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04
ANNUAL REPORT

Amerigo
RESOURCES LIMITED

Cu
copper

EL TENIENTE THE LARGEST UNDERGROUND COPPER MINE IN THE WORLD

In July 2003, **Amerigo Resources Ltd.** acquired Minera Valle Central S.A., a copper production company with a long-term contract to process tailings from Codelco's El Teniente mine. The El Teniente mine is the largest underground copper mine in the world. A few facts on the history of El Teniente:

- The El Teniente deposit has been worked since Colonial time. The first scientific evaluation was carried out in 1901 by the Concha y Toro family and Carlos Irarrázabal who owned the deposits at the time.

- In 1903, William Braden purchased the deposit and founded the Braden Copper Company. In 1904, construction began on a 250 ton per day concentrator in Sewell. The ore (3.34% Cu) was concentrated to a product having 20% Cu at a copper recovery of 45% to 55% using gravity methods. The tailings ranged between 0.8% to 1.5% Cu.

- In 1907, the smelter began operation with six roasters and two shaft furnaces producing a matte having 50% Cu. In 1909, after a fire, a second smelter was built which had two shaft furnaces, agglomeration furnaces, and a Peirce-Smith converter.

- Labour conflicts and other difficulties in 1909 led Braden to mortgage the company to the Guggenheim Exploration Company, which took financial control. Braden continued on as general manager until 1912. In 1915, the Guggenheim brothers sold the Braden Copper Company to the Kennecott Corporation.

- In 1911, the company processed 49,650 tons of ore having 2.97% Cu producing about 6,000 tons of blister copper. The copper recovery was 60% and the copper content in the tailings was 1.33%.

- In 1912 El Teniente adopted the flotation recovery process, with the construction of six flotation cells with a capacity of 600 tons/day each. Copper recovery increased to about 84% and the copper content in the tailings decreased to about 0.45%. The processing capacity was increased to about two million tons of ore in 1918.

From: Armando Enrique Valenzuela Jara, Chilean Copper Commission; CIM Bulletin Vol. 98 No. 1086

- Wedge furnaces with a capacity of about 35 tons/day roasted concentrate were installed in 1915. The SO_2 produced was used to make about 30 tons/day sulphuric acid, which was sold in the local market. By 1919, the shaft furnaces could smelt about 500 tons/day. Copper production ranged between 40 to 50 tons/day. In 1922, a third smelter was built in Caletones to replace the one in Sewell.

- By 1940, manual drilling in the mine was replaced by a compressed air drilling system. In 1943, the processing capacity increased to ten million tons of ore. In 1945, 355 miners perished due to a fire in the underground mine. In 1958, the Caletones smelter began to treat metallurgical gases to produce sulphuric acid.

- In 1967, copper production increased from 180,000 to 280,000 tons/year. Between 1971 and 1976, panel caving was used for primary rock extraction, ore transportation was mechanized, and another flotation plant was built in Colon. In 1982, an underground primary crusher was installed inside the mine.

- In 1985, a solvent extraction and electrowinning plant began producing copper cathodes from the acid mine waters from the mine. In 1992, a semi-autogenous grinding (SAG) plant began its operation. Today, El Teniente is the largest underground copper mine in the world producing about 430,000 tons/year Cu from 46.5 million tonnes of ore mined.

PHOTO: Amerigo's Board of Directors tours the El Teniente mine.

LEFT TO RIGHT: Klaus Zeitler, Ruston Goepel, Robert Gayton, Sidney Robinson, Steven Dean.

OVER US$10 MILLION IN NET EARNINGS IN OUR FIRST FULL YEAR OF PRODUCTION AT MINERA VALLE CENTRAL

In 2003, **Amerigo Resources Ltd.** purchased Minera Valle Central (MVC), which produces copper concentrates from tailings from the world's largest underground copper mine. MVC is treating all the fresh tailings from El Teniente's present production and has the right to treat the higher grade tailings from a 200 million tonne abandoned tailings impoundment known as Colihues.

December 31, 2004 marked the first full fiscal year of production from Minera Valle Central (MVC). Some highlights for the year:

- MVC's production in 2004 increased to 31.12 million pounds of copper in concentrate.
- Net earnings after tax for the year ended December 31, 2004 were US$10,941,198, 707% higher from earnings of $1,546,502 in the ten months ended December 31, 2003. Earnings were higher due to higher copper prices and increased production.
- Earnings per share for the year ended December 31, 2004 were US$0.17 non-diluted. In the same period cash flow from operations was US$14,029,775.
- Cash balances increased to US$8,239,089 at December 31, 2004 after capital expenditures of US$4,837,277 in Q4.

EXCEEDING EXPECTATIONS—ON TARGET TO FURTHER DOUBLE COPPER PRODUCTION OVER TWO YEARS

Through 2005 and 2006 MVC expects to ramp up annual production capacity to approximately 65 million pounds of copper.

Revenue is projected to increase in 2005 and into the future, due to:

(1) Significant increases in grinding capacity, which improves recoveries.

(2) Increasing extraction from Colihues to 10,000 tpd by the end of 2005, and to 45,000 tpd by 2007 under a new agreement in principle signed with El Teniente.

(3) Completion of a molybdenum plant ahead of schedule. Production in excess of 500,000 pounds of molybdenum in concentrates is anticipated for 2005, with an increase to 800,000 to 1,000,000 pounds in 2006.

OBJECTIVES FOR 2005

- **IN THE FIRST HALF OF 2005:** Complete molybdenum plant construction and commence production of molybdenite concentrates, at commercial specification.
- **BY THE THIRD QUARTER OF 2005:** Complete two grinding sections and one half of the flotation plant expansion, with the remainder of the expansion completed by early 2006.
- Finalize design and commence implementation of an extraction system for Colihues tailings, designed to extract up to 45,000 tonnes per day by 2007.
- Negotiate a satisfactory new labour agreement with the MVC workers union prior to the current contract expiry in 2005.
- Study new opportunities of increasing economic efficiency throughout the company, including treatment of other metal bearing ores or tailings, decreasing operating costs, increasing molybdenum revenue by using alternative methods of treatment and conversion from sulphide to molybdenum oxide or other commercial products.

PHOTO: Amerigo President Klaus Zeitler and Operations Manager Manuel Cartagena tour the plant.

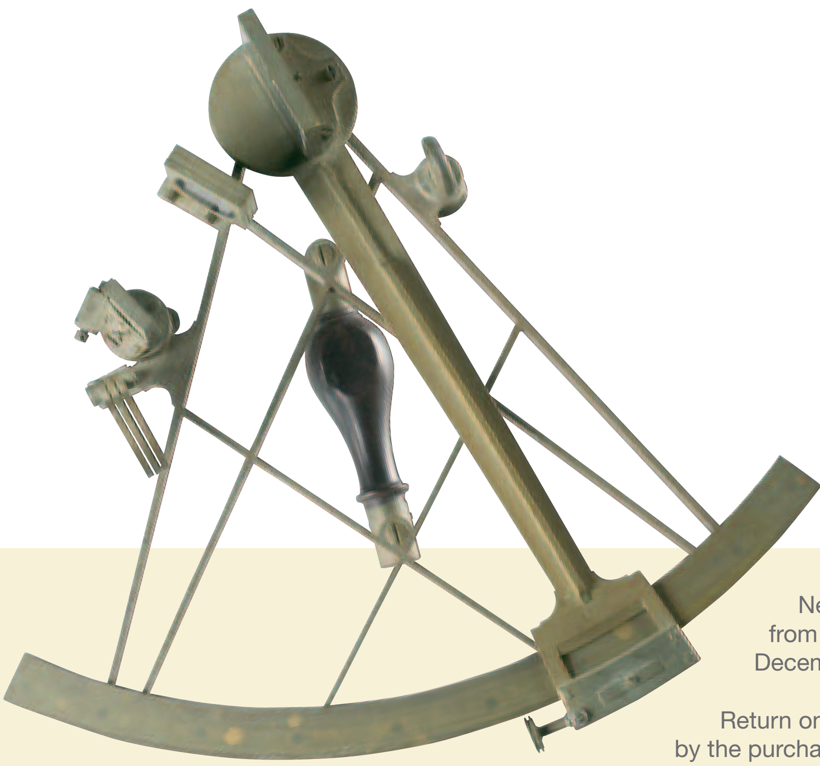
PHOTO: The newly commissioned molybdenum plant.

PHOTO: A flotation circuit operator.

PHOTO: The ball mill circuit.

REPORT TO SHAREHOLDERS-2004

2004 saw a seven fold increase in earnings over 2003, a function of the first full year of operating financial results from MVC, higher production and higher copper prices.



Net earnings after tax were US$10.94 million, and cash flow from operations was US$14.03 million for the year ended December 31, 2004.

Return on capital invested represented by operating cash flows divided by the purchase price of MVC plus capital invested to December 31, 2003 is an exceptional 78%, significantly higher than the previous year reflecting the first full year of operations and higher copper prices and production.

The copper price continued its upward trend, based on global economic growth and strong demand in China. The LME copper price during the 12 months to December 2004 increased from $1.100 to $1.427, and the average price received on copper sales was US$1.2971 during the period. The price has continued to increase in early 2005 reflecting tight supply, strong demand and low global inventory levels.

During the year, Phase 1 of the copper plant expansion was completed, increasing classification and flotation capacity. The next phase of the expansion, Phase 2 was initiated as planned and includes an increase in grinding capacity, and further additional flotation capacity. These expansions are designed to accommodate the increased flow of fresh tailings from El Teniente and ultimately 45,000 tonnes per day extracted from the in-situ Colihues tailings impoundment, which contains an estimated 200 million tonnes of material.

In the second half of 2004, the Company reached agreement in principle with Codelco to increase the rate of extraction from Colihues to 45,000 tonnes per day over the next 2 years. The combination of the increased rate of flow of fresh tailings and the increased extraction rate from Colihues has the potential to increase copper production to in excess of 65 million pounds of copper annually, an increase of over 200% above the production rate at the time of acquisition of MVC.

The Company also completed a feasibility study on the construction of a plant for the recovery of molybdenum, a metal contained in both the fresh and insitu source production material, but not recovered for sale up to this time.

Throughout 2004 the Company took on and achieved a number of important business growth objectives, and plans to continue with an aggressive program in 2005.

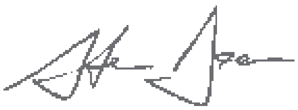
A decision to proceed with construction was made coinciding with particularly strong “moly” prices. Construction was completed in a mere 90 days, and commissioning commenced in late March 2005. Moly production will give Amerigo important metal diversification at a time of record high prices, providing a potentially valuable boost to earnings in 2005 plus a significant by-product credit to our cost of copper production.

Cashflows were strong in 2004, resulting from high copper prices, enabling a substantial expansion program to be funded entirely without debt. The outlook for 2005 is similar with an estimated US$20million in capex being funded from cashflows. The Company has no bank debt, and a strong balance sheet.

With the planned plant expansions, the new agreement on Colihues extraction rate and forecast production of approximately 500,000 pounds of moly in 2005, the stage has been set to take even further advantage of sustained metal prices for all shareholders.

