Amerigo Resources Ltd.

Condensed Consolidated Interim Financial Statements
Unaudited
For the quarter ended March 31, 2011
(expressed in U.S. dollars)

Amerigo Resources Ltd.

Condensed Consolidated Statements of Financial Position

(expressed in U.S. dollars)

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	37,175,251	35,044,797	7,191,093
Trade and other receivables	29,862,911	18,003,124	19,273,268
Inventories	6,928,778	6,120,345	4,666,104
	73,966,940	59,168,266	31,130,465
Non-current assets			
Available-for-sale financial assets (Note 6)	15,644,233	25,583,511	6,754,790
Property, plant and equipment (Note 8)	138,895,584	140,673,643	129,153,658
Intangible assets (Note 9)	8,895,669	9,233,924	9,157,500
Other non-current assets	179,723	13,710	20,883
Total assets	237,582,149	234,673,054	176,217,296
Liabilities			
Current liabilities			
Trade and other payables	18,503,283	13,782,947	10,089,158
El Teniente royalties payable (Note 7)	10,480,191	11,663,151	11,474,509
Current income tax liabilities	1,807,496	314,976	13,289
Royalties due to related parties (Note 11)	546,175	546,039	516,076
Borrowings (Note 10)	6,869,000	9,851,457	15,912,436
	38,206,145	35,158,570	38,005,468
Non-current liabilities			
Borrowings (Note 10)	3,832,547	4,883,974	5,338,160
Trade and other payables	2,508,905	1,462,006	1,434,383
Royalties to related parties (Note 11)	5,325,201	5,460,390	5,676,835
Asset retirement obligation	6,769,379	7,168,372	5,480,949
Deferred income tax liability	18,426,692	17,530,894	9,845,532
Total Liabilities	75,068,869	72,664,206	65,781,327
Equity			
Share Capital (Note 12)	77,198,826	77,166,170	64,282,591
Other reserves	4,319,658	3,804,484	3,917,592
Retained earnings	61,252,375	49,598,089	38,564,856
Accumulated other comprehensive income	19,742,421	31,440,105	3,670,931
Total equity	162,513,280	162,008,848	110,435,969
Total equity and liabilities	237,582,149	234,673,054	176,217,296

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

________________________________ Director   ________________________________ Director

Amerigo Resources Ltd.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(expressed in U.S. dollars)

	Quarter ended March 31, 2011 $	Quarter ended March 31, 2010 $
Revenue	45,515,500	29,656,765
Cost of sales (Note 14)	39,393,427	26,375,212
Gross profit	6,122,073	3,281,553
Other expenses		
General and administration (Note 14)	1,332,619	1,067,290
Other (gains) losses (Note 15)	(457,586)	(7,944)
	875,033	1,059,346
Operating profit	5,247,040	2,222,207
Finance expense	188,518	390,588
Gain on sale of available-for-sale financial assets (Note 6)	(9,750,931)	-
	(9,562,413)	390,588
Profit before tax	14,809,453	1,831,619
Income tax expense	3,155,167	331,327
Profit for the period	11,654,286	1,500,292
Cumulative translation adjustment	(4,714,429)	(3,019,787)
Unrealized gains on available-for-sale financial assets	1,388,425	977,219
Transfer of other comprehensive income on sale of financial assets	(8,371,680)	-
Other comprehensive loss	(11,697,684)	(2,042,568)
Comprehensive (loss) income	(43,398)	(542,276)
Weighted average number of shares outstanding, basic	171,510,344	159,273,397
Weighted average number of shares outstanding, diluted	173,959,913	162,467,014
Earnings per share		
Basic	0.07	0.01
Diluted	0.07	0.01

The accompanying notes are an integral part of these consolidated financial statements.

Amerigo Resources Ltd.

Condensed Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Quarter ended March 31, 2011 $	Quarter ended March31, 2010 $
Cash flows from operating activities		
Profit for the period	11,654,285	1,500,292
Adjustment for items not affecting cash:		
Gain on available-for-sale financial asset	(9,750,931)	-
Depreciation and amortization	3,358,882	2,565,842
Deferred income tax expense	2,867,351	(494,833)
Share-based compensation	526,236	406,613
Accrued interest	(4,128)	(156,406)
Change in fair value of interest rate swap	(1,497)	-
Other	(166,103)	2,341
	8,484,095	3,823,849
Changes in non-cash working capital	(8,675,903)	(3,878,049)
Net cash from operating activities	(191,808)	(54,200)
Cash flows from investing activities		
Purchase of plant and equipment	(3,357,557)	(2,953,714)
Proceeds from sale of plant and equipment	21,365	-
Proceeds from sale of available-for-sale financial assets	10,405,571	-
Net cash from investing activities	7,069,379	(2,953,714)
Cash flows from financing activities		
Repayments	(3,824,637)	(1,849,144)
Issuance of shares on exercise of share options and warrants	21,594	11,411,708
Net cash from financing activities	(3,803,043)	9,562,564
Net increase in cash and cash equivalents	3,074,528	6,554,650
Effect of exchange rate changes on cash	(944,074)	980,126
Cash and cash equivalents - Beginning of period	35,044,797	7,191,093
Cash and cash equivalents - End of period	37,175,251	14,725,869

Supplementary cash flow information (Note 16)

The accompanying notes are an integral part of these consolidated financial statements.

