



Amerigo Resources Ltd.

Annual Report 2005

A long term Copper
and Molybdenum producer.





PHOTO: Aerial view of Colihues tailings dam and MVC plant.

\$18 Million In Net Earnings In 2005



In 2003, Amerigo Resources Ltd. purchased Minera Valle Central S.A. (MVC), with operations near Santiago, Chile. MVC processes tailings from El Teniente, the world's largest underground copper mine. MVC treats all fresh tailings from

El Teniente's current production, and also has the right to treat the higher grade tailings from the 212 million tonne Colihues tailings impoundment located next to MVC's operations. These tailings were deposited by El Teniente between 1977 and 1987.

December 31, 2005 marked the second full fiscal year of production from MVC. Some highlights for the year:

- Net earnings after tax for the year ended December 31, 2005, were \$17,992,467 (\$0.2287 per share), 79% higher than restated earnings of \$10,049,614 (\$0.1586 per share) in 2004, and 2149% higher than restated earnings of \$799,921 in the ten months ended December 31, 2003
- First semi-annual dividend of Cdn\$0.045 per share paid on September 1, 2005
- Cash flow from operations for 2005 was \$21,874,229, 56% higher than \$14,029,775 for 2004
- Cash balance increased to \$12,953,516 at December 31, 2005, after \$26.7M of capital expenditures and the payment to shareholders of a semi-annual dividend of \$3.2M
- Cash costs of \$0.60/lb of copper produced in fiscal 2005, compared to \$0.69/lb in 2004
- 2005 Production: 29.88 million pounds of copper and 631,843 pounds of molybdenum in concentrate



NET EARNINGS AFTER TAX
(YEARS ENDED DEC. 31)



CASH FLOW FROM OPERATIONS
(YEARS ENDED DEC. 31)



2005 PRODUCTION
(millions of pounds)



LEFT: Tailings launder

RIGHT: Hydraulic monitor in action.

On Target To Double Copper Production By 2007

Through 2006 and 2007 MVC expects to ramp up annual production capacity to more than 60 million pounds of copper and 1 million pounds of molybdenum.

Revenue is projected to increase in 2006 and into the future, due to:

- Significant increases in grinding capacity implemented in late 2005 and early 2006, which will improve recoveries
- Increasing extraction capacity from Colihues to 45,000 tpd by late 2007
- Increase in production of molybdenum in concentrates, anticipated to be 900,000 to 1,000,000 pounds in 2006

Objectives For 2006

- IN THE FIRST HALF: Complete copper plant expansion and copper and molybdenum plant upgrades.
- IN THE SECOND HALF: Install thickeners to ensure compliance with new Chilean environmental regulations
- Continue implementation of extraction system for Colihues tailings in order to meet target of 45,000 tonnes per day by late 2007
- Study new opportunities for increasing economic efficiency throughout the company, including treatment of other metal bearing ores or tailings, decreasing operating costs and the study of other tailings processing
- Review potential new sulphide and oxide copper projects which will grow production and add value to shareholders



2005 Report To Shareholders

Throughout 2005 the Company took on and achieved a number of important business growth objectives, and declared its first semi-annual dividend.

Net earnings after tax were \$17.99 million, and cash flow from operations was \$21.87 million for the year ended December 31, 2005.

Return on capital invested represented by operating cash flows divided by the purchase price of MVC plus capital invested to December 31, 2004 is an exceptional 76%.

The copper price continued its upward trend, based on global economic growth and strong demand in markets such as China and India. The LME copper price during the 12 months to December 2005 increased from \$1.427 to \$2.0760, and the average price received by the Company on copper sales was \$1.7325 during 2005. The price remains higher still in early 2006, reflecting tight supply, strong demand and low global inventory levels.

By early 2006, the copper plant expansion was virtually complete, and additional grinding and flotation capacity in place. By mid 2006 MVC will be fully equipped to access the increased flow of fresh tailings projected by El Teniente and the 45,000 tonnes per day the Company has the right to extract from the Colihues tailings impoundment. The Company remains on track to increase copper production to an annualized rate of approximately 60 million pounds of copper by the end of 2007, 200% above MVC's production rate at the time of its acquisition.

During 2005 the Company completed the construction of its molybdenum plant and produced a total of 631,843 pounds of molybdenum, 26% higher than original estimates. The plant was designed, built and commissioned in record time in order to take advantage of rising molybdenum prices, and paid for itself within 3 months.

In 2005 earnings increased by 79%, or close to \$8 million, as copper prices continued to rise throughout the year and the Company's molybdenum plant came on stream.

Cash flows were strong in 2005, reflecting higher commodity prices and production from the Company's molybdenum plant, allowing the Company's expansion program to be funded entirely from operational cash flow. The outlook for 2006 is similar with an estimated \$17 million in capital expenditures that will be funded from operating cash flows, the majority of which will be invested to ensure the Company's compliance with Chilean environmental regulations scheduled to take effect in September 2006. The Company has no bank debt and a strong balance sheet.

During the year the Company declared and paid its first semi-annual dividend of Cdn\$0.045 per share, and has since declared a second dividend in the same amount, payable on April 7, 2006.

In February 2006 the Company made a strategic investment in Chariot Resources Limited, and now owns 26,643,000 common shares and 11,532,000 share purchase warrants of Chariot. Management is optimistic about the potential of Chariot and its Marcona copper project in southern Peru, is supportive of Chariot's management and board of directors, and believes that the Company can make a contribution to the successful development of this project.

In addition, in March 2006 the Company closed a financing by way of a bought deal offering to raise gross proceeds, before expenses and underwriters' fees, of Cdn. \$18,200,000.

As always, the Company is extremely proud of the contributions made by our management and staff in Chile and Vancouver during the course of the year. With the planned plant expansions now virtually complete, the rate of extraction from Colihues increasing and forecast production of 900,000 to 1 million pounds of molybdenum, we look forward to another great year in 2006. We are thankful to the Board and all of our shareholders for their continuing support.



A handwritten signature in black ink, appearing to read 'Steve Dean'.

Steven G. Dean
Chairman



A handwritten signature in black ink, appearing to read 'Klaus M. Zeitler'.

Klaus M. Zeitler
President



MVC recovers copper from the fresh tailings produced by the El Teniente Division of Codelco Chile and from the in-situ tailings deposited in the Colihues tailings impoundment, located next to MVC's operations. Codelco is a Chilean state owned company that is the biggest copper producer in the world.

Operations Report

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, and with plans to further increase production to 180,000 tonnes per day within the next several years.

In late 2005 and early 2006 MVC implemented a series of modifications to its operating circuit to increase grinding capacity and improve metal recoveries. Two new grinding mills were added in late 2005, and two more in early 2006. In the first half of 2005 MVC also designed, built and commissioned a molybdenum plant in record time, and production of molybdenum concentrates began in May, 2005.

Extraction of tailings from the Colihues impoundment 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 contractor purchased and put into operation two 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 2004, it came short of the expected 10,000 tonnes per day goal. Management therefore began testing two alternate methods of extraction. A hydraulic monitor system is currently being installed in the area of the tailings dam that lies above water level, and a submersible excavator unit, capable of de-consolidating the layers of tailings and feeding an underwater pumping system, is being tested for the area below water level.

Results from the first monitor currently in place have been encouraging and, subject to availability of equipment, the Company plans to install three additional monitors before the end of 2006. Modifications have also been made to the submersible unit and the Company may purchase an additional larger unit in 2007, depending on resulting extraction rates.

BELOW: Cascade system



Operating Costs

Cash costs for the year (the aggregate of smelter, refinery and other charges, production costs net of molybdenum-related net benefits, administration and transportation costs) before El Teniente royalty were lower at \$0.60/lb, compared to \$0.69/lb in 2004, despite significantly higher smelter and refinery charges.

Total costs (the aggregate of cash costs, El Teniente royalty, depreciation and accretion) for the year were \$0.93/lb compared to \$0.88/lb in 2004, due mainly to higher royalty payments to El Teniente relating to higher copper prices.

Copper production totaled 29.88 million pounds, compared to 31.12 million pounds produced in 2004. Copper production did not meet the annual forecast due to low extraction rates from Colihues, unfavourable ore characteristics from fresh tailings during the year and the Company's emphasis on maximizing molybdenum production at prevailing high prices. Molybdenum production in 2005 was 631,843 pounds from eight months of production, as management focused on maximizing returns from high molybdenum prices.

Workforce and Safety

At the end of 2005 MVC had a 100 person workforce, including management and supervision, and a subcontracted workforce of 133 people. The increase in the workforce from 2004 levels was due to the copper plant expansion and building of the molybdenum plant, together with a shorter workweek introduced in Chile at the end of 2004.

Safety in the workplace continues to be one of the most important goals of MVC. In 2005, 3 lost-time accidents occurred for a rate of 1.63 accidents per 100,000 person-hours, among the lowest in the Chilean mining industry.