With the anticipated exercise of warrants in June 2005, the Company is building a substantial cash position. The Company also anticipates, subject to metal prices and further plant expansions, generating substantial free cash flows towards the end of 2005. On this basis, your company’s Board of Directors will consider implementing a dividend policy in 2005.

Throughout 2004 the Company took on and achieved a number of important business growth objectives, and plans to continue with an aggressive program in 2005. We want to thank the Board for their support of our plans, and our management and staff in Chile and Vancouver for their efforts in making them a reality.



Steven G. Dean
Chairman

Klaus M. Zeitler
President

MVC recovers copper from the fresh tailings produced by the El Teniente Division of Codelco Chile, a state owned company that is the biggest copper producer in the world. As well as recovering copper from fresh tailings, MVC recovers copper from old tailings stored in the Colihues tailings dam, located next to MVC's operation near Rancagua, Chile.

El Teniente has undertaken an expansion program that has increased daily capacity from approximately 92,000 tonnes of ore per day in 2003, to 130,000 tonnes per day at the end of 2004.

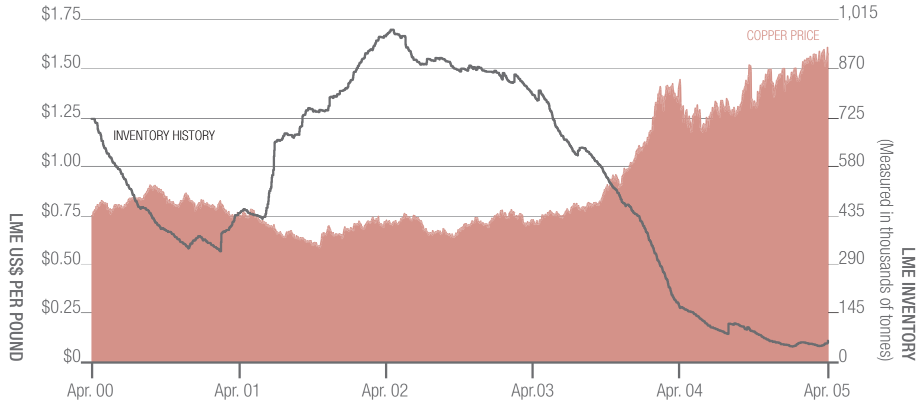
MVC carried out, throughout 2004, a series of modifications to the operating circuit to adjust to the increasing amount of fresh tailings that El Teniente was producing. These modifications had to account for wide variations in instantaneous flow, from peak tonnages to extended and complete shutdowns of the operation.

With respect to processing of old tailings, extraction from the Colihues Dam started in April 2003 with a small pilot unit consisting of a barge and one electrically driven dredge pump. This system showed some promise, and an external contractor was hired to undertake the extraction operation for a set fee per tonne. The new contractor purchased and put into operation two new dredge pumps by mid 2004, and it was expected that the tailings extraction rate would reach 10,000 tonnes per day.

Although the extraction rate from Colihues increased during the second half of the year, it came short of reaching the expected 10,000 tonnes per day goal. Our work has shown that the old tailings, which are permanently underwater, present a higher than expected degree of consolidation. The extraction concept was based on the assumption that the tailings would flow towards the void generated by the dredge pumps. The higher tailings stability encountered resulted in a very slow flow towards the pump. This required MVC to develop a different approach, and this approach is now being implemented as the presently operating dredge pumps have been outfitted with external rotary excavator tools to improve the extraction efficiency. Hydraulic monitoring is being considered for the area of the tailings dam that lies above the water level, while the use of an underwater excavator unit, capable of de-consolidating the layers of tailings and feeding an underwater pumping system, is being studied for the area below the water level.

Operating Costs

MVC focused on keeping operating costs to a minimum during 2004 despite a very sharp increase in steel, fuel and energy prices. These three items showed price increases through the year of 24.1%, 32.5% and 19.7%, respectively. The final deviation of only 2.7% in total cost against budget, before royalty to Codelco, illustrates the success of these efforts. Production, however, was lower than budget and therefore cash costs before El Teniente royalty, smelting and refining were higher than planned at US48c per pound.



COPPER MARKET—Five Year Copper Price and Inventory History
(five years to April 22, 2005)
52-week high = $1.59 • 52-week low = $1.17

Workforce and Safety

At the end of 2004 MVC had a 72-person workforce, including management and supervision. A subcontracted workforce of 78 people worked on the various new projects and support operations. This workforce will necessarily increase in 2005 due to a shorter legal workweek introduced in Chile at the end of 2004, from 48 hours to 45 hours.

Maintaining the best safety indicators continues to be one of the most important goals of MVC. In 2004, three lost-time accidents occurred. Our accident frequency rate, at a value of 1.94 accidents per 100,000 person-hours, is among the best in the Chilean mining industry.

Objectives for 2004

MVC had a number of objectives to be achieved during 2004:

Objective 1: Complete Phase I, defined as expanding facilities to reach an annualized production rate of 15,000 tonnes of fine copper per year in the 2nd quarter.

Throughout the plant a number of improvements to the tailings handling and classification capacity, particularly in the grinding and flotation areas, were completed during 2004.

These modifications to the plant allowed MVC to accomodate the increased flow of fresh tailings from El Teniente. During the second half of 2004 MVC reached the annualized rate of 15,000 tonnes of fine copper per year, one of the objectives for the year.

Objective 2: Initiate Phase 2, defining the basis for the expansion that will carry final copper production to 19,000 tonnes per year.

During 2004 MVC initiated its expansion program based on the long-term production program of El Teniente. The expansion program will include:

1. Grinding plant capacity expansion, from the existing four mills, with a combined installed 10,000 HP, to a total of eight grinding mills, with a combined capacity of 23,700 HP.
2. Flotation plant expansion, adding capacity to the mechanical flotation banks, and increasing capacity in the column flotation section.

This expansion will give the plant an installed capacity of up to 19,000 tonnes of fine copper per year, once the Colihues extraction rate reaches 10,000 tonnes per day.

Objective 3: Increase the contractual extraction limit of Colihues.

A new agreement in principle with Codelco, signed in November 2004, will allow MVC to increase the originally approved 10,000 tonnes per day extraction rate from the Colihues dam to 45,000 tonnes per day. MVC has projected to go from 5,000 tonnes per day at the end of 2004 to 45,000 in 2007.

Objective 4: Develop other opportunities to increase copper recovery and decrease costs, as well as consider the feasibility of extracting the molybdenum contained within the tailings.

MVC management studied different projects and opportunities in 2004, and agreed to proceed with the construction of a plant for the recovery of molybdenum in the last quarter of 2004.

MVC will have an installed grinding and flotation capacity for production in excess of 65 million pounds of fine copper per year by 2007.

PHOTOS TOP TO BOTTOM:
Aerial view of the MVC plant.
Chemical analyst in MVC laboratory.
Tailings launder from El Teniente.

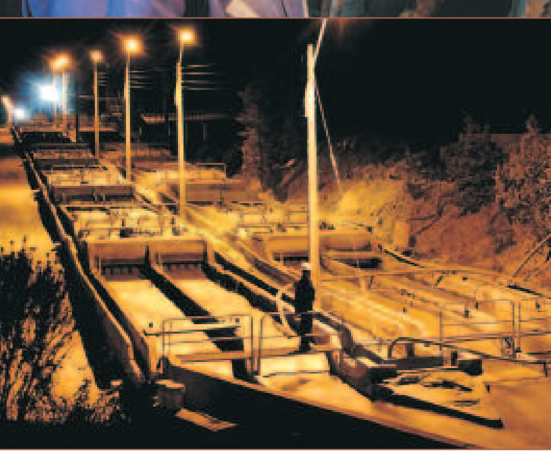
The Future Expansion Program (2005 – 2006)

The expansion program will allow MVC to process the coarse fraction of up to 45,000 tonnes of old tailings from the Colihues Dam, and also to improve the present efficiency of grinding of the coarse fraction of 130,000 tonnes per day of fresh tailings. The higher flotation capacity will allow MVC to increase overall recovery, while maintaining concentrate grade at approximately 30% copper.

During 2004, engineering work for the plant expansion commenced, and a team of engineers and specialists was hired to work out of offices located at the plant site, thus optimizing communications and efficiency. A small group of MVC executives made several trips to Canada and the USA to inspect, and eventually purchase, second hand milling equipment that will be used in the expansion of MVC. By the end of the year, MVC had purchased four grinding mills representing a combined capacity of 13,000 HP. Those four units were completely overhauled and shipped to Chile at the end of 2004. A preliminary capital expenditure budget of US$20.6 million for the plant was established during the basic engineering stage, which was completed in December 2004. Using fast track programming, the estimated construction period of the new facilities is eleven months, including startup. Two sections of the grinding plant are expected to be in operation during the 3rd quarter of 2005, with the remaining two sections coming on stream at the end of the year.

When this expansion program is completed, a program that includes raising the extraction rate from the Colihues dam by stages, from 10,000 to 45,000 tonnes per day, MVC will have an installed grinding and flotation capacity for production in excess of 65 million pounds of fine copper per year in the form of a 30% copper concentrate. This goal will be achieved in 2007 when all present expansion activities are projected to be completed.

PHOTOS CLOCKWISE:
Operator at the copper filter plant.
The tailings dredge at Colihues.
Operator taking overflow samples.
The cascade flotation system.



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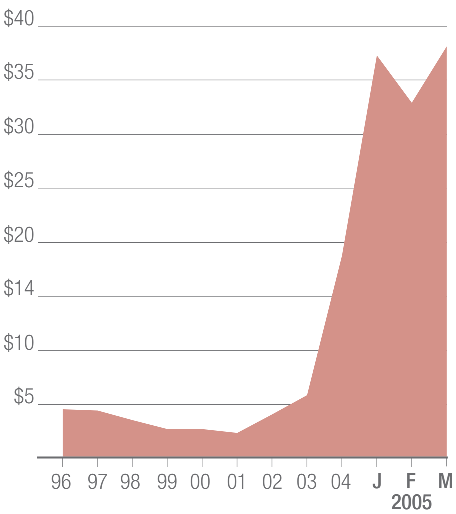
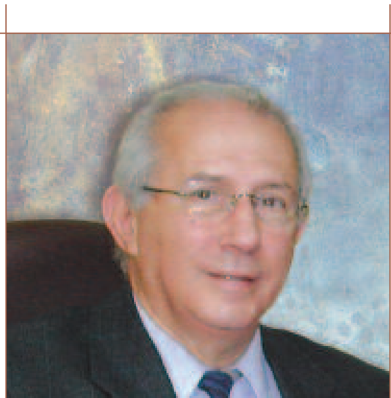
Mo

molybdenum

AVERAGE PRICES (US$/lb)
MOLYBDENUM OXIDE FOB
North America (Mean)





Raul Poblete
General Manager

Molybdenum Plant Project

The copper concentrates produced by MVC contain approximately 0.8% molybdenum, an element that can be recovered by conventional flotation under carefully controlled conditions. El Teniente, the source of the tailings that are treated by MVC, recovers approximately 4,200 tonnes of molybdenum per year, or 9.26 million pounds. Using a similar procedure, MVC has the potential of recovering, based on 2005 projected production figures, approximately 500,000 pounds of molybdenum, and a potential further doubling of molybdenum production as and when long term production forecasts are reached.

