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Amerigo Resources Ltd.
Management Discussion and Analysis
For the Year Ended December 31, 2007

All figures expressed in US Dollars except where noted

The following discussion and analysis of the results of operations and financial position of Amerigo Resources Ltd. ("Amerigo") together with its subsidiaries (collectively, the "Company"), is prepared as of February 23, 2008 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2007.

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

The Company's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles. The Company's reporting currency is the US Dollar.

Highlights

- **Cash flow from operating activities** was **$31,282,155** or 33¢ per share in 2007, compared to $26,753,168 or 29¢ per share in 2006 due to reduced cash outflows to meet working capital obligations.

- **Earnings from operations** in 2007 were **$24,282,354** compared to $30,753,306 in 2006. **Net earnings after tax** in 2007 were **$24,282,354** compared to $39,283,683 in 2006, which included a $8,530,377 gain on sale of investment. Despite higher production, earnings declined in 2007 due to an increase of $19,992,177 in power costs and lower copper prices.

- The Company took the **strategic decision** to become substantially **energy self-sufficient** and to limit its exposure to high power costs through the purchase of two used 10 megawatt generators. The project has an estimated cost of $10.3M and, pending receipt of environmental approvals, is scheduled to be operational by **mid-2008**.

- The Company recorded **$4,395,767** as **other comprehensive income** in 2007 from the fair value **appreciation of two strategic investments** during the year. Other comprehensive income is not a component of net earnings.

- **Earnings per share** for the year were **26¢**, compared to earnings per share of 42¢ in 2006. The gain on sale of investment represented earnings per share of 10¢ in 2006.

- **Production** in 2007 was **33.21 million pounds of copper** and **639,020 pounds of molybdenum**, a copper production increase of 35% from 2007 due to the normalization of tailings flow to MVC. Molybdenum production decreased 5% due to lower molybdenum content in fresh tailings.

- In Q4-2007, MVC commenced processing old tailings in the amount of 10,000 to 12,000 tonnes per day. It is planned to further increase tailings throughput in 2008 in accordance with MVC's contractual arrangements.

- **Gross copper selling price** in 2007 was **$3.10/lb** after settlement adjustments, compared to $3.33/lb in 2006. **Realized copper price** (copper revenue net of smelter, refinery and other charges, including settlement adjustments to prior year sales divided by copper pounds sold in the year) **was $2.72/lb.**

- **Cash cost** (the aggregate of smelter, refinery and other charges, production costs net of molybdenum-related net benefits, administration and transportation costs) before El Teniente royalty was **$1.50/lb** in 2007, compared to $1.20/lb in 2006. The increase in cash cost was caused by higher power costs and lower by-product credits, mitigated by higher production levels and a significant reduction in smelter and refinery costs pursuant to the terms negotiated for 2007.

- **Total cost** (the aggregate of cash cost, El Teniente royalty, MVC stock-based compensation, depreciation and accretion) for the year ended December 31, 2007 was **$2.20/lb** compared to $1.80/lb in 2006. The increase in total cost was driven fundamentally by higher cash costs and affected to a lesser degree by higher royalties to El Teniente and higher amortization charges.

- **Capital plant increased $18,431,165** in 2007, including costs related to the self-generation power project, mill refurbishing, old tailings capital expenditures and a higher asset retirement obligation asset. Cash payments for capital expenditures in 2007 were **$17,307,167**, funded from operating cash flow.

- **Investments** – Amerigo acquired **strategic investments** in Candente Resource Corp. and Los Andes Copper Ltd. at a cost of **$15,795,314**.

- **Dividends** – On February 24, 2007 the Company declared a dividend of **$5,286,918** or Cdn 6.5¢ per share that was paid on April 4, 2007 to shareholders of record as of March 27, 2007.On July 30, 2007 the Company declared a dividend of **$5,802,371**or Cdn 6.5¢ per share that was paid on August 31, 2007 to shareholders of record as of August 22, 2007.