Objectives for 2005

MVC had a number of objectives for 2005:

Objective 1: Complete the copper plant expansion plan, including increases in grinding and flotation plant capacity.

By early 2006 the planned MVC expansion was virtually complete, including:

- An increase in grinding plant capacity from the existing four mills, with a combined installed capacity of 10,000 HP, to a total of eight grinding mills, with a combined capacity of 23,700 HP.
- Flotation plant expansion, for added capacity to the mechanical flotation banks and in the column flotation section.

By mid 2006 the copper plant will have the installed capacity necessary to process the projected increase in fresh tailings volume from El Teniente and the allowable Colihues extraction rate of 45,000 tonnes per day.

Objective 2: Complete the design, construction and commissioning of the molybdenum plant.

The molybdenum plant was up and running by March 2005 in record time, produced 26% more molybdenum than original projections and paid for itself in less than 3 months.

Objective 3: Continue to work towards the Company's goal to extract 45,000 tonnes of tailings per day from Colihues on or before the end of 2007.

The Company is testing 2 alternate extraction methods, hydraulic monitors for the dry sections of Colihues and an underwater submersible miner for the underwater sections. Both have proven to be successful and, subject to minor modifications for startup problems common with new technology, should be operating at full capacity by the end of the 2006 second quarter. Depending on equipment availability, the Company remains confident of meeting its goal to increase copper production to approximately 60 million pounds of copper on an annualized basis by the end of 2007.

The full amount of the 2005 capital expenditure program of approximately \$26.7 million was funded entirely from cash flow.

The Future Expansion Program (2006 - 2007)

The majority of capital expenditures for 2006 will be for completion of the installation of an industrial water recovery system at a cost of approximately \$8.7 million. These thickeners will ensure compliance with new Chilean environmental regulations scheduled to take effect in September 2006, but will also have the added advantage of allowing MVC to extract water from the concentrate which can be reused in operations, and effectively provide insurance in case of drought. An additional \$2.5 million will be necessary for the continued expansion of extraction capacity from the Colihues tailings impoundment. The Company plans to have 4 monitors operating by the end of 2006. Depending on results from the monitors and the submersible unit, MVC may also purchase an additional larger submersible at a projected cost of approximately \$2.5 million. Finally, the Company also anticipates spending another \$3 million on upgrades to the processing plant.

As the current expansion program will be virtually complete by the end of 2006, capital expenditures will be greatly reduced in the foreseeable future. The only non-maintenance capital expenditures currently being considered for 2007 are for the addition of two hydraulic monitors at an estimated cost of \$1.6 million. The decision on whether to add these monitors will depend on the results from the implementation of the current Colihues extraction program.

As the current expansion program will be virtually complete by the end of 2006, capital expenditures will be greatly reduced in the foreseeable future.



2005 Year in Review

2005 was a very successful year for MVC. Although copper production was lower than 2004, financial results were the best in the Company's history and, with the current expansion program now virtually complete, the Company is poised to continue to benefit from the ongoing bull market for commodities.

In early 2005 the decision was made to direct the management team's efforts to the construction and commissioning of the Company's new molybdenum plant, in order to take advantage of the high price of molybdenum. As a result, the new molybdenum plant started production in March, well ahead of schedule.

Management's focus for the last part of the year was the expansion of production facilities, which included the more than doubling of grinding plant capacity and the flotation plant expansion.



A handwritten signature in black ink, appearing to read 'Raul Poblete'.

Raul Poblete
General Manager, MVC

The molybdenum plant paid for itself in less than 3 months, and its contribution to the bottom line was a major factor in the Company's record financial results for the year.



Objectives for 2006

In 2006 MVC management's attention is focused on increasing the extraction rate from the Colihues tailings impoundment. One hydraulic monitor was put in operation during the first quarter. After a number of start-up problems, not uncommon from a new and untested system of this type, recent results have been very positive. Plans are in place to increase the number of monitors to 4 by the end of the year.

Work is also being carried out on the submersible miner, which should be back in operation late in the second quarter. Depending on results once the miner is running once again, the Company may purchase another unit before year end.

Now that the four new grinding mills are in operation, the Company plans to shut down and completely overhaul each of the four original grinding mills during 2006-2007. These repairs will decrease on-going maintenance costs and help to ensure MVC has the capacity to handle anticipated increases in throughput from additional fresh tailings expected from El Teniente and in-situ tailings from the Colihues impoundment.

The Company remains on track to increase molybdenum production in 2006 by approximately 50% from 2005 levels to 900,000 to 1 million pounds, and to increase annualized copper production to a rate of approximately 60 million pounds by the end of 2007.



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 founder and from 1986 to 1996 President and CEO of Inmet Mining Corp. 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.

Michael Kuta, Corporate Secretary

Mr. Kuta has an HBA from the University of Western Ontario and an LLB from the University of British Columbia. Mr. Kuta has more than 20 years of experience in corporate, commercial and tax law, both in private practice and with public and private corporations.

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 TintoPatiño, in Spain.

Manuel Cartagena, Production Manager, MVC

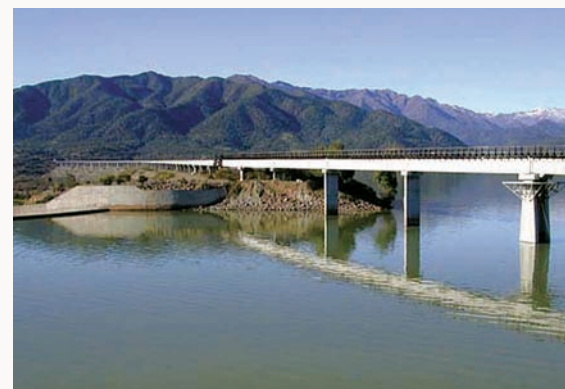
Mr. Cartagena has 25 years of experience in copper sulfide processing and copper solvent extraction of copper, including 11 years in El Teniente in different positions within the concentration division. In 1992, Mr. Cartagena joined MVC as Chief Metallurgist, and participated in the design and construction 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. In 2006, Manuel accepted a promotion to his current position.

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, Operations Manager, MVC

Mr. Cáceres has thirteen 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. In 2006, Christian accepted a promotion to his current position.



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, 2006 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2005.

Overall Performance

Amerigo is a producer of copper and molybdenum concentrates with operations in Chile. On July 3, 2003 the Company completed the acquisition of Minera Valle Central ("MVC"), a Chilean copper producer that has a contract with Chile's state-owned copper producer Codelco through at least 2021 to process the tailings from El Teniente, the world's largest underground copper mine.

Net earnings after tax for the year ended December 31, 2005 were US\$17,992,467, 79% higher than restated earnings of US\$10,049,614 in fiscal 2004. Net earnings in 2005 are after year-end adjustments of US\$770,000 and settlement provisions of US\$1.7M in Q4 due to lower year end molybdenum prices. Annual earnings were higher in 2005 due to higher copper prices and the contribution of molybdenum production starting in May 2005. Net earnings in 2004 were restated for adjustments to future income tax assets to accord with Canadian GAAP.

Revenue of \$52,910,575 is derived from the sale of 28.92 million pounds of copper and 651,071 pounds of molybdenum. Total revenue of \$58,328,082 includes fees from a molybdenum tolling contract.

In March 2005 the Company completed the construction and commissioning of a plant to obtain molybdenum concentrates as a by-product of copper production. In 2005, MVC produced 631,843 pounds of molybdenum.

In fiscal 2005, the Company's activities contributed to operating cash flow of \$21,874,229, which includes the effect of changes in non-cash working capital accounts. Investing activities used \$26,682,309 of cash resources during fiscal 2005, as part of MVC's copper plant expansion program and the construction of the molybdenum plant. Net financing cash flow of \$9,512,174 includes inflows of \$12,141,295 from the exercise of stock purchase warrants and options during the year and an outflow of \$3,152,777 for the payment of Amerigo's first semi-annual dividend.

At December 31, 2005 the Company had a strong balance sheet, with \$12,953,516 in cash and cash equivalents and working capital of \$8,236,363, after capital expenditures of \$26,682,309 in the year. Amerigo continues to be positioned to finance ongoing capital projects from existing cash resources and operating cash flow in 2006.

The Company is exposed to changes in 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.

Amerigo is also exposed to changes in prices for molybdenum. The Company's molybdenum sales are subject to a settlement period determined by the roaster, which could be up to three months, during which adjustments to recorded revenue are made at the end of each month to reflect changes in published monthly moly prices until the sale price is settled. As in the case of copper sales, molybdenum sales will be favorably impacted in rising price markets and negatively impacted when moly prices decline.