In March 2004, based on an evaluation of current and projected molybdenum market prices, MVC decided to investigate the feasibility of the economical recovery of molybdenum from copper concentrates. New metallurgical laboratory work confirmed that molybdenum sulphide concentrate could be produced economically within market specifications. Between June and October 2004, basic engineering work for the plant was started, completed and reviewed. In the last quarter of 2004, detailed engineering work for the molybdenum plant was completed, and purchase orders and fabrication contracts were signed for a US$3.3 million molybdenum recovery plant, to be fully built during the first half of 2005. The plant was completed in March 2005, well ahead of schedule. This plant has the flexibility to treat future increased amounts of copper concentrate, with minimal additional investment.

Molybdenum is used mainly in the production of high strength steel alloys for pipeline and other specialized applications.

Objectives for 2005

The following are the key priorities for MVC for 2005:

- Complete molybdenum plant construction and commence production of molybdenite concentrates, at commercial specifications, during the first half of 2005.
- Complete two grinding sections and one half of the flotation plant expansion, by the third quarter of 2005, with the remainder of the expansion project completed by early 2006.
- Finalize design and commence implementation of an extraction system for Colihues tailings, designed to extract up to 45,000 tonnes per day by 2007.
- Negotiate a satisfactory new labour agreement with the MVC workers union prior to the current contract expiry in 2005.
- Study new opportunities of increasing economic efficiency throughout the plant, including treatment of other metal bearing ores or tailings, decreasing operating costs, increasing molybdenum revenue by using alternative methods of treatment and conversion from sulphide to molybdenum oxide, or other commercial products.

DIRECTORS AND MANAGEMENT

Steven G. Dean, *Chairman*
Mr Dean is a Fellow of the Institute of Chartered Accountants of Australia, a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Canadian Institute of Mining, Metallurgy and Petroleum. He has extensive experience in mining, most recently as President of Teck Cominco Limited to July, 2002. He was an Executive Director and Chief Financial Officer of the Normandy Mining Ltd. Group from 1987 to 1994, and founding Chairman and Chief Executive Officer of PacMin Mining Corporation from 1995 to 1999. He is currently Chairman of Spur Ventures Inc. a company listed on the TSX Venture Exchange and a director of GRD Limited, a company listed on the Australian Stock Exchange.

Klaus M. Zeitler, *President*
Dr. Zeitler received a Ph.D. in Economic Planning in Germany in 1967, and has been active in the mining industry ever since, most recently as Senior Vice President of Teck Cominco Limited from March, 1997 to November, 2002. He was President and CEO of Inmet Mining Corp. from 1986 to 1996, and has been a director of Western Silver Corporation (TSX-WTC) since September, 2000. In addition to the above, Dr. Zeitler was Chairman and a director of Minnova from 1992 to 1993, a director of Mount Isa Mines (MIM) in Australia and a director of Norddeutsche Affinerie AG (NA) in Germany.

Sidney P.H. Robinson, *Director*
Mr. Robinson was a senior partner at Torys LLP where he practiced corporate and mining law for over 30 years until he retired in July 2004. He provided strategic and legal advice with respect to acquisitions, developments and financings to senior management and boards of directors of a number of Canadian and international mining companies. He sits on the boards of directors of a number of public and private corporations and has many years experience as a director of mining companies in Canada and in the United States.

Robert J. Gayton, F.C.A., *Director*
Dr. Gayton graduated from the University of British Columbia in 1962 with a Bachelor of Commerce and in 1964 earned the Chartered Accountant (C.A.) designation while at Peat Marwick Mitchell. Dr. Gayton joined the Faculty of Business Administration at the University of British Columbia in 1965, beginning 10 years in the academic world, including time at the University of California, Berkeley, earning a Ph.D. in Business. Dr. Gayton rejoined Peat Marwick Mitchell in 1974 and became a partner in 1976 where he provided audit and consulting services to private and public company clients for 11 years. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987. Dr. Gayton is a director of several public companies.

Ruston Goepel, *Director*
Mr. Goepel is Senior Vice President at Raymond James Ltd. He entered the investment business in 1968 specializing in institutional sales with Ryan Investments and Pemberton Securities Ltd. In 1989 he was a founding partner and CEO of Goepel Shields & Partners, a national securities dealer which was acquired by Raymond James Inc. -the 8th largest U.S. brokerage firm- in January 2001. Mr. Goepel is Chairman of the Business Council of British Columbia and a Director and Chairman of the Nominating and Governance Committee of the Vancouver 2010 Olympic Organizing Committee. Mr. Goepel is a past member of the Executive Committee of the Investment Dealers Association of Canada and a Past Governor of the Vancouver Stock Exchange. He is also a Director of a number of Canadian companies. Mr. Goepel was the recipient of the Queen's Jubilee Medal for Business Leadership and Community Service.

Aurora Davidson, *Chief Financial Officer*
Ms. Davidson holds a Certified General Accountant designation from the Certified General Accountants Association of British Columbia (2003) and a BSc in Business Administration from Alliant International University in San Diego, California (1990). Ms. Davidson has over 15 years of experience in financial and general business management having assisted private and public companies in the roles of Chief Financial Officer, Vice-president, Finance and Corporate Controller within the mineral exploration and technology sectors.

Jeffrey Giesbrecht, *Secretary*
Jeffrey Giesbrecht is a member of the Law Society of British Columbia. He received a degree in Geological Engineering (Geophysics) in 1989, and has practiced corporate, mining and securities law since 1994.

Raul Poblete, *General Manager, MVC*
Mr. Poblete is the General Manager of MVC, a position he has occupied since acquisition of MVC by Amerigo in July 2003. Upon completion of the plant in 1991, he was made Operations Manager, having been head of the group of engineers that designed and built the plant. From 1974 to 1988 he held several management positions with Codelco Chile, at the Salvador, Andina and El Teniente divisions. From 1971 to 1974, he held the position of Copper Concentrator Superintendent at Rio Tinto Patiño, in Spain.

Manuel Cartagena, *Operations Manager, MVC*
Mr. Cartagena has 24 years of experience in copper sulfide processing and copper solvent extraction of copper, including 11 years in El Teniente in different positions within the concentration division. In 1992, Mr. Cartagena joined MVC as Chief Metallurgist, and participated in the design and construction of the Phase I grinding and flotation plant commissioned in 2004. In 1998 he was promoted to Superintendent of Operations, and in 2004 was further promoted to Operations Manager.

Jaime Alfonso Gutiérrez, *Maintenance & Services Manager, MVC*
Mr. Gutiérrez spent sixteen years with El Teniente, as Maintenance Supervisor and as Project Engineer at the concentrator. He joined MVC in 1992 as General Maintenance and Services Superintendent, and was promoted to Maintenance and Services Manager in 2004.

Christian Cáceres, *Engineering Manager, MVC*
Mr. Cáceres has twelve years of experience in metallurgical processes, engineering projects and data processing, cost control, environmental management and commercialization of concentrates. He Joined MVC in 1994, holding positions of Engineering Superintendent, Engineering Assistant Superintendent and Operation Shift Supervisor. Christian was promoted to Engineering Manager of MVC in 2004.

Management Discussion and Analysis

For the Year Ended December 31, 2004 • 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 ("the Company"), is prepared as of February 16, 2005 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2004.

Overall Performance

The overall performance of the Company for the year ended December 31, 2004 substantially differs from prior annual results as a result of the acquisition of Minera Valle Central ("MVC") on July 3, 2003. MVC, a Chilean copper producer, has a contract with Chile's state-owned copper producer Codelco through at least 2021 to process the tailings from the El Teniente mine in Chile. In the year ended December 31, 2004, net earnings were $10,941,198 ($0.1726 per share, non-diluted; $0.1258 per share, diluted) on gross copper sales of $41,583,363. Gross copper sales are derived from the sale of 30.49 million pounds of copper under strong international copper prices.

In fiscal 2004, the Company's activities contributed to operating cash flow of $14,029,775, which includes the effect of changes in non-cash working capital accounts. Investing activities used $10,646,958 of cash resources during fiscal 2004, as part of MVC's expansion program. Financing activities included full repayment of $1,397,166 of Enami loans outstanding at December 31, 2003 and cash inflows of $1,733,353 from the exercise of stock purchase options and warrants during the year.

At December 31, 2004 the Company had a strong balance sheet, with $8,239,089 in cash and cash equivalents and working capital of $8,584,637, after capital expenditures of $10,646,958 in the year. Amerigo is positioned to finance further plant expansions from existing cash resources and operating cash flow in 2005.

The Company is exposed to changes in prevailing international copper prices. The Company's copper concentrate sales are recognized at the London Metal Exchange three-month forward price. Given that the Company accounts for changes in copper price during the settlement period, gross copper sales will be favorably impacted in rising price markets and negatively impacted when copper prices decline. The Company, through MVC's operations, has limited exposure to changes of the Chilean Peso with respect to the US Dollar, as the Company's gross copper sales are quoted in US Dollars and 65% of its costs are either quoted in US Dollars or quoted in Chilean Pesos indexed to the US Dollar.

Selected Annual Information

	12 months ended Dec. 31, 2004	10 months ended Dec. 31, 2003	12 months ended Feb. 28, 2003
Total gross copper sales	$ 41,583,363	$ 12,243,150	$ Nil
Net revenue	35,296,334	9,638,759	85,492
Net income (loss)	10,941,198	1,546,502*	(62,334)
Earnings (loss) per share	0.17	0.04*	(0.01)
Diluted earnings (loss) per share	0.13	0.03*	(0.01)

	at Dec. 31, 2004	at Dec. 31, 2003	at Feb. 28, 2003
Total assets	$ 48,469,945	$ 34,384,420**	$ 362,691
Total long-term liabilities	6,185,287	7,070,496***	Nil
Cash dividends declared	Nil	Nil	Nil

* Adjusted from Net Income of $1,881,013 to account for retroactive restatements to earnings of ($334,511) due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

** Adjusted from Total Assets of $31,818,446 to account for retroactive restatement to Mineral Property, Plant and Equipment of $1,799,637 and to Future Tax Assets of $766,337 due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

*** Adjusted from Total Long-term Liabilities of $5,154,654 to account for retroactive restatement to Asset Retirement Obligation of $1,915,842 due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

Variation in results of operation and financial position as outlined in the tables above is derived from the significant change in Amerigo's business following the acquisition of MVC.

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.

Results of Operations

For the year ended December 31, 2004

In the year ended December 31, 2004, net earnings were $10,941,198 ($0.1726 per share, non-diluted; $0.1258 per share, diluted) on gross copper sales of $41,583,363, compared to restated net earnings of $1,546,502 ($ 0.0375 per share, non-diluted; $0.0254 per share, diluted) and gross copper sales of $12,243,150 in the ten months ended December 31, 2003, which is the comparative period due to the Company's change of fiscal year end.

