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CANADA

MVC Reports Operating Profit of $2.32m to December 31, 2003

Highlights for the Period Ended December 31, 2003

- **Net Earnings after tax** for the ten months ended December 31, 2003 were **US$1,881,013** up from a loss of **US$62,334** in the previous year.

- **Amerigo acquired** the Chilean MVC copper project on July 3, 2003. These December 31, 2003 audited financial statements include 6 months of operating results from MVC. As a result of Amerigo's year-end change from February 28 to December 31, these audited statements represent a ten-month period ended December 31, 2003, with the fourth quarter of 2003 being for one-month only. The comparative period is for the 12 months ended February 28, 2003.

- **US Dollar Reporting and Year-end Adjustments -** due to the change in Amerigo's asset base, all financial reports are expressed in US dollars. During December 2003, year-end adjustments to the carrying value of future income tax in MVC had an effect in foreign exchange expense of $260,977, This year end adjustment reduced consolidated net earnings for December 2003 from $633,598 to $372,621. This adjustment does not affect cash flows.

- In the six months after the acquisition of MVC (July – December, 2003), **Amerigo sold 14.42 million pounds** of copper for a cash cost before Codelco royalty of **US56.7c** per pound, and a total cost after royalty and depreciation of **US62.6c** per pound. The average copper price received during the six-month period was **US84.9c** per pound.

- **Operating profit before depreciation** from MVC for the 10 months ended December 31, 2003 was **US$2,713,252**.

- **The copper price** has **increased** by 42% from **$0.776** (July 2003 average) to **$1.10** (January 2004 average) since the acquisition of MVC. Strong operating cashflows during the period have funded capital expansion plans and have substantially repaid the **Enami Loans: only US$749,183** of the original **US$2,471,124** loan amount remains owed by MVC as of January 31, 2004.

- During December, 2003, Amerigo entered into a **new concentrate sales contract with ENAMI**, the state-owned Chilean smelting and refining company. This contract will result in savings to MVC of **more than 2 ¢/lb** of refined copper in the coming year compared to the 2003 smelting and refining terms.

- **Earnings per share** were US5c for the ten months ended December 31, 2003.

- **Production expansion plans** remain on track with the installation and commissioning of the additional classification and flotation equipment in the first quarter of 2004 and a budgeted production rate for 2004 of 16,000 tonnes of refined copper.

- **Further production increases –** Planning is well underway for Stage 2 of the expansion which will increase copper production further in 2005 to an annual level of approximately 20,000 tonnes. Both stages of expansion position Amerigo well to take advantage of current higher prices due to strong demand from China and improving economies in other parts of Asia, the US, and Europe.

  This Stage 2 production increase will be generated from the higher rate of extraction from the Colihues tailings project from the present 2000 tonnes of plant feed per day trial operation to a fully commercial rate of 10,000 tonnes per day. Further studies are planned for 2004 to examine the potential to increase production from Colihues beyond this rate.

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AUDITORS' REPORT

To the Shareholders of
Amerigo Resources Ltd.

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

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and the results of its operations and its cash flows for the ten month period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that in our opinion, these principles have been applied on a consistent basis.

The consolidated financial statements as at February 28, 2003 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 26, 2003 except as to notes 11 (f) and (g) which were as to May 6, 2003.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC, Canada
January 9, 2004

Amerigo Resources Ltd.

Consolidated Financial Statements
December 31, 2003
(expressed in U.S. dollars)

Amerigo Resources Ltd.
Consolidated Balance Sheet

(expressed in U.S. dollars)

	December 31 2003 $	February 28, 2003 $
Assets		
Current assets		
Cash and cash equivalents (note 4)	4,366,419	91,654
Accounts receivable	2,098,557	13,049
Prepaid expenses	66,059	3,490
Plant supplies and inventory (note 5)	532,656	-
	7,063,691	108,193
Deferred charges	32,026	-
Mineral property, plant and equipment - net (note 6)	23,528,632	254,498
Future income tax (note 12)	1,194,097	-
	31,818,446	362,691
Liabilities		
Current liabilities		
Accounts payable	1,949,547	16,546
El Teniente royalty payable (note 8)	604,108	-
Due to related parties (note 9)	188,739	-
	2,742,394	16,546
Notes payable (note 3)	3,400,000	-
Enami loans (note 7)	1,397,166	-
Minority interest	1,000	-
	7,897,048	16,546
Shareholders' Equity		
Capital stock (note 10)	24,813,185	3,390,897
Capital stock to be issued (note 11)	294,062	-
Deficit	(1,165,486)	(3,046,499)
Cumulative translation adjustment	(22,110)	-
	23,921,398	346,145
	31,818,446	362,691

Commitments (note 15)
Subsequent events (note 17)

Approved by the Board of Directors

"Steven G. Dean" ______________________ Director

"Ian Gallie" ______________________ Director

Amerigo Resources Ltd.

