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Amerigo Resources Ltd.
Management Discussion and Analysis
For the Quarter Ended September 30, 2005

<u>All figures expressed in US Dollars except where noted</u>

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 October 31, 2005 and should be read in conjunction with the Company's unaudited consolidated financial statements and the notes thereto prepared as at September 30, 2005 and the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2004.

<u>Results of Operations</u>

For the quarter ended September 30, 2005

In the quarter ended September 30, 2005, net earnings were $6,503,415 ($0.0757 per share, non-diluted; $0.0735 per share, diluted) on gross copper sales of $12,506,851 and net revenue of $9,809,460.

Copper is produced and sold by the Company's subsidiary Minera Valle Central ("MVC"), a Chilean copper producer. MVC has a contract with Chile's state- owned copper producer Codelco through at least the year 2021 to process the tailings from the El Teniente mine in Chile.

During the quarter ended September 30, 2004 ("the comparative quarter"), net earnings were $2,960,651 ($0.0463 per share, non-diluted; $0.0340 per share, diluted), with gross copper sales of $10,762,727 and net revenue of $9,071,903.

Sale and delivery of copper

Copper produced by the Company is sold under a sales agreement with Chile's Empresa Nacional de Minería ("Enami" or the "smelter"), which provides that the sale price is calculated using 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.

Revenue recognition and reporting

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

During the quarter ended September 30, 2005 gross copper sales were $12,506,851, derived from the sale of 7.12 million pounds of copper at an average price of $1.6288 per pound of copper and positive settlement adjustments of $898,332 for prior periods' deliveries. This compares to gross copper sales of $10,762,727 in the quarter ended September 30, 2004, which resulted from the sale of 7.81 million pounds of copper at an average price of $1.3211 per pound, and positive settlement adjustments of $423,496 for prior periods' deliveries.

To account for molybdenum sales, the Company takes into revenue for moly deliveries to the roaster during the month an amount based on the month's published price for molybdenum oxide. The settlement period for moly sales is determined by the roaster and could be up to three months, as is currently the case. During the settlement period, 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, this practice increases the sensitivity of the Company's reported revenue to increases and decreases in moly prices. Moly delivered during Q3-2005 was priced at $32.40/lb at September 30, 2005 and has a settlement period of three months each for the July, August and September sales. Should moly prices in the future be lower than $32.40/lb, negative settlement adjustments would need to be made in the following quarter, which would result in a corresponding increase in production costs after by-product credits.

Production

Production in Q3- 2005 was 7.59 million pounds or 3,440 tonnes of copper, 5% above the immediately preceding quarter's production due to improvements in the Colihues extraction rate. Management continues to expect that the targeted extraction rate of 45,000 tonnes per day for Colihues will be achieved in 2007.

Based on year to date copper production, the Company expects to produce more than 14,000 tonnes of copper in 2005.

In March 2005 construction of a processing plant to extract molybdenum from MVC's copper concentrate production was completed. Amerigo originally estimated production in excess of 500,000 pounds of molybdenum in concentrates for 2005, but as a result of substantially higher recovery rates the Company revised this estimate in June 2005 to 600,000 pounds. The Company now expects to produce in excess of this target.

During Q3-2005 the Company produced 230,167 pounds of moly.

The Chuquicamata division of Codelco has exercised a contractual right to extend the tolling arrangement of molybdenum-copper bulk concentrate currently in place with MVC from 4,000 to 6,000 pounds.

Operating Costs and Expenses

Cash costs in Q3-2005 including smelter, refinery and other charges (before El Teniente royalty) were $1,669,944 or 22c per pound mainly as a result of molybdenum by-product credits. This compares to cash costs of 60c per pound in the immediately preceding quarter and cash costs of 73c per pound in Q3-2004.

Production costs including maintenance costs, moly by-product credits and the net benefit from a tolling contract with the Chuquicamata division of Codelco were a net credit of $1,463,576 in Q3-2005, compared to $912,703 in the preceding quarter and $3,690,214 in Q3-2004, due principally to moly by-product credits.

Smelter and refinery costs of $2,697,391 are $148,201 lower than in the preceding quarter as these costs are based on copper deliveries to the smelter, which marginally decreased in Q3-2005 when compared to Q2-2005. Since MVC does not ship concentrate overseas, smelter and refinery charges include the participation by the smelter in MVC's cost savings for shipping.

