Amerigo Resources Ltd.

Consolidated Financial Statements
December 31, 2007
(expressed in U.S. dollars)

Amerigo
RESOURCES LTD.
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements, the Management Discussion and Analysis and the information contained in the company's annual filing of financial results have been prepared by the management of the company.

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent members, meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the financial statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management conducts ongoing reviews and evaluation of these controls and report on their findings to management and the Audit Committee.

Steven G. Dean
Chairman

February 27, 2008

Aurora Davidson
Chief Financial Officer

February 27, 2008

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Shareholders of Amerigo Resources Ltd.

We have audited the consolidated balance sheets of **Amerigo Resources Ltd.** as at December 31, 2007 and 2006 and the consolidated statements of income and comprehensive income, of shareholders' equity and of cash flows for each of the years in the two year period ended December 31, 2007. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
February 27, 2008

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Amerigo Resources Ltd.

Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31 2007 $	December 31 2006 $
Assets		
Current assets		
Cash and cash equivalents	16,712,630	26,574,059
Marketable securities (Note 4)	-	777,457
Accounts receivable	16,901,271	11,693,247
Prepaid expenses	106,289	209,271
Plant supplies and inventory (Note 5)	4,231,984	2,526,911
	37,952,174	41,780,945
Investments (Note 12)	21,171,455	1,204,947
Mineral property, plant and equipment - net (Note 6)	98,136,625	83,414,103
Contractual right - net (Note 7)	7,437,823	7,880,319
Other	40,864	23,734
	164,738,941	134,304,048
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	16,635,329	13,066,490
El Teniente royalty payable (Note 8)	5,742,906	3,623,917
Due to minority shareholders (Note 10(a))	61,735	42,857
	22,439,970	16,733,264
Other payables	1,003,500	586,408
Asset retirement obligation (Note 9)	4,787,273	2,346,989
Future income tax (Note 13)	6,180,703	4,270,358
Minority interest (Note 10(a))	1,000	1,000
	34,412,446	23,938,019
Shareholders' Equity		
Capital stock (Note 11)	56,933,105	55,026,997
Value assigned to stock options (Note 11(c))	1,949,218	1,603,180
Retained earnings	67,070,515	53,757,962
Accumulated other comprehensive income (Note 12(a)(b))	4,373,657	(22,110)
	130,326,495	110,366,029
	164,738,941	134,304,048

Contingencies (Note 19)

Approved by the Board of Directors

"Robert Gayton" Director

"Ruston Goepel" Director

Amerigo Resources Ltd.

Consolidated Statements of Operations and Comprehensive Income

(expressed in U.S. dollars)

	Year ended December 31, 2007 $	Year ended December 31, 2006 $
Revenue	105,694,549	82,054,432
Other revenue	-	2,150,853
Total revenue	105,694,549	84,205,285
Costs		
Production costs	50,214,815	28,823,890
El Teniente royalty (Note 8)	18,673,900	12,776,390
Depreciation and amortization	4,086,845	1,618,424
Administration	1,469,759	1,409,981
Transportation	1,051,392	734,889
Asset retirement accretion cost	164,289	153,541
Stock-based compensation (Note 11(c))	149,276	218,412
Cost of sales	75,810,276	45,735,527
Operating profit	29,884,273	38,469,758
Other expenses		
Salaries, management and professional fees	1,429,902	1,295,705
Office and general expenses	1,136,365	848,516
Stock-based compensation (Note 11(c))	749,406	673,755
Interest expense	19,100	322,942
	3,334,773	3,140,918
Earnings before the undernoted items	26,549,500	35,328,840
Foreign exchange gain	1,348,336	492,168
Interest income	1,272,014	760,236
Realized gain on sale of financial instruments (Note 4)	711,591	-
Other income	297,750	112,821
Investment loss (Note 12(c))	(224,573)	-
Gain on sale of investment (Note 12(d))	-	8,530,377
Gain on settlement of debt	-	202,027
Earnings before taxes and minority interest	29,954,618	45,426,469
Income tax expense, net of tax recoveries (Note 13)	5,085,223	5,690,569
Earnings before minority interest	24,869,395	39,735,900
Minority interest (Note 10(a))	587,041	452,217
Net earnings	24,282,354	39,283,683
Other comprehensive income	4,395,767	-
Comprehensive income	28,678,121	39,283,683
Weighted average number of shares outstanding, basic	94,279,636	92,512,569
Weighted average number of shares outstanding, diluted	94,523,810	93,488,744
Earnings per share		
Basic	0.26	0.42
Diluted	0.26	0.42