- **Cash balance** was **$16,712,630** at December 31, 2007 after $17,307,167 of cash payments for capital expenditures, $15,795,314 for corporate investments and $11,089,289 in dividend payments.

Overall Performance

Net earnings after tax for the year ended December 31, 2007 were $24,282,354 compared to earnings of $39,283,683 in fiscal 2006. Despite a significant increase in copper production in the year, earnings declined due to higher costs, particularly power costs, lower copper prices, higher royalties to El Teniente and higher amortization costs. Earnings in 2007 were also affected by lower non-operating gains, such as the gain on sale of investment of $8,530,377 the Company recorded in fiscal 2006.

Revenue of $105,694,549 was derived from the sale of 33.15 million pounds of copper and 611,885 pounds of molybdenum.

In fiscal 2007, the Company's activities resulted in operating cash flow of $31,282,155, including the effect of changes in non-cash working capital accounts. Cash resources of $17,307,167 were allocated in the year for the purchase of two used electrical generators that will allow MVC to be essentially energy self-sufficient by mid-2008, mill refurbishing and other capital expenditures.

Amerigo also made two corporate investments, in Candente Resource Corp., an issuer listed on the Toronto, Lima and Frankfurt Stock Exchanges and in Los Andes Copper Ltd., an issuer listed on the TSX-Venture Exchange. The cost of these investments was $15,795,314; fair-value appreciation of the investments of $4,395,767 was recorded into other comprehensive income (not a component of net earnings).

In fiscal 2007 Amerigo received $1,447,395 from the exercise of stock purchase options. Amerigo also paid two semi-annual dividends in the aggregate amount of $11,089,289 and repurchased 160,000 shares for cancellation at a cost of $340,301.

At December 31, 2007 the Company had a strong balance sheet, with $16,712,630 in cash and cash equivalents and working capital of $15,512,204, compared to cash and cash equivalents of $26,574,059 and working capital of $25,047,681 at December 31, 2006.

Selected Annual Information

	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Total revenue	$105,694,549	$84,205,285	$58,328,082
Net income	24,282,354	39,283,683	17,992,467
Earnings per share	0.26	0.42	0.23
Diluted earnings per share	0.26	0.42	0.20

	At December 31, 2007	At December 31, 2006	At December 31, 2005
Total assets	$164,738,941	$134,304,048	$87,239,450
Total long-term liabilities	11,972,476	7,204,755	6,933,480
Cash dividends declared	11,089,289	7,449,203	3,152,777

Results of Operations – Year Ended December 31, 2007

Revenue

Total 2007 revenue of $105,694,549 included copper revenue of $90,033,959 and molybdenum revenue of $15,660,590. Copper and molybdenum revenues are net of smelter, refinery and roasting charges.

Copper revenue increased from 2006 due to a 33% increase in annual sales volume and to lower smelter and refinery and other charges, despite lower average copper prices. In 2007 the Company sold 15,038 tonnes or 33.15 million pounds of copper, up from 24.91 million pounds sold in 2006. Since MVC does not ship concentrates overseas, smelter and refinery charges include the smelter's participation in MVC's cost savings for shipping.

In 2007 the Company's gross copper selling price was $3.10/lb (2006: $3.33/lb). Gross copper selling price is calculated by dividing copper revenue (before smelter, refinery and other charges, including settlement adjustments to the prior year's sales) by the number of pounds of copper sold in the year

The Company's annual realized copper price was $2.72/lb in 2007, compared to a realized copper price of $2.74/lb in 2006. Realized copper price is calculated by dividing annual copper revenue (net of smelter, refinery and other charges, including settlement adjustments to the prior year's sales) by the number of pounds of copper sold in the year.

Copper produced by the Company is sold under a 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 or viceversa. The Company believes that this pricing arrangement is standard in the industry.