Sale and delivery of copper

Copper produced by the Company was sold under two sales agreements with Chile's Empresa Nacional de Minería ("Enami" or the "smelter") which provide that the sale price is the market price at the end of the third month after delivery. Accordingly, all copper delivered by the Company to the smelter in one quarter is sold at market prices prevailing in the following quarter. The Company believes that this pricing arrangement is a standard industry term for 2004.

Revenue recognition and reporting

Commencing January 1, 2004 a new accounting standard required the Company to take into revenue on the date of delivery of copper concentrates to the smelter an amount based on the LME three month forward price for copper. Adjustments to recorded revenue are subsequently made at the end of each month to reflect changes in future copper prices until the sale price is settled. The effect of this new accounting standard is to increase the sensitivity of the Company's reported revenue to increases and decreases in copper prices. In a period of rising copper prices, not only will the Company ultimately record higher revenue for copper delivered in the period, but it will also record favourable adjustments to revenue for copper delivered in the prior quarter. Similarly, in a period of declining copper prices, the Company will be required to record lower revenues for current deliveries and negative adjustments to revenue for the prior quarter's deliveries.

MVC's 2004 gross copper sales were $41,528,638, derived from the sale of 30.49 million pounds of copper at an average price of $1.2971 per pound of copper and settlement adjustments of $1,980,021 for copper delivered in 2003 and settled in 2004.

Production

Production in 2004 was 31.12 million pounds or 14,116 tonnes of copper, 12% below the 2004 production forecast of 16,000 tonnes. Mainly during Q2 and Q3 of fiscal 2004, MVC received fresh tailings containing lower sulphide grade material from El Teniente, which contributed to production being below budget. Sulphide grade materials in El Teniente tailings normalized as of mid-October 2004.

Recovery of tailings from Colihues was also below budget in fiscal 2004. MVC originally subcontracted the operation of the Colihues extraction pond to an independent third party. The contract was terminated on October 31, 2004 when the subcontractor did not achieve design capacity due to its inappropriate selection of extraction equipment. MVC now operates Colihues directly and is in the process of installing replacement equipment better suited for the process. The equipment is expected to be fully operational during Q1 2005 and therefore, improvements in the Colihues extraction rates were limited during November and December 2004.

Operating Cash Flows

In the year ended December 31, 2004, the Company's activities contributed to operating cash flow of $14,029,775, which includes the effect of changes in non-cash working capital accounts.

Operating Costs and Expenses

Annual cash costs including smelter, refinery and other charges (before El Teniente royalty) were $21,213,185 or 69c per pound. On a quarterly basis, cash costs per pound were 64c in Q1; 59c in Q2; 73c in Q3 and 76c in Q4. Unit cost increases result primarily from higher international energy and steel prices, which directly impacted MVC's main production costs. Electricity prices in Chile increased significantly as of mid-2004 and MVC also faced increased prices for consumables, particularly for grinding balls used in the mills. During Q4, smelter and refinery charges were significantly higher than in prior quarters (see Fourth Quarter section of this MD&A) due to price adjustments required to meet annual contractual treatment quotas at a higher rate than had been averaged from Q1 to Q3. Lower than budget copper production also results in higher costs per pound. Although MVC has no control over international energy and steel prices, the Company expects that unit production costs will decrease as copper production increases.

Total costs including smelter, refinery and other charges, were $27,245,685 or 88c per pound for the year. Actual total production costs were below budget as a result of lower than budgeted production.

Costs not related to MVC's operations are identified as "Other expenses", of which the most significant expenses in 2004 are Management Fees of $379,852 (which include an annual performance bonus of $199,272), followed by Salaries, Consulting and Professional fees of $302,209 and Office Expense of $169,137. In fiscal 2003 Management Fees were $91,767, Salaries, Consulting and Professional fees were $140,522 and Office Expense was $68,893. Costs in 2003 were lower as they were incurred mainly in the July to December period, following the acquisition of MVC. Also, no performance bonus was paid to management in 2003.

"Other expenses" amounts not described in the preceding paragraph are general and administrative expenses. In the year ended December 31, 2004 these were consistent with budget and with anticipated costs required to maintain Amerigo's corporate activities in subsequent periods.

Non-operating items in 2004 include a Foreign Exchange Gain of $321,158, Interest Income of $211,041, a Gain on Disposition of Mineral Properties of $146,259 and a Write-off of Mineral Properties of ($49,529). The foreign exchange gain of $321,158 is derived from changes to the exchange rates of the Chilean peso and the Canadian dollar to the US dollar in the year. The Chilean peso's exchange rate moved from $617.40 to $557.40 with respect to the US dollar and the Canadian dollar exchange to the US dollar changed from $1.2946 to $1.2044 from December 31, 2003 to December 31, 2004.

The Company recorded income tax expense net of recoveries of $2,245,523 in 2004, of which $2,123,592 is income tax on net earnings generated in MVC. Due to the availability and utilization of loss carryforwards in MVC, there is no cash tax payable associated with the MVC tax expense. At December 31, 2004, MVC has approximately $3,638,485 of tax losses available to offset future tax payable, at an estimated tax benefit of $618,542.

Summary of Quarterly Results

	Qtr ended Dec. 31, 2004	Qtr ended Sept. 30, 2004	Qtr ended June 30, 2004	Qtr ended March 31, 2004
Total gross copper sales	$ 12,363,762	$ 10,762,727	$ 8,218,154	$ 10,238,720
Net revenue	10,239,906	9,071,903	6,928,416	9,056,109
Net income	2,578,907	2,960,651	1,625,458	3,776,182
Earnings per share	0.0400	0.0463	0.0256	0.0613
Diluted earnings per share	0.0297	0.0340	0.0188	0.0435

	Qtr ended Dec. 31, 2003*	Qtr ended Sept. 30, 2003	Qtr ended June 30, 2003	Qtr ended March 31, 2003
Total gross copper sales	$ 2,837,890	$ 5,869,049	$ 3,536,211	Nil
Net revenue	2,425,348	4,588,838	2,624,573	Nil
Net income (loss)	353,254**	(25,657)***	1,264,915****	($46,010)
Earnings(loss) per share	0.0059**	0.0004***	0.0295****	(0.01)
Diluted earnings (loss) per share	0.0041**	0.0004***	0.0268****	(0.01)

* One-month quarter due to the change in fiscal year end of the Company, from February 28 to December 31.

** Adjusted from Net Income of $372,621 to account for retroactive restatement to earnings of ($19,367) due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

*** Adjusted from Net Income of $1,017,089 to account for retroactive restatement to earnings of ($1,042,746) due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

**** Adjusted from Net Income of $537,313 to account for retroactive restatement to earnings of $727,602 due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

Liquidity and Capital Resources

Amerigo held cash and cash equivalents on December 31, 2004 of $8,239,089, compared to $4,366,419 held on December 31, 2003. The increase in cash is mainly attributable to net operating cash flows after investment in new capital equipment generated by MVC and to a lesser degree, to capital proceeds of $1,733,353 from the exercise of stock purchase options and warrants in the year.

The Company's working capital on December 31, 2004 was $8,584,637, compared to $4,321,297 on December 31, 2003. Amerigo continues to be able to generate sufficient cash resources –both in the short and long-term- to maintain existing operations and fund projected plant expansions.

The Company's gross copper sales are dependent on sales volumes and prevailing market prices for copper. Monthly average per-pound copper prices in 2004 have been the following:

January	$ 1.0996	April	$1.3375	July	$ 1.2739	October	$ 1.3663
February	1.2521	May	1.2402	August	1.2910	November	1.4165
March	1.3651	June	1.2190	September	1.3131	December	1.4268

The Company's long-term debt (Note Payable, Enami Loan and Other Payables) at December 31, 2004 was $3,869,858, compared to $5,153,654 on December 31, 2003. The reduction in long-term debt results from repayment of the Enami Loan during the first quarter of 2004. Included in long-term debt, is a $3,400,000 note issued in connection with the acquisition of MVC by the Company. The note, together with accrued interest, is payable in cash or shares of Amerigo three years after the acquisition if the average copper price is over $0.82 per pound. Payment in cash or shares is at the option of the Company; however, if the Company elects to pay in shares, the vendor has the right to either receive the payment in shares at the then current market price or receive payment in cash two years after the end of the three-year period plus interest at an annual rate of 5%.

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

During the year ended December 31, 2004, the Company entered into an agreement in principle with El Teniente to increase the rate of agreed extraction of feed material from the Colihues deposition site from 10,000 tonnes per day to 45,000 tonnes per day. At this increased rate of recovery, Colihues is estimated to provide source material for over 10 years. Future annual production is now projected above 65 million pounds of copper. The Company is working with El Teniente to finalize a detailed agreement in 2005.

MVC will pay a royalty for production from Colihues on a similar basis to the existing royalty agreement for fresh tailings material, with the exception that a nominal 3% royalty will be payable at copper prices below $0.80 per pound, and increasing on a sliding scale, capped at 15% if the copper price is $1.35 per pound or higher. Molybdenum production from Colihues material will attract a flat royalty of 10% of MVC's net revenues from the sale of molybdenum concentrates.

During 2004, with respect to the first 33,600 tonnes of concentrate production per year, the contract with Enami provided for customary terms and conditions with a treatment charge of $78 per tonne of concentrate and a refining charge of $0.078 per pound of contained copper, with an increase in refining charges equal to 10% of the copper price over $1.00 per pound. The balance of production was to be sold on the basis of a spot contract with lower refining and treatment charges. The contract has been extended for all of MVC's production to December 31, 2008.

For 2005, the treatment charge will be $120 per tonne of concentrate and the refining charge will be $0.12 per pound of contained copper, with an increase in refining charges equal to 10% of the copper price over $1.00 per pound. Treatment and refining charges will be adjusted annually based on prevailing market terms. Given that copper is refined in Chile, there are no shipping costs additional to treatment and refining charges, providing an important cost advantage to MVC. Accordingly, these costs are not directly comparable to other refining terms where producers are shipping production to Japanese, European or Chinese smelters, as shipping, port and handling costs per tonne of concentrate need to be taken into account in those cases. MVC's agreement with Enami provides for a sharing of this benefit.

As of December 31, 2004 the Company had 1,675,000 outstanding share purchase options (with exercise prices ranging from C$0.36 to C$2.00) and 20,324,016 outstanding share purchase warrants (with exercise prices ranging from C$0.25 to C$0.70). During the year ended December 31, 2004 225,000 share purchase options were granted to directors and officers of the Company, 230,000 share purchase options were exercised for net proceeds of $94,979, and 4,767,195 warrants were exercised for net proceeds of $1,934,553 ($294,062 of which were received in December 2003 and recorded as Capital Stock to be Issued in the December 31, 2003 Balance Sheet).

Investing Activities

The Company has been able to complete significant plant expansions in MVC, without relying on additional equity or debt funding. In April 2004, additional classification and flotation equipment at MVC was commissioned on time and under budget as part of Phase 1 of the expansion. The Phase 1 expansion represented in aggregate an investment of $2,475,000, $525,000 below the $3,000,000 original budget.