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Year ended December 31, 2007 $	Year ended December 31, 2006 $
Cash flows from operating activities		
Net earnings for the year	24,282,354	39,283,683
Items not affecting cash -		
Depreciation and amortization	4,086,845	1,618,424
Future income tax asset	1,910,345	101,246
Stock-based compensation	898,682	892,167
Investment loss	224,573	-
Asset retirement accretion cost	164,289	153,541
Amortization of future income tax asset	64,294	61,718
Realized gain on sale of financial instruments	(711,591)	-
Unrealized (realized) foreign exchange gains	(86,186)	-
Other receivables	(17,130)	(3,194)
Gain on sale of investment	-	(8,530,377)
Income tax expense, net of tax recoveries	-	(277,943)
Gain on settlement of debt	-	(202,027)
	30,816,475	33,097,238
Changes in non-cash working capital		
Accounts receivable	(5,208,024)	(2,425,637)
Prepaid expenses	102,982	429,066
Plant, supplies and inventory	(1,705,073)	(134,894)
Accounts payable	4,720,836	(893,574)
El Teniente royalty payable	2,118,989	418,392
Due to related parties	18,878	(16,932)
Other payables	417,092	16,488
Note and interest payable	-	(3,736,979)
Net cash provided by operating activities	31,282,155	26,753,168
Cash flows from investing activities		
Purchase of plant and equipment	(17,307,167)	(27,890,637)
(Purchase) sale of investments, net	(13,854,222)	7,549,492
Net cash used in investing activities	(31,161,389)	(20,341,145)
Cash flows from financing activities		
Issuance of shares for cash – net of issue costs	1,447,395	15,479,972
Payment of dividends	(11,089,289)	(7,449,203)
Purchase of share capital for cancellation	(340,301)	(1,131,443)
Net cash provided by (used in) financing activities	(9,982,195)	6,899,326
Increase in cash and cash equivalents due to exchange rate changes	-	309,194
Net increase (decrease) in cash and cash equivalents	(9,861,429)	13,620,543
Cash and cash equivalents – Beginning of year	26,574,059	12,953,516
Cash and cash equivalents – End of year	16,712,630	26,574,059

Supplemental disclosure with respect to cash flows (Note 14)

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity

(expressed in U.S. dollars)

	Common shares					
	No. of shares	Amount ($)	Retained Earnings ($)	Value assigned to stock options ($)	Accumulated Other Comprehensive Income ($)	Shareholders' equity ($)
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	(712,600)	(412,199)	(719,244)	-	-	(1,131,443)
Options granted	-	-	-	892,167	-	892,167
Transfer of value on exercise of stock options	-	508,181	-	(508,181)	-	-
Dividends paid	-	-	(7,449,203)	-	-	(7,449,203)
Net earnings for the year	-	-	39,283,683	-	-	39,283,683
Balance – Dec. 31, 2006 as previously reported	93,443,244	55,026,997	53,757,962	1,603,180	(22,110)	110,366,029
Adoption of financial instruments standards (Note 2)	-	-	365,858	-	-	365,858
Balance – Dec. 31, 2006 as restated	93,443,244	55,026,997	54,123,820	1,603,180	(22,110)	110,731,887
Issue of shares Exercise of stock options	1,089,500	1,447,395	-	-	-	1,447,395
Shares repurchased	(160,000)	(93,931)	(246,370)	-	-	(340,301)
Options granted	-	-	-	898,682	-	898,682
Transfer of value on exercise of stock options	-	552,644	-	(552,644)	-	-
Unrealized gains on "available for sale" instruments (negligible tax effect) (Note 12)	-	-	-	-	4,395,767	4,395,767
Dividends paid	-	-	(11,089,289)	-	-	(11,089,289)
Net earnings for the year	-	-	24,282,354	-	-	24,282,354
Balance – Dec. 31, 2007	94,372,744	56,933,105	67,070,515	1,949,218	4,373,657	130,326,495

(expressed in U.S. dollars)

1 Operations

Amerigo Resources Ltd. ("the Company") was incorporated under the laws of British Columbia, Canada.

The Company is a producer of copper and molybdenum concentrates with operations in Chile. Its operating subsidiary Minera Valle Central S.A. ("MVC") has a contract with Chile's state-owned copper producer Codelco through at least 2021 to process the tailings from El Teniente, the world's largest underground copper mine.

2 Significant accounting policies

Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Templo Dorado S.A. de C.V. (inactive), Amerigo International Holdings Corp., Amerigo Resources Ltd. Chile I Limitada, Amerigo Resources Ltd. Chile II Limitada, Minera Valle Central S.A, Amerigo Banking Corporation and Amerigo Investments Limited. All significant intercompany transactions and balances have been eliminated.

