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Amerigo Resources Ltd.
Management Discussion and Analysis
For the Quarter and Six Months Ended June 30, 2011

T A B L E of C O N T E N T S

This Management Discussion & Analysis (“MD&A”) is comprised of the following:

ALL AMOUNTS ARE REPORTED IN U.S. DOLLARS, EXCEPT WHERE INDICATED OTHERWISE

C O M P A N Y   P R O F I L E

Amerigo Resources Ltd. (“Amerigo”) owns a 100% interest in Minera Valle Central S.A. ("MVC"), a Chilean copper and molybdenum producer that has a long-term contractual relationship with the National Copper Corporation of Chile (“Codelco”) to treat fresh and old tailings from Codelco’s El Teniente mine, the largest underground copper mine in the world. Chile is the world’s largest copper mining country, and Codelco is the world’s largest copper producer. It is estimated that Codelco owns approximately 20% of all known copper reserves on earth. Codelco produced 1.689 million tonnes of copper and generated a pre-tax profit of $5.799 billion in 2010. El Teniente commenced operations in 1904 and has a remaining mine life that is estimated will run for decades. Since MVC was built in 1992, Codelco has almost doubled production from El Teniente, and Codelco's mine plans contemplate continued expansion of operations at El Teniente for the foreseeable future.

The fresh tailings come from El Teniente's current production, and the old tailings mainly from a tailings pond located near MVC’s plant that originally contained more than 200 million tonnes of material. The copper grade of the old tailings is approximately 2-3 times that of the fresh tailings. Under normal conditions, quarterly production has increased as MVC continues to increase the processing volume of these old tailings. In Q2-2011, production was adversely affected due to the interruption of the flow of fresh tailings to MVC due to a strike by workers of subcontractors of El Teniente. Normal operating conditions were resumed in July 2011 and the Company expects that it will continue to increase processing levels of old tailings to the maximum contractual rate. In addition, there are 2 other tailings ponds in the area, the rights to which MVC hopes to obtain in the future. These 3 tailings ponds combined contain a similar size copper resource as that of the Highland Valley Copper mine, the largest copper mine in Canada, when it first started operations.

Amerigo’s shares are listed for trading on the Toronto Stock Exchange (“TSX”), the OTCQX Stock Exchange in the United States and the Lima Stock Exchange, in Peru (“BVL”).

I N T R O D U C T I O N

The following MD&A of the results of operations and financial position of Amerigo together with its subsidiaries (collectively, the “Company”), is prepared as of August 12, 2011, and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and related notes for the quarter and six months ended June 30, 2011 and the audited consolidated financial statements and related notes for the year ended December 31, 2010.

This MD&A’s objective is to help the reader understand the factors affecting the Company’s current and future financial performance.

We note that the Company’s financial statements are reported under International Financial Reporting Standards (“IFRS”) as of January 1, 2011. The effects of the Company’s conversion from Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) to IFRS have been identified in Note 18 of the Company’s March 31, 2011 unaudited condensed consolidated interim financial statements, Note 17 of the Company’s June 30, 2011 unaudited condensed consolidated interim financial statements and in this MD&A.

Reference is made in this MD&A to various measures such as cash flow per share from operating activities, cash-adjusted operating profit (operating profit before the effect of non-cash items such as depreciation, amortization and share-based compensation expense), and cash cost and total cost (both of which do not have a standardized meaning but are widely used in the mining industry as performance indicators).

The Company's reporting currency is the US Dollar.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

H I G H L I G H T S and S I G N I F I C A N T E V E N T S

Key achievements

Despite losing close to 2,500 tonnes of copper production in June and through mid-July due to the interruption of the flow of fresh tailings to MVC due to a strike by workers of subcontractors of El Teniente, the Company posted strong operating cash flow in Q2-2011. The Company also completed the construction of a pilot plant for the treatment of highly oxidized tailings and executed an agreement with El Teniente for the treatment of these tailings. The Company:

- Posted quarterly revenue of $38,294,635, compared to $32,433,982 in Q2-2010.
- Generated quarterly gross profit of $3,470,429, compared to $2,755,412 in Q2-2010, and operating profit of $2,438,005, compared to $403,455 in Q2-2010.
- Posted a quarterly profit after tax of $1,885,882, compared to a loss of $281,572 in Q2-2010.
- Generated quarterly operating cash flow before changes to non-working capital accounts of $6,588,985, compared to $4,235,925 in Q2-2010.
- Held consolidated cash of $35,814,356 and working capital of $33,628,764 as of June 30, 2011.
- Made quarterly principal repayments of $2,022,344 on loans outstanding. Bank debt was $8,902,118 as of June 30, 2011.
- Paid a semi-annual dividend of $3,559,174 or Cdn$0.02 per share on May 5, 2011.
- Executed an agreement with El Teniente for the treatment of tailings with high oxide content and completed the construction of a pilot plant to produce copper from highly oxidized tailings at a total cost of approximately $8.8M and a cost to MVC of approximately $4.4M.