Molybdenum revenue increased in 2007 to $15,660,590 due to higher molybdenum prices. In 2007 the Company sold 611,885 pounds of molybdenum at a gross selling price of $31.21/lb, compared to 697,171 pounds sold in 2006 at a gross selling price of $24.34/lb. Gross molybdenum selling prices are calculated by dividing moly revenue (before roasting charges and including settlement adjustments to prior year's sales) by the number of pounds of moly sold in the year.

Molybdenum produced by the Company is sold under a 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 the month preceding the elected month. Throughout 2007 the sale price nominated by Molymet was M+3.

Revenue from the sale of the Company's copper and molybdenum concentrates is recorded net of smelter, refinery and roaster 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.

In normal supply conditions, sales of 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.

In 2006, pursuant to a tolling agreement with Codelco's Chuquicamata division, MVC processed 2,665 tonnes of Chuquicamata's molybdenum-copper bulk concentrates at MVC's plant, which resulted in tolling revenue of $2,150,853 in that year. Tolling revenue is recognized when the processing is completed, the amounts to be received are known and collection is reasonably assured. There was no tolling revenue in 2007.

Production

In 2007, the Company produced 15,065 tonnes or 33.21 million pounds of copper compared to 11,189 tonnes or 24.67 million pounds of copper produced in 2006, a 35% increase in production. Production increased in 2007 mainly as a result of the normalization of fresh tailings flow to MVC. The Company also commenced processing of old tailings in the amount of 10,000 to 12,000 tonnes per day in Q4-2007.

In 2007 molybdenum production was 639,020 lbs, compared to 674,549 lbs produced in 2006. The decrease in production is due to lower molybdenum content in fresh tailings in the year.

Cash Cost and Total Cost

Cash cost and total cost are non-GAAP measures prepared on a basis consistent with the industry standard Brook Hunt definitions. Cash cost is the aggregate of copper and molybdenum production costs, smelter and refinery charges, administration and transportation costs, minus molybdenum by-product credits. Total cost is the aggregate of cash cost, El Teniente royalty, depreciation, amortization and asset retirement accretion cost.

The Company's cash costs for the last two fiscal periods ($/lb of copper produced) were as follows:

	Q1-2007	Q2-2007	Q3-2007	Q4-2007	2007
Cu and Mo production	1.19	1.43	1.72	1.63	1.51
By-product credits	(0.41)	(0.59)	(0.38)	(0.47)	(0.47)
Smelter & refinery [1]	0.61	0.29	0.38	0.34	0.39
Administration	0.05	0.03	0.03	0.06	0.04
Transportation	0.03	0.03	0.03	0.04	0.03
Cash Cost	**$1.47**	**$1.19**	**$1.78**	**$1.60**	**$1.50**

	Q1-2006	Q2-2006	Q3-2006	Q4-2006	2006
Cu and Mo production	1.07	1.24	1.24	1.14	1.17
By-product credits	(0.35)	(0.99)	(0.98)	(0.40)	(0.65)
Smelter & refinery	0.59	0.57	0.67	0.59	0.60
Administration	0.05	0.05	0.07	0.07	0.05
Transportation	0.03	0.03	0.03	0.03	0.03
Cash Cost	**$1.39**	**$0.90**	**$1.03**	**$1.43**	**$1.20**

[1] Due to an error in the calculation of smelter and refinery costs, these costs were understated in Q2-2007 by $390,985 or 0.05/lb. The correction of this error on a YTD basis resulted in an overstatement of costs in Q3-2007. The correct costs should have been $0.34/lb in Q2-2007 and $0.33/lb in Q3-2007

Cash cost is driven mainly by production costs, smelter/refinery costs and moly by-product credits.

In fiscal 2007, cash cost was $1.50/lb, compared to a cash cost of $1.20/lb in the preceding year. The most significant increase in cash cost came a $0.34/lb increase in production costs, driven mostly by a substantial increase in power costs in the year.