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

The most significant estimates are related to the physical and economic lives of mineral assets and their recoverability, the estimation of the Company's asset retirement obligations and the measurement of stock-based compensation.

Foreign currency translation

The Company's subsidiaries are considered integrated operations and are translated using the temporal method. Under this method, monetary assets and liabilities are translated into U.S. dollars at the balance sheet date rate of exchange, and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at transaction date rates, except for depreciation, amortization and accretion, which are translated at historical rates. Gains and losses on translation are included in income.

(expressed in U.S. dollars)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments that are readily convertible into cash with maturities of three months or less when purchased. Interest earned is recognized immediately in operations.

Investments

The Company holds approximately 26% of the share capital of a TSX-Venture Exchange issuer and is considered to have significant influence in this investment. Accordingly, the Company uses the equity method to account for this investment.

Other investments have been designated as “available for sale” for accounting purposes. Accordingly gains or losses arising from changes in fair value are recorded in Accumulated Other Comprehensive Income in the Company’s Balance Sheet until the investments are sold or management determines that other than temporary impairments in the value of the investments have occurred, at which time a write-down to estimated fair value is made and the accumulated losses will be transferred to earnings.

Mineral property, plant and equipment

Plant and equipment are carried at cost. Assets used in commercial production are subject to depreciation on the basis described below:

Plant and infrastructure and major equipment are depreciated using the unit of production method over the lesser of the useful life of the asset or the estimated life of the mineral resource. Other fixed assets are depreciated over the useful life of the asset on a straight-line basis.

Unit of production method is defined as contained pounds of copper produced over estimated production under the tailings supply agreement. The tailings supply agreement has a term extending to the later of the year 2021 or the date at which a predetermined amount of copper in tailings from El Teniente has been delivered.

The Company regularly reviews the carrying value of its plant, equipment and mineral resource. Where information is available and conditions suggest impairment of long-lived assets, estimated future net cash flows are calculated. If projected future cash flows are less than the carrying value, or the fair value is less than the carrying value, a write-down to the estimated fair value is made, with a corresponding charge to earnings

Plant supplies and inventory

Plant supplies are valued at the lower of cost and replacement cost. Concentrate inventory is valued at the lower of cost and net realizable value.

(expressed in U.S. dollars)

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 sets the Company's copper sale price at the average market price for the third month after delivery ("M+3"). Accordingly, provided monthly quotas are met, all copper delivered by the Company to the smelter in one quarter is sold at market prices prevailing in the following quarter. However, 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. The Company believes that this pricing arrangement is standard in the industry.

Molybdenum produced by the Company is sold under a written sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"), which provides that the sale price is the average market price for the first ("M+1"), second ("M+2") or third ("M+3") month after delivery, with each delivery period nominated at the election of Molymet. In 2006 the molybdenum settlement period was predominantly three months from the month of delivery; accordingly, most deliveries by the Company in one quarter were sold at market prices prevailing in the following quarter.

In normal supply conditions, 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. 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. The Company's reported revenue is therefore very sensitive to increases and decreases in copper and molybdenum prices. 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 the prior period's deliveries.

Revenue from custom processing of concentrates for others is recognized as other revenue when the processing is completed, the amounts to be received are known and collection is reasonably assured.

Financial instruments

All derivative instruments, including certain embedded derivatives that are required to be separated from their host contracts, are recorded on the balance sheet at fair market value. Mark to market adjustments on these instruments are included in net income. Under the transitional provisions for the standard, only embedded derivatives acquired or substantively modified on or after January 1, 2003 are required to be considered for recognition and measurement.

(expressed in U.S. dollars)

Contractual right

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 using the units of production method.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock option plan

The Company accounts for share purchase options using the fair value method. Fair value is measured using the Black-Scholes valuation model on the date of grant of stock purchase options, and is recognized as stock-based compensation expense and shareholders' equity at the options' vesting dates. Consideration paid on exercise of share purchase options is recorded as share capital. The Company does not recognize stock-based compensation on options that are forfeited prior to vesting.

Earnings per share

Earnings per common share are calculated using the weighted average number of common shares outstanding during each period. Diluted earnings per common share are calculated using the treasury stock method, which assumes that stock options are only exercised when the exercise price is below the average market price during the period, and that the Company will use the proceeds to purchase its common shares at their average market price during the period.