Financial results

- Quarterly gross profit was $3,470,429 and profit after tax was $1,885,882, compared to gross profit of $2,755,412 and a loss after tax of $281,572 in Q2-2010.
- Revenue was $38,294,635 compared to $32,433,982 in Q2-2010, due to stronger copper and molybdenum prices. Cost of sales was $34,824,206, compared to $29,678,570 in Q2-2010, an increase driven by higher power and royalty costs. Royalty costs are based on production levels and monthly average copper prices.

Production

- The Company produced 9.44 million pounds of copper, 18% lower than the 11.51 million pounds produced in Q2-2010, due to the interruption of the flow of fresh tailings to MVC through June and into July 2011, due to a labour strike by workers of the subcontractors of El Teniente.
- Molybdenum production was 190,917 pounds, 22% higher than the 156,514 pounds produced in Q2-2010, mainly as a result of increased processing of old tailings and improved recovery rates.

Revenue

- Revenue increased to $38,294,635 compared to $32,433,982 in Q2-2010 due to higher average copper and molybdenum prices, despite lower copper production. The Company's copper selling price before smelter, refinery and other charges was $3.97/lb compared to $3.09/lb in Q2-2010, and the Company's molybdenum selling price was $17.10/lb compared to $16.29/lb in Q2-2010. Copper sales volume decreased 18% and molybdenum sales volume was 25% higher than in Q2-2010.

Costs

- 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 increased to $2.26/lb from $1.81/lb in Q2-2010. Cash cost in Q2-2011 was not representative of normal MVC operations. The lower quarterly production resulting from the interrupted flow of fresh tailings in June resulted in high unit cash cost as a result of high fixed costs distributed over lower pounds of copper produced.

- Total cost (the aggregate of cash cost, El Teniente royalty and depreciation) was $3.73/lb compared to $2.73/lb in Q2-2010. The increase in total cost resulted from higher cash costs and higher El Teniente royalty charges due to stronger copper and molybdenum prices.

- Power costs were $10,867,141 ($0.2129/kwh) compared to $9,639,946 ($0.1533/kwh) in Q2-2010. Power costs increased mostly as a result of higher power grid costs due to drought conditions in Chile, mitigated by a contract price ceiling with MVC's energy provider that was lower than actual current marginal energy costs in the quarter, and by the contribution from the operation of one of the Company's power generators. Power costs were $1.15/lb copper in Q2-2011, compared to $0.84/lb in Q2-2010.

- Another factor affecting costs was the appreciation of the Chilean peso against the U.S. dollar, the Company's reporting currency, by approximately 14% in Q2-2011, compared to Q2-2010.

Cash and Financing Activities

- Cash balance was $35,814,356 at June 30, 2011 compared to $35,044,797 at December 31, 2010.

Investments

- Payments for capital expenditures were $5,234,948, compared to $2,987,409 in Q2-2010. Capital expenditures incurred in Q2-2011 totaled $3,722,255 (Q2-2010: $3,673,542).

- The Company's investments in Candente Copper Corp. ("Candente Copper)", Candente Gold Corp. ("Candente Gold") and Los Andes Copper Ltd. ("Los Andes") had aggregate fair values of $10,922,270 at June 30, 2011 (December 31, 2010: $25,583,511), after the sale of 5,000,000 Candente Copper shares in Q1-2011 for proceeds of $10,405,571.

Outlook

- Production in fiscal 2011 is expected to be short of the originally projected 50 million pounds of copper and approximately one million pounds of molybdenum due to the interruption of flow of fresh tailings to MVC during June and a major part of July. Power costs have continued to be high during Q2-2011, but should ease in the second half of 2011 depending on the normalization of weather conditions.

OPERATING RESULTS

The Company produced 4,284 tonnes of copper in Q2-2011, 18% lower than in Q2-2010. During June and most of July, MVC could not process fresh tailings due to the unavailability of the downstream tailings launder from the MVC plant to the Caren tailings impoundment. During this period, management made changes to the flow sheet which allowed MVC to continue to treat old tailings and which will have a beneficial effect on future production.

Molybdenum production was 190,917 lbs, an increase of 23% compared to Q2-2010, mainly due to increased processing of old tailings and improved recoveries.

Copper prices continued to be strong in Q2-2011 but were lower than in Q1-2011. Average LME copper prices were $4.30/lb in April, $4.05/lb in May and $4.10/lb in June, compared to $4.32/lb in March. This represents an average LME price for the quarter of $4.15/lb, compared to $4.38/lb in Q1-2011. The Company's Q2-2011 copper sales were priced at an average price of $3.97/lb. The Platt's published molybdenum dealer oxide prices were $16.93/lb in April, $16.69/lb in May and $15.88/lb in June, compared to $16.90/lb in March 2011.

Gross profit was $3,470,429, compared to $2,755,412 in Q2-2010, and gross profit excluding amortization (a non-cash item) was $6,927,742, compared to $5,427,399 in Q2-2010.