Consolidated Statement of Operations and Retained Earnings

(expressed in U.S. dollars)

	Ten months ended December 31, 2003 $	Twelve months ended February 28, 2003 $
Revenue	12,243,150	85,492
Costs		
Production costs	4,349,592	-
Smelter refinery and other charges	2,604,391	-
Maintenance and services	1,287,363	-
El Teniente royalty	604,108	-
Depreciation and amortization	390,717	-
Administration	414,434	-
Transportation	270,010	-
Cost of sales	9,920,615	-
Operating profit	2,322,535	85,492
Other income and expenses		
Professional fees	140,522	31,814
Interest expense	125,898	-
Interest income	(68,689)	-
Management fees	91,767	37,445
Office expense	68,893	24,270
Transfer agent and filing fees	22,264	16,402
Shareholder and investor information	13,170	5,974
Insurance expense	10,147	-
Financing costs	-	10,038
Stock based compensation	-	1,747
General prospecting	-	19,783
Foreign exchange gain	(151,189)	353
	252,783	147,826
Earnings (loss) before minority interest	2,069,752	(62,334)
Minority interest (note 9)	188,739	-
Net earnings (loss) for the period	1,881,013	(62,334)
Deficit - Beginning of period	(3,046,499)	(2,984,165)
Deficit - End of period	(1,165,486)	(3,046,499)
Weighted average number of shares outstanding	41,236,533	4,482,941
Earnings (loss) per share		
Basic	0.05	(0.01)
Diluted	0.03	(0.01)

Amerigo Resources Ltd.
Consolidated Statement of Cash Flows

(expressed in U.S. dollars)

	Ten months ended December 31, 2003 $	Twelve months ended February 28, 2003 $
Cash flows from operating activities		
Net earnings (loss) for the period	1,881,013	(62,334)
Items not affecting cash –		
Depreciation and amortization	390,717	-
Shares issued for financing costs	-	6,692
Stock based compensation	-	1,747
	2,271,730	(53,895)
Changes in non-cash working capital - net of effects of acquisition of subsidiary		
Accounts receivable	(1,397,171)	(8,170)
Prepaid expenses	(34,897)	(3,490)
Plant, supplies and inventory	42,668	-
Accounts payable	153,262	(37,925)
Other current accounts payable	188,739	-
El Teniente royalty payable	604,108	-
Net cash used in operating activities	1,828,439	(103,480)
Cash flows from investing activities		
Acquisition of subsidiary - net of $31,083 cash acquired	(549,066)	-
Purchase of mineral property, plant and equipment	(870,574)	(151,013)
Net cash used in investing activities	(1,419,640)	(151,013)
Cash flows from financing activities		
Repayment of Enami loans	(1,073,958)	-
Repayment of former owner loans	(16,600,000)	-
Repayment of other loans	-	(33,460)
Deferred charges	(37,500)	-
Issuance of shares for cash - net of share issue costs	21,415,288	377,008
Other payables	33,708	-
Net cash provided by financing activities	3,737,538	343,548
Effect of exchange rate changes on cash and cash equivalents	128,428	-
Net increase in cash and cash equivalents	4,274,765	89,055
Cash and cash equivalents - Beginning of period	91,654	2,599
Cash and cash equivalents - End of period	4,366,419	91,654
Non-cash transactions		
Issuance of shares for mineral properties	7,000	
Mineral properties for minority interest	1,000	
Note payable on acquisition	1,854,589	
Supplemental cash flow information		
Interest paid	686,711	
Taxes paid	932	

(expressed in U.S. dollars)

1 Operations

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

During the period, the company acquired a copper producing company in Chile, Minera Valle Central S.A. (MVC) (note 3).

The company's activities also include the acquisition and exploration of mineral properties.