Selected Annual Information

	12 months ended December 31, 2005	12 months ended December 31, 2004	10 months ended December 31, 2003
Total revenue	\$58,328,082	\$35,241,609	\$9,638,759
Net income	17,992,467	10,049,614*	799,921**
Earnings per share	0.23	0.16*	0.02**
Diluted earnings per share	0.20	0.12*	0.01**

	At December 31, 2005	At December 31, 2004	At December 31, 2003
Total assets	\$87,239,450	\$49,747,412***	\$34,978,640****
Total long-term liabilities	6,933,480	9,100,919****	7,070,496*****
Cash dividends declared	3,152,777	Nil	Nil

* Adjusted from Net Income of \$10,941,614 to account for retroactive restatements to earnings of (\$891,584) due to the elimination under Canadian GAAP of certain Chilean future income tax assets.

** Adjusted from Net Income of \$1,881,013 to account for retroactive restatements to earnings of (\$1,081,092) due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies).

*** Adjusted from Total Assets of \$48,469,945 to account for a future income tax asset of \$1,277,467 in connection with the Company's contractual rights.

**** Adjusted from long-term liabilities of \$6,185,287 to account for adjustments of \$2,915,632 to future income tax liabilities.

***** 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 \$19,756 due to the adoption of new accounting standards on January 1, 2004 (see Changes in Accounting Policies) and from a future income tax asset of \$1,340,801 in connection with the Company's contractual rights.

***** 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).

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, 2005)

In the year ended December 31, 2005, net earnings were \$17,992,467 (\$0.2287 per share, non-diluted; \$0.2035 per share, diluted) on total revenue of \$58,328,082, compared to restated net earnings of \$10,049,614 (\$0.1586 per share, non-diluted; \$0.1156 per share, diluted) and total revenue of \$35,241,609 in the year ended December 31, 2004. Earnings increased 79% from the previous year.

Sale and delivery of copper and molybdenum

Revenue has been reclassified to include molybdenum sales. The Company formerly reported only gross copper sales, which included smelter and refinery charges, and accounted for the net benefit of both molybdenum sales and any molybdenum tolling fee contract as credits to production costs. The reclassification of revenue reflects current GAAP guidelines and does not affect earnings.

Copper produced by the Company was sold under a sales agreement with Chile's Empresa Nacional de Minería ("Enami" or the "smelter"), which provides 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 2005.

Molybdenum produced by the Company was sold under a sales agreement with Chile's Molibdenos y Metales S.A. ("Molymet" or the "roaster") which provides that the sale price is the market price at the end of the first, second, or third month after delivery, as determined by the roaster. During fiscal 2005 the sale price as determined by Molymet was the market price at the end of the third month after delivery.

Revenue recognition and reporting

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

The agreements for the sale of the Company's concentrate provide that the sale price for copper is the market price at the end of the third month after delivery and the sale price for molybdenum is determined by the roaster and could be the market price at the end of the first, second or third month after delivery. The current molybdenum settlement period is three months from the month of delivery; accordingly, all deliveries by the Company in one quarter are sold at market prices prevailing in the following quarter. Sales are provisionally priced using forward copper prices for the expected date of final settlement and published prices for molybdenum, and adjustments to revenue are made at the end of each month to reflect changes in market prices until the sale price is settled under the terms of the agreement. This practice increases the sensitivity of the Company's reported revenue to increases and decreases in copper and molybdenum prices. In a period of rising prices, not only will the Company record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for copper and molybdenum delivered in the prior period. Similarly, in a period of declining prices, the Company will be required to record lower revenues for current deliveries and negative adjustments to revenue for the prior period's deliveries.

MVC's 2005 revenue for the sale of copper and molybdenum concentrates was \$52,910,575, net of copper smelter and refinery charges and molybdenum roaster charges. Revenue was derived from the sale of 28.92 million pounds of copper at an average gross price of \$1.7023 per pound of copper and settlement adjustments of \$869,551 for copper delivered in 2004 and settled in 2005, and from the sale of 651,071 pounds of molybdenum at an average gross price of \$26.4017. Moly delivered during Q4-2005 was priced at a gross price of \$25.95/lb at December 31, 2005.

During fiscal 2005 the Company signed a tolling agreement with Codelco's Chuquicamata division to process certain of Codelco's molybdenum-copper bulk concentrates at MVC's plant. This revenue is recognized when the processing is completed, the amounts to be received are known and collection is reasonably assured. In 2005, revenue for the tolling arrangement was \$5,417,507, shown as other revenue in the Company's statement of operations.

Production

Production in 2005 was 29.88 million pounds or 13,552 tonnes of copper, below the original 2005 production forecast of more than 18,000 tonnes and the revised forecast of 14,000 tonnes. The main cause of lower than expected production was lower extraction throughout the year from Colihues. A number of factors contributed to this, including late delivery of replacement pumps and underperformance of pumping equipment. As a result the Company has adopted a new extraction process that includes hydraulic monitors and became operational in early 2006. Extraction from Colihues is targeted to show improvements as of Q1-2006. The first stage of monitoring equipment for the extraction of Colihues tailings was commissioned in early February 2006 with initial operating results performing to design expectations. Installation of the second stage of equipment is expected to be commissioned in March 2006, following scheduled completion of the tailings bund. Management continues to expect that the targeted extraction rate of 45,000 tonnes per day for Colihues will be achieved in 2007.

Also, the Company placed an emphasis on maximizing molybdenum production to take advantage of high prices in 2005. Other factors affecting copper production in fiscal 2005 were unfavourable ore characteristics in the fresh tailings received from El Teniente during the year, a longer than anticipated El Teniente maintenance shutdown period in

January 2005 (over both of which the Company has no control) and operational shutdowns of certain equipment for maintenance and/or repairs and for installation of new equipment as part of MVC's plant expansion.

At December 31, 2005 the Company was holding an inventory of approximately 430 tonnes of copper, in finished product and in-circuit copper. Inventory of finished product of approximately 150 tonnes was turned around in January.

Construction of a processing plant to extract molybdenum from MVC's copper concentrate production was completed in March 2005. Amerigo's originally estimated moly production of 500,000 pounds of molybdenum in concentrates for 2005 was upgraded to 600,000 in mid-2005 as a result of substantially higher than anticipated extraction rates. Actual 2005 moly production was 631,843 pounds, 26% higher than original estimates. MVC pays to Codelco a flat 10% royalty of MVC's net revenue received from the sale of molybdenum concentrates.

The economic performance of the molybdenum plant was further enhanced in 2005 by a tolling arrangement with the Chuquicamata division of Codelco, under which MVC initially agreed to process 4,000 tonnes of molybdenum-copper bulk concentrate to produce a saleable molybdenum concentrate and copper concentrate. The tolling arrangement was extended to increase the tonnes to be processed by MVC. A total of 6,810 tonnes were processed in fiscal 2005 for Chuquicamata.

Operating Cash Flows

In the year ended December 31, 2005, the Company's activities contributed to operating cash flow of \$21,874,229, which includes the effect of changes in non-cash working capital accounts.

Cash Cost and Total Cost

For the purpose of determining cash and total costs, which are conventions used in the mining industry, the Company considers the effect of smelter, refinery and other charges and the effect of molybdenum by-product and tolling credits in its cost structure. Accordingly cash cost is defined by the Company as the aggregate of smelter, refinery and other charges, production costs net of molybdenum-related net benefits (molybdenum sales and tolling fees minus their associated production costs), administration and transportation costs.

Smelter and refinery costs in 2005 were \$11,286,250. Since MVC does not ship concentrate overseas, smelter and refinery charges include the participation by the smelter in MVC's cost savings for shipping.

Cash costs were \$17,878,647 or 60c per pound in fiscal 2005. On a quarterly basis, cash costs per pound were 91c in Q1; 59c in Q2; 22c in Q3 and 67c in Q4. The variance in cash costs results mainly from the impact of the value of the moly-by-product credits on a quarterly basis.

Given that the Company considers molybdenum to be a by-product of its copper production for the purpose of calculating cash and total costs, the net benefit derived from molybdenum is factored as a credit to cash costs. Accordingly costs are impacted by settlement adjustments to the molybdenum net benefit. In periods of rising moly prices, there will be positive settlement adjustments resulting in higher molybdenum by-product credits to production and lower costs, while the opposite will occur in periods of declining moly prices.

Molybdenum sales were priced at a gross price of \$35.80/lb at the end of Q2, a gross price \$32.40/lb at the end of Q3 and a gross price of \$25.95/lb at the end of Q4. Moly production was 155,726 lbs in Q2, 230,167 lbs in Q3 and 245,950 lbs in Q4. Despite the increase in moly production in Q4, the published price of moly of \$25.95/lb in December, the lowest in 2005, required that all of Q4 production be adjusted to that provisional price. Q3 sales had been booked at \$32.40/lb at September 30 and were settled at lower prices in Q4. These negative adjustments of approximately \$1.7M in Q4 further reduced the moly-by-product credits and increased cash and total costs.