Amerigo Resources Ltd.

Condensed Consolidated Statements of Changes in Equity

(expressed in U.S. dollars)

	Share capital		Other reserves	Accumulated other comprehensive income	Retained earnings	Total equity
	Number of shares	Amount				
		$	$	$	$	$
Balance January 1, 2010	**134,455,944**	**64,282,591**	**3,917,591**	**3,670,931**	**38,564,856**	**110,435,969**
Issue of shares -						-
Exercise of warrants	36,404,400	12,626,063	(1,229,151)	-	-	**11,396,912**
Exercise of share options	50,000	19,570	(4,774)	-	-	**14,796**
Options vested	-	-	406,613	-	-	**406,613**
Cumulative translation adjustment	-	-	-	(3,019,787)	-	**(3,019,787)**
Unrealized gains on available-for-sale financial assets (Net of tax of $153,666)	-	-	-	977,219	-	**977,219**
Net earnings for the period	-	-	-	-	1,500,292	**1,500,292**
Balance March 31, 2010	**170,910,344**	**76,928,224**	**3,090,279**	**1,628,363**	**40,065,148**	**121,712,014**
Balance January 1, 2011	**171,510,344**	**77,166,170**	**3,804,484**	**31,440,105**	**49,598,089**	**162,008,848**
Issue of shares -						
Exercise of share options	30,000	32,656	(11,062)	-	-	**21,594**
Options vested	-	-	526,236	-	-	**526,236**
Cumulative translation adjustment	-	-	-	(4,714,429)	-	**(4,714,429)**
Unrealized gains on available-for-sale financial assets (net of tax of $208,460)	-	-	-	1,388,425	-	**1,388,425**
Transfer of other comprehensive income on sale of financial assets (net of tax of $2,092,920)	-	-	-	(8,371,680)	-	**(8,371,680)**
Net earnings for the period	-	-	-	-	11,654,286	**11,654,286**
Balance March 31, 2011	**171,540,344**	**77,198,826**	**4,319,658**	**19,742,421**	**61,252,375**	**162,513,280**

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in U.S. dollars)

1 General Information

Amerigo Resources Ltd. ("the Company") is incorporated under the laws of British Columbia, Canada and is listed for trading on the Toronto Stock Exchange ("TSX"), the OTCQX stock exchange in the United States and the Lima Stock Exchange. The address of its registered office is Suite 2694-1055 Dunsmuir Street, Vancouver, British Columbia.

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

These consolidated financial statements were authorised for issue by the board of directors on June 10, 2011.

2 First-time adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In the consolidated financial statements, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 20 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of June10, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

IFRS accounting policies are presented in Note 4 and have been applied in preparing the consolidated financial statements for the quarter ended March 31, 2011, the comparative information, and the opening statement of financial position at the date of transition.

(expressed in U.S. dollars)

The Company applied IFRS1 *First-time Adoption of International Financial Reporting Standards* in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in Note 20**.**

First-time adoption exemptions applied

IFRS1 *First-time adoption of International Financial Reporting Standards*, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS. Those exemptions the Company has elected to apply and are considered significant to the Company include:

- Not to restate previous business combinations and the accounting thereof;
- Elect to use MVC's previous GAAP revaluation of property, plant and equipment at the date of transition to IFRS as deemed cost;
- Elect to capitalize borrowing costs related to qualifying assets commencing from the date of transition to IFRS.
- Reset the cumulative translation difference reserve for all foreign operations to zero at the date of transition to IFRS.

3 Application of new and revised International Financial Reporting Standards

The IASB has issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial instruments - Classification and Measurement (IFRS 9), IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial instruments - classification and measurement

This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value.

(expressed in U.S. dollars)

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(expressed in U.S. dollars)

4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value. The consolidated financial statements are presented in U.S. dollars except when otherwise indicated.

4.2 Consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

4.3 Segment reporting

The Company operates in one segment which is the production of copper concentrates, with the production of molybdenum concentrates as a by-product.

4.4 Foreign currency translation

(a) Functional and presentation currency

The Company's presentation currency is the U.S. dollar ("$"). The functional currencies of the Company and MVC are the Canadian dollar and Chilean peso ("CLP"), respectively. These consolidated financial statements have been translated to the U.S. dollar in accordance with IAS 21"The Effects of Changes in Foreign Exchange Rates". This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Resulting gains and losses on translation are included as a component of equity.

(b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on

(expressed in U.S. dollars)

the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

4.5 Property, plant and equipment

(a) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overheads. The costs of day-to-day servicing are recognized in profit or loss as incurred. Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

(b) Asset impairment

The Company's property, plant and equipment are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(expressed in U.S. dollars)

4.6 Intangible assets

At the time of the acquisition of MVC, the Company 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. This contractual right is amortized over the term of the contract and tested for impairment when circumstances indicate that the carrying value may be impaired.

4.7 Financial assets and other financial liabilities

4.7.1 Classification

(a) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as FVTPL financial assets.

(b) Financial assets held to maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

(c) Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(expressed in U.S. dollars)

(d) Available-for-sale financial assets ("AFS")

Investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and are accumulated in the investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date.