2 Significant accounting policies

Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with accounting principles generally acceptable in Canada. As a consequence of the acquisition of MVC, the company adopted new accounting policies in the quarter ended August 31, 2003, as set out in the significant accounting policies noted below.

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 and Minera Valle Central S.A. The results of the operations of these subsidiaries, except for Templo Dorado S.A. de C.V., were consolidated from July 1, 2003. All significant intercompany transactions and balances have been eliminated.

Use of estimates

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

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

Foreign currency translation

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

Comparative numbers for the year ended February 28, 2003 were translated using the current method of translation. Under this method, the income statement and the cash flow statement items were translated into the reporting currency using the rates in effect at the date of the transactions, and assets and liabilities were

(expressed in U.S. dollars)

translated using the exchange rate at February 28, 2003. All resulting exchange differences are reported as cumulative translation adjustment as a separate component of shareholders' equity.

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

Cash and cash equivalents

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

Mineral property, plant and equipment

Plant and equipment are carried at cost. Assets used in commercial production are subject to depreciation and depletion 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.

Mineral properties

The company follows the method of accounting for its mineral property interests whereby all costs related to acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold.

On the commencement of commercial production, net costs will be charged to operations using the unit of production method by project based upon estimated recoverable reserves.

The amounts shown for mineral properties represent net costs incurred to date, less recoveries, amounts amortized or write-downs, and do not necessarily reflect present or future values. Management reviews the carrying values of mineral properties , on a property-by-property basis, at least annually to determine if they have become impaired. If impairment is determined to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the company's investment in various projects

(expressed in U.S. dollars)

have been based on current conditions. However, it is reasonably possible that changes could occur in the near term that could adversely affect management's estimates and may result in future writedowns of capitalized property carrying values.

Although the company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Property option agreements

From time to time, the company may acquire or dispose of properties pursuant to the terms of option agreements. Because options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

Restoration costs

MVC is obligated through its operating contract with Corporación Nacional del Cobre de Chile (Codelco) not to spill tailings or contaminants from its facilities into natural waterways, 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. The company believes that the proceeds from the sale of its plant and equipment on expiry of the contract will likely exceed restoration costs, and accordingly has not made any provisions to account for future restoration costs. In fiscal 2004 the company will implement new accounting standards for site restoration obligations, which require the recognition of a liability for estimated future restoration costs.

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

Revenue is recognized when production is delivered to the smelter, title passes to the purchaser and the price is determinable. Settlement adjustments are recorded when final payable metal content and final prices are determined.

The company's sale contract for 2004 – 2007 provides for copper to be priced at a London Metal Exchange + 3 basis where final prices are settled three months from the date of delivery. Commencing in 2004, the company will account for changes in prices during the settlement period.

(expressed in U.S. dollars)

Contractual right

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

Income taxes

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

Deferred charges

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

Stock option plan

The company has a stock option plan which is described in note 10. Effective March 1, 2002, the company adopted the new accounting standard for stock based compensation. As permitted by the standard, the company decided not to follow the fair value method of accounting for stock options granted to employees and directors. Accordingly, no compensation expense is recorded when stock options are granted to employees and directors and the exercise price is equal to the market price at the date of grant. Pro forma disclosure of the compensation expense which would have been recorded under the fair value method is disclosed in note 10.

Earnings (loss) per share

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

3 Acquisition of Minera Valle Central S.A.

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

Consideration for this acquisition was $1,854,559 and the assumption of loans of $18,145,411 due to former shareholders, of which $16,600,000 was repaid at the time of the acquisition. The remaining loan balance of $1,545,411 together with the acquisition price, totalling $3,400,000,plus accrued interest, will be paid in cash or shares of the company, in three years if the average copper price is over $0.82 per pound. Payment in cash or

(expressed in U.S. dollars)

shares is at the option of the company; however, if the company elects to pay in shares, the vendor has the right to either receive the payment in shares at the then current market price or receive payment in cash within two years counted from the end of the three-year period plus interest at an annual rate of 5%.

If the copper price is below $0.82 per pound, the payment period will be extended to five years. Payment will be made in cash only plus interest at an annual rate of 5%.

