equipment

	March 31, 2008 $	December 31, 2007 $
Plant and infrastructure	50,593,361	50,431,227
Machinery and equipment and other assets	61,400,493	55,030,380
	111,993,854	105,461,607
Accumulated depreciation and amortization	(8,509,280)	(7,324,982)
	103,484,574	98,136,625

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 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 rights, resulting in an increase in its value to $9,394,146. The contractual right and the associated future income tax liability are amortized using the units of production method.

	March 31, 2008 $	December 31, 2007 $
Contractual right	9,394,146	9,394,146
Accumulated amortization	(2,068,548)	(1,956,323)
	7,325,598	7,437,823

5 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

(expressed in U.S. dollars)

is made within 10 days of receipt of invoices. Accordingly, 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.

6 Bank loan

In February 2008 the Company obtained a short-term loan of Chilean Pesos $2,500,000,000 (approximately $5,500,000) from a Chilean bank. The loan bears interest at a monthly rate of 0.67% and matures on September 22, 2008.

7 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 Non-Controlling Interests 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 quarter ended March 31, 2008, royalty dividends totalling $137,572 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (Quarter ended March 31, 2007: $114,948). Royalty dividends are shown as Non-Controlling Interests in the Consolidated Statements of Operations and Comprehensive Income. At March 31, 2008, $57,375 of this amount remained outstanding (December 31, 2007: $61,735).

(expressed in U.S. dollars)

b) Directors fees and remuneration to officers

During the quarter ended March 31, 2008 the Company paid or accrued $180,060 in fees to companies associated with certain directors and officers of Amerigo (Quarter ended March 31, 2007: $169,942). In the same period, Amerigo paid or accrued $24,378 in directors' fees to independent directors (Quarter ended March 31, 2007: $20,364). Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's Consolidated Statements of Operations and Comprehensive Income. At March 31, 2008, an aggregate amount of $127,873 was due to directors and officers for management bonuses, directors' fees and reimbursement of expenses in the ordinary course of business (December 31, 2007: $450,729).

c) At March 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 March 31, 2008 two of Amerigo's directors acted as directors of Candente Resource Corp., a company in which Amerigo holds an investment.

e) At March 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.

8 Capital stock

Authorized - Unlimited common shares without par value

a) Summary of capital stock issued in the period

No shares were issued during the quarter ended March 31, 2008. During the quarter ended March 31, 2007, 1,047,000 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 $1,361,210.

b) Purchase of shares for cancellation

Amerigo has in place a normal course issuer bid through the facilities of the Toronto Stock Exchange ("TSX"), whereby Amerigo is entitled to purchase for cancellation up to 2,000,000 of its common shares during the one-year period ending on November 13, 2008. During the quarter ended March 31, 2008, Amerigo purchased and cancelled 183,700 shares at a total cost of $414,924. The premium on the purchase of shares for cancellation amounted to $307,076 and was applied against Retained Earnings.

(expressed in U.S. dollars)

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 and the aggregate number of common shares reserved for issuance to any one person under the Plan in any 12-month period must not exceed 5% of Amerigo's outstanding common shares, 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 March 31, 2008 and December 31, 2007 and the changes for the three-month and twelve-month periods ending on those dates is presented below:

	Three months ended March 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 period	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
Cancelled	-	-	(207,500)	2.21
Outstanding	4,420,000	2.32	3,365,000	2.38
Exercisable	3,628,750	2.36	3,365,000	2.38

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 vest in four equal quarterly instalments, on March 20, April 1, July 1 and October 1, 2008. Amerigo recorded stock-based compensation expense of $121,593 relating to this grant in the quarter ended March 31, 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

(expressed in U.S. dollars)

30, September 30 and December 31, 2007; 52,500 options were cancelled prior to vesting. Amerigo recorded stock-based compensation expense of $853,682 for this grant in the year ended December 31, 2007, of which $149,276 was charged to Cost of Sales in respect of the options granted to MVC employees and $704,406 was charged to Other Expenses.

On August 4, 2006 Amerigo granted stock options to purchase an aggregate of 200,000 common shares to a consultant and an officer of the Company, with an exercise price of Cdn$2.43 per share, expiring on August 4, 2011. The options vested in four equal quarterly instalments, on September 30, 2006, December 31, 2006, March 31, 2007 and June 30, 2007; 25,000 options were cancelled prior to vesting. For the options that vested in 2006, Amerigo recorded stock-based compensation expense of $59,074, charged to Other Expenses. For the options that vested in 2007, Amerigo recorded stock-based compensation expense of $45,000 charged to Other Expenses.

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

Value assigned to stock options

	March 31, 2008 $	**December 31, 2007 $**
Balance – beginning of period	1,949,218	1,603,180
Options granted	121,593	898,682
Transfer to capital stock on exercise of stock options	-	(552,644)
Balance – end of period	2,070,811	1,949,218

The Company estimated the fair value of each option grant based on the Black-Scholes Option Pricing Model with the following weighted average 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

(expressed in U.S. dollars)

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

Range of exercise prices Cdn$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn$
1.60 to 2.40	2,258,750	3.75 years	2.17
2.40 to 2.71	1,370,000	2.93 years	2.69
	3,628,750		

d) Dividends

On February 27, 2008 Amerigo declared a semi-annual dividend of Cdn 6.5¢ per share paid on April 2, 2008 to shareholders of record as of March 25, 2008, for a total of $6,018,524. The Company advanced the funds to its transfer agent on March 30, 2008 to ensure dividend payments were made to shareholders on a timely basis.