(e) Other financial liabilities

Other financial liabilities at amortized cost include trade and other payables and borrowings. Trade payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(f) Derivative financial instruments

The Company uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. The Company's royalty to related parties is a derivative liability. All derivatives have been classified as held-for-trading, are included on the balance sheet within other liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in finance income (expense).

4.7.2 Recognition and measurement

(g) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(h) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or

(expressed in U.S. dollars)

- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(i) De-recognition of financial assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

4.8 Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options.

The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

4.9 Inventories

Inventories, comprising concentrates in process and copper and molybdenum concentrates, are valued at the lower of cost and net realizable value. Consumables are valued at the lower of average cost and net realizable value, with replacement cost used as the best available measure of net realizable value. Production cost is determined primarily on a weighted-average cost basis and includes direct production costs, direct labour costs and an allocation of variable and fixed production overhead including depreciation. Net realizable value is the estimated selling price in the ordinary course of business.

4.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

(expressed in U.S. dollars)

4.11 Current and deferred income tax

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.12 Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

4.13 Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(expressed in U.S. dollars)

4.14 Revenue recognition

Revenue from the sale of the Company's copper and molybdenum concentrates is recorded net of smelter and refinery charges when persuasive evidence of a sales arrangement exists, delivery has occurred, the rights and obligations of ownership have passed to the customer and the sale price is determinable, subject to adjustments during the settlement period.

Copper produced by the Company is sold under a written sales agreement with Chile's Empresa Nacional de Minería ("Enami" or the "smelter"). The agreement with Enami establishes a delivery schedule of monthly sales quotas and in 2011 has set the Company's copper sale price at the average market price for the month following delivery ("M+1"). Where production falls short of the monthly quota for a scheduled month of delivery, the quota is carried forward to a subsequent calendar month and the Company receives a sale price calculated for the originally scheduled month of delivery until the quota is met.

Molybdenum produced by the Company is sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"). In 2011, the sale price to Molymet is the average market price for the month of delivery ("M").

In normal supply conditions and in circumstances where the quotational period for sales goes beyond the sale price for the month of delivery, sales for copper and molybdenum are provisionally priced at the time of sale based on the prevailing copper forward market price or the current molybdenum market price, as specified in the sales contracts, where applicable. Variations between the price recorded at the time of sale and the actual final price received from the smelter or the roaster are caused by changes in copper and molybdenum market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. In a period of rising prices, not only will the Company record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for copper and molybdenum delivered in the prior period. Similarly, in a period of declining prices, the Company will record lower revenues for current deliveries and negative adjustments to revenue for prior period deliveries.

4.15 Asset retirement obligation

MVC has a future obligation to retire the assets located at its facility at the end of its contract with El Teniente in 2021. This obligation has been recorded as a liability at present value in the Company's consolidated balance sheet. The fair value determination is based on estimated future cash flows, the current credit-adjusted risk-free discount rate, and an estimated inflation factor. The value of asset retirement obligations is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The fair value of the liability is added to the carrying amount of plant and equipment, and this additional carrying amount is depreciated over time to 2021. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in finance expense.

4.16 Comprehensive income (loss)

Comprehensive income (loss) includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

(expressed in U.S. dollars)

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these interim consolidated financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful life of assets

As at March 31, 2011, the contract with El Teniente has been estimated to terminate as of December 31, 2021. The useful lives of assets have been determined based on their estimated economic life, not to exceed December 31, 2021. Changes in the remaining life of the contract with El Teniente will be determined based on executed term extensions.

Asset retirement obligation

The future value of the provision for asset retirement was determined using an inflation rate of 4.5% and an estimated contractual term to December 31, 2021. The provision has been discounted to present value at a credit-adjusted rate.

Impairment of property, plant and equipment

Please refer to Note 4.5(b).

6 Available-for-sale financial assets

	March 31, 2011 $	December 31, 2010 $
Start of period	25,583,511	6,754,790
Exchange differences	621,125	407,585
Additions	-	1,915,923
Disposals	(11,119,240)	-
Changes in fair value	558,837	16,505,213
End of period	15,644,233	25,583,511

(expressed in U.S. dollars)

Available-for-sale financial assets include the following:

	March 31, 2011 $	December 31, 2010 $
Candente Copper Corp. (a)	10,594,717	19,636,633
Candente Gold Corp. (b)	1,752,786	2,179,450
Los Andes Copper Ltd. (c)	3,296,730	3,767,428
	15,644,233	25,583,511

a) At various dates during 2007 and 2008, the Company acquired for investment purposes 10,788,280 common shares of Candente Copper Corp. (“Candente Copper)”, an issuer listed on the Toronto, Lima and Frankfurt stock exchanges, at an aggregate cost of $15,861,986. The Company’s investment in Candente Copper 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 in the Company’s consolidated 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. During the quarter ended March 31, 2011, the Company sold 5,000,000 of its Candente Copper shares, and recognized a gain of $9,750,931 in earnings. At March 31, 2011, Candente Copper’s closing share price was Cdn$1.78 and the fair value of the Company’s approximately 5% investment in Candente Copper was $10,594,717. During the quarter ended March 31, 2011, the Company recorded other comprehensive income of $2,077,324 (Q1-2010: other comprehensive loss of $931,681) for the changes in fair value of this investment, net of deferred income tax.