The El Teniente royalty increases or decreases as a function of copper prices, which were higher in Q3-2005 than in Q3-2004. Also, as of June 2005, a royalty of 10% of molybdenum revenue is payable to El Teniente. In Q3-2005 the royalty was $2,294,314, while in Q3-2004 it was $1,092,879.

Total costs including smelter, refinery and other charges, were $4,344,707 or 57c per pound in Q3-2005, compared to total costs of 90c per pound in the immediately preceding quarter and total costs of 92c per pound in Q3-2004.

Costs not related to MVC's operations are identified as "Other Expenses" and were $288,278 in the quarter ended September 30, 2005. The most significant expense within this category is Interest Expense of $70,945which is partly related to interest on a $3.4 million note due to the original vendors of MVC. Other interest charges were incurred in MVC for working capital financing. Other expenses include Management Fees, Salaries, Consulting and Professional Fees, Stock-Based Compensation and general overhead. In the comparative quarter Other Expenses were $140,034.

Non-operating items in the quarter ended September 30, 2005 include a Foreign Exchange Gain of $1,098,029 and Interest Income of $124,757. The foreign exchange gain is derived from an appreciation of 9% of the Chilean peso to the U.S. dollar during the quarter. 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 Q3-2005 the strong Chilean Peso has impacted costs when these are expressed in US Dollars, so the foreign exchange gain/loss impact of these revenue-related gains or losses on earnings is typically offsetting. During the comparative quarter, non-operating items included a foreign exchange gain of $383,421 and interest income of $42,763.

The Company recorded income tax expense net of recoveries of $2,418,269 in the quarter ended September 30, 2005, from income tax on net earnings generated in MVC, of which approximately $700,000 correspond to income tax for Q1-2005 and Q2-2005 earnings. In the comparative quarter, income tax expense net of recoveries was $810,800.

The loss carryforwards available in MVC were fully utilized in Q2-2005. However, due to capital expenditure tax incentives in Chile, it is expected that MVC will have limited cash tax payable 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.

Operating Cash Flows

In the quarter ended September 30, 2005, the Company's activities contributed to operating cash flow of $7,768,731, which includes the effect of changes in non-cash working capital accounts. A significant change during the quarter in non-cash working capital is the increase of $3,805,728 in accounts receivable. This increase is related to receivables for moly sales, which started as of May 2005 and higher receivables from copper sales.

Year-to-date September 30, 2005

Net earnings during the nine months ended September 30, 2005 were $12,783,901 or $0.1679 per share (non-diluted). On a diluted basis, earnings per share were $0.1447.

Gross copper sales in the period were $34,880,372 derived from the sale of 21.54 million pounds of copper. Net revenue during the nine-month period was $26,681,186.

During the period, MVC's operations recorded a cost of sales, including smelter, refinery and other charges of $19,197,818 and operating profit of $15,682,554, or 45% of gross copper sales.

"Other expenses" in the nine-month period were $1,727,614, 5% of gross copper sales, of which the most significant expense is stock-based compensation of $545,089, a non-cash cost associated with options granted in 2005.

Non-operating items in the nine-month period include a Foreign Exchange Gain of $1,694,631, a Gain on Disposition of Mineral Properties of $427,455 and Interest Income of $237,836.

Income tax expense net of recoveries reached $3,082,959 in the period. The loss carryforwards available in MVC were fully utilized in Q2-2005. However, due to capital expenditure tax incentives in Chile, it is expected that MVC will have limited cash tax payable 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 Sept 30, 2005	Qtr ended June 30, 2005	Qtr ended March 31, 2005	Qtr ended Dec. 31, 2004
Total gross copper sales	$12,506,851	$11,302,909	$11,070,612	$12,363,762
Net revenue	9,809,460	8,457,317	8,414,409	10,239,906
Net income	6,503,415	4,635,764	1,644,722	2,578,907
Earnings per share	0.0757	0.0607	0.0237	0.0400
Diluted earnings per share	0.0735	0.0525	0.0186	0.0297
	Qtr ended Sept. 30, 2004	**Qtr ended June 30, 2004**	**Qtr ended March 31, 2004**	**Qtr ended Dec. 31, 2003 [1]**
Total gross copper sales	$10,762,727	$8,218,154	$10,238,720	$2,837,890
Net revenue	9,071,903	6,928,416	9,056,109	2,425,348
Net income (loss)	2,960,651	1,625,458	3,776,182	353,254 [2]
Earnings(loss) per share	0.0463	0.0256	0.0613	0.0059 [2]
Diluted earnings (loss) per share	0.0340	0.0188	0.0435	0.0041 [2]

1 One-month quarter due to the change in fiscal year end of the Company, from February 28 to December 31.
2 Adjusted from Net Income of $372,621 to account for retroactive restatement to earnings of ($19,367) due to the adoption of new accounting standards on January 1, 2004.