Production

	Q2-2011	Q2-2010
Copper produced, tonnes	4,284	5,220
Copper produced, million lbs	9.44	11.51
Molybdenum produced, lbs	190,917	155,755

Revenue

	Q2-2011	Q2-2010
Average LME copper price	$ 4.15/lb	$ 3.19/lb
Average Platt's molybdenum dealer oxide price [1]	$ 16.50/lb	$ 16.10/lb
Copper sold, tonnes	4,228	5,149
Copper sold, million lbs	9.32	11.35
Molybdenum sold, lbs	195,006	156,514
Revenue, copper delivered during period [2]	$34,048,136	$31,749,409
Settlement adjustments to prior periods' sales	1,662,523	(879,774)
Total copper net sales during period	35,710,659	30,869,635
Revenue, molybdenum delivered during period [3]	2,733,785	2,090,729
Settlement adjustments during period	(149,809)	(526,382)
Total molybdenum net sales during period	2,583,976	1,564,347
Total revenue during period	$ 38,294,635	$ 32,433,982
Company's recorded copper price [4]	$ 3.97/lb	$ 3.09/lb
Company's recorded molybdenum price [5]	$ 17.10/lb	$ 16.29/lb

[1] Basis price for the Company's molybdenum sales.
[2] After smelter, refinery and other charges, excluding settlement adjustments to prior periods' sales.
[3] After roasting charges, excluding settlement adjustments to prior periods' sales.
[4] Copper recorded price for the quarter before smelter and refinery charges and settlement adjustments to prior periods' sales.
[5] Molybdenum recorded price for the quarter before roasting charges and settlement adjustments to prior periods' sales.

Revenue in Q2-2011 was $38,294,635 compared to $32,433,982 in Q2-2010, including copper revenue of $35,710,659 (Q2-2010: $30,869,635) and molybdenum revenue of $2,583,976 (Q2-2010: $1,564,347). Copper and molybdenum revenues are net of smelter, refinery and roasting charges.

Copper revenue increased 16% from Q2-2010 due to stronger average copper prices in the quarter, despite a decrease of 18% in deliveries, due to lower production resulting from interrupted flow of fresh tailings to MVC for essentially one month.

In Q2-2011 the Company recorded positive copper pricing adjustments to prior quarter's sales of $1,662,523, compared to negative adjustments of $879,774 in Q2-2010.

Copper produced by the Company is sold under a sales agreement with Chile's Empresa Nacional de Minería ("Enami") that establish a delivery schedule of monthly sales quotas. For the 2011 quotas, the pricing term set for the Company's copper sale price is the average market price for the following month ("M+1"). Accordingly, provided monthly quotas are met, all copper delivered by the Company to Enami in one month is being sold at market prices prevailing in the following month.

Q2-2011 molybdenum revenue was $2,583,976, compared to $1,564,347 in Q2-2010. The Company recorded a 25% increase in molybdenum deliveries due to increased processing of old tailings and improved recoveries.

Molybdenum produced by the Company is sold predominantly under a sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet"), which in 2011 provides that the sale price is the average market price for the month of delivery ("M"). In Q2-2011, the Company also started selling molybdenum concentrates to a second client; these deliveries were also priced on an "M" basis.

Cash Cost and Total Cost

Cash cost and total cost are 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.

A reconciliation of cost of sales to cash cost and total cost in fiscal Q2-2011 and Q2-2010 is presented below:

	Q2-2011	Q2-2010
Cost of sales	34,824,206	29,678,570
Add:		
Smelter and refinery charges	2,966,298	3,272,295
Deduct:		
Molybdenum by-product credits	(2,583,976)	(1,564,347)
Total cost	35,206,528	31,386,518
Deduct:		
El Teniente royalties	(10,440,175)	(7,722,758)
Depreciation and amortization	(3,457,313)	(2,671,987)
Cash cost	21,309,040	20,991,773
Lbs. of copper produced	9.44M	11.51M
Cash cost/lb	**2.26**	**1.81**
Total cost/lb	**3.73**	**2.73**

The Company's trailing quarterly cash costs ($/lb of copper produced) were:

	Q2-2011	Q1-2011	Q4-2010	Q3-2010	Q2-2010
Power costs	1.15	1.04	0.88	0.80	0.84
Steel costs	0.22	0.27	0.27	0.16	0.20
Other costs	0.71	0.87	0.64	0.60	0.54
By-product credits	(0.27)	(0.27)	(0.21)	(0.20)	(0.14)
Smelter & refinery	0.31	0.31	0.31	0.27	0.28
Administration	0.10	0.08	0.09	0.05	0.06
Transportation	0.04	0.03	0.03	0.03	0.03
Cash Cost	**$2.26**	**$2.33**	**$2.01**	**$1.71**	**$1.81**

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

Cash cost was $2.26/lb in Q2-2011 compared to $1.81/lb in Q2-2010, an increase of $0.45/lb, the result of a $0.31/lb increase in power costs, a $0.17/lb increase in other costs, a $0.02/lb increase in administration costs, a $0.03/lb increase in smelter and refinery charges and a $0.03/lb increase in steel costs, mitigated by an increase of $0.13/lb in by-product credits.

Compared to the U.S. dollar, the Chilean peso was on average 14% stronger in Q2-2011, compared to Q2-2011; this results in higher costs expressed in U.S. dollars, the Company's reporting currency, for same-level costs originating in Chilean pesos.

