

Amerigo Resources Ltd.

Consolidated Financial Statements

June 30, 2006

Unaudited

(expressed in U.S. dollars)

Amerigo Resources Ltd.

Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	June 30 2006 \$	December 31 2005 \$
Assets		
Current assets		
Cash and cash equivalents	18,964,216	12,953,516
Accounts receivable	14,260,432	9,267,610
Prepaid expenses	899,056	638,337
Plant supplies and inventory	2,323,942	2,392,017
	<u>36,447,646</u>	<u>25,251,480</u>
Investment in Nikos Explorations	936,747	936,747
Investment in Chariot Resources (Note 7)	11,326,020	-
Mineral property, plant and equipment - net (Note 2)	64,515,887	52,725,600
Contractual rights – net (Note 3)	8,067,796	8,305,083
Other	18,761	20,540
	<u>121,312,857</u>	<u>87,239,450</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	10,804,208	9,906,820
Bank loan	3,707,558	-
El Teniente royalty payable (Note 6)	3,482,653	3,205,525
Due to related parties (Note 4)	45,701	59,789
Note and interest payable (Note 8)	3,935,925	3,842,983
	<u>21,976,045</u>	<u>17,015,117</u>
Other payables	616,049	569,920
Asset retirement obligation	2,267,622	2,193,448
Future income tax	3,965,297	4,169,112
Minority interest (Note 4(a))	1,000	1,000
	<u>28,826,013</u>	<u>23,948,597</u>
Shareholders' Equity		
Capital stock (Note 5)	55,398,011	39,451,043
Value assigned to stock options (Note 5(c))	1,126,835	1,219,194
Retained earnings	35,984,108	22,642,726
Cumulative translation adjustment	(22,110)	(22,110)
	<u>92,486,844</u>	<u>63,290,853</u>
	<u>121,312,857</u>	<u>87,239,450</u>
Subsequent Events (Note 8)		

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 June 30, 2006 \$	Three months ended June 30, 2005 \$	Six months ended June 30, 2006 \$	Six months ended June 30, 2005 \$
Revenue, net of smelter and refinery charges	26,017,098	12,600,139	42,369,839	20,998,419
Other revenue	1,465,851	168,470	2,150,853	168,470
Total revenue	27,482,949	12,768,609	44,520,692	21,166,889
Costs				
Production costs	8,146,369	5,236,587	15,393,226	9,008,329
El Teniente royalty (Note 6)	3,464,237	1,754,808	6,071,699	3,162,756
Depreciation and amortization	429,432	323,413	826,642	621,000
Administration	309,964	266,524	643,623	494,492
Transportation	182,273	162,180	387,312	319,301
Asset retirement accretion cost	37,088	34,661	74,175	69,322
Cost of sales	12,569,363	7,778,173	23,396,677	13,675,200
	14,913,586	4,990,436	21,124,015	7,491,689
Other expenses				
Salaries, management and professional fees	252,996	196,179	652,225	364,310
Stock-based compensation (Note 5(c))	212,224	-	415,822	504,760
Office expense	95,769	42,631	198,414	77,590
Interest expense	76,158	355,706	122,822	358,585
Shareholder information	35,860	34,861	60,633	44,665
Transfer agent and filing fees	23,419	10,090	85,781	67,025
Insurance expense	13,447	11,031	26,513	22,401
	709,873	650,498	1,562,210	1,439,336
Earnings before the undernoted items	14,203,713	4,339,938	19,561,805	6,052,353
Foreign exchange gain (expense)	504,089	375,865	461,982	596,602
Interest income	164,691	62,243	271,783	113,079
Other income	36,113	12,592	46,898	28,721
Gain on disposition of mineral properties	-	427,455	-	427,455
Earnings before taxes and minority interest	14,908,606	5,218,093	20,342,468	7,218,210
Income tax expense, net of tax recoveries	2,343,065	421,514	3,042,579	664,690
	12,565,541	4,796,579	17,299,889	6,553,520
Minority interest (Note 4(a))	120,933	160,815	248,513	273,034
Net earnings for the period	12,444,608	4,635,764	17,051,376	6,280,486
Retained earnings – beginning of period	23,627,781	9,447,758	22,642,726	7,803,036
Dividends (Note 5(d))	(8,594)	-	(3,630,307)	-
Premium on purchase of share capital for cancellation (Note 5(b))	(79,687)	-	(79,687)	-
Retained earnings – end of period	35,984,108	14,083,522	35,984,108	14,083,522
Weighted average number of shares outstanding, basic	94,141,506	76,376,985	91,038,770	71,167,903
Weighted average number of shares outstanding, diluted	96,843,506	88,377,005	94,141,506	84,686,667
Earnings per share				
Basic	0.1322	0.0607	0.1873	0.0882
Diluted	0.1285	0.0525	0.1823	0.0742