Power, MVC's most significant cost, increased almost threefold to $0.1732/kWh in 2007, compared to $0.0603/kWh in 2006. Power costs are expected to remain high in Chile in the foreseeable future due to the ongoing impact of reduced gas supply from Argentina. This has forced Chile to adopt diesel-based power production, which has resulted in increased energy production costs that are expected to continue at least until the completion of major power supply projects currently in the permitting stage or under construction in Chile. In light of this situation, and to secure MVC's power supply, the Company took the strategic decision to become substantially energy self-sufficient and to limit the Company's exposure to high power costs through the purchase of two used 10 megawatt generators that operate on heavy oil fuel. The project has an estimated cost of $10.3M and, pending receipt of environmental approvals, is scheduled to be operational by mid-2008.

The second variance affecting cash costs, this in a positive way, was a decrease of $0.21/lb in smelter and refinery costs due to significantly improved terms negotiated with Enami for 2007.

There was also a reduction of molybdenum by-product credits of $0.18/lb due to lower molybdenum grades. Moly by-product credits were $15,660,590 in 2007 and $13,914,075 in 2006 but were distributed over 33.21 million pounds of copper produced in 2007 and over 24.67 million pounds of copper in 2006.

The Company's total costs for the last two fiscal periods ($/lb of copper produced) were as follows:

	Q1-2007	Q2-2007	Q3-2007	Q4-2007	2007
Cash cost	1.47	1.19	1.78	1.60	1.50
El Teniente royalty	0.46	0.57	0.58	0.61	0.56
Amortization/depreciation/accretion	0.09	0.08	0.12	0.19	0.13
Stock-based compensation	0.01	0.01	0.01	0.00	0.01
Total Cost	**$2.03**	**$1.85**	**$2.49**	**$2.40**	**$2.20**

	Q1-2006	Q2-2006	Q3-2006	Q4-2006	2006
Cash cost	1.39	0.90	1.03	1.43	1.20
El Teniente royalty	0.39	0.53	0.69	0.52	0.52
Amortization/depreciation/accretion	0.06	0.07	0.11	0.05	0.07
Stock-based compensation	0.01	0.01	0.01	0.01	0.01
Total Cost	**$1.85**	**$1.51**	**$1.84**	**$2.01**	**$1.80**

Total cost in 2007 was $2.20/lb, compared to total cost of $1.80/lb in 2006. The most significant impact on total cost is a $0.30/lb increase in cash cost, followed by a $0.04/lb increase from El Teniente royalty and $0.06/lb increase in amortization due to MVC's higher asset base and the effect of stronger annual production.

The El Teniente royalty is based mainly on copper and molybdenum prices making MVC a copper producer whose costs decrease as copper prices decline and whose costs increase as copper and moly prices increase.

Operating Costs and Expenses

Production costs include copper and molybdenum production costs, maintenance costs and in 2006, tolling costs. In 2007, production costs were $50,214,815 compared to production costs of $28,823,890 in 2006. The $21,390,925 increase in production costs is explained mainly by higher power costs of $19,992,177 in 2007. Other production costs increased due to higher production in 2007.

In 2007 the El Teniente royalty was $18,673,900 compared to $12,776,390 in 2006. Increased royalties to El Teniente were the result of higher copper sales volume in the year.

Amortization cost was $4,086,845 in 2007 compared to $1,618,424 in the preceding year due to a higher asset base at MVC and to increased production, as amortization is calculated using the units of production method.

Administration expenses were $1,469,759 in 2007, significantly in line with 2006; transportation costs increased to $1,051.392 in 2007 from $734,889 in 2006, due to higher copper sales volume in the year. Stock-based compensation for options granted to MVC employees was $149,276 in 2007 and $218,412 in 2006.