Total costs are defined by the Company as the aggregate of cash costs (which includes smelter, refinery and other charges, production costs net of molybdenum-related net benefits, administration and transportation costs), El Teniente royalty, depreciation and amortization and asset retirement accretion costs. In fiscal 2005 total costs were \$27,798,195 or 93 c/lb. On a quarterly basis, total costs per pound were \$1.14 in Q1, 89c in Q2, 57c in Q3 and \$1.11 in Q4.

Operating Costs and Expenses

Production costs in the Company's statement of operations have been reclassified to include plant maintenance costs, copper production costs, molybdenum production costs and third-party (Chuquicamata) processing costs. Under this basis, in Q1, copper production costs were \$3,771,742; in Q2, with two months of moly production, total production costs of copper and moly were \$5,236,587; in Q3, the first complete quarter of moly production contributed to an increase in production costs to \$6,440,386; in Q4 production costs were \$8,778,891. Annual production costs in 2005 were \$24,227,606. The increase in production costs in Q4 resulted from one-off charges for maintenance and labour signing bonuses for a new 44 month labour contract with MVC workers. Costs also increased due to higher processing volume of Chuquicamata material.

The El Teniente royalty increases or decreases as a function of copper prices and copper sales, which increased on a monthly basis throughout 2005. Also, as of June 2005, a royalty of 10% of molybdenum net revenue is payable to El

Teniente. In fiscal 2005 the royalties to El Teniente were \$8,437,862.

Costs not related to MVC's operations are identified as "Other expenses", of which the most significant expenses in 2005 are Stock-based Compensation of \$545,089, Interest Expense of \$477,035 and Salaries, Consulting and Professional Fees of \$473,211. In 2004 Stock-based Compensation expense was \$154,746, Interest Expense was \$102,661 and Salaries, Consulting and Professional Fees were \$302,209.

"Other Expenses" not described in the preceding paragraph are general and administrative expenses. In the year ended December 31, 2005 these were consistent with budget. Other Expenses represent a total cost in 2005 of \$2,174,090 compared to \$1,313,054 in 2004.

Non-operating items in 2005 include a Foreign Exchange Gain of \$1,944,800, a Gain on Disposition of Mineral Properties of \$427,455, Interest Income of \$374,604, Other Income of \$94,423 and Investment Income of \$32,062. The foreign exchange gain of \$1,944,800 resulted from a 9% appreciation of the Chilean peso to the U.S. dollar during the year. As MVC invoices for sale of concentrate are issued in Chilean Pesos, in periods when the Chilean Peso appreciates against the US Dollar these receivables are worth more in U.S. Dollars when they are collected, typically within three months of issuance, than they were at the time of issuance. By the same measure, in periods where the Chilean Peso depreciates against the US Dollar, receivables would be worth less at the time of collection, resulting in a foreign exchange expense. In fiscal 2005 the strong Chilean Peso also impacted costs when expressed in US Dollars, so the foreign exchange gain/loss impact of these revenue-related gains or losses on earnings is typically offsetting.

The Company recorded income tax expense net of recoveries of \$4,390,854 in 2005, of which \$4,554,236 is income tax on net earnings generated in MVC.

The loss carryforwards available in MVC were fully utilized by Q2-2005. However, due to capital expenditure tax incentives in Chile, MVC reduced the cash tax payable for its operating profit in Chile in 2005, given that it can effectively write-off for tax purposes an amount equivalent to one third of the capital expenditures incurred in the period.

Summary of Quarterly Results

	Qtr ended Dec. 31, 2005	Qtr ended Sept 30, 2005	Qtr ended June 30, 2005	Qtr ended March 31, 2005
Total revenue	\$19,459,021	\$17,702,172	\$12,768,609	\$8,398,280
Net income	5,208,566	6,503,415	4,635,764	1,644,722
Earnings per share	0.0604	0.0757	0.0607	0.0237
Diluted earnings per share	0.0588	0.0735	0.0525	0.0186

	Qtr ended Dec. 31, 2004	Qtr ended Sept. 30, 2004	Qtr ended June 30, 2004	Qtr ended March 31, 2004
Total revenue	\$10,225,588	\$9,059,574	\$6,912,455	\$9,043,992
Net income	1,687,323	2,960,651	1,625,458	3,776,182
Earnings per share	0.0262	0.0463	0.0256	0.0613
Diluted earnings per share	0.0194	0.0340	0.0188	0.0435

Liquidity and Capital Resources

Amerigo's cash and cash equivalents on December 31, 2005 were \$12,953,516, compared to \$8,239,089 on December 31, 2004. The increase in cash is mainly attributable to net operating cash flows after investment in new capital equipment generated by MVC and to capital proceeds of \$12,141,295 from the exercise of stock purchase options and warrants in the year.

The Company's working capital on December 31, 2005 was \$8,236,363, compared to \$8,584,637 on December 31, 2004. Amerigo continues to be able to generate sufficient cash resources both in the short and long-term to maintain existing operations and fund ongoing capital requirements.

The Company's gross copper sales are dependent on sales volumes and prevailing market prices for copper. Monthly average per-pound copper prices in 2005 have been the following:

January	\$1.4379	April	\$1.5397	July	\$1.6394	October	\$1.8415
February	1.4759	May	1.4738	August	1.7226	November	1.9365
March	1.5330	June	1.5985	September	1.7499	December	2.0760

The Company's long-term debt (Asset Retirement Obligations, Future Income Tax and Other Payables) at December 31, 2005 was \$6,933,480, compared to \$9,100,919 on December 31, 2004. The reduction in long-term debt results mainly from the reclassification to current debt of a \$3,400,000 note issued in connection with the acquisition of MVC by the Company. The note, together with accrued interest, is payable on or before July 1, 2006 either in cash or by delivery of the number of shares of Amerigo that is calculated by dividing the total amount of principal and interest outstanding at July 1, 2006 by the average trading price of the Company's shares on the Toronto Stock Exchange during the 30 days prior to July 1, 2006. Payment in cash or shares is at the option of the Company; however, if the Company chooses to pay in shares, the vendors may elect to receive the payment in cash, together with interest at an annual rate of 5%, on or before July 1, 2008.

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.

The contract with Enami for all of MVC's production to December 31, 2008 provided that in 2005 the treatment charge would be \$120 per tonne of concentrate and the refining charge would 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. In subsequent years, 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 in addition 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.

During the year ended December 31, 2005, 1,335,000 share purchase options were granted to directors and officers of the Company and 713,000 share purchase options were exercised for net proceeds of \$736,696. Also in 2005, 20,317,773 warrants were exercised for net proceeds of \$11,404,599 and 6,243 warrants expired unexercised.

As of December 31, 2005 the Company had 2,297,000 outstanding share purchase options (with exercise prices ranging from C\$0.36 to C\$2.00) and no outstanding share purchase warrants.

Investing Activities

Throughout 2005, the Company undertook significant plant expansions in MVC, without relying on additional equity or debt funding. Capital expenditures were \$26,682,309 in the year. In addition to the copper plant expansion, the Company completed its molybdenum production plant in the first quarter of 2005. The capital cost for the molybdenum plant was repaid from less than 3 months of operating profit of the molybdenum plant.

In 2006 the Company will invest a further amount of approximately \$9,000,000 for two thickeners and an industrial water recovery system in order to satisfy Chilean environmental regulations, which will come into effect in September 2006. Other capital items totaling approximately \$5,000,000, including equipment for the extraction of tailings from Colihues, are also under consideration.

As a result of these plant expansions and planned increases in extraction rates from Colihues, the Company expects to produce approximately 40 to 45 million pounds of copper and 900,000 to 1 million pounds of molybdenum in 2006.

Maintenance expenditures to plant and equipment during 2005 were \$5,224,797. These expenditures were met from MVC operating cash flow.

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⁾	3,842,983	3,842,983	-	-	-
Asset retirement obligation ⁽²⁾	6,256,000	-	-	-	6,256,000
Total contractual obligations	10,098,983	3,842,983	-	-	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, 2005, the asset retirement obligation is estimated at \$2,193,448.

Transactions with Related Parties

a) Minority Interest

The Company acquired MVC by exercising a purchase option that was originally held by a company controlled by two directors of the Company. In consideration for the sale of the purchase option to the Company, these directors hold a Minority Interest in one of the Company's subsidiaries as described below.