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Three months ended June 30, 2006 \$	Three months ended June 30, 2005 \$	Six months ended June 30, 2006 \$	Six months ended June 30, 2005 \$
Cash flows from operating activities				
Net earnings for the quarter	12,444,608	4,635,764	17,051,376	6,280,486
Items not affecting cash -				
Income tax expense, net of (tax recoveries)	(64,800)	421,514	(142,256)	664,690
Stock-based compensation	212,224	-	415,822	504,760
Depreciation and amortization	429,432	323,413	826,642	621,000
Asset retirement accretion cost	37,088	34,661	74,175	69,322
Gain on disposition of mineral properties	-	(427,455)	-	(427,455)
	<u>13,058,552</u>	<u>4,987,897</u>	<u>18,225,759</u>	<u>7,712,803</u>
Changes in non-cash working capital				
Accounts receivable	(4,693,983)	(3,436,036)	(4,992,822)	(3,203,159)
Prepaid expenses	151,905	(592,607)	(260,719)	(834,469)
Plant, supplies and inventory	81,137	198,699	68,075	(15,660)
Accounts payable	1,092,963	704,004	897,388	247,996
Due to related parties	(1,455)	22,720	(14,088)	16,501
El Teniente royalty payable	472,399	318,079	277,128	44,996
Note and interest payable	46,728	-	92,942	-
	<u>10,208,246</u>	<u>2,202,756</u>	<u>14,293,663</u>	<u>3,969,008</u>
Net cash provided by operating activities				
Cash flows from investing activities				
Purchase of property, plant and equipment	(5,818,880)	(4,643,315)	(12,616,929)	(9,160,973)
Purchase of investment in Chariot Resources	(1,018,974)	-	(11,326,020)	-
	<u>(6,837,854)</u>	<u>(4,643,315)</u>	<u>(23,942,949)</u>	<u>(9,160,973)</u>
Net cash used in investing activities				
Cash flows from financing activities				
Issuance of shares for cash – net of issue costs	(54,303)	8,423,891	15,479,972	11,763,192
Payment of dividends	(3,630,307)	-	(3,630,307)	-
Proceeds from bank for short term debt	3,707,558	-	3,707,558	-
Purchase of share capital for cancellation	(120,872)	-	(120,872)	-
Other payables	(15,525)	354,467	46,129	384,105
	<u>(113,449)</u>	<u>8,778,358</u>	<u>15,482,480</u>	<u>12,147,297</u>
Net cash provided by financing activities				
Increase in cash and cash equivalents				
due to exchange rate changes	253,983	7,171	177,506	(37,155)
	<u>3,510,926</u>	<u>6,344,970</u>	<u>6,010,700</u>	<u>6,918,177</u>
Net increase in cash and cash equivalents				
Cash and cash equivalents –				
Beginning of the period	15,453,290	8,812,296	12,953,516	8,239,089
Cash and cash equivalents –				
End of the period	<u>18,964,216</u>	<u>15,157,266</u>	<u>18,964,216</u>	<u>15,157,266</u>
Supplemental cash flow information				
Cash paid during the year for interest	29,320	7,181	29,769	10,043
Cash paid during the year for income tax	3,345,825	13,137	3,345,825	13,137

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	14,554,274	-	-	-	14,554,274
Exercise of stock options	930,000	925,698	-	-	-	925,698
Shares repurchased	(71,200)	(41,185)	(79,687)	-	-	(120,872)
Options granted	-	-	-	415,822	-	415,822
Transfer of value on exercise of stock options	-	508,181	-	(508,181)	-	-
Dividends paid	-	-	(3,630,307)	-	-	(3,630,307)
Net earnings for the period	-	-	17,051,376	-	-	17,051,376
Balance –						
June 30, 2006	94,084,644	55,398,011	35,984,108	1,126,835	(22,110)	92,486,844

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(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

	June 30, 2006	December 31, 2005
	\$	\$
Plant and infrastructure	24,224,921	24,224,921
Machinery and equipment and other assets	43,478,569	30,861,640
	<hr/>	<hr/>
Accumulated depreciation	67,703,490 (3,187,603)	55,086,561 (2,360,961)
	<hr/>	<hr/>
	64,515,887	52,725,600
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3 Contractual rights

At the time of the acquisition of Minera Valle Central S.A. (“MVC”), a producer of copper and molybdenum concentrates with operations in Chile, 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 contractual right and the associated future income tax liability are amortized using the units of production method.

	June 30, 2006	December 31, 2005
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(1,326,350)	(1,089,063)
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	8,067,796	8,305,083
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Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(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 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 six months ended June 30, 2006, a royalty dividend of \$248,513 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 June 30, 2006, \$45,701 of this amount was payable.

b) Directors fees and remuneration to officers

During the six months ended June 30, 2006, the Company paid or accrued \$425,666 in fees to companies associated with certain directors and officers of Amerigo. Included in these fees are bonus payments of \$210,804 to senior management. In the same period, Amerigo paid or accrued \$94,671 in directors' fees and directors' expenses to independent directors. Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's consolidated financial statements.

c) At June 30, 2006 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd. ("Nikos"), a company in which Amerigo holds a substantial shareholding.