Costs not related to MVC's production operations are identified as "Other Expenses" and were $3,334,773 in 2007 and $3,140,918 in 2006, an increase of $193,855. The most significant expenses in 2007 were salaries, management and professional fees of $1,429,902 (2006: $1,295,705), followed by office and general expenses of $1,136,365 (2006: $848,516) and stock-based compensation of $749,406 (2006: $673,755). Interest expense decreased to $19,100 in 2007 from $322,942 in 2006 as the Company no longer held short-term bank loans or notes payable in 2007.

Non-operating items in 2007 included a foreign exchange gain of $1,348,336 (2006: $492,168), interest income of $1,272,014 (2006: $760,236), a realized gain on sale of financial instruments of $711,591 ($nil in 2006), other income of $297,750 (2006: $112,821) and an investment loss of $224,573 ($nil in 2006). Foreign exchange gains increased considerably in 2007 due to realized gains coming from the conversion of significant amounts of Canadian dollars to US dollars through the year, due to the appreciation of the Canadian currency. Interest income increased due to higher average cash balances held by the Company through 2007. Fair value adjustments were recorded in compliance with new accounting standards to account for the appreciation of the Company's former marketable securities from January 1, 2007 to May 10, 2007, when they were sold. In 2006 the Company recorded a gain on sale of investment of $8,530,377 and a gain on settlement of debt of $202,027.

The Company recorded income tax expense net of recoveries of $5,085,223 in 2007, compared to income tax expense net of recoveries of $5,690,569 in 2006. Tax expense in relation to earnings before taxes is higher in 2007, as in 2006 there was no tax expense associated with a $8.5M gain on sale of investment due to the utilization of a portion of previously unrecognized tax losses in Canada.

Operating Cash Flows

In 2007, the Company's activities generated operating cash flow of $31,282,155 (or 33¢ per share, a non-GAAP measure), which includes the effect of changes in non-cash working capital items, compared to operating cash flow of $26,753,168 or 29¢ per share in 2006. Cash flow from operations increased in 2007 due to reduced cash outflows to meet working capital obligations in the year. In 2006, the Company allocated $3,736,979 to pay a note and interest payable (2007: $nil).

Summary of Quarterly Results

	Qtr. ended Dec. 31, 2007	Qtr. Ended Sept. 30, 2007	Qtr. Ended June 30, 2007	Qtr. ended March 31, 2007
Total revenue	$26,974,854	$28,536,864	$32,011,648	$18,171,183
Net income	1,816,498	6,581,887	10,332,687	5,551,282
Earnings per share	0.0122	0.0696	0.1093	0.0593
Diluted earnings per share	0.0122	0.0694	0.1076	0.0583

	Qtr. ended Dec. 31, 2006	Qtr. ended Sept. 30, 2006	Qtr. ended June 30, 2006	Qtr. ended March 31, 2006
Total revenue	$19,944,732	$19,739,861	$27,482,949	$17,037,743
Net income	13,981,236	8,251,071	12,444,608	4,606,768
Earnings per share	0.1490	0.0877	0.1322	0.0524
Diluted earnings per share	0.1475	0.0868	0.1285	0.0515

Liquidity and Capital Resources

Amerigo's cash and cash equivalents at December 31, 2007 were $16,712,630, compared to $26,574,059 at December 31, 2006. The Company's working capital at December 31, 2007 was $15,512,204 compared to $25,047,681 at December 31, 2006.

Despite generating cash from operating activities of $31,282,155 in the year, the Company's cash and cash equivalents decreased in 2007 from the allocation of cash resources of $31,161,389 to investing activities, namely additions to plant and equipment and the purchase of two corporate investments. Cash also decreased due to a net financing cash outflow of $9,982,195, mainly from dividend payments in the year.

During the year ended December 31, 2007 Amerigo received net proceeds of $1,447,395 from the exercise of stock options.

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. No further shares have been purchased for cancellation up to the date of this report.

