

# **Amerigo Resources Ltd.**

## **Consolidated Financial Statements**

**March 31, 2006**

**Unaudited**

(expressed in U.S. dollars)

# Amerigo Resources Ltd.

## Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	<b>March 31 2006 \$</b>	<b>December 31 2005 \$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	15,453,290	12,953,516
Accounts receivable	9,566,449	9,267,610
Prepaid expenses	1,050,961	638,337
Plant supplies and inventory	2,405,079	2,392,017
	<u>28,475,779</u>	<u>25,251,480</u>
<b>Investment in Nikos Explorations</b>	936,747	936,747
<b>Investment in Chariot Resources</b> (Note 7)	10,307,046	-
<b>Mineral property, plant and equipment</b> - net (Note 2)	59,126,439	52,725,600
<b>Contractual rights</b> – net (Note 3)	8,183,383	8,305,083
<b>Other</b>	16,457	20,540
	<u>107,045,851</u>	<u>87,239,450</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	9,711,245	9,906,820
Dividends payable	3,621,713	-
El Teniente royalty payable (Note 6)	3,010,254	3,205,525
Due to related parties (Note 4)	47,156	59,789
Note and interest payable	3,889,197	3,842,983
	<u>20,279,565</u>	<u>17,015,117</u>
<b>Other payables</b>	631,574	569,920
<b>Asset retirement obligation</b>	2,230,535	2,193,448
<b>Future income tax</b>	3,889,396	4,169,112
<b>Minority interest</b>	1,000	1,000
	<u>27,032,070</u>	<u>23,948,597</u>
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (Note 5)	55,493,499	39,451,043
<b>Value assigned to stock options</b> (Note 5(b))	914,611	1,219,194
<b>Retained earnings</b>	23,627,781	22,642,726
<b>Cumulative translation adjustment</b>	(22,110)	(22,110)
	<u>80,013,781</u>	<u>63,290,853</u>
	<u>107,045,851</u>	<u>87,239,450</u>

Approved by the Board of Directors

“Robert J. Gayton” \_\_\_\_\_ Director

“Ruston Goepel” \_\_\_\_\_ Director

# Amerigo Resources Ltd.

## Consolidated Statements of Operations (Unaudited)

(expressed in U.S. dollars)

	Three months ended March 31, 2006 \$	Three months ended March 31, 2005 \$
<b>Revenue, net of smelter and refinery charges</b>	16,352,741	8,398,280
Other revenue	685,002	-
<b>Total revenue</b>	17,037,743	8,398,280
<b>Costs</b>		
Production costs	7,246,857	3,771,742
El Teniente royalty (Note 6)	2,607,462	1,407,948
Depreciation and amortization	397,210	297,587
Administration	333,659	227,968
Transportation	205,039	157,121
Asset retirement accretion cost	37,087	34,661
<b>Cost of sales</b>	10,827,314	5,897,027
	6,210,429	2,501,253
<b>Other expenses</b>		
Transfer agent and filing fees	62,362	56,935
Salaries, consulting and professional fees	131,481	121,677
Office expense	102,645	34,959
Interest expense	46,664	2,879
Management fees	267,748	46,454
Stock-based compensation (Note 5(b))	203,598	504,760
Insurance expense	13,066	11,370
Shareholder information	24,773	9,804
	852,337	788,838
<b>Earnings before the undernoted items</b>	5,358,092	1,712,415
Interest income	107,092	50,836
Other income	10,785	16,129
Foreign exchange gain (expense)	(42,107)	220,737
<b>Earnings before taxes and minority interest</b>	5,433,862	2,000,117
<b>Income tax expense, net of tax recoveries</b>	699,514	243,176
	4,734,348	1,756,941
<b>Minority interest</b> (Note 4)	127,580	112,219
<b>Net earnings for the quarter</b>	4,606,768	1,644,722
<b>Retained earnings – beginning of quarter</b>	22,642,726	7,803,036
<b>Dividends</b>	(3,621,713)	-
<b>Retained earnings – end of quarter</b>	23,627,781	9,447,758
<b>Earnings per share</b>		
Basic	0.0524	0.0237
Diluted	0.0515	0.0186