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

	$
Net assets acquired	
Cash	31,110
Accounts receivable	688,337
Inventory	575,324
Other assets	159,979
Property, plant and equipment	13,959,620
Future income tax assets	2,471,495
Contractual right	8,609,361
	26,495,226
Liabilities assumed	
Loan from former shareholders	(18,230,846)
Enami loan	(2,471,124)
Accounts payable	(1,779,739)
Accrued liabilities	(322,780)
Future income tax liabilities	(1,256,002)
Total liabilities acquired	24,060,491
Net assets acquired	2,434,735
Consideration	
Note payable issued to vendor	1,854,559
Acquisition costs	
Legal and other related costs	377,568
Stamp duties	202,608
	2,434,735

4 Cash and cash equivalents

The company has pledged $12,600,000 as collateral for a demand loan of $12,600,000 advanced by a Canadian owned bank. The deposit is restricted under the terms and conditions of the demand loan and may be applied at any time at the option of the company to settle the demand loan. The interest rate on the demand loan is 90 days LIBOR plus 0.5%. The cash deposit and demand loan are part of an interim corporate structure which will eventually be replaced by a structure involving the registration of a subsidiary that has applied for a banking licence in an offshore jurisdiction. For accounting purposes, the cash deposit has been netted off against the demand loan.

(expressed in U.S. dollars)

5 Plant supplies and inventory

	December 31, 2003 $	February 28, 2003 $
Plant supplies	484,276	-
Concentrate inventory	48,380	-
	532,656	-

6 Mineral property, plant and equipment

	December 31, 2003 $	February 28, 2003 $
Plant and infrastructure	8,356,464	-
Machinery and equipment	6,643,320	-
Contractual rights	8,029,185	
Office furniture, equipment and other assets	906,454	
	23,935,423	-
Accumulated depreciation	(774,831)	-
	23,160,592	-
Mineral properties – Canada	368,040	254,498
	23,528,632	254,498

Mineral properties in Canada consist of:

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

(expressed in U.S. dollars)

	February 28, 2002 Balance	Acquisitions	Deferred Exploration	February 28, 2003 Balance
	$	$	$	$
Island Copper, Ontario	18,976	44,168	68,722	131,866
Coppercorp, Ontario	-	46,845	20,477	67,322
Bellevue, Ontario	3,443	-	8,925	12,368
Deroche, Ontario	-	4,015	1,915	5,930
Caniapiscau, Quebec	36,898	-	114	37,012
	59,317	95,028	100,153	254,498

Island Copper

The company holds the option to acquire, from Falconbridge Limited, an undivided 55% interest in the Island Copper property near Sault Ste. Marie. To earn the interest the company must spend CDN$250,000 on exploration and issue 200,000 shares to Falconbridge over a three-year period starting January 21, 2002.

Upon earning an undivided 55% interest in the property, a 55% : 45% joint venture may be formed with terms governing said joint venture usual to the mining industry. Alternatively Falconbridge may exercise a one-time option to increase its interest in the property to 65% by electing, within 90 days of the company having earned its 55% interest, to complete a bankable feasibility study on the property. If, based upon the outcome of the bankable feasibility study, a production decision is made, Falconbridge shall have 90 days to exercise a one-time option to increase its interest further to 75% by arranging for mine financing. In the year ended February 28, 2003, 100,000 shares of the company were issued to Falconbridge and a CDN$10,000 environmental bond was posted with Falconbridge, which will be reimbursed following favourable inspection of the property by Falconbridge.

Coppercorp

On September 11, 2002, the company entered into an option agreement with a group of three prospectors from the Sault Ste. Marie area to earn a 100% interest in the Coppercorp property. The company paid the vendors CDN$30,000 and issued 200,000 shares at CDN$0.20 per shared on signing of the agreement and must issue a further 400,000 shares and pay CDN$70,000 over four years to earn the interest. The company may, at its option, issue shares of equivalent value in lieu of cash payments, or pay an equivalent amount of cash in lieu of issuing shares. The company also agreed to spend CDN$50,000 per year on exploration over the four-year period.

Bellevue

The Bellevue property of approximately 704 hectares was staked in February 2002 and adjoins the Copper Property to the East and South.

(expressed in U.S. dollars)

Deroche

The company is earning a 100% interest in two claim blocks in Deroche Township. To earn the interest the company issued 30,000 shares at CDN$0.20 per share and must spend CDN$30,000 in exploration over two years, starting on March 2002.

Caniapiscau

Three claim blocks comprising the Caniapiscau Property in Quebec were staked in February 2002. The claim blocks are made up of 553 cells that cover a total area of 27,360 hectares.