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

During the year ended December 31, 2005, royalty dividends totaling \$619,266 were paid or accrued to the Amerigo International Class A shareholders on the basis described above. The total of the royalty dividend is shown as Minority Interest in the Consolidated Statement of Operations. At December 31, 2005 \$59,789 of this amount was payable.

b) Management fees

During the year ended December 31, 2005 the Company paid or accrued \$259,068 in management fees to certain directors and officers of the Company. Included in accounts payable and accrued liabilities at December 31, 2005 are \$Nil 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, 2005 the Company paid or accrued \$96,864 in directors' fees to independent directors and \$86,631 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, 2005 an officer of the Company acted as an officer of Nikos (Note 9). At the time of the disposition of mineral properties described in Note 9, 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, 2005 were \$5,208,566, \$1,294,849 lower than in the quarter ended September 30, 2005 notwithstanding higher copper prices during the quarter, primarily due to the effect of approximately \$1.7M in settlement provisions to molybdenum revenue in Q4 and year end adjustments of \$770,000.

Sale and delivery of copper and molybdenum

Q4 gross copper sales were \$15,261,126. After smelter and refinery charges of \$3,087,064 net copper sales were \$12,174,062. In Q4 MVC sold 7.38 million pounds of copper at an average gross price of \$1.9631/lb copper, a 4% volume improvement over sales of 7.11 million pounds in Q3. There were also positive settlement adjustments of \$773,472 in the period. 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 \$2.6 million higher than in Q3.

During the fourth quarter, the Company sold 240,923 pounds of molybdenum. Lower moly prices in December (gross price of \$25.95/lb, the lowest since the moly plant became operational), affected provisional pricing of all moly Q4 sales and resulted in negative settlement adjustments for Q3 moly sales that had been priced at a gross price of \$32.40/lb at September 30. Molybdenum provisional price adjustments were \$1.7M in Q4. After the effect of these adjustments, moly sales were lower by \$2,040,616 in Q4 compared to Q3.

Other revenue from the tolling fee arrangement was \$3,335,325 in Q4 compared to \$1,913,712 in the preceding quarter, due to the increase in material processed.

Production

Production in Q4 was 7.73 million pounds of copper, compared to 7.58 million pounds in Q3. As anticipated, extraction of tailings from Colihues in Q4 continued to be under budget. This performance is expected to improve during Q1 2006 with new extraction equipment operational in the Colihues tailings pond.

Operating Cash Flows

In the quarter ended December 31, 2005, the Company's activities contributed to operating cash flow of \$7,989,922, which includes the effect of changes in non-cash working capital accounts. The Company incurred capital expenditures of \$9,323,850 in Q4 without reliance on debt financing.

Cash and Total Costs

Cash costs before El Teniente royalty in Q4-2005 including smelter, refinery and other charges and the effect of moly by-product credits were \$5,208,669 or 67c per pound. This compares to cash costs of 22c per pound in the immediately preceding quarter, an increase of 45c/lbs in Q4. The main component of this variance is a lower moly by-product credit of \$1.9M in Q4 due to lower moly prices at year end. This accounts for 26c/lbs of the variance.

Other components of the total variance include one-off charges for maintenance and labour signing bonuses for a new 44 month labour contract with MVC workers. These and other minor production cost variances represent an increase of 12c/lb.

Smelter and refinery costs change with copper prices. These costs represent 4c/lb variance during the quarter from higher copper prices.

A variance of 2c/lb is introduced by an increase in labour cost-administration from year-end payments to MVC staff. The final variance of 1c/lb results from increased transportation costs due to higher fuel charges.

Total costs including smelter, refinery and other charges, were \$8,600,376 or \$1.11 per pound in Q4-2005, compared to

total costs of 57c per pound in the immediately preceding quarter, an increase of 54c/lb which results from the increase of 45c/lbs as shown in the cash cost analysis, plus a further increase of 9c/lbs from the El Teniente royalty, related to the higher copper price.

The El Teniente royalty increases or decreases as a function of copper prices and copper pounds sold, which were higher in Q4-2005 than in Q3-2005. In Q4-2005 the royalty was \$2,786,343, while in Q3-2005 it was \$2,294,314.

Other Costs and Expenses

Costs not related to MVC's operations are identified as "Other Expenses" and were \$446,476 in the quarter ended December 31, 2005. The most significant expense is Salaries, Consulting and Professional Fees of \$147,352, which includes accrual for services rendered in connection with the Company's year-end. In the preceding quarter Other Expenses were \$288,278.

Non-operating items in the quarter ended December 31, 2005 include a Foreign Exchange Gain of \$250,169, Interest Income of \$136,768, Other Income of \$54,453 and Investment Income of \$32,062. The foreign exchange gain is derived from a 3% appreciation of the Chilean peso to the U.S. dollar during the quarter; investment income is derived from the recognition of Amerigo's proportional share of Net Income in Nikos Explorations Ltd., an investment of the Company that is accounted for under the equity method due to significant influence.

The Company recorded income tax expense net of recoveries of \$1,307,896 in the quarter ended December 31, 2005, from income tax on net earnings generated in MVC.

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 standards, 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.

On receipt of a second installment of 5,000,000 shares of Nikos Explorations Ltd. on June 30, 2005, the Company became a holder of 27% of Nikos's current outstanding shares, a situation where significant influence exists. Accordingly, on June 30, 2005 the Company started using the equity method to account for its investment in Nikos. The Company had previously considered the Nikos shares to be a long-term investment and used the cost method to account for the investment.

Changes in Accounting Policies Including Initial Adoption

Effective January 1, 2005, the Company adopted Accounting Guideline ACG-15, Consolidation of Variable Interest Entities, which requires consolidation of entities in which the Company has a controlling financial interest. The Company has determined that it has no variable interest entities.

Effective January 1, 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 \$19,756, derived from applying a 17% 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 a decrease in earnings of \$96,449 (a \$19,756 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 (\$16,388). In the year ended December 31, 2005, the Company recorded asset retirement accretion costs of \$143,497 and asset retirement amortization charges of \$102,836. At December 31, 2005 the asset retirement liability had been accreted to \$2,193,448 and the associated future income tax asset had been adjusted to \$101,912.

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.

Disclosure Controls and Procedures

During the year ended December 31, 2005, and in light of changes in laws and the regulatory environment concerning continuous disclosure and corporate governance, the Company's General Counsel and Corporate Secretary completed an evaluation of the effectiveness of the Company's existing disclosure controls and procedures, undertook extensive research and made presentations and recommendations to the Company's certifying officers and board of directors. Based on those recommendations, a draft corporate disclosure policy was presented to the Company's board and adopted subsequent to year end. The disclosure policy included the setting up of a Disclosure Policy Committee that consists of the Company's Chairman, President and Corporate Secretary.

With the new disclosure policy and committee in place, management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, will be made known to senior management in a timely manner, and that the Company's disclosure controls and procedures will be effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

Subsequent Events

On February 10, 2006 the Company acquired beneficial ownership of 25,600,000 common shares of Chariot Resources Limited ("Chariot") and 11,532,000 share purchase warrants of Chariot. Each share purchase warrant entitles the Company to acquire an additional common share of Chariot at a price of Cdn\$0.35 per share until December 22, 2006. The common shares and warrants acquired represent approximately 19.2% of Chariot's 193,965,147 issued and outstanding common shares, which amount includes common shares issuable on the exercise of the warrants.

As a result of this acquisition, the Company owns 26,643,000 common shares of Chariot and 11,532,000 share purchase warrants of Chariot, representing approximately 19.7% of Chariot's issued and outstanding common shares, which percentage includes common shares issuable on the exercise of the warrants. The Company purchased these securities for investment purposes, as it believes in the potential of Chariot and its Marcona copper project in southern Peru.

On February 16, 2006 the Board of Directors of Amerigo declared a final dividend of Cdn 4.5 cents per share payable on April 7, 2006 to shareholders of record as of March 31, 2006.

Other MD&A Requirements

As of February 16, 2006 the Company has 87,025,844 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 16, 2006



Chief Financial Officer

February 16, 2006

Auditors' Report


To the Shareholders of Amerigo Resources Ltd.