5 Capital stock

Authorized – Unlimited common shares without par value.

a) Summary of capital stock issued in the period

On March 17, 2006, Amerigo issued 7,000,000 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'

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Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

fees, of Cdn\$18,200,000 (\$15,763,020). In connection with the financing, Amerigo incurred share issuance costs of \$1,208,746. The net proceeds from this offering of \$14,554,274 are being used to fund ongoing corporate development and for general corporate purposes.

During the six months ended June 30, 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) Purchase of shares for cancellation

Under the terms of a normal course issuer bid through the facilities of the Toronto Stock Exchange (“TSX”), Amerigo is entitled to purchase for cancellation up to 7,845,154 of its common shares during the one-year period ending on November 13, 2006. During the six months ended June 30, 2006, Amerigo purchased and cancelled 71,200 shares for a total cost of \$120,872. The premium on the purchase of shares for cancellation amounted to \$79,687 and was applied against Retained Earnings.

c) Stock options

Stock option plan

Amerigo established a stock option plan (the “Plan”) on April 2, 2003, which was amended on June 20, 2006 at Amerigo's annual general meeting. Amerigo's Board of Directors (the “Board”) administers the Plan, whereby it may from time to time grant options to purchase common shares of Amerigo to directors, officers, key employees and certain other persons who provide services to the Company. In accordance with the current terms and provisions of the Plan, the maximum aggregate number of common shares issuable under the Plan must not exceed 10% of Amerigo's issued and outstanding common shares at the date of any grant 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 TSX on the day preceding the date of grant, less the maximum discount permitted by the policies of the TSX, 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.

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(expressed in U.S. dollars)

A summary of Amerigo's stock options at June 30, 2006 and December 31, 2005 and the changes for the six and twelve month periods ending on those dates is presented below:

	Six months ended June 30, 2006		Twelve months ended December 31, 2005	
	Outstanding options	Weighted average exercise price Cdn\$	Outstanding options	Weighted average exercise price Cdn\$
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 and June 30, 2006, Amerigo recorded a stock-based compensation expense of \$415,822.

Value assigned to stock options

	June 30, 2006	December 31, 2005
Balance – beginning of period	1,219,194	1,092,711
Options granted	415,822	545,089
Transfer to capital stock on exercise of stock options	<u>(508,181)</u>	<u>(418,606)</u>
Balance – end of period	<u>1,126,835</u>	<u>1,219,194</u>

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(expressed in U.S. dollars)

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

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 exercisable as at June 30, 2006:

Range of exercise prices Cdn\$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn\$
1.23 to 2.71	<u>2,034,500</u>	3.65 years	1.93

d) Dividends

On February 14, 2006 Amerigo declared a dividend to shareholders of record as of March 31, 2006, of Cdn\$0.045 per share, for a total of \$3,630,307, which was paid on April 7, 2006.

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Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

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 to Codelco – El Teniente on copper produced by MVC. The amount of the 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 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 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.

7 Investment in Chariot Resources

On February 10, 2006, Amerigo acquired for investment purposes 25.6 million common shares and 11,532,000 share purchase warrants (the "Chariot Warrants") of Chariot Resources Limited ("Chariot"), an issuer listed on the TSX currently developing the Marcona copper project in Peru. Each of the Chariot Warrants entitles Amerigo to purchase an additional common share of Chariot at a price of Cdn\$0.35 per share until December 22, 2006. Amerigo has also made subsequent purchases of Chariot shares. At June 30, 2006, Amerigo held 29,363,000 common shares of Chariot and 11,532,000 Chariot Warrants, which collectively represent approximately 17% of Chariot's issued and outstanding share capital (including the common shares issuable on the exercise of the Chariot Warrants). At June 30, 2006, Chariot's common share closing price was Cdn\$0.52 per share. The investment in Chariot is valued at cost, which does not exceed its market value. Subsequent to June 30, 2006, Amerigo acquired additional Chariot shares (Note 8).

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Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

8 Subsequent Events

- a) On July 6, 2006, the Company paid in cash a \$3,400,000 note and accrued interest of \$539,006, due in connection with the acquisition of MVC. A 5% discount on the principal and interest of the note was negotiated by the Company, resulting in a \$202,027 gain realized on settlement of the debt.
- b) On July 6 and 7, 2006, Amerigo acquired a further 2,449,500 common shares of Chariot, increasing its shareholding in Chariot to 31,812,500 common shares and 11,532,000 share purchase warrants of Chariot, representing approximately 18% of Chariot's issued and outstanding common shares (assuming the exercise of outstanding warrants).
- c) In accordance with Amerigo's stated policy, on July 31, 2006 the Board of Directors of Amerigo declared a semi-annual dividend of Cdn 4.5 cents per share, payable on September 1, 2006 to shareholders of record as of August 18, 2006.