7 Enami loans

MVC has entered into a series of agreements with the Chilean state owned company, Empresa Nacional de Minería (Enami).

Under the terms of the agreements, Enami lent money to MVC for working capital purposes in 1998, 2001 and 2002. These loans accrue interest at an annual rate of prime as set by the Chilean Central Bank plus 2%. As at December 31, 2003, the interest rate was approximately 6%.

These loans are collateralized with assets of MVC with a value of approximately $1,600,000.

The repayment of the principal and interest on these loans is based on production and copper prices, as follows:

- For the 1998 loan - if the copper price is above $0.82 per pound, the company is required to repay to Enami 100% of the excess price over $0.82.

- For the 2001 and 2002 loans - If the copper price is above $0.75 per pound, the company is required to repay to Enami 50% of the excess price over $0.75 and if the copper price is above $0.82 per pound, the company is required to repay to Enami 100% of the excess price over $0.82.

Based on prevailing copper prices during the latter part of 2003, the 2001 loan was repaid in full by November 30, 2003. Other portions of the outstanding loans may be repaid within the upcoming year; however, as there is no minimum payment, the loans have been classified as non-current. At December 31, 2003 $1,001,040 of the outstanding loans to Enami corresponded to the 1998 loan and $396,126 to the 2002 loan.

8 El Teniente Royalty payable

MVC has a contract with Codelco through 2021 to process the tailings from the El Teniente mine in Chile. As part of the terms and conditions of the contract, MVC is obligated to pay a royalty to Codelco based on a formula that considers both the price of copper and the copper content found in the tailings processed in each given month, on a sliding scale ranging from 0% if the copper price is below $0.80 per pound, to a maximum of 13.5% if the copper price is $1.30 or higher. No royalties are payable if the copper content in tailings is below 0.0899% of copper, or the copper price is below $0.80 per pound (for copper content in tailings between 0.09%

(expressed in U.S. dollars)

and 0.1499%), or the copper price is below $0.75 per pound (for copper content in tailings reaching or exceeding 0.15% of copper).

Royalty payments are invoiced by El Teniente on a monthly basis within the first 30 days of the third month following the month of delivery of the tailings; payment to El Teniente is effected within 10 days of receipt of invoices. Accordingly, the royalties to El Teniente have been classified as current liabilities. The royalty accrued is for the months of October, November and December 2003.

9 Due to related parties

The share capital of Amerigo International Holdings Corp. (Amerigo International) is composed of Class A and Class B common shares. The company owns all of the issued and outstanding Class B shares of Amerigo International. The holders of Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend calculated as follows:

- $0.01 for each pound of copper produced by MVC or any successor entity to MVC if the price of copper is under $0.80, or
- $0.015 for each pound of copper produced by MVC or any successor entity to MVC if the price of copper is $0.80 or more.

In all other respects, Amerigo International is controlled by the company and is a wholly-owned subsdiary for accounting purposes.

The amount included as Minority Interest in the company's Balance Sheet represents the book value of the Class A shares.

As at December 31, 2003 $188,739 was accrued for the dividend described above, which are unpaid since the acquisition of MVC on July 3, 2003. The class A shares are owned directly or indirectly by certain directors and officers of the company.

10 Capital stock

Authorized
100,000,000 common shares without par value

Issued and outstanding

	Shares	**Amount $**
Balance – February 28, 2002	2,668,819	2,902,801
Private placement at Cdn$0.20 per share	2,625,000	351,335
Private placement at Cdn$0.23 per share	710,869	109,416
Property acquisitions	330,000	44,168
Financing costs	50,000	6,692
Issuing costs	-	(23,514)
Balance - February 28, 2003	6,384,688	3,390,897

(expressed in U.S. dollars)

	Shares	Amount $
Private placement at Cdn$0.16 per share	1,562,500	183,070
Private placement at Cdn$0.60 per share	47,757,833	20,668,520
Exercise of warrants	4,277,855	1,686,863
Exercise of stock options	165,000	24,506
Property option agreement	50,000	7,000
Issuing costs	-	(1,147,671)
Balance – December 31, 2003	60,197,876	24,813,185

Private placement

On April 16, 2003, the company completed a private placement of 1,562,500 units at Cdn$0.16 per unit for proceeds of Cdn$250,000 ($183,070). Each unit consisted of one common share and one-half of one warrant; each warrant entitles the holder to purchase one additional common share at Cdn$0.32 to April 16, 2005.