3 Adoption of new accounting standards and accounting pronouncements

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506 "Accounting Changes", which requires that (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

(expressed in U.S. dollars)

Financial Instruments

Effective January 1, 2007, the Company adopted the new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

Financial Instruments – Recognition and Measurement (Section 3855): The standard prescribes when a financial asset, financial liability and non-financial derivative is to be recognized on the Balance Sheet and whether fair value or cost-based measures should be used to measure the recorded amounts. It also specifies how financial instruments gains or losses should be presented. Effective January 1, 2007, the Company's marketable securities were classified as "held for trading" and recorded at fair value on the Balance Sheet. Fair value is determined directly by reference to published bid price quotations in the active market where the securities are traded. Changes in the fair value of these instruments are reflected in income and included in shareholders' equity on the Balance Sheet. The Company also determined that the only derivatives it has are the embedded derivatives arising from variations in copper and molybdenum market prices between the time of delivery of concentrates and final settlement of the corresponding accounts receivable.

Hedges (Section 3865): The standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline 13 (acG-13) "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. At September 30, 2007, the Company had no hedging relationships.

Comprehensive Income (Section 1530): The standard requires the presentation of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on "available for sale investments", gains and losses on certain derivative instruments and foreign currency gains and losses related to self-sustaining operations, all of which are not included in the calculation of net earnings until realized. Comprehensive income is being disclosed as a component in the Company's Statement of Shareholders' Equity.

(expressed in U.S. dollars)

As at January 1, 2007, the effect on the Company's Balance Sheet of adopting these standards is summarized below. As prescribed by these standards, prior periods have not been restated.

January 1, 2007

	As reported	Adjusted on adoption of Financial Instruments standards	Restated opening balances in 2007
Assets			
Cash and cash equivalents	26,574,059		26,574,059
Marketable securities	777,457	365,858 [1]	1,143,315
Accounts receivable	11,693,247		11,693,247
Prepaid expenses	209,271		209,271
Plant supplies and inventory	2,526,911		2,526,911
	41,780,945		42,146,803
Investment	1,204,947		1,204,947
Mineral property, plant and equipment	83,414,103		83,414,103
Contractual right	7,880,319		7,880,319
Other	23,734		23,734
	134,304,048		134,669,906
Liabilities			
Accounts payable and accrued liabilities	13,066,490		13,066,490
El Teniente royalty payable	3,623,917		3,623,917
Due to minority shareholders	42,857		42,857
	16,733,264		16,733,264
Other payables	586,408		586,408
Asset retirement obligation	2,346,989		2,346,989
Future income tax	4,270,358		4,270,358
Minority interest	1,000		1,000
	23,938,019		23,938,019
Shareholders' Equity			
Capital stock	55,026,997		55,026,997
Value assigned to stock options	1,603,180		1,603,180
Retained earnings	53,757,962	365,858 [1]	54,123,820
Accumulated other comprehensive income	(22,110)		(22,110)
	110,366,029		110,731,887
	134,304,048		134,669,906

[1] Investments in marketable securities previously accounted for at cost are designated as "held for trading" and are measured at fair market value.

(expressed in U.S. dollars)

Accounting Pronouncements

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company will adopt the requirements commencing in the interim period ended March 31, 2008 and is considering the impact this will have on the company's financial statements.

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- qualitative information about the Company's objectives, policies and processes for managing capital,
- summary quantitative data about what it manages as capital.
- whether the Company complied during a reporting period with externally imposed capital requirements to which it is subject,
- in instances where the Company did not comply with externally imposed capital requirements, the consequences of such non-compliance.

Section 3031 - Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements to enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- designating financial assets and liabilities as held for trading;
- designating financial assets as available-for-sale; and
- determination of when an impairment is recorded against the related financial asset or when an allowance account is used.

(expressed in U.S. dollars)

4 Marketable securities

In May 2007, Amerigo sold for proceeds of $1,941,092 its portfolio of marketable securities, represented by common shares of an issuer listed on the TSX. On adoption of new accounting standards on January 1, 2007 (Note 3), these securities were reported at fair market value rather than at cost. At the time of adoption of the standards, the Company recorded an increase in the balance of marketable securities and retained earnings of $365,858. Subsequent gains from changes in fair value of $711,591 were included in income as the securities had been designated as "held for trading". The investment had a cost of Cdn$906,022.The total gains to fair value recorded by the Company in connection with this investment were $1,077,449.

5 Plant supplies and inventory

	December 31, 2007 $	December 31, 2006 $
Plant supplies	2,624,750	1,466,363
Concentrate inventory	1,607,234	1,060,548
	4,231,984	2,526,911

6 Mineral property, plant and equipment

	December 31, 2007 $	December 31, 2006 $
Plant and infrastructure	50,431,227	46,848,139
Machinery and equipment and other assets	55,030,380	40,182,303
	105,461,607	87,030,442
Accumulated depreciation and amortization	(7,324,982)	(3,616,339)
	98,136,625	83,414,103

7 Contractual right

At the time of the acquisition of MVC, Amerigo assigned the excess of the purchase price over the fair value of the tangible assets acquired to the MVC and Codelco contract for the processing of tailings from the El Teniente mine. The initial value of this contractual right was determined to be $8,029,185. A future income tax liability of $1,364,961 was recorded in connection with the contractual rights, resulting in an increase in its value to $9,394,146. The contractual right and the associated future income tax liability are amortized using the units of production method.