b) On January 4, 2010, the Company received a total of 2,157,656 shares of Candente Gold Corp. (“Candente Gold”), an issuer listed on the TSX, following Candente Gold’s spinout from Candente Copper. The initial cost of the Candente Gold shares and subsequent adjustments to fair value required at each balance sheet date are recorded in accumulated other comprehensive income, as the Company’s investment in Candente Gold is designated as “available for sale” for accounting purposes. At March 31, 2011, Candente Gold’s closing share price was Cdn$0.79 and the fair value of the Company’s approximately 4% investment in Candente Gold was $1,752,786. The Company recorded other comprehensive loss of $426,664 (Q1-2010: other comprehensive income of $1,609,482) for the changes in the fair value of this investment, net of deferred income tax.

c) At various dates during 2007 and 2008, the Company acquired for investment purposes 8,015,000 common shares of Los Andes Coppper Ltd. (“Los Andes”), 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 Company’s investment in Los Andes is designated as “available for sale” for accounting purposes. At March 31, 2011, Los Andes’s closing share price was Cdn$0.40 and the fair value of the Company’s approximately 6% investment was $3,296,730. The Company recorded other comprehensive loss of $470,698 (Q1-2010: other comprehensive income of $88,506) for the changes in the fair value of this investment, net of deferred income tax.

(expressed in U.S. dollars)

7 El Teniente royalty payable

MVC has a contract with Codelco – El Teniente ("DET") until 2021 to process tailings ("fresh tailings") from the current production of the El Teniente mine in Chile (Note 12). 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 fresh tailings. No royalties are payable if the copper price is below $0.80/lb (for copper content in fresh 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.

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.

The El Teniente royalties are recorded as a component of cost of sales.

During the quarter ended June 30, 2009, MVC reached an agreement with DET providing MVC the right to process tailings from the Colihues tailings impoundment. The agreement provides for a sliding scale copper royalty that is 3% if the LME Price is less than $0.80/lb, and rises to approximately 30% 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 three 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.

As at March 31, 2011, royalties payable to El Teniente were $10,480,191 (December 31, 2010: $11,663,151), representing approximately three months of royalties,

(expressed in U.S. dollars)

8 Property, plant and equipment

	Plant and infrastructure $	Machinery and equipment and other assets $	Total $
At January 1, 2010			
Cost	137,332,863	44,179,757	181,512,620
Accumulated depreciation	(34,657,394)	(17,701,568)	(52,358,962)
Net book amount	102,675,469	26,478,189	129,153,658
Year ended December 31, 2010			
Opening net book amount	102,675,469	26,478,189	129,153,658
Exchange differences	8,786,109	2,285,703	11,071,812
Additions	10,317,454	1,165,448	11,482,902
Depreciation charge	(8,426,554)	(2,608,175)	(11,034,729)
Closing net book amount	113,352,478	27,321,165	140,673,643
At December 31, 2010			
Cost	160,070,864	49,042,806	209,113,670
Accumulated depreciation	(46,718,386)	(21,721,641)	(68,440,027)
Net book amount	113,352,478	27,321,165	140,673,643
Period ended March 31, 2011			
Opening net book amount	113,352,478	27,321,165	140,673,643
Exchange differences	(2,309,818)	(892,371)	(3,202,189)
Additions	4,323,308	314,796	4,638,104
Disposals	-	(21,275)	(21,275)
Depreciation charge	(2,469,655)	(723,044)	(3,192,699)
Closing net book amount	112,896,313	25,999,271	138,895,584
At March 31, 2011			
Cost	161,185,414	47,644,676	208,830,090
Accumulated depreciation	(48,289,101)	(21,645,405)	(69,934,506)
Net book amount	112,896,313	25,999,271	138,895,584

(expressed in U.S. dollars)

9 Intangible assets

	$
January 1, 2010	
Cost	9,157,500
Exchange differences	231,304
Amortization	(154,880)
Net book amount, December 31, 2010	9,233,924
Exchange differences	(172,070)
Amortization	(166,185)
Net book amount, March 31, 2011	8,895,669

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 processing El Teniente mine tailings. The contractual right is amortized to the end of 2021.

10 Borrowings

	March 31, 2011 $	**December 31, 2010** $
Enami loan (Note 10(a))	-	1,887,155
Bank loans (Note 10 (b), (c) and (d))	10,701,547	12,848,276
	10,701,547	14,735,431
Less: Short-term debt and current portion of long-term debt	(6,869,000)	(9,851,457)
	3,832,547	4,883,974

The fair values of debt are determined using market values where available and discounted cash flows based on the expected cost of borrowing on other items.

(expressed in U.S. dollars)

(a) MVC sells its copper production to 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 agreed to 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. Interest was payable on the Enami loan at a rate of Banco de Chile Prime plus 2%. Collateral on certain equipment was provided in an amount of approximately $16,550,000. The Enami loan was repaid in full during the quarter ended March 31, 2011.

b) In October 2009, MVC obtained from a Chilean bank a loan denominated in Unidades de Fomento ("UF"), the Chilean indexed monetary unit. The principal amount of the loan was UF167,600 (the equivalent of Chilean Pesos ("CLP") 3,500,000,000 or $6,508,957 at the loan grant date). The loan was used to repay a CLP$3,150,000,000 short-term loan with the same bank. The remaining CLP350,000,000 was used for working capital. The balance of the loan and accrued interest at March 31, 2011 was the equivalent of $2,862,394 (December 31, 2010: $3,893,845).