Power, MVC's most significant cost, was $0.2129/kWh in Q2-2011 compared to $0.1533/kWh in Q2-2010. The increase in the price of power in Q2-2011 resulted from higher grid costs, and is net of the benefits obtained from the operation of one the Company's generators for most of the quarter. Power grid costs were contained by a price ceiling in MVC's power supply contract but unit costs were affected by the fixed cost portion distributed over reduced production in June.

One of MVC's generators continued to be out of operation in Q2-2011 due to repairs expected to conclude in Q3-2011. The reduction to power costs in Q2-2011 from operating one of the generators in the quarter was $1,313,189.

Power consumption decreased by 16% in Q2-2011 compared to Q1-2010 due to the interrupted flow of fresh tailings in June 2011. Unit power costs were $1.15/lb compared to $0.84/lb in Q2-2010. Power costs are expected to continue at levels comparable to Q2-2010 until weather conditions in Chile allow for higher power production from hydro sources.

Steel costs increased $0.02/lb from Q2-2010 and other production unit costs increased by $0.17/lb, including the effect of a stronger Chilean peso and the valuation of ending inventory at "lower of cost or market", in light of the production disruptions experienced in the latter part of Q2-2011.

Molybdenum by-product credits of $0.27/lb were higher than $0.14/lb in Q2-2010, due to the effect of stronger molybdenum sales over lower copper production.

Administration costs increased by $0.04/lb compared to Q2-2010, mainly due to a stronger Chilean peso, and transportation costs remained comparable to Q2-2010.

The Company's trailing annual and quarterly total costs ($/lb of copper produced) were:

	Q2-2011	Q1-2011	Q4-2010	Q3-2010	Q2-2010
Cash cost	2.26	2.33	2.01	1.71	1.81
El Teniente royalty	1.11	0.96	0.84	0.65	0.67
Amortization/depreciation	0.36	0.29	0.24	0.24	0.25
Total Cost	$3.73	$3.58	$3.09	$2.60	$2.73

Total cost was $3.73/lb in the quarter, compared to total cost of $2.73/lb in Q2-2010. The most significant impact on the increase in total cost was a $0.45/lb increase in cash costs followed by an increase of $0.44/lb in El Teniente royalties.

FINANCIAL RESULTS – Q2-2011

In Q2-2011, the Company produced 4,284 tonnes of copper (Q2-2010: 5,220 tonnes) and 190,917 lbs of molybdenum (Q2-2010: 155,755 lbs), 18% decrease and 23% increases, respectively, from Q2-2010.

The Company posted an after-tax profit for the period of $1,885,882 (basic and diluted earnings of $0.01 per share), compared to a loss of $281,572 (basic and diluted loss of $nil per share) in Q2-2010.

Revenue

Revenue in Q2-2011 was $38,294,635, compared to $32,433,982 in Q2-2010. Revenue increased due to higher production levels and higher copper and molybdenum prices.

Copper deliveries in Q2-2011 were recorded into revenue on “M+1” pricing, meaning the price paid was the LME average price for the month following delivery of copper concentrates. In the view of the Company, these pricing terms substantially reduce the Company’s risk exposure to copper price volatility, and closely match the LME pricing for sales and royalty payments to El Teniente (which are made on an “M”, or current month pricing basis). While the Company has evaluated strategies such as price protection or hedging to further minimize commodity price risk, it has decided not to pursue these options at present.

Cost of Sales

	Q2-2011	Q2-2010
Production costs		
Power costs	$ 10,867,141	$ 9,639,946
Steel costs	2,085,836	2,245,882
Other production costs	6,678,179	6,354,030
	19,631,156	18,239,858
El Teniente royalty	10,440,175	7,722,759
Depreciation and amortization	3,457,313	2,671,987
Administration	946,857	686,037
Transportation	348,705	357,929
	$ 34,824,206	$ 29,678,570

Cost of sales was $34,824,206, compared to $29,678,570 in Q2-2010, an increase of 17% between the two periods despite lower copper production levels, due to higher power and overall production costs and a stronger Chilean peso. Refer to **Cash Cost and Total Cost** for more detailed analysis of production costs on a unit basis.

The El Teniente royalty increased to $10,440,175 from $7,722,759 in Q2-2010, the result of higher copper prices. Average LME copper prices in Q2-2011 were $4.15/lb (Q2-2010: $3.19/lb).

Depreciation and amortization cost was $3,457,313, compared to $2,671,987 in Q2-2010. Amortization increased due to the Company’s higher asset base and changes in depreciation methodology under IFRS.

Administration expenses were $946,857 compared to $686,037 in Q2-2010, due to a stronger Chilean peso, higher ISO certification fees, and increased general administrative services.

Transportation costs were $348,705, compared to $357,929 in Q2-2010, slightly lower due to reduced copper deliveries in Q2-2011.

Gross profit

In Q2-2011 the Company's gross profit increased to $3,470,429 from $2,755,412 in Q2-2010 due to higher copper and molybdenum prices, mitigated by the effect of higher production costs.