The Company's long-term liabilities (Other Payables, Asset Retirement Obligations and Future Income Tax Liabilities) at December 31, 2007 were $11,972,476 compared to $7,204,755 on December 31, 2006.

The Company's Asset Retirement Obligation increased by $2,440,284 as of December 31, 2007 compared to the prior year following the completion of an independent engineering study to determine the company's asset retirement obligations that took into account the substantial capital investment conducted in MVC in the last years. The Company's future income tax liability increased by $1,910,345, mainly to account for the differences between the carrying and tax value of MVC's plant and equipment.

The Company is not subject to debt covenants and does not anticipate it will incur any default or arrears on payment of leases, debt principal or interest.

The Company's gross copper sales are dependent on sales volumes and market prices for copper. Average LME cash copper prices in 2007 were the following:

January	$2.5717	April	$3.5228	July	$3.6169	October	$3.6326
February	2.5748	May	3.4846	August	3.4081	November	3.1600
March	2.9268	June	3.3910	September	3.4695	December	2.9881

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

As of December 31, 2007 Amerigo had 3,365,000 outstanding share purchase options (with exercise prices ranging from Cdn$1.60 to Cdn$2.71). During the year ended December 31, 2007, 1,089,500 options were exercised for net proceeds of $1,447,395, 1,760,000 options were granted at a price of Cdn$2.23 per share and 207,500 options at a weighted average price of Cdn$2.21 expired unexercised.

Stock-based compensation is recognized as options vest. The 1,760,000 options granted in 2007 vested in four equal installments, on March 31, June 30, September 30 and December 31, 2007; 52,500 pf these options were cancelled prior to vesting. Amerigo recorded in aggregate a stock-based compensation expense of $853,682 for these options, of which $149,276 was charged to Costs as the options were 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 a former 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 of these 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.

Investing Activities

Capital plant increased by $18,431,165 in 2007, including capital expenditures of $16,155,170 and a $2,275,995 increase to the Company's asset retirement obligation asset.

Capital expenditures included $10,291,687 for mill refurbishing, equipment and studies for old tailings extraction, increase of rougher circuit capacity, refurbishing of pre-classification areas and other miscellaneous projects under MVC's approved annual capital expenditures budget of $10,312,584. MVC also incurred $5,863,483 in capital expenditures on the self-generation power project. The project is currently estimated to have a total cost of $10.3M, distributed between 2007 and 2008.

Total cash payments for capital expenditures in 2007 were $17,307,167, funded from operating cash flow.

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.

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.

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, 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 realized gains on sale of financial instruments of $711,591 were included in income, as the securities were designated as "held for trading".

Summary of Contractual Obligations

	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Asset retirement obligations [1]	12,344,146	-	-	-	12,344,146
Lease of office premises	480,656	174,784	305,872	-	-
Total contractual obligations	12,824,802	174,784	305,872	-	12,344,146

[1] The asset retirement obligation's above disclosed value is based on current estimates of what it would cost in 2021 to remove assets and restore the site where MVC's operations are conducted, including a market risk premium of 8%. This liability is being accreted systematically over time until a $12,344,146 value is reached in 2021. At December 31, 2007, the asset retirement obligation is estimated at $4,787,273.

Transactions with Related Parties

a) Minority Interest

A detailed description of Minority Interest is provided in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2007.

During the year ended December 31, 2007, royalty dividends totaling $587,041 were paid or accrued to the Amerigo International Class A shareholders (2006: $452,217). Royalty dividends are shown as Minority Interest in the Consolidated Statement of Operations. At December 31, 2007, $61,375 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 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, 2007, one of Amerigo's directors acted as a director of Candente Resource Corp., a company in which Amerigo holds an investment.

Contingencies

In Q3-2007, 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 Q4-2007, 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.

Fourth Quarter

Net earnings after tax in the three months ended December 31, 2007 ("Q4-2007") were $1,816,498, compared to net earnings of $13,981,236 in the three months ended December 31, 2006 ("Q4-2006").