This loan is repayable in eight equal quarterly instalments of UF20,950 from January 20, 2010 to October 20, 2011. The loan agreement provides for interest at an annual rate of 6.78%, and requires MVC to meet certain interest coverage and debt to equity ratios at June 30 and December 31 in each year during the term of the loan. MVC also agreed to allow the bank to retain previously granted security in certain machinery and equipment with a carrying value of approximately $11,900,000 as collateral. MVC was in compliance with all debt covenants at December 31, 2010.

c) In November 2010, the Company obtained from the same bank described on note 10(b) an additional loan denominated in U.S. dollars in the principal amount of $4,000,000. The balance of this loan and accrued interest at March 31, 2011 was $3,507,280 (December 31, 2010: $4,006,920).

This loan is repayable in eight equal quarterly instalments of $500,000 from March 15, 2011 to October 15, 2012, provides for interest at an annual rate of 4.68%, and requires MVC to meet certain interest coverage, debt to equity and bank debt to EBITDA ratios at June 30 and December 31 in each year during the term of the loan. MVC was in compliance with all debt covenants at December 31, 2010.

d) In December 2008, the Company obtained a $5,000,000 loan from a Chilean bank. In May 2009, the loan was converted into a CLP loan and on May 12, 2010 it was restructured as a three year loan.

The principal amount of the loan is CLP2,858,250,000. The loan is repayable in 36 equal monthly instalments of CLP79,395,833 from June 2010 to May 2013. The loan agreement provides for interest at a variable rate of Chilean Association of Banks and Financial Institutions Tasa Bancaria ("TAB") plus 2.5%. Concurrently with the loan agreement, the Company entered into an interest rate swap ("IRS") through which it fixed the rate of the loan to an annual rate of 9.96%. The Company has recognized the IRS in the balance sheet at fair value with changes in its fair value recognized in earnings. MVC provided the bank with security in certain machinery and equipment with a value of approximately $4,010,000 as collateral. The balance of the loan and accrued interest at March 31, 2011 was the CLP equivalent of $4,331,873 (December 31, 2010: $4,947,511).

(expressed in U.S. dollars)

11 Related party transactions

(a) Royalties to related parties

Amerigo holds its interest in MVC through Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by Amerigo except for certain outstanding Class A shares with a book value of $1,000. The Class A shares are owned indirectly by a director, a former director and an associate of a former director of Amerigo, and were issued in order to structure a more tax-efficient manner of paying the royalty obligation (the "Royalty") owing to the director and former director, who transferred to the Company the rights to purchase the interest in MVC.

In accordance with the articles of Amerigo International, 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 the total royalty dividend, if declared by the directors of Amerigo International, in an amount equal to the amount of the Royalty.

The Royalty is 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.

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at March 31, 2011 is $5,871,676 (December 31, 2010: $6,006,429).

For MVC production up to the end of 2010, the Royalty was paid as a royalty dividend on the Class A shares of Amerigo International. During the quarter ended March 31, 2011, Royalties totalling $180,128 were paid or accrued to the Amerigo International Class A shareholders on production in the period (Q1-2010: $139,221). At March 31, 2011, $71,066 of this amount remained outstanding (December 31, 2010: $67,064).

(b) Purchases of goods and services

The Company's related parties consist of companies owned by executive officers and directors, as follows:

	Nature of transactions
Zeitler Holdings Corp.	Management
Sirocco Advisory Services Limited	Management
Michael J. Kuta Law Corporation	Management
Delphis Financial Strategies Inc.	Management

The Company incurred the following fees in connection with companies owned by executive officers and directors. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

(expressed in U.S. dollars)

	Three months ended March 31, 2011 $	Three months ended March 31, 2010 $
Management fees	210,979	86,216
	210,979	86,216

(c) Key management compensation

The remuneration of directors and other members of key management during the quarters ended March 31, 2011 and 2010 were as follows:

	Three months ended March 31, 2011 $	Three months ended March 31, 2010 $
Management and directors' fees	260,139	111,989
Share-based payments	336,000	312,000
	596,139	423,989

Share-based payments are the fair value of options vested to key management personnel.

12 Equity

a) Share capital

Authorised share capital consists of an unlimited number of common shares without par value.

b) Share options

Amerigo established a stock option plan (the "Plan") on April 2, 2003, which was amended on June 24, 2009. 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

(expressed in U.S. dollars)

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.

The weighted average fair value of the share options granted in the period was estimated at Cdn$0.44 per option (Q1-2010: Cdn$0.36) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2011 **$**	**2010** **$**
Weighted average share price	1.32	0.70
Weighted average exercise price	1.32	0.70
Dividend yield	3.88%	-
Risk free interest rate	2.33%	2.19%
Expected life	3.63	4.03
Expected volatility	67.84	66.50%

Expected volatility is based on historical share price volatility for a term of 3.63 years prior to the date of grant.