For the Year Ended December 31, 2004 • All figures expressed in US Dollars except where noted

Work continues on schedule for the next stage of expansion. In July 2004, MVC purchased for a price of $1,870,000 four used mills with a capacity of 140% of the presently installed mills to accelerate the implementation of the expansion process. An additional $1,980,000 has been allocated to refurbish the mills and transport them from North America to Chile, for a total mill cost of $3,850,000 at December 31, 2004.

Construction of a processing plant to extract molybdenum from MVC's copper concentrate production is progressing ahead of schedule and plant completion is scheduled for February 2005, 3 months ahead of schedule. Commissioning of the plant is expected to occur in March 2005 followed by a period whereby concentrate grade and specifications will be optimized. Amerigo estimates production in excess of 500,000 pounds of molybdenum in concentrates in 2005 and expects to increase molybdenum production to approximately 800,000 to 1,000,000 pounds in 2006. MVC will pay Codelco a flat 10% royalty of MVC's net revenue received from the sale of molybdenum concentrates. Notwithstanding recent molybdenum prices of over $30 per pound, the economic feasibility of the extraction plant was calculated on a 5-year average price of approximately $4.20 per pound. Amerigo estimates that a capital expenditure of approximately $3 million will be required to build the extraction plant. The molybdenum plant capital expenditure is being funded from MVC's operating cash flow and cash on hand.

Maintenance expenditure to plant and equipment during 2004 was $3,163,183. These expenditures were met from MVC operating cashflow.

Summary of contractual obligations and maturities:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Notes payable(1)	3,400,000	—	3,400,000	—	—
Asset retirement obligation(2)	6,256,000	—	—	—	6,256,000
Total contractual obligations	9,656,000	—	3,400,000	—	6,256,000

(1) Note payable in relation to the acquisition of MVC. The note, together with accrued interest, will be paid in cash or shares of Amerigo three years after the acquisition if the average copper price is over $0.82 per pound. Payment in cash or shares is at the option of the Company; however, if the Company elects to pay in shares, the vendor has the right to either receive the payment in shares at the then current market price or receive payment in cash within two years counted from the end of the three-year period plus interest at an annual rate of 5%.

(2) 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 current operations are conducted, including a market risk premium of 5%. This liability is being accreted systematically over time until a $6,256,000 value is reached in 2021. At December 31, 2004, the asset retirement obligation has a stated value of $2,049,951.

Transactions with Related Parties

a) Minority Interest

The company holds its interest in MVC through its subsidiary Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by the company and is a wholly-owned subsidiary, except for certain outstanding Class A shares which are shown on the company's Balance Sheet as Minority Interest at their book value of $1,000. The class A shares are owned indirectly by certain directors and officers of the company.

The holders of the Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend calculated as follows:

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

During the year ended December 31, 2004, a royalty dividend of $466,832 was paid or accrued to the Amerigo International Class A shareholders on the basis described above. As at December 31, 2004 $46,264 of this amount was payable.

b) Management fees

During the year ended December 31, 2004 the Company paid or accrued $379,852 in management fees to certain directors and officers of the Company, including a performance bonus of $199,272. Included in accounts payable and accrued liabilities at December 31, 2004 are $199,272 of management fees payable to certain directors and officers of the company.

c) Directors fees and remuneration to officers

During the year ended December 31, 2004 the company paid or accrued $39,034 in directors fees paid to independent directors and $91,093 in consulting fees paid to certain officers of the company. Directors fees and consulting fees are categorized as Salaries, Consulting and Professional Fees in the company's consolidated financial statements.

d) At December 31, 2004 two officers of the Company acted one as a director and the other as an officer of Nikos Explorations Ltd., a company to which Amerigo divested three of its mineral properties in fiscal 2004. At the time of this transaction, no officers or directors of the Company served as directors or officers of Nikos.

Fourth Quarter

Net earnings after tax in the three months ended December 31, 2004 were $2,578,907, 13% lower than in the quarter ended September 30, 2004 primarily due to higher costs, including annual costs determined and recorded in the last quarter of the year.

Gross copper sales

Q4 gross copper sales were $12,363,762, comprised mainly of MVC copper sales of $12,349,443. In Q4 MVC sold 8.94 million pounds of copper at an average price of $1.3643/lb copper, a 15% volume improvement over sales of 7.81 million pounds in Q3. There were also positive settlement adjustments of $152,693 in Q4. As a result of higher copper prices and positive gross copper sales adjustments in Q4 for concentrates delivered in Q3, reported gross copper sales in Q4 is approximately $1.6 million higher than in Q3.

Production

Production in Q4 was 8.79 million pounds of copper, compared to 7.82 million pounds in Q3, a12.40% increase in production volume in the quarter. During most of Q4 2004 sulphide grade materials in tailings from El Teniente normalized after a period of low-grade sulphide materials that negatively affected production.

As anticipated, recovery of tailings from Colihues in Q4 continued to be under budget. This situation is expected to improve during Q1 2005 when new extraction equipment is fully operational in the Colihues extraction pond.

Operating Cash Flows

In the quarter ended December 31, 2004, the Company's activities contributed to operating cash flow of $4,551,038 or $0.07 per share, which includes the effect of changes in non-cash working capital accounts. In the preceding quarter, operating cash flow including the effect of changes in non-cash working capital was $3,612,139. The Company incurred capital expenditures of $4,837,277 in Q4 without reliance on debt financing.

Operating Costs and Expenses

Cash costs including smelter, refinery and other charges (before El Teniente royalty) of 76¢ per pound were higher than the 73¢ per pound achieved in Q3, primarily due to increased smelter and refinery charges. During Q4, these charges were $2,123,856, compared to $1,690,824 in Q3. The cost increase is derived from contractual price adjustments required to meet annual treatment quotas at a higher rate than had been averaged from Q1 to Q3.

Total cost including smelter, refinery and other charges was 98¢ per pound compared to 92¢ in the prior quarter. Actual total production costs were below budget as a result of lower than budgeted production. It is expected that costs per pound will decrease as the plant expansion results in increased copper production and the molybdenum plant is commissioned, which may result in significant byproduct credits.

Costs not related to MVC's operations are identified as "Other expenses" of which the most significant expenses in Q4 are Management Fees of $249,511 (which include an annual performance bonus of $199,272), followed by Stock-Based Compensation of $113,593 and Salaries, Consulting and Professional Fees of $112,920.

"Other expenses" amounts not described in the preceding paragraph are general and administrative expenses. In the quarter ended December 31, 2004 these were consistent with general and administrative costs incurred in preceding quarters.

Non-operating items occurring in Q4 include a Foreign Exchange Gain of $258,661 and Interest Income of $38,418.

The Company recorded income tax expense net of recoveries of $830,871 in Q4, of which $781,364 is income tax on net earnings generated in MVC. Due to the availability and utilization of loss carryforwards in MVC, there is no cash tax payable associated with the MVC tax expense. At December 31, 2004, MVC has a loss base of approximately $3,638,485 available to offset future tax payable, for an estimated tax benefit of $618,542.

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 that recoverable value of plant and equipment at the end of its contract with Codelco will be at least $2,000,000.

As required by accounting pronouncements, Amerigo has calculated an asset retirement obligation based on a quoted market price of $3,500,000 provided by an independent third party. Management estimates required to calculate the asset retirement obligation include projected annual inflation rates in Chile of 3% per annum and a market risk premium of 5%. The present value of the asset retirement obligation at the time of adoption was estimated to be $1,851,055, which will be systematically accreted to a 2021 value of approximately $6,256,000.

Changes in Accounting Policies Including Initial Adoption

During the fiscal year ended December 31, 2004 the Company adopted the following accounting policies:

Asset retirement obligations

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

On January 1, 2004 the Company adopted new accounting standards for site restoration obligations, which require the recognition of a liability for estimated future restoration costs and the recognition of periodic accretion expense on this liability. To this effect the Company obtained an independent assessment of site restoration costs of $3.5M, which was adjusted to reflect factors such as inflation, risk premiums and time value of money and which will be accreted over time as required by accounting pronouncements. The Company also obtained an independent assessment of asset recovery values and determined it was not necessary to make adjustments to prospective amortization charges.

The adoption of this standard required retroactive application with restatement to prior periods. On adoption, the company increased its property, plant and equipment by $1,851,055 and recorded a corresponding asset retirement liability. The asset is being amortized on a straight-line basis. The company also recognized a future income tax asset of $766,337, derived from applying a 40% tax rate to the $1,915,842 asset retirement obligation. Upon recognizing the future income tax asset in the Balance Sheet, the company booked a corresponding future income tax recovery to 2003 earnings. The combined effect of the retroactive restatement in 2003 earnings was an increase in earnings of $650,132 (a $766,337 income tax recovery, a $64,787 expense from the liability accretion and a $51,418 expense from the asset amortization). At December 31, 2003 the asset retirement liability had been accreted to $1,915,842. In the year ended December 31, 2004, the company recorded asset retirement accretion costs of $134,109 and asset retirement amortization charges of $102,836. At December 31, 2004 the asset retirement liability had been accreted to $2,049,951 and the associated future income tax asset had been adjusted to $730,193.

Expensing of stock options

Effective January 1, 2004, the Company adopted the new accounting standard for stock based compensation under which the fair value method of accounting for stock options granted to employees, officers and directors is followed. The adoption of this standard required retroactive application with restatement to prior periods. The effect of the retroactive restatement to 2003 earnings was a reduction in earnings of $984,643.

Revenue recognition

Commencing on January 1, 2004, the Company adopted new accounting standards to account for changes in prices of copper during the settlement period. This standard was applied on a prospective basis.

Other MD&A Requirements

As of February 16, 2005 the Company has 69,468,071 common shares outstanding.

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 Management Discussion and Analysis may contain forward-looking statements that involve risks and uncertainties. When used in this Management Discussion and Analysis, the words "believe," "anticipates," "expects" and similar expressions are intended to identify such forward-looking statements. The Issuer's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the Company's Annual Information Form under "Item 4—Narrative Description of the Business" and Item 6—Management's Discussion and Analysis". Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Management's Responsibility for Financial Reporting

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

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

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

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

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

Steven G. Dean
Chairman

February 17, 2005

Aurora Davidson
Chief Financial Officer

February 17, 2005

Auditors' Report

To the Shareholders of Amerigo Resources Ltd.