The major variance in earnings in the quarter is from non-operating gains, as in 2006 the Company recorded a gain on sale of investment of $8,530,377. Q4-2007's results as compared to Q4-2006 were also negatively affected by lower copper prices, including negative settlement adjustments to prior quarters' sales of $3,810,182, increase of $6,539,791 in power costs and year-end adjustments to MVC's amortization costs.

Revenue

Total revenue during Q4-2007 was $26,974,854, which includes copper revenue of $22,486,568 (Q4-2006: $17,317,506) and molybdenum revenue of $4,488,286 (Q4-2006: $2,627,226).

Copper revenue increased in Q4-2007 due a 44% increase in production and lower smelter and refinery charges, partially offset by lower copper prices which affected the revenue for the quarter and also resulted in negative settlement adjustments of $3,810,182 to prior quarters' sales. In Q4-2007 the Company sold 4,477 tonnes or 9.87 million pounds of copper, up from 6.52 million pounds sold in Q4-2006. The Company's quarterly realized copper price was $2.28/lb in Q4-2007, compared to $2.66/lb in Q4-2006. During Q4-2007, the Company's gross copper selling price was $2.61/lb (Q4-2006: $3.25/lb).

Molybdenum revenue in Q4-2007 was higher than in Q4-2006 due to higher sales volume and stronger molybdenum prices. In Q4-2007 the Company sold 172,374 pounds of molybdenum at a gross molybdenum selling price of $31.75/lb, compared to 144,583 pounds sold in Q4-2006 at a gross selling price of $22.16/lb.

Production

In Q4-2007, the Company produced 4,318 tonnes or 9.52 million pounds of copper and 157,630 pounds of molybdenum compared to copper production of 3,007 tonnes or 6.63 million pounds of copper and 130,538 pounds of molybdenum in Q4-2006. Q4-2006 production was lower due to restricted tailings flow to MVC.

Cash Cost and Total Cost

Cash cost in Q4-2007 was $1.60/lb compared to $1.43 in Q4-2006:

	Q4-2007	Q4-2006
Cu and Mo production	1.63	1.14
Smelter & refinery	0.34	0.59
Administration	0.06	0.07
Transportation	0.04	0.03
By-product credits	(0.47)	(0.40)
Cash Cost	**$1.60**	**$1.43**

The increase in cash cost resulted mainly from higher production costs (namely power), mitigated by lower smelter and refinery costs and higher molybdenum by-product credits.

The Company's total cost in Q4-2007 was $2.32/lb, compared to $2.01/lb in Q4-2006:

	Q4-2007	Q4-2006
Cash cost	1.60	1.43
El Teniente royalty	0.61	0.52
Amortization/depreciation	0.19	0.05
Stock-based compensation	-	0.01
Total Cost	**$2.40**	**$2.01**

In addition to the impact of a higher cash cost, the Teniente royalty affected total cost in Q4-2007 compared to Q4-2006, as did an increase in amortization and depreciation, which in Q4-2007 included year-end adjustments to MVC's amortization costs.

Operating Costs and Expenses

In Q4-2007, production costs were $15,546,717 (Q4-2006: $7,567,573). The $7,979,144 increase in production costs came mainly from a $6,539,791 increase in power costs. Other production costs increased due to higher production levels in the quarter.

In Q4-2007 the El Teniente royalty was $5,836,784 compared to $3,433,644 in Q4-2006. The main factor driving the increase in royalty costs was higher copper sales volume in Q4-2007.

Amortization cost increased to $1,831,045 in Q4-2007 from $340,575 in Q4-2006, which included $755,139 in year-end adjustments. Administration expenses were $548,577 in Q4-2007 compared to $447,388 in Q4-2006.