Outstanding share options

	March 31, 2011		**December 31, 2010**	
	Share options	**Weighted average exercise price Cdn$**	**Share options**	**Weighted average exercise price Cdn$**
At start of the period	9,010,000	1.38	6,670,000	1.61
Granted	2,600,000	1.32	3,195,000	0.70
Exercised	(30,000)	0.70	(650,000)	0.31
Forfeited	-	-	(50,000)	2.29
Expired	(1,260,000)	2.71	(155,000)	1.69
At end of the period	10,320,000	1.20	9,010,000	1.38
Vested and exercisable	8,370,000	1.17	9,010,000	1.38

(expressed in U.S. dollars)

Information relating to share options outstanding at March 31, 2011 is as follows:

Outstanding share options (in 000's)	Vested stock options (in 000's)	Price range Cdn$	Weighted average exercise price on outstanding options $	Weighted average exercise price on vested options $	Weighted average remaining life of outstanding options (months)
1,750,000	1,750,000	0.31-0.69	0.33	0.33	3.02
3,165,000	3,165,000	0.70-1.01	0.70	0.70	3.93
2,600,000	650,000	1.02-1.73	1.32	1.32	4.92
1,035,000	1,035,000	1.74-2.18	2.13	2.13	1.97
1,770,000	1,770,000	2.19-2.49	2.24	2.24	0.88
10,320,000	8,370,000		1.20	1.17	3.31

The weighted average remaining life of vested options at March 31, 2011 was 3.31 years.

Further information about share options is as follows:

	Three months ended March 31, 2011 Cdn$	Three months ended March 31, 2010 Cdn$
Total compensation cost recognized	519,175	412,805
Total fair value of share options vested	348,394	276,497
Total intrinsic value of share options exercised	12,300	24,500

The unrecognized compensation cost for non-vested share options at March 31, 2011 was Cdn$1.32. The period over which it is expected to be recognized is 0.75 years.

13 Segment information

Operating segments are based on the reports reviewed by the board of directors that are used to make strategic decisions. The Company has one operating segment, the production of copper concentrates with the production of molybdenum concentrates as a by-product.

(expressed in U.S. dollars)

The geographic distribution of non-current assets is as follows:

	Property, plant and equipment		**Other**	
	March 31, 2011	**December 31, 2010**	**March 31, 2011**	**December 31, 2010**
Chile	138,506,299	140,346,816	23,067,801	32,943,530
Canada	389,285	326,827	1,651,826	1,887,615
	138,895,584	140,673,643	24,719,627	34,831,145

All of the Company's revenue originates in Chile.

The Company's sales to one customer represent 94% of reported revenue (2010: 88%).

14 Expenses by nature

	Three months ended March 31, 2011 $	**Three months ended March 31, 2010 $**
Production costs	24,196,570	16,465,009
El Teniente royalty	10,551,802	6,321,273
Depreciation and amortisation	3,358,882	2,565,842
Administration	915,096	745,134
Transportation	371,077	277,954
Total cost of sales	39,393,427	26,375,212

The general and administration expenses consist of the following:

	Three months ended March 31, 2011 $	**Three months ended March 31, 2010 $**
Office and general expenses	263,317	345,625
Salaries, management and professional fees	362,938	175,832
Share-based payment compensation	526,236	406,613
Royalties to related parties	180,128	139,220
	1,332,619	1,067,290

(expressed in U.S. dollars)

15 Other (gains) losses

	Three months ended March 31, 2011 $	Three months ended March 31, 2010 $
Foreign exchange (gain) loss	(294,759)	152,334
Other	(162,827)	(160,278)
	(457,586)	(7,944)

16 Supplementary cash flow information

	2011 $	2010 $
(a) Interest and taxes paid		
Interest paid	49,882	444,516
Income taxes paid	427,480	330,246
(b) Other		
Change in accounts payable related to the acquisition of plant and equipment	1,791,059	(857,037)
Cash paid during the period for royalty dividends to non-controlling interests	176,126	156,317

17 Contingencies

In Q3-2007, the Chilean internal revenue service ("SII") issued a tax assessment to MVC challenging the tax losses reported by MVC for the fiscal years 1999 to 2004. The tax assessment claimed that some of these losses could be denied and MVC could face a tax liability of approximately $905,000 at current exchange rates. The Company believed there was no merit to this assessment and retained legal counsel to prepare a response to SII in accordance with Chilean law. Losses of approximately $1,000,000, corresponding to certain depreciation charges, were declined as valid tax-deductible expenses, but are available for inclusion as tax expenses in subsequent periods. MVC will prepare revised tax returns to include the effect of including these charges in subsequent periods once an ongoing review from the SII for the fiscal year 2006 is concluded.

In the fourth quarter of 2007, SII issued a tax assessment to MVC for adjustments, penalties and interest of approximately $142,000, derived from MVC's alleged failure to remit provisional monthly payments towards a Chilean mining royalty tax in 2006. When the mining royalty tax was instituted in Chile, MVC obtained a legal opinion stating that the tax did not apply to MVC's operations, as MVC does not "exploit" under the definition of the Chilean Income Tax Law. Even if the mining royalty tax applied to MVC, tax would not have been payable in 2006 as MVC's production levels that year fell below the threshold prescribed by SII for this tax. MVC retained

(expressed in U.S. dollars)

legal counsel to prepare a response to SII on this matter. MVC also received additional tax assessments for the years 2007 and 2008 in the amounts of approximately $30,700 and $43,400, respectively. MVC appealed these additional assessments. In June 2010 the Chilean tax tribunal ruled in favour of the Chilean SII and the Company appealed this ruling. In January 2011, the court of appeals ruled in favour of MVC on these matters.