Liquidity and Capital Resources

Amerigo held cash and cash equivalents on September 30, 2005 of $12,222,109, compared to $15,157,266 held on June 30, 2005. The decrease in cash, after considering net operating cash flows of $7,768,731 is attributable mainly to investing activities of $8,197,486 in MVC (see *Investing Activities*) and the payment of an interim dividend of $3,152,777.

The Company's working capital on September 30, 2005 was $11,684,089, compared to $19,246,609 on June 30, 2005. Amerigo continues to be able to generate sufficient cash resources in the short and long-term to maintain existing operations and fund plant expansions.

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

January	$1.4379	April	$1.5397	July	$1.6394
February	1.4759	May	1.4738	August	1.7226
March	1.5330	June	1.5985	September	1.7499

The Company's long-term debt (Other Payables) at September 30, 2005 was $552,936, compared to $4,253,963 on June 30, 2005, given that a Note Payable of $3.4M and corresponding interest due to the original vendors of MVC has now become a current liability as the note is due on July 3, 2006. The note was issued in connection with the acquisition of MVC by the Company and, together with accrued interest, is payable in cash or shares of Amerigo three years after the acquisition if the average copper price is over $0.82 per pound. Payment in cash or shares is at the option of the Company; however, if the Company elects to pay in shares, the vendor has the right to either receive the payment in shares at the then current market price or receive payment in cash two years after the end of the three-year period plus interest at an annual rate of 5%.

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

As of September 30, 2005 the Company had 2,317,000 outstanding share purchase options (with exercise prices ranging from Cdn$0.36 to Cdn$2.00). During the quarter ended September 30, 2005, 343,000 options were exercised for net proceeds of $354,091 and 150,000 options were granted at a cost of $40,329.

Investing Activities

The Company is in the process of installing significant plant expansions in MVC, without relying on additional equity or debt funding. During the quarter ended September 30, 2005 investing activities continued as anticipated. Capital expenditures were $8,197,486 in the quarter and $17,358,459 in the nine months ended September 30, 2005. In addition to the copper plant expansion, the Company completed its molybdenum production plant in the first quarter of 2005.

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

Maintenance expenditure to plant and equipment during the quarter ended September 30, 2005 was $1,171,020. These expenditures were met from MVC operating cashflow.

Transactions with Related Parties

a) Minority Interest

The company holds its interest in MVC through its subsidiary Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by the company and is a wholly-owned subsidiary, except for certain outstanding Class A shares which are shown on the company's Balance Sheet as Minority Interest at their book value of $1,000. The class A shares are owned indirectly by 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 quarter ended September 30, 2005, a royalty dividend of $174,968 was paid or accrued to the Amerigo International Class A shareholders on the basis described above. At September 30, 2005 $60,053 of this amount was payable.

b) Management fees

During the quarter ended September 30, 2005 the Company paid or accrued $64,776 in management fees to certain directors and officers of the Company.

c) Directors fees and remuneration to officers

During the quarter ended September 30, 2005 the Company paid or accrued $15,205 in directors' fees and expenses paid to independent directors and $20,281 in consulting fees paid to certain officers of the company. Directors' fees and consulting fees are categorized as Salaries, Consulting and Professional Fees in the Company's consolidated financial statements.

d) At September 30 2005 an officer of the Company acted as an officer of Nikos Explorations Ltd., a company to which Amerigo divested three of its mineral properties in fiscal 2004. At the time of this transaction, no officers or directors of the Company served as directors or officers of Nikos.

Critical Accounting Estimates

Other than as described below there were no changes to the Company's critical accounting estimates or accounting policies during the quarter ended September 30, 2005.

Other MD&A Requirements

As of October 31 2005 the Company has 86,225,844 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.