On February 24, 2007 Amerigo declared a semi-annual dividend of Cdn 6.5¢ per share 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 paid on August 31, 2007 to shareholders of record as of August 22, 2007, for a total of $5,802,371.

9 Investments

	March 31, 2008 $	December 31, 2007 $
Available for sale investment – Common shares of a TSX issuer	13,874,661	17,939,991
Available for sale investment – Common shares of a TSX-V issuer	1,963,938	2,251,090
Available for sale investments	15,838,599	20,191,081
Equity investment – Common shares of a TSX-V issuer	955,660	980,374
	16,794,259	21,171,455

(expressed in U.S. dollars)

a) Investment in common shares of a TSX issuer

At various dates during 2007 and 2008, Amerigo acquired for investment purposes 9.5 million common shares of an issuer listed on the Toronto, Lima and Frankfurt Stock Exchanges. The aggregate cost of the investment was $13,885,185. Adjustments to fair market value are required at each balance sheet date; at March 31, 2008 these adjustments totalled ($10,524). Given that the investment was 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 March 31, 2008 this issuer’s closing share price was Cdn$1.50 per share, and the fair market value of Amerigo's approximately 13% investment in this issuer was $13,874,661. During the quarter ended March 31, 2008, the Company recorded fair value adjustments of ($4,218,510) to this investment ($nil in the quarter ended March 31, 2007).

b) Investment in common shares of a TSX-V issuer

In November 2007, Amerigo acquired for investment purposes 4 million common shares of an issuer listed on the TSX Venture Exchange. The aggregate cost of the investment was $2,063,308. Adjustments to fair market value are required at each balance sheet date; at March 31, 2008 these adjustments totalled ($99,370). The investment was designated as “available for sale” for accounting purposes.

At March 31, 2008 this issuer’s closing share price was Cdn$0.50 per share, and the fair market value of Amerigo's approximately 5% investment in this issuer was $1,963,938. During the quarter ended March 31, 2008, the Company recorded fair value adjustments of ($287,152) to this investment ($nil in the quarter ended March 31, 2007).

c) Equity investment in common shares of a TSX-V issuer

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 units of the issuer at a cost of $268,200. Each unit is comprised of one common share and one warrant entitling Amerigo to purchase an additional share of the issuer at a price of Cdn$0.25 per share until August 18, 2008. At March 31, 2008, Amerigo held 11,666,667 common shares and 1,666,667 warrants of the issuer, which represent approximately 26% of the issuer’s issued and outstanding common shares at that date.

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 $24,714 was recorded in the quarter ended

(expressed in U.S. dollars)

March 31, 2008. At March 31, 2008 this issuer's closing share price was Cdn$0.13 per share and Amerigo held approximately 26% of the issued and outstanding shares of the issuer.

10 Accounting for Financial Instruments

Fair Values
The Company's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, El Teniente royalty payable and short-term bank loan. The fair value of these financial instruments equals their carrying value. The Company's investments in common shares of a TSX issuer and common shares of a TSX-V issuer are classified as "available for sale" for accounting purposes.

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.

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 US 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.

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 an outstanding short-term bank loan in Chilean Pesos. The Company's interest rate risk mainly arises from the interest rate impact on its cash and cash equivalents, and to a lesser degree, the interest rate impact on current debt. The Company's preference is to borrow at fixed rates. Cash and cash equivalents receive interest based on market interest rates. As at March 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 Comprehensive Income.

11 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.

Under normal operating conditions, the Company maintains a limited amount of debt, if any, on its Balance Sheet. Debt will usually be of a short-term nature, obtained from commercial banks to cover working capital timing differences.

(expressed in U.S. dollars)

12 Supplemental Disclosure with Respect to Cash Flows

	March 31, 2008 ($)	March 31, 2007 ($)
Cash paid during the period for interest	56,994	4,782
Cash paid during the period for income taxes	1,579,881	1,741,904
Change in accounts payable related to the acquisition of plant and equipment	(338,348)	(3,785,823)

	March 31, 2008 ($)	December 31, 2007 ($)
Cash	1,970,205	2,553,334
Cash equivalents	8,989,512	14,159,296
	10,959,717	16,712,630

13 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 $1.15M. Although the Company believes there is no merit to this assessment, the final outcome of this matter cannot be predicted with certainty. The Company has retained legal counsel to prepare a response to SII in accordance with Chilean law. The Company's legal counsel has confirmed that, in their opinion, if the SII claim is ultimately upheld, the Company will have a claim for indemnification from the sellers of MVC pursuant to the terms of the MVC purchase and sale agreement for losses incurred prior to the MVC purchase date of July 2003.

In the fourth quarter of 2007, the SII issued a tax assessment to MVC for adjustments, penalties and interest of approximately $135,000, derived from MVC’s alleged failure to remit provisional monthly payments towards a Chilean mining royalty tax in 2006. When the mining royalty tax was instituted in Chile, MVC obtained a legal opinion stating that the tax did not apply to MVC’s operations, as MVC does not exploit under the definition of the Chilean Income Tax Law. MVC has 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.