Other expenses

“Other expenses” (costs not related to MVC’s production operations) were $1,032,424 in Q2-2011 compared to $2,351,957 in Q2-2010. They are composed of general and administration expenses of $1,583,245 (Q2-2010: $1,302,704) and other gains of $550,821 (Q2-2010: other losses of $1,049,253). General and administration expenses include office and general expenses of $285,087 (Q2-2010: $235,432), salaries, management and professional fees of $390,613 (Q2-2010: $271,683), share-based payment compensation of $754,337 (Q2-2010: $611,163) and royalties to non-controlling interests of $153,208 (Q2-2010: $184,426). Other gains include a foreign exchange gain of $281,440 (Q2-2010: loss of $1,491,837) and other items, including interest income and non-operating revenue of $269,381 (Q2-2010: $442,584).

Taxes

The Company recorded income tax expense of $211,341 in Q2-2011 compared to $140,918 in Q2-2010. Income tax expense includes changes to the Company's future income tax liabilities which arise mainly from timing differences between financial and tax-based amortization expense in MVC. The current tax rate in Chile increased from 17% to 20% in 2011, a temporary increase introduced by the Chilean government in response to the demands imposed on the economy by the reconstruction programs following the February 2010 earthquake.

FINANCIAL RESULTS – SIX MONTHS ENDED JUNE 30, 2011

During the six months ended June 30, 2011 ("YTD-2011"), the Company posted a profit of $13,540,168 ($0.08 per share), compared to profit of $1,218,720 ($0.01 per share) in the six months ended on June 30, 2010 ("YTD-2010").

The significant variance in financial performance between the two six-month periods is attributed mainly to a gain on sale of available-for-sale financial assets of $9,750,931 realized in Q1-2011 and an increase of $3,555,537 in gross profit from stronger copper and molybdenum prices in 2011.

Revenue in YTD-2011 was $83,810,135, 35% higher than YTD-2010 revenue of $62,090,747, due to a 2% increase in copper sales volume, a 30% increase in molybdenum sales volume, and higher metal prices.

Cost of sales was $18,163,851 or 32% higher than in YTD-2010 due to higher power costs caused by drought conditions in Chile, a stronger Chilean peso (11% stronger average rates over the two six-month comparative periods) and slightly higher production levels. Cash cost and total cost in YTD-2011 were $2.30/lb and $3.65/lb respectively, compared to $1.86/lb and $2.83/lb in YTD 2010.

Other expenses were $1,907,457 in YTD-2011 (YTD-2010: $3,411,303). The main variances in other expenses were a reduction of $2,220,370 in foreign exchange loss, an increase of $306,036 in salaries, management and professional fees, resulting mostly from higher legal and advisory costs, and an increase of $262,797 in share-based payment compensation.

COMPARATIVE PERIODS

The following tables provide highlights of the Company's quarterly results for the past eight quarters.

	QE June 30, 2011 (IFRS)	QE March 31, 2011 (IFRS)	QE Dec. 31, 2010 (Canadian GAAP)	QE Sept. 30, 2010 (Canadian GAAP)
Total revenue	$38,294,635	$45,515,500	$50,725,991	$39,303,405
Profit for the period	1,885,882	11,654,286	7,498,172	2,282,098
Earnings per share	0.01	0.07	0.04	0.013
Diluted earnings per share	0.01	0.07	0.04	0.013

	QE June 30, 2010 (IFRS)	QE March 31, 2010 (IFRS)	QE Dec. 31, 2009 (Canadian GAAP)	QE Sept. 30, 2009 (Canadian GAAP)
Total revenue	$32,433,982	$29,656,765	$33,852,105	$24,532,499
Profit (loss) for the period	(281,572)	1,500,292	3,911,766	3,238,116
Earnings per share	-	0.01	0.03	0.02
Diluted earnings per share	-	0.01	0.03	0.02

The variance in revenue in the past eight quarters shows the Company's sensitivity to copper and molybdenum prices. Revenues in Q1-2011 and Q1-2010 were lower than in preceding quarters due to lower production, as the first quarter of the year is always the lowest production quarter for MVC, and revenue in Q2-2011 was affected by an interruption in the flow of fresh tailings to MVC as a result of labour unrest described elsewhere in this document.

The variance in profits is also closely correlated to power costs incurred in each quarter. Profit in Q1-2011 was positively impacted from a gain on sale of available-for sale financial assets of $9,750,931.

L I Q U I D I T Y and C A P I T A L R E S O U R C E S

Cash Flow from Operations

The Company generated operating cash flow of $6,588,985 (4¢ per share) in Q2-2011, compared to $4,235,925 in Q2-2010 (2¢ per share), before considering the effect of changes in non-cash working capital accounts.

Including changes in non-cash working capital accounts, the Company generated cash from operations of $9,427,362 in Q2-2011, compared to $7,355,181 in Q2-2010.

Cash Flow from Investing Activities

In Q2-2011, the Company used cash of $5,234,948 for payments of capital expenditures, compared to $2,987,409 in Q2-2010. On a YTD-basis, cash used for capital expenditures was $8,592,505, compared to $5,941,123 in 2010.