# Amerigo Resources Ltd.

## Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	<b>Three months ended March 31, 2006</b>	<b>Three months ended March 31, 2005</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Net earnings for the quarter	4,606,768	1,644,722
Items not affecting cash -		
Income tax expense, net of (tax recoveries)	(77,455)	243,176
Stock-based compensation	203,598	504,760
Depreciation and amortization	397,210	297,587
Asset retirement accretion cost	37,087	34,661
	<u>5,167,208</u>	<u>2,724,906</u>
Changes in non-cash working capital		
Accounts receivable	(298,839)	232,877
Prepaid expenses	(412,624)	(241,862)
Plant, supplies and inventory	(13,062)	(214,359)
Accounts payable	(195,575)	(456,008)
Due to related parties	(12,633)	(6,482)
El Teniente royalty payable	(195,271)	(273,083)
Note and interest payable	46,214	-
	<u>4,085,418</u>	<u>1,765,989</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,798,049)	(4,517,658)
Purchase of investment in Chariot Resources	(10,307,046)	-
<b>Net cash used in investing activities</b>	<u>(17,105,095)</u>	<u>(4,517,658)</u>
<b>Cash flows from financing activities</b>		
Issuance of shares for cash – net of issue costs	15,534,275	3,339,301
Other payables	61,654	29,638
<b>Net cash provided by financing activities</b>	<u>15,595,929</u>	<u>3,368,939</u>
<b>Increase in cash and cash equivalents</b>		
due to exchange rate changes	(76,478)	(44,063)
<b>Net increase in cash and cash equivalents</b>	<u>2,499,774</u>	<u>573,207</u>
<b>Cash and cash equivalents – Beginning of the quarter</b>	<u>12,953,516</u>	<u>8,239,089</u>
<b>Cash and cash equivalents – End of the quarter</b>	<u>15,453,290</u>	<u>8,812,296</u>

# Amerigo Resources Ltd.

## Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in U.S. dollars)

	Common shares		Retained Earnings	Value assigned to stock options	Cumulative Translation Adjustment	Shareholders' equity
	No. of shares	Amount				
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance –						
Dec. 31, 2004	65,195,071	26,891,142	7,803,036	1,092,711	(22,110)	35,764,779
Issue of shares						
Exercise of warrants	20,317,773	11,404,599	-	-	-	11,404,599
Exercise of stock options	713,000	736,696	-	-	-	736,696
Options granted	-	-	-	545,089	-	545,089
Transfer of value on exercise of stock options	-	418,606	-	(418,606)	-	-
Dividends paid	-	-	(3,152,777)	-	-	(3,152,777)
Net earnings for the period	-	-	17,992,467	-	-	17,992,467
Balance –						
Dec 31, 2005	86,225,844	39,451,043	22,642,726	1,219,194	(22,110)	63,290,853
Issue of shares						
Brokered placement	7,000,000	14,608,577	-	-	-	14,608,577
Exercise of stock options	930,000	925,698	-	-	-	925,698
Options granted	-	-	-	203,598	-	203,598
Transfer of value on exercise of stock options	-	508,181	-	(508,181)	-	-
Dividends declared	-	-	(3,621,713)	-	-	(3,621,713)
Net earnings for the period	-	-	4,606,768	-	-	4,606,768
Balance –						
March 31, 2006	94,155,844	55,493,499	23,627,781	914,611	(22,110)	80,013,781

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements (Unaudited)

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(expressed in U.S. dollars)

### 1 Significant accounting policies

The financial statements of Amerigo Resources Ltd. (“Amerigo”) together with its subsidiaries (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 interim financial statements and notes thereto should be read in conjunction with Amerigo’s audited financial statements for the year ended December 31, 2005.

Certain comparative figures have been reclassified to conform to the basis of presentation adopted in the current period.

### 2 Mineral property, plant and equipment

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	\$	\$
Plant and infrastructure	24,224,921	24,224,921
Machinery and equipment and other assets	37,659,689	30,861,640
	<hr/>	<hr/>
	61,884,610	55,086,561
Accumulated depreciation	(2,758,171)	(2,360,961)
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	59,126,439	52,725,600
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### 3 Contractual rights

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 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 at which time the value of the rights was increased to \$9,394,146. The contract right and the associated future income tax liability are amortized using the unit of production method.

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(1,210,763)	(1,089,063)
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	8,183,383	8,305,083
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# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements (Unaudited)

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(expressed in U.S. dollars)

### 4 Related party transactions

#### a) Minority Interest

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 associates of a director of the Company and by a director of the Company and an associate.

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 three months ended March 31, 2006, a royalty dividend of \$127,580 was paid or accrued to the Amerigo International Class A shareholders on the basis described above. The royalty dividend is shown as Minority Interest in the Consolidated Statement of Operations. At March 31, 2006, \$47,156 of this amount was payable.

#### b) Management fees

During the three months ended March 31, 2006, the Company paid or accrued \$267,748 in management fees to certain directors and officers of Amerigo. Included in management fees are bonus payments of \$210,804 to senior management.

#### c) Directors fees and remuneration to officers

During the three months ended March 31, 2006, Amerigo paid or accrued \$49,907 in directors' fees and directors' expenses to independent directors and \$27,863 in consulting fees to certain officers of Amerigo. Directors' fees and consulting fees to officers are categorized as Salaries, Consulting and Professional Fees in the Amerigo's consolidated financial statements.

At March 31, 2006 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd. ("Nikos"), a company to which Amerigo sold its Canadian mineral properties in fiscal 2004. At the time of the disposition of mineral properties to Nikos, none of Amerigo's officers or directors of Amerigo served as directors or officers of Nikos.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements (Unaudited)

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(expressed in U.S. dollars)

### 5 Capital stock

Authorized – Unlimited common shares without par value.