We have audited the consolidated balance sheets of Amerigo Resources Ltd. as at December 31, 2005 and 2004 and the consolidated statements of operations, cash flows and shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, BC, Canada

January 27, 2006, except for note 18, which is as of February 16, 2006

Consolidated Balance Sheet / expressed in U.S. dollars)

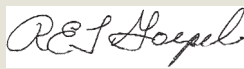
	December 31, 2005	December 31, 2004 (Restated)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	12,953,516	8,239,089
Accounts receivable	9,267,610	3,383,211
Prepaid expenses	638,337	690,946
Plant supplies and inventory (Note 4)	2,392,017	1,153,105
	25,251,480	13,466,351
Investment in Nikos Explorations (Note 10)	936,747	477,230
Mineral property, plant and equipment - net (Note 5)	52,725,600	26,965,818
Contractual rights - net (Note 6)	8,305,083	8,791,450
Other	20,540	46,563
	87,239,450	49,747,412
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,906,820	3,143,076
El Teniente royalty payable (Note 7)	3,205,525	1,692,374
Due to related parties (Note 8)	59,789	46,264
Note and interest payable (Note 3)	3,842,983	-
	17,015,117	4,881,714
Note payable (Note 3)	-	3,400,000
Other payables	569,920	469,858
Asset retirement obligation (Note 2)	2,193,448	2,049,951
Future income tax (Note 12)	4,169,112	3,180,110
Minority interest (Note 8)	1,000	1,000
	23,948,597	13,982,633
Shareholders' Equity		
Capital stock (Note 9)	39,451,043	26,891,142
Value assigned to stock options (Note 9)	1,219,194	1,092,711
Retained earnings	22,642,726	7,803,036
Cumulative translation adjustment	(22,110)	(22,110)
	63,290,853	35,764,779
	87,239,450	49,747,412

Subsequent events (Note 18)

Approved by the Board of Directors



Robert Gayton, Director



Ruston Goepel, Director

Consolidated Statements of Operations / expressed in U.S. dollars)

	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004 (Restated)
	\$	\$
Revenue, net of smelter and refinery charges	52,910,575	35,241,609
Other revenue	5,417,507	-
Total revenue	58,328,082	35,241,609
Costs		
Production costs	24,227,606	13,419,698
El Teniente royalty (Note 7)	8,437,862	4,771,005
Depreciation and amortization	1,338,189	1,127,386
Administration	1,206,267	912,861
Transportation	671,328	593,597
Asset retirement accretion cost	143,497	134,109
Cost of sales	36,024,749	20,958,656
	22,303,333	14,282,953
Other expenses		
Transfer agent and filing fees	75,150	140,645
Salaries, consulting and professional fees	473,211	302,209
Office expense	228,061	169,137
Interest expense	477,035	102,661
Management fees	259,068	379,852
Stock-based compensation (Note 9(b))	545,089	154,746
Insurance expense	48,208	39,383
Shareholder information	68,268	24,421
	2,174,090	1,313,054
Earnings before the undernoted items	20,129,243	12,969,899
Write-off of mineral properties (Note 11)	-	(49,529)
Gain on disposition of mineral properties (Note 10)	427,455	146,259
Interest income	374,604	211,041
Investment income (Note 10)	32,062	-
Other income	94,423	54,725
Foreign exchange gain	1,944,800	321,158
Earnings before taxes and minority interest	23,002,587	13,653,553
Income tax expense, net of tax recoveries (Note 12)	4,390,854	3,137,107
Earnings before minority interest	18,611,733	10,516,446
Minority interest (Note 8)	619,266	466,832
Net earnings for the year	17,992,467	10,049,614
Retained earnings (Deficit) – Beginning of year		
As previously reported	8,694,620	(1,165,486)
Accounting changes (Note 2)	(891,584)	(1,081,092)
As restated	7,803,036	(2,246,578)
Dividends	(3,152,777)	-
Retained earnings – end of year	22,642,726	7,803,036
Weighted average number of shares outstanding, basic	78,681,602	63,373,131
Weighted average number of shares outstanding, diluted	88,403,590	86,943,597
Earnings per share		
Basic	0.2287	0.1586
Diluted	0.2035	0.1156

Consolidated Statements of Cash Flows / expressed in U.S. dollars)

	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004 (Restated)
	\$	\$
Cash flows from operating activities		
Net earnings for the year	17,992,467	10,049,614
Items not affecting cash -		
Income tax expense, net of tax recoveries	651,803	3,051,320
Depreciation and amortization	1,338,189	1,127,386
Asset retirement accretion cost	143,497	134,109
Stock-based compensation	545,089	154,746
Investment income (Note 10)	(32,062)	-
Write-off of mineral properties	-	49,529
Gain on disposition of mineral properties	(427,455)	(146,259)
	20,211,528	14,420,445
Changes in non-cash working capital		
Accounts receivable	(5,884,399)	(1,284,654)
Prepaid expenses	52,609	(624,887)
Plant, supplies and inventory	(1,238,912)	(620,449)
Accounts payable	6,763,744	1,193,529
Due to related parties	13,525	(142,475)
Note and interest payable	442,983	-
El Teniente royalty payable	1,513,151	1,088,266
Net cash provided by operating activities	\$21,874,229	14,029,775
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,682,309)	(10,646,958)
Net cash used in investing activities	(26,682,309)	(10,646,958)
Cash flows from financing activities		
Repayment of Enami loans	-	(1,397,166)
Issuance of shares for cash - net of issue costs	12,141,295	1,733,353
Payment of dividends	(3,152,777)	-
Other payables	523,656	113,370
Net cash provided by financing activities	9,512,174	449,557
Increase in cash and cash equivalents due to exchange rate changes	10,333	40,926
Net increase in cash and cash equivalents	4,714,427	3,872,670
Cash and cash equivalents - Beginning of year	8,239,089	4,366,419
Cash and cash equivalents - End of year	12,953,516	8,239,089

Supplemental disclosure with respect to cash flows (Note 13)

Consolidated Statements of Shareholders' Equity / expressed in U.S. dollars)

	Common shares		Retained Earnings (Deficit)	Value assigned to stock options	Cumulative Translation Adjustment	Capital stock to be issued	Shareholders' equity
	No. of shares	Amount					
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance – Dec. 31, 2003	60,197,876	24,813,185	(2,246,578)	986,390	(22,110)	294,062	23,842,949
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 year	-	-	10,049,614	-	-	-	10,049,614
Balance – Dec. 31, 2004	65,195,071	26,891,142	7,803,036	1,092,711	(22,110)	-	35,764,779
Issue of shares							
Exercise of warrants	20,317,773	11,404,599	-	-	-	-	11,404,599
Exercise of stock options	713,000	736,696	-	-	-	-	736,696
Options granted	-	-	-	545,089	-	-	545,089
Transfer of value on exercise of stock options	-	418,606	-	(418,606)	-	-	-
Dividends paid	-	-	(3,152,777)	-	-	-	(3,152,777)
Net earnings for the year	-	-	17,992,467	-	-	-	17,992,467
Balance – Dec. 31, 2005	86,225,844	39,451,043	22,642,726	1,219,194	(22,110)	-	63,290,853

1. Operations

Amerigo Resources Ltd. ("the Company") was incorporated under the laws of British Columbia, Canada. The Company is engaged in the business of producing copper and molybdenum concentrates 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., Amerigo Banking Corporation and Amerigo Investments Limited. 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.

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

Use of estimates

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

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

Foreign currency translation

The Company's subsidiaries are considered integrated operations and are translated using the temporal method. Under this method, monetary assets and liabilities are translated into U.S. dollars at the balance sheet date rate of exchange, and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at 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.

Investment in Nikos Explorations

On June 30, 2005 the Company increased its holdings to 27% of the outstanding shares of Nikos Explorations Ltd. ("Nikos"), and is considered to have significant influence in this investment. Accordingly, the Company started using the equity method to account for its investment in Nikos. The Company had previously considered the Nikos shares to be a long-term investment and used the cost method to account for the investment.

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 copper and molybdenum concentrate producer in Chile, is obligated through its operating contract with Corporación Nacional del Cobre de Chile ("Codelco") to remove the facilities and equipment being used in its 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 end the Company obtained an independent assessment of site restoration costs of \$3.5M, which was adjusted to reflect factors such as inflation (estimated at an annual rate of 3%), risk premiums (estimated at 5%) and time value of money (estimated at 7%), 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 \$19,756, derived from applying a 17% tax rate to the \$1,915,842 asset retirement obligation less the unamortized balance of the asset of \$1,799,637. Upon recognizing the future income tax asset in the Balance Sheet, the Company booked a corresponding future income tax recovery in 2003 earnings. The combined effect of the retroactive restatement in 2003 earnings was a decrease in earnings of \$96,449 (a \$19,756 income tax recovery, a \$64,787 expense from the liability accretion and a \$51,418 expense from the asset amortization). 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 \$(16,388). In the year ended December 31, 2005, the Company recorded asset retirement accretion costs of \$143,497 and asset retirement amortization charges of \$102,836. At December 31, 2005 the asset retirement liability had been accreted to \$2,193,448 and the associated future income tax asset had been adjusted to \$101,912.

The Company has undertaken a study to determine the impact, if any, that additions to property, plant and equipment during 2005 will have on the estimated asset retirement obligation. Upon completion of this study, expected by mid-2006, the Company will record any adjustments required. It is possible that these adjustments will be material.

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.