The most significant capital expenditures in Q2-2011 were made in connection with MVC's share of construction of a pilot plant for the production of copper concentrates from highly oxidized tailings, commencement of work for the construction of a third thickener, old tailings extraction expansion works, improvements to electrical installations and projects related to filtration and emission controls.

In Q2-2011 the Company reached an agreement with El Teniente for the treatment of old tailings with high oxide content and started construction of a pilot plant to better determine the viability of treating oxide material. The pilot plant was completed in Q2-2011 at a cost to MVC of approximately $4.4 million.

In Q1-2011, the Company received net proceeds of $10,405,571 from the sale of 5,000,000 shares of Candente Copper. The Company continues to own 5,788,280 shares of Candente Copper.

Cash Flow from Financing Activities

Cash used in financing activities in Q2-2011 was $5,338,119 (Q2-2010: $2,894,225), from debt repayments of $2,022,344 (Q2-2010: $2,894,225), dividend payments of $3,559,174 ($nil in Q2-2010) and proceeds of $243,399 ($nil in Q2-2010) from the exercise of share purchase options.

On a YTD-basis, the Company used cash of $9,141,163 in financing activities (2010: cash received from financing activities of $6,668,339), including debt repayments of $5,846,981 (2010: $4,743,369), dividend payments of $3,559,174 ($nil in 2010) and cash receipts of $264,992 from the exercise of share purchase options and warrants (2010: $11,411,708).

Liquidity and Financial Position

The Company's cash and cash equivalents at June 30, 2011 totaled $35,814,356, compared to $35,044,797 at December 31, 2010. The Company had working capital of $33,628,764 at June 30, 2011, compared to $24,009,696 at December 31, 2010.

During 2009 and 2010 the Company's cash and working capital positions were severely affected by the sharp decline in copper and molybdenum prices that took place in Q4-2008, requiring the Company to secure bank debt and loans with Enami, Molymet and El Teniente. The loans with Enami, Molymet and El Teniente have since been fully repaid.

MVC has three bank loans in Chile, denominated in Unidades de Fomento ("UF"), the Chilean indexed monetary unit, U.S. dollars and Chilean pesos, totaling the equivalent of $8,902,118 at June 30, 2011.

The UF loan, in the amount of $1,984,764 at June 30, 2011 (December 31, 2010: $3,893,845), is repayable in eight equal quarterly installments of UF20,950 each, from January 20, 2010 to October 20, 2011.

The U.S. dollar loan had a balance of $3,002,261 at June 30, 2011 (December 31, 2010: $4,006,920). This loan is repayable in eight equal quarterly installments of $500,000 from March 15, 2011 to October 15, 2012.

The Chilean peso loan of $3,915,093 (December 31, 2010: $4,947,511) is repayable in monthly installments of Chilean pesos 79,395,833 each from June 2010 to May 2013. Concurrently with this loan agreement, the Company entered into an interest rate swap with the lending bank to fix the interest rate at 9.95% over the term of the loan.

In connection with the UF and U.S. dollar loans referred to above, MVC has to comply with certain debt covenants at December 31 and June 30 of each year. MVC was in compliance with these covenants (total debt over net equity, interest coverage ratio and financial debt over earnings before interest, depreciation, amortization and taxes) at June 30, 2011.

Management believes the Company will be able to meet its obligations as they come due for at least the next 12 months.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite these short-term liquidity challenges, MVC is a valuable long-life asset. El Teniente, the source of MVC's feed material, is the world's largest underground copper mine with remaining ore reserves expected to last decades. MVC's current contract with El Teniente runs to 2021.

The Company's long-term liabilities (long-term portions of bank loans, long-term portion of an interest rate swap, other payables, long-term portion of royalties due to related parties, asset retirement obligations and deferred income tax liabilities) at June 30, 2011 were $33,992,532 (December 31, 2010: $37,505,636).

Investments

At various dates during 2007 and 2008, the Company acquired for investment purposes 10,788,280 common shares of Candente Copper Corp. ("Candente Copper)", an issuer listed on the Toronto, Lima and Frankfurt stock exchanges, at an aggregate cost of $15,861,986. The Company's investment in Candente Copper is designated as "available for sale" for accounting purposes, which means it is an investment that is not held for trading. Gains or losses arising from changes in fair value are recorded in accumulated other comprehensive income in the Company's statement of financial position until the investment is sold or management determines that an other than temporary impairment in the value of the investment has occurred, at which time gains or losses are transferred into earnings. During the six months ended June 30, 2011, the Company sold 5,000,000 of its Candente Copper shares, and recognized a gain of $9,750,931 in earnings. At June 30, 2011, Candente Copper's closing share price was Cdn$1.13 and the fair value of the Company's approximately 5% investment in Candente Copper was $6,696,427. During the six months ended June 30, 2011, the Company recorded other comprehensive loss of $1,820,967 (2010: other comprehensive loss of $2,361,295) for the changes in fair value of this investment, net of deferred income tax.