On June 24, 2003, the company completed a private placement with net proceeds of Cdn$25,979,100 ($18,747,970). A total of 43,298,501 deposit receipts were issued at a price of Cdn$0.60 each. Each deposit receipt was convertible into a unit consisting of one share and one-half of one warrant, with each full warrant exercisable until June 20, 2005 at Cdn$0.70. On July 18, 2003, the deposit receipts were converted into shares.

On July 18, 2003, the company completed a private placement of Cdn$1,980,000 ($1,419,000) oversubscription option for the company's private placement. A total of 3,299,999 units were issued at Cdn$0.60 per unit. Each unit consists of one share and one-half of one warrant, with each full warrant exercisable until June 20, 2005 at Cdn$0.70.

Agents involved in the private placement received a 6% commission and a total of 1,268,974 agent's warrants entitling them to purchase units (each unit consisting of one share and one-half of one warrant, with each full warrant exercisable until June 20, 2005 at Cdn$0.70) for Cdn$0.60 until June 18, 2005.

On July 18, 2003, the company completed a non-brokered private placement of 1,159,333 units at Cdn$0.60 per unit for total proceeds of Cdn$695,600 ($501,550). Each unit consists of one share and one-half of one warrant, with each full warrant exercisable until June 18, 2005 at Cdn$0.70.

Stock options

- On April 2, 2003 the company granted stock options to purchase an aggregate of 340,000 common shares to two directors and one senior officer, with an exercise price of Cdn$0.36 per share, expiring on April 2, 2008.

- On October 15, 2003 the company granted stock options to purchase an aggregate of 1,185,000 common shares to four directors, two senior officers and five employees, with an exercise price of Cdn$1.23 per share, expiring on October 15, 2008.

(expressed in U.S. dollars)

- During the ten months ended December 31, 2003 165,000 stock options were exercised at Cdn$0.20 netting the company Cdn$33,000 ($24,506).

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 10% of the number of common shares of the company outstanding at the time of grant and the aggregate number of common shares reserved for issuance to any one person under the Plan in any 12 month period must not exceed 5% of 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 and option shares are subject to a four month hold period from the date of grant of the option in accordance with the policies of the Exchange, or such lesser hold period as the Exchange may permit.

A summary of the company's stock options at December 31, 2003 and February 28, 2003 and the changes for the ten and twelve month periods ending on those dates is presented below:

	Ten months ended December 31, 2003		**Twelve months ended February 28, 2003**	
	Outstanding options	**Weighted average exercise price Cdn$**	**Outstanding options**	**Weighted average exercise price Cdn$**
Balance – start of period	320,000	0.20	25,000	1.08
Granted	1,525,000	1.04	320,000	0.20
Exercised	(165,000)	0.20	-	-
Expired	-	-	(25,000)	1.08
Balance – end of period	1,680,000	0.96	320,000	0.20

(expressed in U.S. dollars)

The following stock options were outstanding and exercisable as at December 31, 2003:

Range of exercise prices Cdn$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn$
0.20 to 1.23	1,680,000	4.57 years	0.96

Stock-based compensation

The company does not record any value for options granted to employees and directors and uses the fair value method for options granted to consultants. The company estimated that the weighted average fair value of the options granted during the ten months ended December 31, 2003 was $0.65 by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

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

Had the company recognized compensation expense for stock options granted to its employees using the fair value method, the following would have been its effect on the company's net earnings:

	Ten months ended December 31, 2003 $
Net earnings for the period	
As reported	1,881,013
Pro forma	896,370
Basic earnings per share	
As reported	$0.05
Pro forma	$0.02
Diluted earnings per share	
As reported	$0.03
Pro forma	$0.01

Warrants

During the period ended December 31, 2003:

75,000 warrants with a March 14, 2003 expiry date were exercised at Cdn$0.40 per unit, netting the company Cdn$30,000 ($21,809). 425,000 warrants expired without being exercised.

(expressed in U.S. dollars)

1,092,500 warrants with an August 20, 2004 expiry date were exercised at Cdn$0.20 per unit netting the company Cdn$218,500 ($161,307).