(expressed in U.S. dollars)

	December 31, 2007 $	December 31, 2006 $
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(1,956,323)	(1,513,827)
	7,437,823	7,880,319

8 El Teniente Royalty payable

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

Royalty payments for copper production are calculated using the average LME published price for copper for the month of delivery of the tailings, and invoiced by Codelco - El Teniente on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings; payment to Codelco - El Teniente 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.

9 Asset retirement obligations

MVC is obligated through its operating contract with Codelco to remove the facilities and equipment used in its operations and to leave the land occupied by MVC's operations clean and clear within six months of expiry of the contract or any extensions thereof.

In 2004 the Company obtained an independent assessment of site restoration costs of $3.5M, which was adjusted to reflect factors such as inflation (estimated at an annual rate of 3%), risk premiums (estimated at 5%)

(expressed in U.S. dollars)

and time value of money (estimated at 7%). At the end of 2007, the Company obtained a revised independent assessment of site restoration costs of $6.2M, which was in turn adjusted to reflect inflation (estimated at an annual rate of 4.5%), risk premiums (estimated at 8%) and time value of money (estimated at 7%). The 2007 independent assessment of asset recovery values indicated it was necessary to make adjustments to prospective amortization charges.

On adoption of the standard in 2004, the Company increased its property, plant and equipment by $1,851,055, recorded a corresponding asset retirement liability and recognized a future income tax asset of $19,756, derived from applying a 17% tax rate to the $1,915,842 asset retirement obligation less the unamortized balance of the asset of $1,799,637.

In 2007, revised cash flow estimates derived from the updated assessment of site restoration costs required a further increase to property, plant and equipment of $2,275,995, with a corresponding increase to the asset retirement liability. The Company also revised the associated future income tax asset to $190,908, derived from applying a 17% tax rate to the $4,787,273 asset retirement obligation less the unamortized balance of the asset of $3,664,286.

The asset is being amortized on a straight-line basis and the liability is being accreted over time.

A reconciliation of the provision for asset retirement obligations is as follows:

	December 31, 2007 $	**December 31, 2006 $**
Balance – beginning of year	2,346,989	2,193,448
Arising from accretion expense	164,289	153,541
Revisions in estimated cash flows	2,275,995	-
Balance – end of year	4,787,273	2,346,989

10 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:

(expressed in U.S. dollars)

- $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 year ended December 31, 2007, royalty dividends totalling $587,041 were paid or accrued to the Amerigo International Class A shareholders on the basis described above (2006: $452,217). Royalty dividends are shown as Minority Interest in the Consolidated Statement of Operations. At December 31, 2007, $61,735 of this amount remained outstanding (December 31, 2006: $42,857).

b) Directors fees and remuneration to officers

During the year ended December 31, 2007 the Company paid or accrued $1,001,783 in fees to companies associated with certain directors and officers of Amerigo (2006: $833,480). Included in these fees are bonuses of $451,662 to senior management (2006: $416,748). In the same period, Amerigo paid or accrued $91,365 in directors' fees to independent directors (2006: $115,320). Directors' fees and remuneration to officers are categorized as Salaries, Management and Professional Fees in Amerigo's consolidated financial statements. At December 31, 2007, an aggregate amount of $450,729 was due to directors and officers for bonuses payable, directors' fees and reimbursement of expenses in the ordinary course of business (December 31, 2006: $230,970).

c) At December 31, 2007 one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company in which Amerigo exercises significant influence

d) At December 31, 3007 one of Amerigo's directors acted as a director of Candente Resource Corp., a company in which Amerigo holds an investment.

e) At December 31, 2007 two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes Copper Ltd., a company in which Amerigo holds an investment.

11 Capital stock

Authorized - Unlimited common shares without par value

a) Summary of capital stock issued in the period

During the year ended December 31, 2007, 1,089,500 stock options at exercise prices ranging from Cdn$1.23 to Cdn$2.43 per stock option were exercised by employees, officers or directors of the Company, for aggregate proceeds of $1,447,395.

(expressed in U.S. dollars)

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' 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 were $14,554,274.