Costs not related to MVC's production operations are identified as "Other Expenses" and were $856,834 in Q4-2007 and $868,506 in Q4-2006. The most significant expenses in Q4-2007 were salaries, management and professional fees of $716,010 (2006: $436,979), which were higher due to accrued senior management performance bonuses, and audit and tax advisory fees.

Non-operating items in Q4-2007 included a foreign exchange gain of $314,009 (2006: expense of $589,213), interest income of $249,468 (2006: $275,727), other income of $211,897 (2006: $37,006) and an investment loss of $14,873 (2006: $nil). In Q4-2006 the Company also recorded a gain on sale of investment of $8,530,377.

The Company recorded income tax expense net of recoveries of $790,681 in Q4-2007 (2006: $1,155,419). Tax as a percentage of earnings was lower in Q4-2006 as there was no tax expense or tax payable associated with the gain on sale investment due to the utilization of a portion of previously unrecognized tax losses in Canada.

Critical Accounting Estimates

The most significant estimates are related to the physical and economic lives of mineral assets, property, plant and equipment and their recoverability.

The Company depreciates assets, capitalized acquisition costs and contractual rights based on the units of production method, whereby management has estimated copper units of production to 2021 and proceeds to allocate amortization charges based on actual production on a monthly basis.

The Company estimates the recoverable value of plant and equipment at the end of its contract with Codelco will be at least $3,500,000.

As required by accounting standards, Amerigo has calculated an asset retirement obligation based on a quoted market price of $6,200,000 provided by an independent third party in 2007. Management current estimates required to calculate the asset retirement obligation include projected annual inflation rates in Chile of 4.5% per annum and a market risk premium of 8%. The present value of the asset retirement obligation at the time of adoption was estimated to be $1,851,055 (revised to $4,787,273 in 2007), which will be systematically accreted to a 2021 value of approximately $12,344,146.

Changes in Accounting Policies, Including Initial Adoption

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.

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 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 December 31, 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.
The effect on the Company’s Balance Sheet of adopting these standards as at January 1, 2007 was an increase in the balances of marketable securities and retained earnings of $365,858.

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.

Disclosure Controls and Procedures

During the year ended December 31, 2005, the Company's General Counsel and Corporate Secretary completed an evaluation of the effectiveness of the Company's existing disclosure controls and procedures, undertook extensive research and made presentations and recommendations to the Company's certifying officers and board of directors. Based on those recommendations, a draft corporate disclosure policy was presented to the Company's board and adopted on February 14, 2006. The disclosure policy includes the setting up of a Disclosure Policy Committee that consists of the Company's Chairman, President and Corporate Secretary.

The disclosure policy and committee have been in place since the adoption date. Management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, is being made known to senior management in a timely manner, and that the Company's disclosure controls and procedures are effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The Chief Executive Officer and the Chief Financial Offer of the Company have evaluated the effectiveness of the Company's design of internal control over financial reporting. Based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of December 31, 2007.

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2007 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

Other MD&A Requirements

As of February 23, 2008, Amerigo has 94,372,744 common shares outstanding and 3,365,000 exercisable options (at prices ranging from Cdn$1.60 to Cdn$2.71).

Additional information, including the company's most recent Annual Information Form, is available on SEDAR at www.sedar.com

Cautionary Statement on Forward Looking Information

This Report contains "forward-looking statements". These forward looking statements include, but are not limited to, statements regarding the Company's strategic plans, future commercial production and the timing for processing additional tailings. Forward-looking statements express, as at the date of this Report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "schedule", "estimates" "intends", "anticipates", or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to restricted tailings flow, restricted operations from Colhues, copper and molybdenum price fluctuations, currency fluctuations, possible variations in grade or recovery rates, failure of plant, equipment, or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; unexpected regulatory changes, delays in the completion of critical activities and projects, environmental risks and hazards, risks of delays in construction and other risks more fully described in Amerigo's Annual Information Form filed with the Securities Commissions of the provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec which is available on SEDAR at www.sedar.com.