No amounts have been recorded by the Company in respect of these matters.

18 Commitments

Operating lease commitments

The Company has entered into a joint lease agreement together with an unrelated corporation, for the lease of office premises in Vancouver. The commencement date of the lease is August 1, 2011, for a five year term. The Company's share of basic rent commitments for the duration of the contract is approximately Cdn$414,200.

(expressed in U.S. dollars)

19 First-time adoption of IFRS

Reconciliations of the statements of financial position

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at January 1, 2010 (date of transition to IFRS), March 31, 2010 and December 31, 2010 are provided below:

	Note	January 1, 2010 (Canadian GAAP) $	Transition Impact $	January 1, 2010 (IFRS) $
Assets				
Current assets				
Cash and cash equivalents		7,191,093	-	7,191,093
Trade and other receivables	6	19,241,121	32,147	19,273,268
Inventories	6	4,666,104	-	4,666,104
		31,098,318	32,147	31,130,465
Non-current assets				
Available-for-sale financial assets		6,754,790	-	6,754,790
Property, plant and equipment	2,3	121,783,483	7,370,175	129,153,658
Intangible assets	1	6,475,923	2,681,577	9,157,500
Other non-current assets	6	82,913	(62,030)	20,883
Total assets		166,195,427	10,021,869	176,217,296
Liabilities				
Current liabilities				
Trade and other payables	6	21,526,330	37,337	21,563,667
Current income tax liabilities		13,289	-	13,289
Royalties to related parties	1	-	516,076	516,076
Borrowings		15,912,436	-	15,912,436
		37,452,055	553,413	38,005,468
Non-current liabilities				
Borrowings		5,338,160	-	5,338,160
Trade and other payables		1,434,383	-	1,434,383
Royalties to related parties	1	-	5,676,835	5,676,835
Asset retirement obligation		5,480,949	-	5,480,949
Deferred income tax liability	4	9,292,881	552,651	9,845,532
Total Liabilities		58,998,428	6,782,899	65,781,327
Equity				
Share Capital		64,282,591	-	64,282,591
Minority interest	1	1,000	(1,000)	-
Other reserves		3,917,591	-	3,917,591
Retained earnings		35,324,886	3,239,970	38,564,856
Accumulated other comprehensive income	2	3,670,931	-	3,670,931
Total equity		107,196,999	3,238,970	110,435,969
Total equity and liabilities		166,195,427	10,021,869	176,217,296

(expressed in U.S. dollars)

	Note	March 31, 2010 (Canadian GAAP) $	Transition Impact $	March 31, 2010 (IFRS) $
Assets				
Current assets				
Cash and cash equivalents		14,725,869	-	14,725,869
Trade and other receivables	6	19,915,480	31,162	19,946,642
Inventories		4,830,024	-	4,830,024
		39,471,373	31,162	39,502,535
Non-current assets				
Available-for-sale financial assets		7,885,675	-	7,885,675
Property, plant and equipment	2,3	122,282,190	2,326,308	124,608,498
Intangible assets	1	6,386,444	2,334,158	8,720,602
Other non-current assets	6	62,310	(43,768)	18,542
Total assets		176,087,992	4,647,860	180,735,852
Liabilities				
Current liabilities				
Trade and other payables	6	9,360,525	(53,039)	9,307,486
El Teniente royalty payable		8,098,711	-	8,098,711
Current income tax liabilities		19,329	-	19,329
Royalties to related parties	1	-	518,173	518,173
Borrowings		11,746,395	-	11,746,395
		29,224,960	465,134	29,690,094
Non-current liabilities				
Borrowings		7,121,412	-	7,121,412
Trade and other payables		1,252,739	-	1,252,739
Royalties to related parties	1	-	5,570,355	5,570,355
Asset retirement obligation		5,576,865	-	5,576,865
Deferred income tax liability	4	9,429,026	383,347	9,812,373
Total Liabilities		52,605,002	6,418,836	59,023,838
Equity				
Share Capital		76,928,224	-	76,928,224
Minority interest	1	1,000	(1,000)	-
Other reserves	5	2,979,573	110,706	3,090,279
Retained earnings		38,901,050	1,164,098	40,065,148
Accumulated other comprehensive income	2	4,673,143	(3,044,780)	1,628,363
Total equity		123,482,990	(1,770,976)	121,712,014
Total equity and liabilities		176,087,992	4,647,860	180,735,852

(expressed in U.S. dollars)