Revenue recognition

Revenue from the sale of the Company's copper and molybdenum concentrates is recorded net of smelter and refinery charges when persuasive evidence of an arrangement exists, delivery has occurred, the rights and obligations of ownership have passed to the customer and the sale price is known at the time of sale, subject to adjustments during the settlement period. Sales of concentrate are based on written sales agreements with Chile's Empresa Nacional de Minería ("Enami" or the "smelter") for copper sales and with Chile's Molibdenos y Metales S.A. ("Molymer" or the "roaster") for molybdenum sales, which provide that the sale price for copper is the market price at the end of the third month after delivery and the sale price for molybdenum is at the option of the roaster the market price at the end of the first, second or third month after delivery. In 2005 the molybdenum settlement period was three months from the month of delivery; accordingly, all deliveries by the Company in one quarter were sold at market prices prevailing in the following quarter. Sales for copper are provisionally recorded using forward prices and adjustments to revenue are made at the end of each month to reflect changes in market prices until the sale price is settled. Sales for molybdenum are provisionally recorded at the current molybdenum market price and adjustments to revenue are made at the end of month based on monthly prices until the sale price is settled. This practice increases the sensitivity of the Company's reported revenue to increases and decreases in copper and molybdenum prices. In a period of rising prices, not only will the Company record higher revenue for deliveries in the period, but it will also record favourable adjustments to revenue for copper and molybdenum delivered in the prior period. Similarly, in a period of declining prices, the Company will be required to record lower revenues for current deliveries and negative adjustments to revenue for the prior period's deliveries.

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

Contractual right

At the time of the acquisition of MVC, the Company assigned the excess of the purchase price over the fair value of the tangible assets acquired to the MVC and Codelco contract for the processing of tailings from the El Teniente mine. This contractual right is amortized using the 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.

The Company has determined that future income tax assets from MVC are not to be considered under Canadian GAAP and has booked an adjustment to retained earnings of \$891,584 that eliminates this asset on a consolidated basis.

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.

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.

Variable Interest Entities

Effective January 1, 2005, the Company adopted Accounting Guideline AcG-15, Consolidation of Variable Interest Entities, which requires consolidation of entities in which the Company has a controlling financial interest. The Company has determined that it has no variable interest entities.

3. Note Payable

As part consideration for the acquisition of MVC, the Company signed a Note Payable of \$3,400,000. The note, together with accrued interest, is payable on or before July 1, 2006 either in cash or by delivery of the number of shares of Amerigo that is calculated by dividing the total amount of principal and interest outstanding at July 1, 2006 by the average trading price of the Company's shares on the Toronto Stock Exchange during the 30 days prior to July 1, 2006. Payment in cash or shares is at the option of the Company; however, if the Company chooses to pay in shares, the vendors may elect to receive the payment in cash, together with interest at an annual rate of 5%, on or before July 1, 2008.

4. Plant supplies and inventory

	December 31, 2005	December 31, 2004
	\$	\$
Plant supplies	1,023,225	1,028,955
Concentrate inventory	1,368,792	124,150
	2,392,017	1,153,105

5. Mineral property, plant and equipment

	December 31, 2005	December 31, 2004
	\$	\$
Plant and infrastructure	24,224,921	18,352,844
Machinery and equipment and other assets	30,861,640	10,051,408
	55,086,561	28,404,252
Accumulated depreciation and amortization	(2,360,961)	(1,438,434)
	52,725,600	26,965,818

6. Contractual rights

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

	December 31, 2005	December 31, 2004
	\$	\$
Contractual rights	9,394,146	9,394,146
Accumulated amortization	(1,089,063)	(602,696)
	8,305,083	8,791,450

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. MVC pays a royalty on copper produced by MVC 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 for copper production are calculated using the average LME price for copper for the third month following delivery, and invoiced by Codelco – El Teniente on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings; payment to Codelco – El Teniente is made within 10 days of receipt of invoices. Accordingly, royalties payable to Codelco – El Teniente are classified as current liabilities. Adjustments to the El Teniente royalty are recorded on a monthly basis for copper price changes during the settlement period.

Starting on January 1, 2006, MVC will pay to Codelco – El Teniente a royalty for copper extracted from Colihues calculated on a sliding scale from 3% if the copper price is below \$0.80 per pound to a maximum of 15% if the copper price is at \$1.35 per pound or higher. The royalty is calculated using half the volume of tailings extracted from Colihues, at an assumed copper grade of 0.32% and an assumed recovery rate of 40%.

As of June 2005 MVC also pays to Codelco – El Teniente a 10% royalty of MVC's net revenue received from the sale of molybdenum concentrates.

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

During the year ended December 31, 2005, royalty dividends totaling \$619,266 were paid or accrued to the Amerigo International Class A shareholders on the basis described above. The total of the royalty dividends is shown as Minority Interest in the Consolidated Statement of Operations. At December 31, 2005 \$59,789 of this amount was payable.

b) Management fees

During the year ended December 31, 2005 the Company paid or accrued \$259,068 in management fees to certain directors and officers of the Company.

c) Directors fees and remuneration to officers

During the year ended December 31, 2005 the Company paid or accrued \$96,864 in directors' fees to independent directors and \$86,631 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, 2005 an officer of the Company acted as an officer of Nikos (Note 9). At the time of the disposition of mineral properties described in Note 9, 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, 2005 the Company received \$11,404,599 from the exercise of 20,317,773 share purchase warrants at exercise prices ranging from Cdn\$0.25 to Cdn\$0.70 per share purchase warrant. The Company also received \$736,696 from the exercise of 713,000 stock options at exercise prices ranging from Cdn\$0.36 to Cdn\$1.60 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, 2005 and December 31, 2004 and the changes for the twelve-month periods ending on those dates is presented below:

	Twelve months ended December 31, 2005		Twelve months ended December 31, 2004	
	Outstanding options	Weighted average exercise price Cdns	Outstanding options	Weighted average exercise price Cdns
Balance – start of period	1,675,000	1.14	1,680,000	0.96
Granted	1,335,000	1.62	225,000	1.85
Exercised	(713,000)	1.24	(230,000)	0.54
Expired	-	-	-	-
Balance – end of period	2,297,000	1.39	1,675,000	1.14

On January 7, 2005 the Company granted stock options to purchase an aggregate of 1,185,000 common shares to directors, officers and employees, with an exercise price of Cdn\$1.60 per share, expiring on January 7, 2010. The Company recorded a stock-based compensation of \$504,760 associated with this option grant.

On August 30, 2005 the Company granted stock options to purchase an aggregate of 150,000 common shares to Michael Kuta, the Company's Corporate Secretary and General Counsel, with an exercise price of Cdn\$1.77 per share, expiring on August 30, 2010. The Company recorded a stock-based compensation of \$40,329 associated with this option grant.

On May 11, 2004 the Company granted stock options to purchase an aggregate of 75,000 common shares to Aurora Davidson, the Company's Chief Financial 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 Robert Gayton and Ruston Goepel, directors of the Company, 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

	December 31, 2005	December 31, 2004
Balance – beginning of period	1,092,711	986,390
Options granted	545,089	154,746
Transfer to capital stock on exercise of stock options	(418,606)	(48,425)
Balance – end of period	1,219,194	1,092,711

The Company estimated that the weighted average fair value of the options granted in January 2005 was \$0.43 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	0%
Expected stock price volatility	29.3%
Risk-free interest rate	3.08%
Expected life of options	5 years

The Company estimated that the weighted average fair value of the options granted in August 2005 was \$0.27 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Expected dividend yield	5.1%
Expected stock price volatility	30.7%
Risk-free interest rate	3.4%
Expected life of options	5 years

The Company estimated that the fair value of 75,000 options granted in May 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 in October 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

The following stock options were outstanding and exercisable as at December 31, 2005:

Range of exercise prices Cdns	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdns
0.36 to 2.00	2,297,000	3.46 years	1.39

c) Warrants

During the year ended December 31, 2005, 20,317,773 warrants with exercise prices ranging from Cdn\$0.25 to Cdn\$0.70 were exercised for net proceeds of \$11,404,599.

On June 20, 2005, 6,243 warrants with an exercise price of Cdn\$0.70 expired unexercised. There are no warrants outstanding at December 31, 2005.

d) Dividends

On September 1, 2005 the Company paid an interim dividend to shareholders of record as of August 19, 2005 of Cdn\$0.045 per share, for a total of \$3,152,777.

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 retained the mineral properties on June 30, 2005.

The Nikos shares received on closing were valued at \$477,230 (the equivalent at closing of Cdn\$650,000, a value of Cdn\$0.13 per Nikos share). The Company recorded the original investment in Nikos as a long-term investment in its Consolidated Balance Sheet and recorded a gain on disposition of \$146,259 on disposition of these properties.

Given that at June 30, 2005 Nikos retained its interest in these mineral properties, the Company received the second and last instalment of 5,000,000 Nikos shares on that date, at a fair market value of \$427,455 (the equivalent of Cdn\$525,000, or Cdn\$0.105 per share). The Company recorded a gain on disposition of mineral properties of \$427,455 on receipt of the second instalment of Nikos shares.

On receipt of the second instalment of Nikos shares on June 30, 2005, the Company became a holder of 27% of Nikos's then outstanding shares, a situation where significant influence exists. Accordingly, on June 30, 2005 the Company started using the equity method to account for its investment in Nikos.