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

b) Purchase of shares for cancellation

Amerigo has in place a normal course issuer bid through the facilities of the Toronto Stock Exchange ("TSX"), whereby Amerigo is entitled to purchase for cancellation up to 2,000,000 of its common shares during the one-year period ending on November 13, 2008. During the year ended December 31, 2007, Amerigo purchased and cancelled 160,000 shares at a total cost of $340,301. The premium on the purchase of shares for cancellation amounted to $246,370 and was applied against Retained Earnings.

Amerigo was entitled to purchase for cancellation up to 2,612,815 of its common shares during the one-year period ending on November 13, 2007. During the year ended December 31, 2006, Amerigo purchased and cancelled 712,600 shares at a total cost of $1,131,443. The premium on the purchase of shares for cancellation amounted to $719,244 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.

A summary of the Company's stock options at December 31, 2007 and December 31, 2006 and the changes for the twelve-month periods ending on those dates is presented below:

(expressed in U.S. dollars)

	Twelve months ended December 31, 2007		Twelve months ended December 31, 2006	
	Outstanding options	**Weighted average exercise price Cdn$**	**Outstanding options**	**Weighted average exercise price Cdn$**
Balance – start of year	2,902,000	2.14	2,297,000	1.39
Granted	1,760,000	2.23	1,535,000	2.67
Exercised	(1,089,500)	1.54	(930,000)	1.15
Cancelled	(207,500)	2.21	-	-
Outstanding	3,365,000	2.38	2,902,000	2.14
Exercisable	3,365,000	2.38	2,802,000	2.13

On February 28, 2007, Amerigo granted stock options to purchase an aggregate of 1,760,000 common shares to directors, officers and employees of the Company, with an exercise price of Cdn$2.23 per share, expiring on February 28, 2012. The options vested in four equal quarterly instalments, on March 31, June 30, September 30 and December 31, 2007; 52,500 options were cancelled prior to vesting. Amerigo recorded stock-based compensation expense of $853,682 for this grant in the year ended December 31, 2007, of which $149,276 was charged to Cost of Sales in respect of the options granted to MVC employees and $704,406 was charged to Other Expenses.

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

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 vested in four equal quarterly instalments, on March 31, September 30, September 30 and December 31, 2006. Amerigo recorded a stock-based compensation expense of $833,093 for these options, of which $218,412 was charged to Cost of Sales in respect of the options granted to MVC employees and $614,681 was charged to Other Expenses.

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

(expressed in U.S. dollars)

Value assigned to stock options

	December 31, 2007 $	**December 31, 2006 $**
Balance – beginning of period	1,603,180	1,219,194
Options granted	898,682	892,167
Transfer to capital stock on exercise of stock options	(552,644)	(508,181)
Balance – end of period	1,949,218	1,603,180

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

	2007	**2006**
Expected dividend yield	4.89%	3.35%
Expected stock price volatility	47.67%	33.62%
Risk-free interest rate	4.04%	4.07%
Expected life of options	2.21 years	5 years

The following stock options were outstanding and exercisable as at December 31, 2007:

Range of exercise prices Cdn$	**Number exercisable**	**Weighted average remaining contractual life**	**Weighted average exercise price Cdn$**
1.60 to 2.40	1,995,000	3.84 years	2.17
2.40 to 2.71	1,370,000	3.18 years	2.69
	3,365,000		

d) Dividends

On February 24, 2007 Amerigo declared a semi-annual dividend of Cdn 6.5¢ per share that was paid on April 4, 2007 to shareholders of record as of March 27, 2007, for a total of $5,286,918; on July 30, 2007 the Board of Directors of Amerigo declared a second semi-annual dividend of Cdn 6.5¢ per share that was paid on August 31, 2007 to shareholders of record as of August 22, 2007, for a total of $5,802,371.

On February 14, 2006 Amerigo declared a semi-annual dividend of Cdn 4.5¢ per share that was paid on April 6, 2006 to shareholders of record as of March 31, 2006, for a total of $3,630,307; on July 31, 2006 Amerigo declared a second semi-annual dividend of Cdn 4.5¢ per share that was paid on September 1, 2006 to shareholders of record as of August 18, 2006, for a total of $3,818,896.

(expressed in U.S. dollars)

12 Investments

	December 31, 2007 $	December 31, 2006 $
Available for sale investment – Common shares of a TSX issuer	17,939,991	-
Available for sale investment – Common shares of a TSX-V issuer	2,251,090	-
Equity instrument – Common shares of a TSX-V issuer	980,374	1,204,947
	21,171,455	1,204,947

a) Investment in common shares of a TSX issuer

At various dates during 2007, Amerigo acquired for investment purposes 9.4 million common shares of an issuer listed on the Toronto, Lima and Frankfurt Stock Exchanges. The aggregate cost of the investment was $13,732,006. Adjustments to fair market value are required at each balance sheet date; at December 31, 2007 these adjustments totalled $4,207,985. Given that the investment was designated as “available for sale” for accounting purposes, which means it is an investment that is not held for trading, gains or losses arising from changes in fair value are recorded in Accumulated Other Comprehensive Income in the Company’s Balance Sheet until the investment is sold or management determines that an other than temporary impairment in the value of the investment has occurred, at which time gains or losses will be transferred into earnings.