On January 4, 2010, the Company received 2,157,656 shares of Candente Gold Corp. ("Candente Gold"), an issuer listed on the TSX, pursuant to Candente Gold's spinout from Candente Copper. The initial cost of the Candente Gold shares and subsequent adjustments to fair value required at each financial position date are recorded in accumulated other comprehensive income, as the Company's investment in Candente Gold is designated as "available for sale" for accounting purposes. At June 30, 2011, Candente Gold's closing share price was Cdn$0.52 and the fair value of the Company's approximately 4% investment in Candente Gold was $1,148,684. During the six months ended June 30, 2011, the Company recorded other comprehensive loss of $1,030,766 (2010: other comprehensive income of $1,358,831) for the changes in the fair value of this investment, net of deferred income tax.

At various dates during 2007 and 2008, the Company acquired for investment purposes 8,015,000 common shares of Los Andes Copper Ltd. ("Los Andes"), an issuer listed on the TSXV, at an aggregate cost of $3,946,908. Adjustments to fair value are required at each financial position date, as the Company's investment in Los Andes is designated as "available for sale" for accounting purposes. At June 30, 2011, Los Andes's closing share price was Cdn$0.375 and the fair value of the Company's approximately 6% investment was $3,077,159. During the six months ended June 30, 2011, the Company recorded other comprehensive loss of $690,269 (2010: other comprehensive income of $402,341) for the changes in the fair value of this investment, net of deferred income tax.

O U T L O O K

The interruption of fresh tailings to MVC through June and into the second half of July resulted in lost copper production of approximately 2,500 tonnes. The Company is making all available efforts to recover as much of this lost production as possible in the remaining five months of 2011. However, the outlook for copper production in 2011 may fall short of the 50 million pounds originally provided. Molybdenum production is expected to be short of the Company's original guidance of 1 million pounds.

Power costs remained high during the first half of 2011, due to ongoing drought conditions in Chile and the Company's second power generator not being operational, but are expected to ease in the second half of 2011 as weather conditions normailze.

Now that the flow of fresh tailings to MVC has been fully restored, the Company expects that MVC will generate strong operating profits and positive cash flows from operations at prevailing copper and molybdenum prices.

Capital expenditures in 2011 have been revised to be approximately $22,000,000 including further expansion of old tailings extraction facilities, substantial completion of the construction of a third thickener, increasing the capacity of electrical installations, filtration and emissions control projects and final expenses relating to the oxides pilot plant.

These are forward-looking estimates and subject to the cautionary notes regarding risks associated with forward looking statements presented at the end of this MD&A.

O T H E R M D & A R E Q U I R E M E N T S

Transactions with Related Parties

a) Royalties to non-controlling interests

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

In accordance with the articles of Amerigo International, the holders of the Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend, if declared by the directors of Amerigo International, in an amount equal to the amount of the Royalty.

The Royalty is calculated as follows:

- $0.01 for each pound of copper equivalent produced by MVC or any successor entity to MVC if the price of copper is under $0.80, or

- $0.015 for each pound of copper equivalent produced by MVC or any successor entity to MVC if the price of copper is $0.80 or more.

The Royalty is a derivative financial instrument. This liability is measured at fair value, with changes in fair value recorded in profit for the period. The fair value of the liability at June 30, 2011 is $5,715,268 (December 31, 2010: $6,006,429).

For MVC production up to the end of 2010, the Royalty was paid as a royalty dividend on the Class A shares of Amerigo International. During the six months ended June 30, 2011, Royalties totalling $333,336 were paid or accrued to the Amerigo International Class A shareholders on production in the period (compared to $323,648 in royalty dividends paid in YTD-2010). At June 30, 2011, $14,186 of this amount remained outstanding (December 31, 2010: $67,064).

b) Remuneration to officers

During the six months ended June 30, 2011, the Company paid or accrued $361,130 in fees to companies associated with certain directors and officers of Amerigo (2010: $235,535 which included reversals to prior booked management bonus accruals).

In the six months ended June 30, 2011, a total of 3,100,000 options were granted to directors and officers of the Company.

c) As of June 30, 2011, one of Amerigo's officers acted as an officer and another as a director of Nikos Explorations Ltd., a company over which Amerigo exercises significant influence.

d) As of June 30, 2011, one of Amerigo's directors acted as a director and one of Amerigo's officers acted as an officer of Candente Copper, a company in which Amerigo holds an investment.

e) As of June 30, 2011, one of Amerigo's officers acted as an officer of Candente Gold, a company in which Amerigo holds an investment.

f) As of June 30, 2011, two of Amerigo's officers acted as officers and one of Amerigo's directors acted as a director of Los Andes, a company in which Amerigo holds an investment.

IFRS Implementation Plan

Effective January 1, 2011, Canadian publicly traded entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date was January 1, 2010.

The Company has completed its IFRS conversion project through implementation. Post-implementation will continue in the following quarters of 2011.

The IFRS transitional impact for the comparative quarter and six months ended June 30, 2010, and as of June 30, 2010, is outlined below.

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

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

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

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

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

Note 6. Certain balances and transactions have been reclassified within the statements of financial position and statements of comprehensive income (loss), respectively.