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

On March 17, 2006, Amerigo closed a financing of 7,000,000 of its common shares at the price of Cdn\$2.60 per share by way of a bought deal offering under a short form prospectus to raise gross proceeds, before expenses and underwriters' fees, of Cdn\$18,200,000 (\$15,763,020). In connection with the financing, Amerigo incurred share issuance costs of \$1,154,443. The net proceeds from this offering of \$14,608,577 will be used to fund ongoing corporate development and for general corporate purposes.

During the three months ended March 31, 2006, Amerigo received \$925,698 from the exercise of 930,000 stock options at exercise prices ranging from Cdn\$0.36 to Cdn\$1.77 per stock option.

#### b) Stock options

##### Stock option plan

Amerigo established a stock option plan (the "Plan") on April 2, 2003. 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 5,194,569 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 and shall be no less than the closing price of Amerigo's common shares on the Exchange on the day preceding the date of grant, less the maximum discount permitted by the policies of the Exchange, subject to the minimum exercise price per common share permitted by the Exchange. 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 (Unaudited)

(expressed in U.S. dollars)

A summary of Amerigo's stock options at March 31, 2006 and December 31, 2005 and the changes for the three and twelve month periods ending on those dates is presented below:

	<b>Three months ended March 31, 2006</b>		<b>Twelve months ended December 31, 2005</b>	
	<b>Outstanding options</b>	<b>Weighted average exercise price Cdn\$</b>	<b>Outstanding options</b>	<b>Weighted average exercise price Cdn\$</b>
Balance – start of period	2,297,000	1.39	1,675,000	1.14
Granted	1,335,000	2.71	1,335,000	1.62
Exercised	<u>(930,000)</u>	1.15	<u>(713,000)</u>	1.24
Balance – end of period	<u>2,702,000</u>	2.12	<u>2,297,000</u>	1.39

On February 21, 2006 Amerigo granted stock options to purchase an aggregate of 1,335,000 common shares to directors, officers and employees of the Company, with an exercise price of Cdn\$2.71 per share, expiring on February 21, 2011. The options vest in four equal quarterly instalments, on March 31, June 30, September 30 and December 31, 2006. For the options vested on March 31, 2006 Amerigo recorded a stock-based compensation of \$203,598.

### Value assigned to stock options

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Balance – beginning of period	1,219,194	1,092,711
Options granted	203,598	545,089
Transfer to capital stock on exercise of stock options	<u>(508,181)</u>	<u>(418,606)</u>
Balance – end of period	<u>914,611</u>	<u>1,219,194</u>

The Company estimated that the weighted average fair value of the options granted in February 2006 was Cdn\$0.71 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	3.3%
Expected stock price volatility	33.1%
Risk-free interest rate	4.05%
Expected life of options	5 years

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements (Unaudited)

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(expressed in U.S. dollars)

The Company estimated that the weighted average fair value of the options granted in August 2005 was \$0.27 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	5.1%
Expected stock price volatility	30.7%
Risk-free interest rate	3.4%
Expected life of options	5 years

The Company estimated that the weighted average fair value of the options granted in January 2005 was \$0.43 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	0%
Expected stock price volatility	29.3%
Risk-free interest rate	3.08%
Expected life of options	5 years

The following stock options were outstanding and exercisable as at March 31, 2006:

<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>
1.23 to 2.71	<u>1,700,750</u>	4.15 years	2.12

### c) Dividends

On February 14, 2006 Amerigo declared an interim dividend of Cdn\$0.045 per share to shareholders of record as of March 31, 2006, for a total of \$3,621,713, paid on April 7, 2006.

## 6 El Teniente Royalty

MVC has a contract with Codelco through at least 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty on copper produced by MVC to Codelco – El Teniente based on 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, the maximum royalty of 13.5% is payable.

# Amerigo Resources Ltd.

## Notes to Consolidated Financial Statements (Unaudited)

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(expressed in U.S. dollars)

Royalty payments for copper production are calculated using the average LME price for copper for the third month following delivery, 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 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 of January 1, 2006, MVC pays to Codelco - El Teniente a royalty for copper extracted from Colihues 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. The royalty is 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%. An amount equal to the royalty payment on Colihues extraction is credited to the royalty on total copper production payable to Codelco-El Teniente described in the preceding paragraphs.

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

### **7 Investment in Chariot Resources**

On February 10, 2006, Amerigo acquired 25.6 million common shares of Chariot Resources Limited ("Chariot"), an issuer listed on the TSX, along with 11,532,000 share purchase warrants (the "Chariot Warrants") of Chariot for investment purposes. Each Chariot Warrant entitles Amerigo to purchase an additional common share of Chariot at a price of Cdn\$0.35 per share until December 22, 2006. Amerigo currently holds 26,863,000 common shares of Chariot and 11,532,000 Chariot Warrants, which collectively represents approximately 15.19% of Chariot's issued and outstanding share capital (including the common shares issuable on the exercise of the Chariot Warrants). At March 31, 2006, Chariot's closing price was Cdn\$0.40 per share.