At December 31, 2007, the issuer’s closing share price was Cdn$1.88 per share and the fair market value of the investment was $17,939,991.

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

In November 2007, Amerigo acquired for investment purposes 4 million common shares of an issuer listed on the TSX Venture Exchange. The aggregate cost of the investment was $2,063,308. Adjustments to fair market value are required at each balance sheet date; at December 31, 2007 these adjustments totalled $187,782. The investment was designated as “available for sale” for accounting purposes.

At December 31, 2007, the issuer’s closing share price was Cdn$0.55 per share and the fair market value of the investment was $2,251,090.

(expressed in U.S. dollars)

c) Equity instrument

In fiscal 2004 Amerigo entered into an agreement to sell a 100% interest in three Canadian exploration properties to a TSX-V issuer for consideration of 10,000,000 shares of the issuer. On August 18, 2006, Amerigo acquired a further 1.7 million units of the issuer at a cost of $268,200. Each unit is comprised of one common share and one warrant entitling Amerigo to purchase an additional share of the issuer at a price of Cdn$0.25 per share until August 18, 2008. At December 31, 2007, Amerigo held 11,666,667 common shares and 1,666,667 warrants of the issuer, which represent approximately 26% of the issuer's issued and outstanding common shares at December 31, 2007.

The investment is accounted for using the equity method, given that Amerigo has significant influence over this investment. An investment loss of $224,573 was recorded in the year ended December 31, 2007, of which $93,309 represents the Company's share of unrecorded losses incurred by the issuer in 2006. At December 31, 2007, the issuer's closing share price was Cdn$0.14 per share.

d) Sale of investment in common shares of a TSX issuer

At various dates during 2006, Amerigo acquired for investment purposes 33,961,500 common shares and 11,532,000 share purchase warrants of an issuer listed on the TSX. Each of the warrants entitled Amerigo to purchase an additional common share of the issuer at a price of Cdn$0.35 per share until December 22, 2006.

On October 20, 2006, Amerigo sold a total of 31.8 million common shares and all of the warrants of the issuer to an arm's-length party. The selling prices were Cdn$0.65 per common share and Cdn$0.30 per warrant. Total proceeds of the sale were $21,271,128, which resulted in a gain on sale of investment of $8,530,377. The remaining shares were held as marketable securities and sold in the year ended December 31, 2007 (Note 4).

13 Income Taxes

The components of the tax expense net of recoveries were as follows:

	December 31, 2007 $	**December 31, 2006 $**
Current	3,790,020	5,589,323
Future	1,295,203	101,246
	5,085,223	5,690,569

(expressed in U.S. dollars)

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	December 31, 2007 $	December 31, 2006 $
Combined federal and provincial statutory tax rate	34.12%	34.12%
Income tax at statutory rates	10,220,516	15,499,511
Difference in foreign tax rates	(5,398,827)	(6,947,381)
Other non deductible items, Canada	36,934	479,385
Other non deductible items, Chile	227,895	32,422
Foreign permanent tax differences	(208,523)	(708,657)
Tax benefits of share issuance costs incurred	-	(412,424)
Tax benefits of tax loss not previously recognized	-	(45,450)
Non-taxable portion of gain on sale of investment	(61,974)	(1,456,619)
Tax benefits of Chilean tax losses not previously recognized	-	(59,120)
Change in tax rates, Canada	152,526	-
Change in valuation allowance	(335,605)	(697,048)
Other local taxes	92,000	-
Fair market value adjustments to investments	472,794	-
Other	(112,513)	5,950
Income tax expense (recovery)	5,085,223	5,690,569

Future income taxes are provided for to account for temporary differences. The significant components of future income tax assets and liabilities at December 31, 2007 and December 31, 2006 are as follows:

	December 31, 2007 ($)	December 31,2006 ($)
Future income tax assets		
Unused tax losses, Canada	341,059	15,716
Resource assets, Canada	412,051	409,218
Charitable donations, Canada	3,303	-
Plant and equipment, Canada	6,463	8,102
Other intangible assets, Canada	241,120	391,454
Other deductible temporary differences, Chile	813,837	398,988
	1,817,833	1,223,477
Future income tax liabilities		
Available for sale securities, Canada	(515,113)	-
Plant and equipment, Chile	(5,913,790)	(3,524,302)
Contractual right	(1,080,750)	(1,145,044)
	(7,509,653)	(4,669,346)
Net future tax liability before valuation allowance	5,691,820	(3,445,868)
Less valuation allowance, Canada	(488,883)	(824,489)
Less valuation allowance, Chile	-	-
Net future tax liability	(6,180,703)	(4,270,358)

(expressed in U.S. dollars)

As at December 31, 2007, the Company had non-capital losses and cumulative exploration, development and depletion expenses in Canada of approximately $1,263,000 and $1,526,000 respectively carried forward for tax purposes and which are available to reduce taxable income in future years.