We have audited the consolidated balance sheet of Amerigo Resources Ltd. as at December 31, 2004 and 2003 and the consolidated statements of operations and retained earnings and cash flows for the year ended December 31, 2004 and the ten month period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the year ended December 31, 2004 and the ten month period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC, Canada

January 28, 2005

Consolidated Balance Sheet

(expressed in U.S. dollars)

	December 31, 2004	December 31, 2003 (restated)
Assets		
Current assets		
Cash and cash equivalents	$ 8,239,089	$ 4,366,419
Accounts receivable	3,383,211	2,098,557
Prepaid expenses	690,946	66,059
Plant supplies and inventory	1,153,105	532,656
	13,466,351	7,063,691
Investment in Nikos Explorations (Note 10)	477,230	—
Mineral property, plant and equipment—net (Note 5)	34,479,801	25,328,269
Future income tax (Note 12)	—	1,960,434
Other	46,563	32,026
	48,469,945	34,384,420
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,143,076	1,949,547
El Teniente royalty payable (Note 7)	1,692,374	604,108
Due to related parties (Note 8)	46,264	188,739
	4,881,714	2,742,394
Note payable	3,400,000	3,400,000
Enami loan (Note 6)	—	1,397,166
Other payables	469,858	356,488
Asset retirement obligation (Note 2)	2,049,951	1,915,842
Future income tax (Note 12)	264,478	—
Minority interest	1,000	1,000
	11,067,001	9,812,890
Shareholders' Equity		
Capital stock (Note 9)	26,891,142	24,813,185
Capital stock to be issued	—	294,062
Value assigned to stock options (Note 9)	1,092,711	986,390
Shareholders' Equity (Deficit)	9,441,201	(1,499,997)
Cumulative translation adjustment	(22,110)	(22,110)
	37,402,944	24,571,530
	48,469,945	34,384,420

Subsequent event (Note 18)

Approved by the Directors:

Director

Director

Consolidated Statements of Operations

(expressed in U.S. dollars)

	Twelve months ended December 31, 2004	Ten months ended December 31, 2003 (restated)
Copper sales, gross	$ 41,583,363	$ 12,243,150
Smelter, refinery and other charges	6,287,029	2,604,391
Net revenue	35,296,334	9,638,759
Costs		
Production costs	10,256,515	4,349,592
El Teniente royalty (Note 7)	4,771,005	604,108
Maintenance and services	3,163,183	1,287,363
Depreciation and amortization	1,127,386	442,135
Administration	912,861	414,434
Transportation	593,597	270,010
Asset retirement accretion cost	134,109	64,787
Cost of sales	20,958,656	7,432,429
Operating profit	14,337,678	2,206,330
Other expenses		
Transfer agent and filing fees	140,645	22,264
Salaries, consulting and professional fees	302,209	140,522
Office expense	169,137	68,893
Interest expense	102,661	125,898
Management fees	379,852	91,767
Stock based compensation	154,746	984,643
Insurance expense	39,383	10,147
Shareholder information	24,421	13,170
	1,313,054	1,457,304
Earnings before the undernoted items	13,024,624	749,026
Write-off of mineral properties (Note 11)	(49,529)	—
Gain on disposition of mineral properties (Note 10)	146,259	—
Interest income	211,041	68,689
Foreign exchange gain	321,158	151,189
Earnings before taxes and minority interes	13,653,553	968,904
Income tax expense, net of (tax recoveries)	2,245,523	(766,337)
Earnings before minority interest	11,408,030	1,735,241
Minority interest (Note 8)	466,832	188,739
Net earnings for the period	10,941,198	1,546,502
Retained earnings (deficit)—Beginning of period		
As previously reported	(1,165,486)	(3,046,499)
Accounting changes (Note 2)	(334,511)	—
As restated	(1,499,997)	(3,046,499)
Retained earnings (deficit)—end of period	9,441,201	(1,499,997)
Weighted average number of shares outstanding	63,373,131	41,236,533
Earnings per share		
Basic	0.1726	0.0375
Diluted	0.1258	0.0254

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Twelve months ended December 31, 2004	Ten months ended December 31, 2003 (restated)
Cash flows from operating activities		
Net earnings for the period	$ 10,941,198	$ 1,546,502
Items not affecting cash—		
Income tax expense, net of (tax recoveries)	2,159,736	(766,337)
Depreciation and amortization	1,127,386	442,135
Asset retirement accretion cost	134,109	64,787
Stock-based compensation	154,746	984,643
Write-off of mineral properties	49,529	—
Gain on disposition of mineral properties	(146,259)	—
	14,420,445	2,271,730
Changes in non-cash working capital, net of effects of acquisition of subsidiary		
Accounts receivable	(1,284,654)	(1,397,171)
Prepaid expenses	(624,887)	(34,897)
Plant, supplies and inventory	(620,449)	42,668
Accounts payable	1,193,529	153,262
Due to related parties	(142,475)	188,739
El Teniente royalty payable	1,088,266	604,108
Net cash provided by operating activities	14,029,775	1,828,439
Cash flows from investing activities		
Acquisition of subsidiary—net of cash acquired	—	(549,066)
Purchase of property, plant and equipment	(10,646,958)	(870,574)
Net cash used in investing activities	(10,646,958)	(1,419,640)
Cash flows from financing activities		
Repayment of Enami loans	(1,397,166)	(1,073,958)
Repayment of former owner loans	—	(16,600,000)
Other	—	(37,500)
Issuance of shares for cash—net of issue costs	1,733,353	21,415,288
Other payables	113,370	33,708
Net cash provided by financing activities	449,557	3,737,538
Increase in cash and cash equivalents due to exchange rate changes	40,296	128,428
Net increase in cash and cash equivalents	3,872,670	4,274,765
Cash and cash equivalents—Beginning of period	4,366,419	91,654
Cash and cash equivalents—End of period	8,239,089	4,366,419

Supplemental disclosure with respect to cash flows (Note 13)

Consolidated Statements of Shareholder's Equity

(expressed in U.S. dollars)

	Common shares No. of shares	Common shares Amount	(Cumulative Deficit)/Retained Earnings	Value assigned to stock options	Cumulative Translation Adjustment	Capital stock to be issued	Total shareholders equity
Balance—Feb. 28, 2003	6,384,688	$ 3,390,897	$ (3,046,499)	$ 1,747	$ —	$ —	$ 346,145
Issue of shares							
Private placements	49,320,333	20,851,590	—	—	—	—	20,851,590
Exercise of warrants	4,277,855	1,686,863	—	—	—	—	1,686,863
Exercise of stock options	165,000	24,506	—	—	—	—	24,506
Property option agreement	50,000	7,000	—	—	—	—	7,000
Issuing costs	—	(1,147,671)	—	—	—	—	(1,147,671)
Options granted	—	—	—	984,643	—	—	984,643
Cumulative translation adjustment	—	—	—	—	(22,110)	—	(22,110)
Capital stock to be issued	—	—	—	—	—	294,062	294,062
Net earnings for the period —Restated (Note 2)	—	—	1,546,502	—	—	—	1,546,502
Balance—Dec. 31, 2003	60,197,876	24,813,185	(1,499,997)	986,390	(22,110)	294,062	24,571,530
Issue of shares							
Exercise of warrants	4,767,195	1,934,553	—	—	—	—	1,934,553
Exercise of stock options	230,000	94,979	—	—	—	—	94,979
Options granted	—	—	—	154,746	—	—	154,746
Transfer of value on exercise of stock options	—	48,425	—	(48,425)	—	—	—
Capital stock to be issued	—	—	—	—	—	(294,062)	(294,062)
Net earnings for the period	—	—	10,941,198	—	—	—	10,941,198
Balance—Dec. 31, 2004	65,195,071	26,891,142	9,441,201	1,092,711	(22,110)	—	37,402,944

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (expressed in U.S. dollars)

1. Operations

Amerigo Resources Ltd. ("the company") was incorporated under the laws of British Columbia, Canada. The company is engaged in the mining business as a copper producer with operations in Chile.

2. Significant accounting policies

Generally accepted accounting principles

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

Basis of presentation

These consolidated financial statements include the accounts of the company and its subsidiaries, Templo Dorado S.A. de C.V. (inactive), Amerigo International Holdings Corp., Amerigo Resources Ltd. Chile I Limitada, Amerigo Resources Ltd. Chile II Limitada, Minera Valle Central S.A. and Amerigo Banking Corporation. The results of the operations of these subsidiaries, except for Templo Dorado S.A. de C.V., were consolidated from July 1, 2003. All significant intercompany transactions and balances have been eliminated.

Use of estimates

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

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

Foreign currency translation

On June 1, 2003, the company changed its reporting currency to U.S. dollars. This change was made for consistency between the reporting currency of the company and its subsidiaries and was applied retroactively to March 1, 2003.

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

Cash and cash equivalents

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

Mineral property, plant and equipment

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

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

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

Asset retirement obligations

Minera Valle Central S.A. ("MVC") a wholly-owned copper producing company in Chile, is obligated through its operating contract with Corporación Nacional del Cobre de Chile ("Codelco") to remove the facilities and equipment that have been used in operations and to leave the land occupied by its operations clean and clear within six months of expiry of the contract or any extensions thereof. On January 1, 2004 the company adopted new accounting standards for site restoration obligations, which require the recognition of a liability for estimated future restoration costs and the recognition of periodic accretion expense on this liability. To this effect the company obtained an independent assessment of site restoration costs of $3.5M, which was adjusted to reflect factors such as inflation, risk premiums and time value of money and which will be accreted over time as required by accounting pronouncements. The company obtained an independent assessment of asset recovery values and determined it was not necessary to make adjustments to prospective amortization charges.

The adoption of this standard required retroactive application with restatement to prior periods. On adoption, the company increased its property, plant and equipment by $1,851,055 and recorded a corresponding asset retirement liability. The asset is being amortized on a straight-line basis. The company also recognized a future income tax asset of $766,337, derived from applying a 40% tax rate to the $1,915,842 asset retirement obligation. Upon recognizing the future income tax asset in the Balance Sheet, the company booked a corresponding future income tax recovery to 2003 earnings. The combined effect of the retroactive restatement in 2003 earnings was an increase in earnings of $650,132 (a $766,337 income tax recovery, a $64,787 expense from the liability accretion and a $51,418 expense from the asset amortization). At December 31, 2003 the asset retirement liability had been accreted to $1,915,842. In the year ended December 31, 2004, the company recorded asset retirement accretion costs of $134,109 and asset retirement amortization charges of $102,836. At December 31, 2004 the asset retirement liability had been accreted to $2,049,951 and the associated future income tax asset had been adjusted to $730,193.

Plant supplies and inventory

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

Gross copper sales

All copper produced by the company is sold under two sales agreements with Chile's Empresa Nacional de Minería ("Enami" or the "smelter") which provide that the sale price is the market price at the end of the third month after delivery. Accordingly, all copper delivered by the company to the smelter in one quarter is sold at market prices prevailing in the following quarter.

Commencing on January 1, 2004 the company adopted new accounting recommendations to account for changes in prices of copper during the settlement period. The effect of this new accounting standard is to increase the sensitivity of the company's reported revenue to increases and decreases in copper prices. In a period of rising copper prices, not only will the company record higher revenue for copper delivered in the period, but it will also record favourable adjustments to revenue for copper delivered in the prior period. Similarly, in a period of declining copper prices, the company will be required to record lower revenues for current deliveries and negative adjustments to revenue for the prior period's deliveries.

Contractual right

At the time of the acquisition of MVC, the company assigned the excess of the purchase price over the fair value of the tangible assets acquired to the contract between MVC and Codelco to process the tailings of the El Teniente mine. This contractual right is amortized using the unit of production method.

Income taxes

The company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Contractual right

At the time of the acquisition of MVC, the company assigned the excess of the purchase price over the fair value of the tangible assets acquired to the contract between MVC and Codelco to process the tailings of the El Teniente mine. This contractual right is amortized using the unit of production method.