Reconciliations of the statements of financial position

Reconciliations between the Canadian GAAP and IFRS consolidated statements of financial position at June 30, 2010 are provided below:

	Note	June 30, 2010 (Canadian GAAP) $	Transition Impact $	June 30, 2010 (IFRS) $
Assets				
Current assets				
Cash and cash equivalents		17,211,693	-	17,211,693
Trade and other receivables		15,137,099	-	15,137,099
Inventories		5,202,690	-	5,202,690
		37,551,482	-	37,551,482
Non-current assets				
Available-for-sale financial assets		5,982,485	-	5,982,485
Property, plant and equipment	3	124,105,753	(3,336,069)	120,769,684
Intangible assets	1	6,305,581	2,216,655	8,522,236
Other non-current assets	6	66,947	(55,476)	11,471
Total assets		174,012,248	(1,174,890)	172,837,358
Liabilities				
Current liabilities				
Trade and other payables		10,026,945	-	10,026,945
El Teniente royalty payable		7,515,314	-	7,515,314
Current income tax liabilities		20,313	-	20,313
Royalties to related parties	1	-	517,414	517,414
Borrowings		10,577,085	-	10,577,085
		28,139,657	517,414	28,657,071
Non-current liabilities				
Borrowings		5,105,853	-	5,105,853
Trade and other payables		1,446,706	-	1,446,706
Royalties to related parties	1	-	5,432,840	5,432,840
Asset retirement obligation		5,672,782	-	5,672,782
Deferred income tax liability	4	9,409,090	458,574	9,867,664
Total Liabilities		49,774,088	6,408,828	56,182,916
Equity				
Share Capital		76,928,224	-	76,928,224
Minority interest	1	1,000	(1,000)	-
Other reserves	5	3,267,250	434,192	3,701,442
Retained earnings	1-5	40,934,060	(1,150,484)	39,783,576
Accumulated other comprehensive income	2	3,107,626	(6,866,426))	(3,758,800)
Total equity		124,238,160	(7,583,718)	116,654,442
Total equity and liabilities		174,012,248	(1,174,890)	172,837,358

Reconciliations of total comprehensive income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the three and six months ended June 30, 2010 are provided below.

	Note	Quarter ended June 30, 2010 (Canadian GAAP) $	Transition Impact $	Quarter ended June 30, 2010 (IFRS) $
Revenue		32,433,982	-	32,433,982
Cost of sales	3,6	28,815,986	862,584	29,678,570
Gross profit		3,617,996	(862,584)	2,755,412
Other expenses				
General and administration	5,6	979,218	323,486	1,302,704
Other (gains) losses	2	(550,932)	1,600,185	1,049,253
		428,286	1,923,671	2,351,957
Operating profit		3,189,710	(2,786,255)	403,455
Finance expense	1,6	682,385	(138,276)	544,109
Profit before tax		2,507,325	(2,647,979)	(140,654)
Income tax expense	4	474,315	(333,397)	140,918
Profit (loss) for the period		2,033,010	(2,314,582)	(281,572)
Other comprehensive income (loss)	2	(1,565,517)	(3,821,646)	(5,387,163)
Comprehensive (loss) income		467,493	(6,136,228)	(5,668,735)
Weighted average number of shares outstanding, basic		170,910,344		170,910,344
Weighted average number of shares outstanding, diluted		171,951,389		171,951,389
Earnings per share				
Basic and diluted		0.01	-	-

	Note	Six months ended June 30, 2010 (Canadian GAAP) $	Transition Impact $	Six months ended June 30, 2010 (IFRS) $
Revenue		62,090,747	-	62,090,747
Cost of sales	3,6	54,353,378	1,700,404	56,053,782
Gross profit		7,737,369	(1,700,404)	6,036,965
Other expenses				
General and administration	5,6	1,935,802	434,192	2,369,994
Other (gains) losses	2	(1,545,227)	2,586,536	1,041,310
		390,575	3,020,728	3,411,303
Operating profit		7,346,794	(4,721,132)	2,625,663
Finance expense	1,6	1,177,356	(242,659)	934,698
Profit before tax		6,169,438	(4,478,473)	1,690,965
Income tax expense	4	560,264	(88,019)	472,245
Profit (loss) for the period		5,609,174	(4,390,454)	1,218,720
Other comprehensive income (loss)	2	(563,305)	(6,866,426)	(7,429,731)
Comprehensive income (loss)		5,045,869	(11,256,880)	(6,211,011)
Weighted average number of shares outstanding, basic		165,124,017		165,124,017
Weighted average number of shares outstanding, diluted		166,165,062		166,165,062
Earnings per share				
Basic and diluted		0.03		0.01

Statement of cash flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents. There were no changes to investing and financing cash-flow subtotals.

Internal Controls over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Other than changes related to our IFRS transition plan, there have been no changes in our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Other

As of August 9, 2011, Amerigo has outstanding 172,290,344 common shares and 1,070,000 options (exercisable at prices ranging from Cdn$0.31 to Cdn$2.23 per share).

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 and future commercial production. 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 copper and molybdenum price fluctuations, negotiations with El Teniente, labour disputes or other problems at El Teniente resulting in production interruptions, extension of current short term debt facilities, ability to reduce operating costs, 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.