The non-capital losses expire in the years presented below:

	$
2015	60,000
2027	1,203,000
	1,263,000

The Canadian resource pools consist of the following amounts. The cumulative exploration, development and depletion expenses can be carried forward indefinitely.

	$
Cumulative Canadian Exploration Expenses	1,147,000
Foreign Exploration and Development Expenses	379,000
	1,526,000

As at December 31, 2007 the Company had no material unused tax losses in Chile.

The Company has non-resident subsidiaries that have undistributed earnings. Provisions have not been recorded for taxes that may arise on repatriation of these earnings, as these undistributed earnings are not planned to be repatriated in the foreseeable future.

14 Supplemental Disclosure with Respect to Cash Flows

	December 31, 2007 ($)	December 31, 2006 ($)
Cash paid during the year for interest	19,101	655,117
Cash paid during the year for income taxes	6,753,335	8,670,594
Change in accounts payable related to the acquisition of plant and equipment	1,151,997	(4,053,244)

(expressed in U.S. dollars)

	December 31, 2007 ($)	December 31, 2006 ($)
Cash	2,553,334	5,473,984
Cash equivalents	14,159,296	21,100,075
	16,712,630	26,574,059

15 Financial Instruments

Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and El Teniente royalty payable. The fair value of these financial instruments approximates their carrying value.

The Company is not exposed to significant interest and credit risks arising from these financial instruments but is exposed to currency risk derived from exchange rate fluctuations of the Chilean peso to the U.S. dollar that could have a material effect on the Company's business, financial condition and results of operations. The Company has not entered into foreign currency contracts or other instruments to mitigate this risk.

Concentration of credit risk

Concentration of credit risk in trade accounts receivable resides with two customers. One of the customers is a Chilean state company for which the Company does not require collateral. The Company has estimated that no allowances are required to allow for potential credit losses, as the risk of non-performance is remote.

16 Segmented information

As at December 31, 2007, 86% of the Company's assets are located in Chile and 14% in Canada. All of the Company's revenues and production costs arise from its Chilean operations. The Company's sales to one customer represent 85% of reported revenue.

17 Commitments

MVC has certain commitments to sell copper concentrate to Enami on a yearly basis for each year from 2006 to 2008. It also has certain commitments to sell molybdenum concentrate to Molibdenos y Metales S.A. ("Molymet") on a yearly basis to 2008.

(expressed in U.S. dollars)

Amerigo is obligated to pay basic and additional rent of approximately $480,656 for its head office premises under a contract expiring on September 30, 2010.

18 Guarantees

As required by contract, MVC has provided Codelco with a guarantee in the form of letter of credit with Banco de Chile in the amount of UF 4,500 or approximately $177,709 at December 31, 2007, renewable on February 5, 2008. UF refers to “Unidades de Fomento” an indexed monetary unit utilized in Chile.

19 Contingencies

In the third quarter of 2007, the Chilean Internal Revenue Services ("SII") issued a tax assessment to MVC challenging the tax losses reported by MVC for the commercial years 1999 to 2004. The tax assessment claims that some of these losses could be denied and MVC could face a tax liability of approximately $1.15M. Although the Company believes there is no merit to this matter, its final outcome cannot be predicted with certainty. The Company has retained legal counsel to prepare a response to SII in accordance with Chilean law. The Company's legal counsel has confirmed that, in their opinion, if the SII claim is ultimately upheld, the Company will have a claim for indemnification from the sellers of MVC, pursuant to the terms of the MVC purchase and sale agreement, for losses incurred to the MVC purchase date of July 2003.

In the fourth quarter of 2007, the SII issued a tax assessment to MVC for penalties and interest of approximately $135,000, derived from MVC’s alleged failure to remit provisional monthly payments towards a Chilean mining royalty tax in 2006. When the mining royalty tax was instituted in Chile, MVC obtained a legal opinion stating that the tax did not apply to MVC’s operations, as they are not extraction operations. MVC has retained legal counsel to prepare a response to the SII on this matter.