Income taxes

The company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred charges

Deferred charges consist of fees related to establishing a demand loan (Note 4) and are being amortized over the initial term of the loan.

Stock option plan

Effective January 1, 2004, the company adopted the new accounting standard for stock based compensation under which the fair value method of accounting for stock options granted to employees and directors is followed. The adoption of this standard allowed retroactive application with restatement to prior periods. The effect of the retroactive restatement to 2003 earnings was a reduction in earnings of $984,643.

December 31, 2004 and 2003 (expressed in U.S. dollars)

Earnings per share

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

3. Acquisition of Minera Valle Central S.A.

On July 3, 2003, the company, through a subsidiary, acquired all of the issued and outstanding shares of MVC, a Chilean copper producer that has a contract with Chile's state owned copper producer Codelco through 2021 to process the tailings from the El Teniente mine in Chile.

Consideration for this acquisition was $1,854,559 and the assumption of loans of $18,145,411 due to former shareholders, of which $16,600,000 was repaid at the time of the acquisition. The remaining loan balance of $1,545,411 together with the acquisition price, total a Note Payable of $3,400,000. The note, together with accrued interest, is payable in cash or shares of Amerigo three years after the acquisition if the average copper price is over $0.82 per pound. Payment in cash or shares is at the option of the company; however, if the company elects to pay in shares, the vendor has the right to either receive the payment in shares at the then current market price or receive payment in cash within two years counted from the end of the three-year period plus interest at an annual rate of 5%. If the copper price is below $0.82 per pound, the payment period will be extended to five years from the date of acquisition. Payment will be made in cash only plus interest at an annual rate of 5%.

This acquisition was accounted for using the purchase method and results of operations have been consolidated since the date of acquisition. The following table summarizes the purchase price allocation based on final allocation of the fair values of the assets acquired and liabilities assumed.

Net assets acquired	
Cash	31,110
Accounts receivable	688,337
Inventory	575,324
Other assets	159,979
Property, plant and equipment	15,810,675
Future income tax assets	2,471,495
Contractual right	8,609,361
	28,346,281
Liabilities assumed	
Loan from former shareholders	(18,230,846)
Enami loan	(2,471,124)
Accounts payable	(1,779,739)
Accrued liabilities	(322,780)
Asset retirement obligation	(1,851,055)
Future income tax liabilities	(1,256,002)
Total liabilities acquired	25,911,546
Net assets acquired	2,434,735
Consideration	
Note payable issued to vendor	1,854,559
Acquisition costs	
Legal and other related costs	377,568
Stamp duties	202,608
	2,434,735

4. Plant supplies and inventory

	Dec. 31, 2004	Dec. 31, 2003
Plant supplies	$ 1,028,955	$ 484,276
Concentrate inventory	124,150	48,380
	1,153,105	532,656

5. Mineral property, plant and equipment

	Dec. 31, 2004	Dec. 31, 2003
Plant and infrastructure	16,501,788	8,356,464
Machinery and equipment	9,188,691	6,643,320
Contractual rights	8,029,185	8,029,185
Asset retirement obligations	1,851,055	1,851,055
Office furniture, equipment and other assets	862,717	906,454
	36,433,436	25,786,478
Accumulated depreciation	(1,953,635)	(826,249)
	34,479,801	24,960,229
Mineral properties – Canada	—	368,040
	34,479,801	25,328,269

Three of the company's mineral properties in Canada were sold (Note 10) and the remaining two properties were written off (Note 11) during the year ended December 31, 2004.

Mineral properties in Canada consist of:

	Dec. 31, 2003 Balance	Deferred exploration	Sale of properties	Write-off of properties	Dec. 31, 2003 Balance
Island Copper, Ontario	$ 176,989	$ 724	$ (177,713)	$ —	$ —
Coppercorp, Ontario	123,445	4,395	(127,840)	—	—
Bellevue, Ontario	18,077	—	(18,077)	—	—
Deroche, Ontario	12,517	—	—	(12,517)	—
Caniapiscau, Ontario	37,012	—	—	(37,012)	—
	368,040	5,119	(323,630)	(49,529)	—

	Feb. 28, 2003 Balance	Deferred exploration	Dec. 31, 2003 Balance
Island Copper, Ontario	$ 131,866	$ 45,123	$ 176,989
Coppercorp, Ontario	67,322	56,123	123,445
Bellevue, Ontario	12,368	5,709	18,077
Deroche, Ontario	5,930	6,587	12,517
Caniapiscau, Quebec	37,012	—	37,012
	254,498	113,542	368,040

6. Enami loans

Prior to being acquired by Amerigo, MVC entered into a series of loan agreements with a Chilean state owned company, Enami.

The loans were fully repaid in the year ended December 31, 2004.

7. El Teniente Royalty payable

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

Royalty payments are priced at the average LME price for the third month following delivery, and invoiced by El Teniente on a monthly basis within the first 30 days of the third month following the month of delivery of the tailings; payment to El Teniente is effected within 10 days of receipt of invoices. Accordingly, the royalties to El Teniente have been classified as current liabilities.

8. Related party transactions

a) Minority Interest

The company holds its interest in MVC through its subsidiary Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by the company and is a wholly-owned subsidiary, except for certain outstanding Class A shares which are shown on the company's Balance Sheet as Minority Interest at their book value of $1,000. The Class A shares are owned indirectly by certain directors and officers of the company.

The holders of the Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend calculated as follows:

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

During the year ended December 31, 2004, a royalty dividend of $466,832 was paid or accrued to the Amerigo International Class A shareholders on the basis described above. The royalty dividend is shown as Minority Interest in the Consolidated Statement of Operations. At December 31, 2004 $46,264 of this amount was payable.

b) Management fees

During the year ended December 31, 2004 the company paid or accrued $379,852 in management fees to certain directors and officers of the company. Included in accounts payable and accrued liabilities at December 31, 2004 are $199,272 of management fees payable to certain directors and officers of the company.

c) Directors fees and remuneration to officers

During the year ended December 31, 2004 the company paid or accrued $39,034 in directors fees to independent directors and $91,093 in consulting fees to certain officers of the company. Directors fees and consulting fees to officers are categorized as Salaries, Consulting and Professional Fees in the company's consolidated financial statements.

d) At December 31, 2004 two officers of the company acted one as a director and the other as an officer of Nikos Explorations Ltd. ("Nikos") (Note 10). At the time of the disposition of mineral properties described in Note 10, no officers or directors of the company served as directors or officers of Nikos.

9.Capital stock

Authorized - Unlimited common shares without par value

a) Summary of capital stock issued in the period

In the year ended December 31, 2004 the company received $1,934,553 from the exercise of 4,767,195 share purchase warrants at exercise prices ranging from Cdn$0.20 to Cdn$0.70 per share purchase warrant. A total of $294,062 of these proceeds were received in December 2003 and recorded as Capital Stock to be Issued in the December 31, 2003 Balance Sheet.

Also in the year ended December 31, 2004 the company received $94,979 from the exercise of 230,000 stock options at exercise prices ranging from Cdn$0.20 to Cdn$1.23 per stock option.

b) Stock options

Stock option plan

The company established a stock option plan (the Plan) on April 2, 2003. The Board of Directors of the company (the Board) administers the Plan, whereby it may from time to time grant options to purchase common shares of the company to directors, officers, key employees and certain other persons who provide services to the company or its subsidiaries. The maximum aggregate number of common shares issuable under the Plan will not exceed 5,194,569 and the aggregate number of common shares reserved for issuance to any one person under the Plan in any 12-month period must not exceed 5% of the outstanding common shares of the company, on a non-diluted basis. The exercise price of an option is determined by the Board and shall be no less than the closing price of the common shares on the Exchange on the day preceding the date of grant, less the maximum discount permitted by the policies of the Exchange subject to the minimum exercise price per common share permitted by the Exchange. Options must be exercised within a five year period from the date of grant. Vesting periods are determined by the Board.

A summary of the company's stock options at December 31, 2004 and December 31, 2003 and the changes for the twelve and ten month periods ending on those dates is presented below:

	Twelve months ended December 31, 2004		Ten months ended December 31, 2003	
	Outstanding options	Weighted average exercise price Cdn $	Outstanding options	Weighted average exercise price Cdn $
Balance—start of period	1,680,000	0.96	320,000	0.20
Granted	225,000	1.85	1,525,000	1.04
Exercised	(230,000)	0.54	(165,000)	0.20
Expired	—	—	—	—
Balance—end of period	1,675,000	1.14	1,680,000	0.96

On May 11, 2004 the company granted stock options to purchase an aggregate of 75,000 common shares to one senior officer, with an exercise price of Cdn$1.55 per share, expiring on May 11, 2009. The company recorded a stock-based compensation of $41,153 associated with this option grant.

On October 5, 2004 the company granted stock options to purchase an aggregate of 150,000 common shares to two directors, with an exercise price of Cdn$2.00 per share, expiring on October 5, 2009. The company recorded a stock-based compensation of $113,593 associated with this option grant.

Value assigned to stock options

	Dec. 31, 2004	Dec. 31, 2003
Balance – beginning of period	986,390	1,747
Options granted	154,746	984,643
Transfer to capital stock on exercise of stock options	(48,425)	—
Balance – end of period	1,092,711	986,390

The company estimated that the weighted average fair value of the options granted during the ten months ended December 31, 2003 was $0.65 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	0%
Expected stock price volatility	148.50%
Risk-free interest rate	2.60%
Expected life of options	5 years

The company estimated that the fair value of 75,000 options granted during the twelve months ended December 31, 2004 was $0.55 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	0%
Expected stock price volatility	51.6%
Risk-free interest rate	4.00%
Expected life of options	5 years

The company estimated that the fair value of 150,000 options granted during the twelve months ended December 31, 2004 was $0.76 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	0%
Expected stock price volatility	50%
Risk-free interest rate	4.10%
Expected life of options	5 years

December 31, 2004 and 2003 (expressed in U.S. dollars)

The following stock options were outstanding and exercisable as at December 31, 2004:

Range of exercise prices Cdn $	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn $
0.36 to 2.00	1,675,000	3.80 years	1.14

c) Warrants

During the year ended December 31, 2004, 4,767,195 warrants with exercise prices ranging from Cdn$0.20 to Cdn$0.70 were exercised for net proceeds of $1,934,553, of which $294,062 were received in December 2003.

Share purchase warrants outstanding at December 31, 2004

Number of warrants	Exercise price per warrant Cdn$	Expiry date
80,000	0.25	February 12, 2005
371,500	0.32	April 16, 2005
19,872,516	0.70	June 18 and 20, 2005
20,324,016		

Each warrant entitles the holder to purchase one common share of the company.