Under the equity method, the Company recorded Investment Income of \$32,062 during the year ended December 31, 2005 for the proportional share (27%) of Net Income recorded by Nikos during this period.

11. Write-off of mineral properties

During the year ended December 31, 2004 and following the disposition of three of its mineral properties (Note 9), 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 December 31, 2005	Twelve months ended December 31, 2004
Combined federal and provincial statutory tax rate	34.86%	35.62%
Income tax at statutory rates	8,018,702	4,863,396
Difference in foreign tax rates	(4,406,657)	(3,104,422)
Benefit of Canadian deductible temporary differences not recognized	-	659,293
Other non deductible items, Canada	182,076	57,844
Other non deductible items, Chile	250,645	71,053
Provision for Chilean deductible temporary difference	-	927,728
Change in valuation allowance	142,476	-
Other	203,611	(337,785)
Income tax expense (recovery)	4,390,854	3,137,107

Future income taxes are provided for to account for temporary differences. The significant components of future income tax assets and liabilities at December 31, 2005 and December 31, 2004 are as follows:

	December 31, 2005 (\$)	December 31, 2004 (\$)
Future income tax assets		
Unused tax losses, Canada	847,632	891,008
Unused tax losses, Chile	-	618,542
Resource assets, Canada	463,777	475,975
Plant and equipment, Canada	11,882	7,566
Other intangible assets, Canada	198,246	289,465
Other deductible temporary differences, Chile	372,886	304,044
	1,894,424	2,586,600
Future income tax liabilities		
Plant and equipment, Chile	(3,335,237)	(2,810,734)
Contractual right	(1,206,762)	(1,277,467)
	(4,541,999)	(4,088,201)
Net future tax asset before valuation allowance	(2,647,575)	(1,501,601)
Less valuation allowance, Canada	(1,521,537)	(1,664,014)
Less valuation allowance, Chile	-	(14,495)
Net future tax asset (liability)	(4,169,112)	(3,180,110)

As at December 31, 2005, the Company had non-capital losses and cumulative exploration, development and depletion expenses in Canada of approximately \$2,484,000 and \$1,360,000 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:

	\$
2006	147,000
2007	108,000
2010	627,000
2014	1,161,000
2015	441,000
	2,484,000

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

	\$
Cumulative Canadian Exploration Expenses	966,000
Foreign Exploration and Development Expenses	394,000
	1,360,000

As at December 31, 2005 the Company had no material unused tax losses in Chile.

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

13. Supplemental Disclosure with Respect to Cash Flows

	Twelve months ended December 31, 2005 (\$)	Twelve months ended December 31, 2004 (\$)
Proceeds from sale of mineral properties	-	477,230
Cash paid during the year for interest	34,050	102,512
Cash paid during the year for income taxes	266,511	85,787
	December 31, 2005(\$)	December 31, 2004(\$)
Cash	11,690,227	4,377,285
Cash equivalents	1,263,289	3,861,804
	12,953,516	8,239,089

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 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 three customers. Two of the customers are Chilean state companies for which the Company does not require collateral. The Company has estimated that no allowances are required to allow for potential credit losses, as the risk of non-performance is remote.

15. Segmented information

As at December 31, 2005, 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 73% of reported revenue.

16. Commitments

MVC has certain commitments to sell copper concentrate to Enami on a yearly basis for each year from 2006 to 2008. It also has certain commitments to sell molybdenum concentrate to Molibdeno y Metales S.A. ("Molymet") on a yearly basis to 2007.

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 \$157,828 at December 31, 2005, renewable on February 5, 2008. UF refers to "Unidades de Fomento" an indexed monetary unit utilized in Chile.

18. Subsequent events

On February 10, 2006 the Company acquired beneficial ownership of 25,600,000 common shares of Chariot Resources Limited ("Chariot") and 11,532,000 share purchase warrants of Chariot. Each share purchase warrant entitles the Company to acquire an additional common share of Chariot at a price of Cdn\$0.35 per share until December 22, 2006. The common shares and warrants acquired represent approximately 19.2% of Chariot's 193,965,147 issued and outstanding common shares, which amount includes common shares issuable on the exercise of the warrants.

As a result of this acquisition, the Company owns 26,643,000 common shares of Chariot and 11,532,000 share purchase warrants of Chariot, representing approximately 19.7% of Chariot's issued and outstanding common shares, which percentage includes common shares issuable on the exercise of the warrants. The Company purchased these securities for investment purposes, as it believes in the potential of Chariot and its Marcona copper project in southern Peru.

On February 16, 2006 the Board of Directors of Amerigo declared a final dividend of Cdn 4.5 cents per share payable on April 7, 2006 to shareholders of record as of March 31, 2006.

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*
Michael Kuta, *Secretary*

SHARES LISTED:

Toronto Stock Exchange (Symbol ARG)

SHARES ISSUED (at December 31, 2005): 94,025,844
Fully Diluted: 99,092,844

TRANSFER AGENT:

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Vancouver, British Columbia

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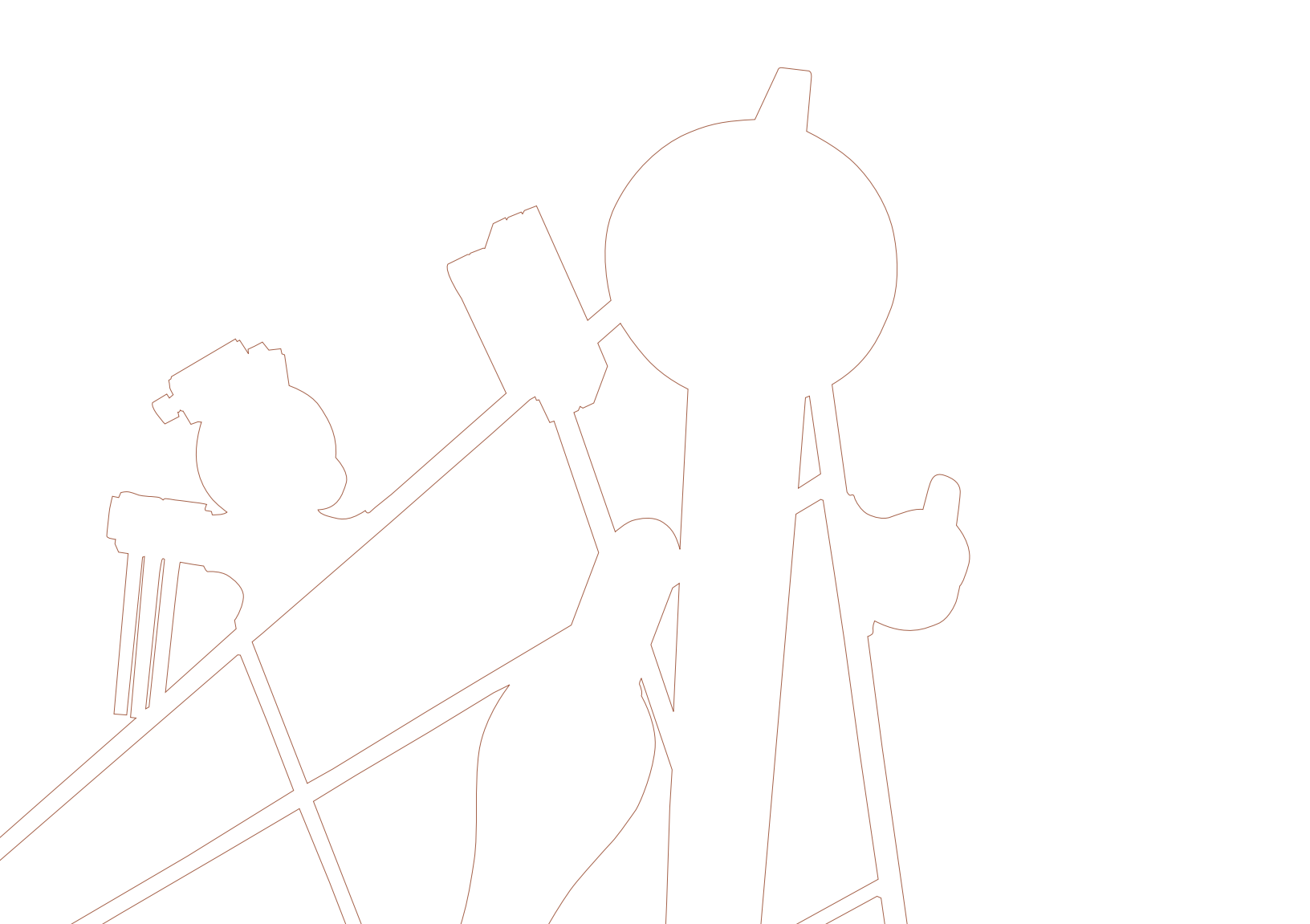
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CAUTIONARY NOTES

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.



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