	Note	December 31, 2010 (Canadian GAAP) $	Transition Impact $	December 31, 2010 (IFRS) $
Assets				
Current assets				
Cash and cash equivalents		35,044,797	-	35,044,797
Trade and other receivables	6	18,008,746	(5,622)	18,003,124
Inventories	6	5,021,884	1,098,461	6,120,345
		58,075,427	1,092,839	59,168,266
Non-current assets				
Available-for-sale financial assets		25,583,511	-	25,583,511
Property, plant and equipment	3	127,154,030	13,519,613	140,673,643
Intangible assets	1	6,107,198	3,126,726	9,233,924
Other non-current assets	6	100,096	(86,386)	13,710
Total assets		217,020,262	17,652,792	234,673,054
Liabilities				
Current liabilities				
Trade and other payables	6	25,454,729	(8,631)	25,446,098
Current income tax liabilities		314,976	-	314,976
Royalties to related parties	1	-	546,039	546,039
Borrowings		9,851,457	-	9,851,457
		35,621,162	537,408	36,158,570
Non-current liabilities				
Borrowings		4,883,974	-	4,883,974
Trade and other payables		1,462,006	-	1,462,006
Royalties to related parties	1	-	5,460,390	5,460,390
Asset retirement obligation		7,168,372	-	7,168,372
Deferred income tax liability	4	17,367,667	163,227	17,530,894
Total Liabilities		66,503,181	6,161,025	72,663,206
Equity				
Share Capital		77,166,170	-	77,166,170
Minority interest	1	1,000	(1,000)	-
Other reserves		3,804,483	-	3,804,483
Retained earnings		50,714,330	(1,116,241)	49,598,089
Accumulated other comprehensive income	2	18,831,098	12,609,008	31,440,106
Total equity		150,517,081	11,491,767	162,008,848
Total equity and liabilities		217,020,262	17,652,792	234,673,054

(expressed in U.S. dollars)

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments presented in the preceding tables.

Note 1. The Company has a royalty dividend payable to certain related parties (Note 11). This arrangement was originally entered as consideration for the rights to purchase the interest in MVC. Under Canadian GAAP, the royalty dividend interest was accounted for as a minority interest, measured at a nominal amount of $1,000. Under IFRS, the royalty dividend is a derivative financial instrument and the flow of royalties estimated to be payable to related parties to 2021 needs to be measured as such, through the recognition of a liability in the Company's statement of financial position. This liability has been recorded at fair value, with changes in fair value recorded in profit for the period.

Note 2. Under Canadian GAAP, the Company and all of its subsidiaries had a U.S. dollar measurement currency. Under IFRS, the functional currencies of the Company and MVC are the Canadian dollar and Chilean peso, respectively. The Company's presentation currency remains the U.S. dollar. The current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS.

Note 3. On transition to IFRS, the cost of MVC's plant and equipment was deemed to be the previous Chilean GAAP revaluated amount. Additionally, plant and equipment was analyzed on a component-level, based on the significance of components to total cost. Depreciation timeframes were established for significant components.

Note 4. Tax effect of IFRS adjustments – Adjustments were recorded related to the income tax impact of the Canadian GAAP to IFRS reconciling differences.

Note 5. Under Canadian GAAP, the Company recorded stock based compensation on a straight-line basis over the vesting period. Under IFRS, the Company records share based compensation for each tranche within an award over the vesting period of the corresponding tranche.

Note 6. Certain balances have been reclassified within statement of financial position accounts.

Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the periods ended March 31, 2010 and year ended December 31, 2010 are provided below.

(expressed in U.S. dollars)

	Note	Quarter ended March 31, 2010 (Canadian GAAP)		Quarter ended March 31, 2010 (IFRS)
Revenue		29,656,765	-	29,656,765
Cost of sales	3,6	25,537,392	837,820	26,375,212
Gross profit		4,119,373	(837,820)	3,281,553
Other expenses				
General and administration	6	956,584	110,706	1,067,290
Other (gains) losses	2	(994,295)	986,351	(7,944)
		(37,711)	1,097,057	1,059,346
Operating profit		4,157,084	(1,934,877)	2,222,207
Finance expense	1,6	494,971	(104,383)	390,588
Profit before tax		3,662,113	(1,830,494)	1,831,619
Income tax expense	4	85,949	245,378	331,327
Profit for the period		3,576,164	(2,075,872)	1,500,292
Other comprehensive income	2	1,002,212	(3,044,780)	(2,042,568)
Comprehensive (loss) income		4,578,376	(5,120,652)	(542,276)
Weighted average number of shares outstanding, basic		159,273,397		159,273,397
Weighted average number of shares outstanding, diluted		162,467,014		162,467,014
Earnings per share				
Basic and diluted		0.02		0.01

	Note	Year ended December 31, 2010 (Canadian GAAP)		Year ended December 31, 2010 (IFRS)
Revenue		152,120,143	-	152,120,143
Cost of sales	3,6	125,398,388	3,137,599	128,919,652
Gross profit		26,721,755	(3,137,599)	23,200,491
Other expenses				
General and administration	6	5,430,175	542	5,430,717
Other (gains) losses	2	(797,438)	(596,757)	(1,394,195)
		4,632,737	(596,215)	4,036,522
Operating profit		22,089,018	(2,541,384)	19,163,969
Finance expense	1,6	1,653,725	190,923	1,460,983
Profit before tax		20,435,293	(2,732,307)	17,702,986
Income tax expense	4	5,045,849	1,623,904	6,669,753
Profit for the period		15,389,444	(4,356,211)	11,033,233
Other comprehensive income	2	15,160,167	12,609,007	27,769,174
Comprehensive income		30,549,611	8,252,796	38,802,407
Weighted average number of shares outstanding, basic		168,206,028		168,206,028
Weighted average number of shares outstanding, diluted		170,323,322		170,323,322
Earnings per share				
Basic and diluted		0.09		0.07

(expressed in U.S. dollars)

Statement of cash flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents. There was not change to investing and financing cash flow sub-totals.