10. Disposition of mineral properties

On January 2004 the company entered into an agreement to sell a 100% interest in three Canadian exploration properties to Nikos for consideration on closing of 5,000,000 shares of Nikos, and contingent consideration of a further 5,000,000 Nikos common shares in the event Nikos retains the mineral properties on June 30, 2005. The Nikos shares received on closing were valued at $477,230 (the equivalent at closing of C$650,000, a value of C$0.13 per Nikos share, which was the share fair market value at the time the agreement with Nikos was executed). The company has recorded the investment in Nikos as a long-term investment in its Consolidated Balance Sheet. The company recorded a gain on disposition of $146,259 on disposition of these properties.

11. Write-off of mineral properties

During the year ended December 31, 2004 and following the disposition of three of its mineral properties (Note 10), the company recorded a write-off of $49,529, being the full book value of its two remaining Canadian mineral properties.

12. Income Taxes

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

	Twelve months ended Dec. 31, 2004	Ten months ended Dec. 31, 2003
Combined federal and provincial statutory tax rate	35.62%	40%
Income tax at statutory rates	4,863,396	827,901
Difference in foreign tax rates	(3,104,422)	(531,467)
Benefit of Canadian deductible temporary differences not recognized	659,293	89,225
Benefit of Chilean tax losses	—	(495,155)
Other non deductible items, Canada	57,844	7,164
Other non deductible items, Chile	71,053	102,332
Provision for Chilean deductible temporary difference	36,144	(766,337)
Other	(337,785)	—
Income tax expense (recovery)	2,245,523	(766,337)

Future income taxes are provided for temporary differences. The significant components of future income tax assets and liabilities at December 31, 2004 and December 31, 2003 are as follows:

	Dec. 31, 2004	Dec. 31, 2003
Future income tax asset		
Unused tax losses, Canada	$ 891,008	$ 732,513
Unused tax losses, Chile	618,542	2,686,917
Resource assets, Canada	475,975	272,208
Plant and equipment, Canada	7,566	-
Other intangible assets, Canada	289,465	-
Other deductible temporary differences, Chile	744,688	779,613
	3,027,244	4,471,251
Less valuation allowance, Canada	(1,664,014)	(1,004,721)
Less valuation allowance, Chile	(14,495)	(13,276)
Future income tax asset, net of valuation allowance	1,348,735	3,453,254
Future income tax liability		
Plant and equipment, Chile	(1,613,213)	(1,492,820)
Net future tax asset (liability)	(264,478)	1,960,434

As at December 31, 2004, the company has non-capital losses and cumulative exploration, development and depletion expenses in Canada of approximately $2,502,000 and $1,336,000 respectively carried forward for tax purposes and which are available to reduce taxable income in future years. The non-capital losses expire in the years presented below:

	$
2005	397,000
2006	147,000
2007	142,000
2008	105,000
2010	607,000
2014	1,104,000
	2,502,000

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

	$
Earned depletion base	20,000
Cumulative Canadian Exploration Expenses	935,000
Foreign Exploration and Development Expenses	381,000
	1,336,000

As at December 31, 2004 the Company has unused tax losses in Chile of approximately $3,638,000 which can be carried forward indefinitely for Chilean tax purposes.

13. Supplemental Disclosure with Respect to Cash Flows

	Twelve months ended Dec. 31, 2004	Ten months ended Dec. 31, 2003
Issuance of shares for mineral properties	$ —	$ 7,000
Mineral properties for minority interest	—	1,000
Note payable on acquisition	—	1,854,559
Proceeds from sale of mineral properties	477,230	—
Cash paid during the year for interest	102,512	686,711
Cash paid during the year for income taxes	85,787	932

	Dec. 31, 2004	Dec. 31, 2003
Cash	$ 4,377,285	$ 3,129,736
Cash equivalents	3,861,804	1,236,683
	8,239,089	4,366,419

14. Financial Instruments

Fair value of financial instruments

The company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, El Teniente royalty payable and notes payable. The fair value of these financial instruments approximates their carrying value. The fair value of the Nikos shares at December 31, 2004 was C$0.185 per share.

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

Concentration of credit risk

Concentration of credit risk in trade accounts receivable resides with one customer. Since this customer is a Chilean state company, the company does not require collateral and has estimated that no allowances are required to allow for potential credit losses, as the risk of non-performance is remote.

15. Segmented information

As at December 31, 2004, the company's assets are located mainly in Chile and its revenues arise from its Chilean operations. The company's sales to one customer represent 100% of reported revenue.

16. Commitments

MVC has certain commitments to sell copper concentrate to Enami on a yearly basis for each year from 2005 to 2008.

17. Guarantees

As required by contract, MVC has provided Codelco with a guarantee in the form of letter of credit with Banco de Chile in the amount of UF 4,500 or approximately $139,800 at December 31, 2004, renewable on February 5, 2006. UF refers to "Unidades de Fomento" an indexed monetary unit utilized in Chile.

18. Subsequent events

Subsequent to December 31, 2004, the Company received an aggregate of C$2,886,200 for the exercise of 4,153,000 stock purchase warrants, with exercise prices ranging from C$0.32 to C$0.70.

Corporate Data

Directors:

Steven G. Dean
Klaus M. Zeitler
Sidney P.H. Robinson
Robert J. Gayton
Ruston Goepel

Officers:

Steven G. Dean
Chairman

Klaus M. Zeitler
President

Raul Poblete
General Manager

Aurora Davidson
Chief Financial Officer

Jeffrey Giesbrecht
Secretary

Shares Listed:

Toronto Stock Exchange (Symbol ARG)

Shares Issued: 65,250,071
Fully Diluted: 87,219,087
(at December 31, 2004)

Transfer Agent:

Pacific Corporate Trust Company
Toronto, Ontario and Vancouver,
British Columbia

Legal Counsel:

Gowlings LLP
Vancouver, British Columbia

Auditors:

PricewaterhouseCoopers LLP
Vancouver, British Columbia

Head Office:

2684 Four Bentall Centre
Box 49298
1055 Dunsmuir Street
Vancouver BC V7X 1L3
T 604.681.2802
F 604.682.2802

Contact:

Lucy Ana van Egmond, Office Manager
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or
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604.681.2802
zeitler1@telus.net

Website:

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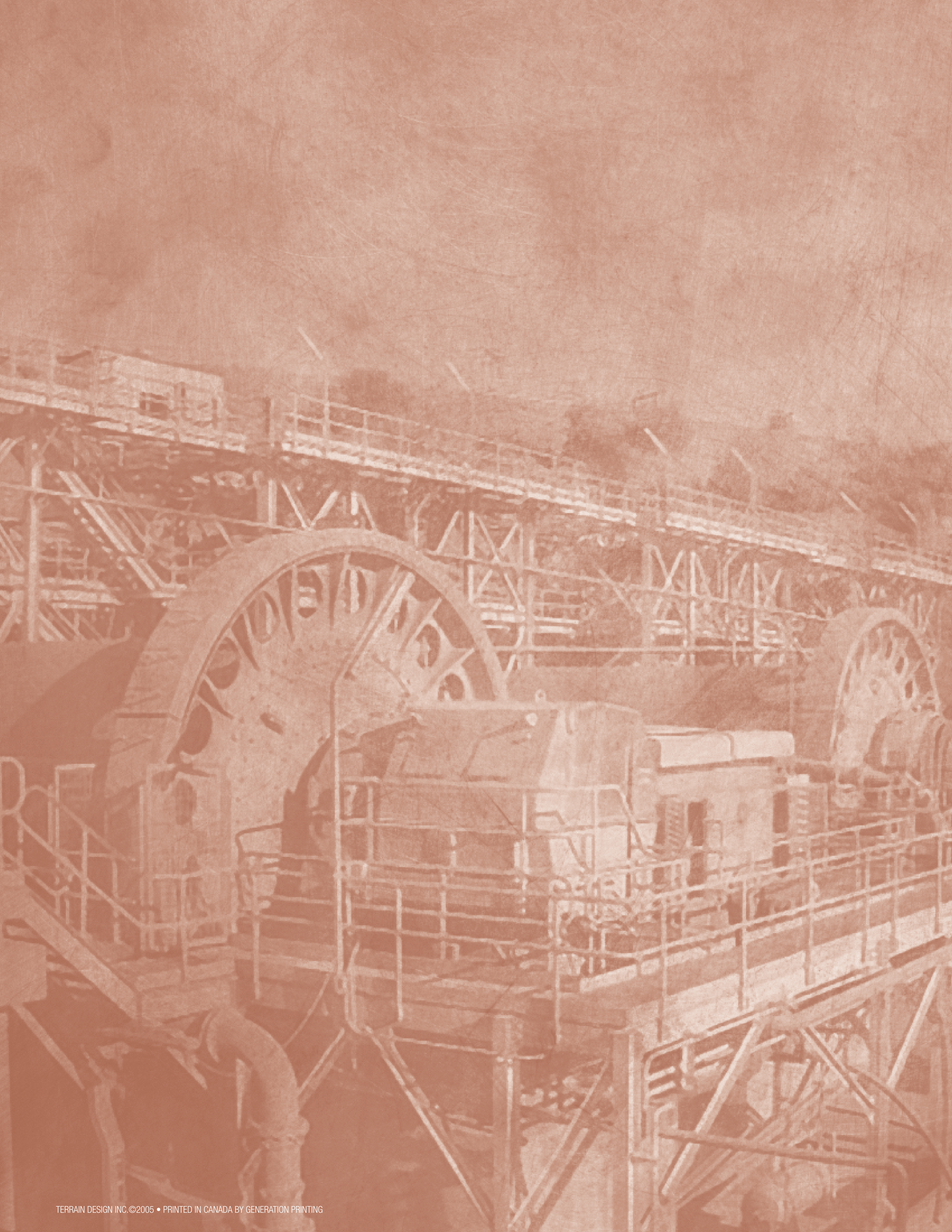
CAUTIONARY NOTES

These materials include a review of the Minera Valle Central operations in Chile. Readers are cautioned that certain statements regarding expansions of the operations are based on estimates and projections and are not definitive. No representation or prediction is intended as to the results of the expansions.

These materials include certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Other than statements of historical fact, all statements in this material, including, without limitation, statements regarding potential mineralization and resources, estimated or potential future production, and future plans and objectives of the Company, are forward-looking statements that involve various known and unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of these materials. Important factors that could cause actual results to differ materially from the Company's expectations include, among others, the actual output of Codelco's El Teniente mine, conclusions of any scoping prefeasibility or feasibility studies, changes in project parameters and future metal prices, as well as those factors discussed under the heading "Risk Factors" and elsewhere in the Company's documents filed from time to time with the Toronto Stock Exchange, Canadian securities regulators and other regulatory authorities. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

Certain information referenced in this Annual Report is based on a report completed by AMEC International (Chile) S.A. ("Amec"), under the supervision of Anthony R. Maycock, P. Eng. dated May, 2003, which was filed by Amerigo on SEDAR. Readers are encouraged to review that report, which is available in its entirety on SEDAR and on the Company's website. In particular, as set out in the Amec report, it is important to note that quantity and grade of the old tailings material in the Colihues tailings dam has not been estimated in accordance with the standards set by CIM and adopted by Canadian Securities regulators. All assessments of quantity and grade are based on information provided by Codelco from records made at time of deposition of the tailings.



29

Cu

copper

42

Mo

molybdenum

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ARG:TSX