197,936 warrants with a February 12, 2005 expiry date were exercised at Cdn$0.25 per unit netting the company Cdn $49,484 ($37,445).

175,000 warrants with an April 16, 2005 expiry date were exercised at Cdn$0.32 per unit, netting the company Cdn$56,000 ($41,402).

584,987 agent's warrants with a June 18, 2005 expiry date were exercised at Cdn$0.60 per unit, netting the company Cdn$350,992 ($264,920).

2,152,432 warrants with a June 18, 2005 expiry date were exercised at Cdn$0.70 per unit, netting the company Cdn$1,506,702 ($1,159,980).

Share purchase warrants outstanding at December 31, 2003

Number of warrants	Exercise price per warrant Cdn$	Expiry date
1,215,000	0.20	August 22, 2004
225,000	0.25	February 12, 2005
606,250	0.32	April 16, 2005
683,987*	0.60	June 18, 2005
22,018,980	0.70	June 18 and 20, 2005

Each warrant entitles the holder to purchase one common share of the company, except in the case of *, which entitles the holder to purchase one share and one-half of one warrant to purchase an additional common share of the company.

11 Capital Stock to be Issued

On December 22, 2003 the company received a warrants exercise notice from one party holding agent warrants, for the exercise of 634,487 warrants at a price of CDN$0.60 per warrant, entitling the holder to the same number of common shares of the company. Payment in the amount of CDN$380,692 ($294,062) was delivered to the company with the exercise notice and is included in the cash balance at December 31, 2003. The shares were issued in January 2004 and accordingly the company has included the value of these shares as capital stock to be issued at December 31, 2003.

(expressed in U.S. dollars)

12 Income Taxes

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

	December 31, 2003	**February 28, 2003**
Combined federal and provincial statutory tax rate	40%	40%
Income tax at statutory rates	827,901	(24,934)
Difference in foreign tax rates	(531,467)	-
Benefit of Canadian tax losses not recognized	89,225	**24,934**
Benefit of Chilean tax losses	(495,155)	-
Other non deductible items, Canada	7,164	-
Other non deductible items, Chile	102,332	-
	-	-

Future income taxes are provided for temporary differences. The significant components of future income tax assets and liabilities at December 31 and February 28, 2003 are as follows:

	December 31, 2003 ($)	**February 28, 2002 ($)**
Future income tax asset		
Unused tax losses, Canada	732,513	643,288
Unused tax losses, Chile	2,686,917	-
Resource assets, Canada	272,208	272,208
Other provisions	13,276	0
	3,704,914	915,496
Future income tax liability		
Plant and equipment, Chile	(1,492,820)	-
Net Future Tax Asset before valuation allowances	2,212,094	915,496
Less valuation allowance, Canada	(1,004,721)	(915,496)
Less valuation allowance, Chile	(13,276)	-
Net future tax asset	1,194,097	-

As at December 31, 2003, the company has non-capital losses and cumulative exploration, development and depletion expenses in Canada of approximately $1,831,282 and $680,520 respectively carried forward for tax purposes and which are available to reduce taxable income in future years. The cumulative exploration, development and depletion expenses can be carried forward indefinitely. The non-capital losses expire in the years presented below:

(expressed in U.S. dollars)

	$
2004	392,400
2005	520,625
2006	135,949
2007	166,075
2008	129,770
2009	108,142
2010	155,260
2011	223,062
	1,831,282

13 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, Enami loans 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 one customer. Since this customer is a Chilean state company, the company does not require collateral and has estimated that no allowances are required to allow for potential credit losses as the risk of non-performance is remote.

14 Segmented information

As at December 31, 2003, the company's assets are located mainly in Chile and its revenues arise from its Chilean operations. The company's sales to one customer represent 100% of reported revenue.

15 Commitments

MVC has certain commitments to sell copper concentrate to Enami on a yearly basis for each year from 2004 to 2007.

(expressed in U.S. dollars)

16 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 UF4,500, or approximately $127,800 at December 31, 2003, renewable on February 5, 2005.

17 Subsequent events

On January 2004 the company entered into an agreement to sell its Canadian exploration properties to Nikos Explorations Ltd. for 5,000,000 shares of Nikos, and the requirement to issue an additional 5,000,000 shares to the company if Nikos holds any interest in the properties after June 2005. The transaction is subject to completion of final documentation, regulatory approval, and the approval of the underlying optionors.