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Amerigo Resources Limited
Management Discussion and Analysis
For the Quarter Ended September 30, 2004

All figures expressed in US Dollars except where noted

The following discussion and analysis of the results of operations and financial position of Amerigo Resources Ltd. ("Amerigo") together with its subsidiaries ("the Company"), is prepared as of November 2, 2004 and should be read in conjunction with the Company's unaudited consolidated financial statements and the notes thereto prepared as at September 30, 2004 and the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2003.

Results of Operations

For the quarter ended September 30, 2004

Results of operations for the first three quarters of fiscal 2004 substantially differ from comparable periods in fiscal 2003 as a result of the acquisition of Minera Valle Central ("MVC") on July 3, 2003.

In the three months ended September 30, 2004, net earnings were $2,960,651 ($0.0463 per share, non-diluted; $0.0340 per share, diluted) on revenue of $10,762,727, compared to net earnings of $537,313 ($0.0125 per share, non-diluted; $0.0114 per share, diluted) and revenue of $3,536,211 in the three months ended August 31, 2003, which is the corresponding reporting quarter due to the Company's change of fiscal year end.

Given that the comparable quarter ended August 31, 2003 only includes two months of MVC operations, the Company believes it is more relevant to compare the results of the quarter ended September 30, 2004 to the quarter ended June 30, 2004.

Comparison to the June 30, 2004 Quarter

Net earnings after tax for the three months ended September 30, 2004 were 82% higher than in the quarter ended June 30, 2004 primarily due to higher revenues derived from higher copper prices.

Sale and delivery of copper

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

Revenue recognition and reporting

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

For example, 7.33 million pounds of copper delivered by the Company in Q2 2004 were recorded as revenue of $8,814,503 in Q2 2004 at an average price of $1.2020/lb copper. When the sales prices for these deliveries were fixed in Q3 2004, the average price received was $1.2575/lb copper, which represent positive adjustments to recorded revenues of $423,496 in Q3, bringing revenue from Q2 sales to $9,237,999. By contrast, in Q2 there were negative adjustments to recorded revenue of $370,561 related to copper delivered in Q1 and a further revenue reduction of $248,777 by the smelter related to contained metal in concentrate adjustments.

Q3 sales, at September 30, 2004 prices, account for revenue of $10,318,057, derived from the sale of 7.81 million pounds of copper at an average price of $1.3211/lb copper, a slight volume improvement over sales of 7.33 million pounds in Q2. As a result of higher copper prices and positive revenue adjustments in Q3 for concentrates delivered in Q2, reported revenue in Q3 is approximately $2.5 million higher than in Q2.

Production

Production in Q3 was 7.82 million pounds of copper, compared to 7.73 million pounds in Q2. MVC continued to receive fresh tailings containing lower sulphide grade material from El Teniente in the third quarter, which contributed to production being below budget and practically at the same volume as in Q2. As of the second half of October, sulphide grade materials in tailings from El Teniente have normalized.

Recovery of tailings from Colihues in Q3 was also below budget. MVC subcontracted the operation of the Colihues tailings recovery project to an independent third party and because the subcontractor did not achieve design capacity due to its inappropriate selection of pump type, the contract was terminated effective October 31, 2004. MVC will operate under a new arrangement, where replacement pumps most suited for the process will be installed. However, as the equipment will not be fully operational before the first quarter of 2005, improvements will be limited until the equipment is fully in operation.

As a result of the late commissioning and low recoveries from Colihues, production in the last quarter of 2004 will be below budget, although it is anticipated to be higher than in Q3. Total production of copper in 2004 is expected to be above 14,000 tonnes, approximately 10% below the forecast of 16,000 tonnes.

Operating Cash Flows

In the quarter ended September 30, 2004, the Company's activities contributed to operating cash flow of $3,612,139, which includes the effect of changes in non-cash working capital accounts. In the preceding quarter, operating cash flow also including the effect of changes in non-cash working capital was $3,700,531.

Operating Costs and Expenses

Cash costs (before El Teniente royalty) of 73¢ per pound were higher than the 59¢ per pound achieved in Q2 and the 64¢ per pound recorded in Q1, primarily due to significant increases in electricity prices in Chile. In Q3, electricity costs were 60% higher than Q2 costs, representing a $560,000 cost increase in the period. This cost increase includes $200,000 of retroactive charges billed to MVC in Q3. In the three months ended September 30, 2004, MVC also faced increased prices for consumables, particularly for grinding balls used in the mills, which increased 15% or $78,000 in the quarter. Lower than budget copper production also results in higher costs per pound. Although MVC has no control over international energy and steel prices, the Company expects that unit production costs will decrease significantly as it moves towards increased production. Cash costs improved in September 2004 to 64¢ per pound.

Total cost after royalty, depreciation and accretion was 92¢ per pound compared to 78¢ in the prior quarter, again reflecting the effect of significant increases in electricity costs and in consumables. Actual total production costs were below budget as a result of lower than budgeted production.

Costs not related to MVC's operations are identified as "Other expenses and (income)", of which the most significant expenses are Salaries, Consulting and Professional Fees of $53,038, Management Fees of $40,690 and Office Expense of $29,062.

"Other expenses and (income)" amounts not described in the preceding paragraph are general and administrative expenses. In the quarter ended September 2004, these were consistent with general and administrative costs incurred in preceding quarters and with anticipated costs required to maintain Amerigo's corporate activities in subsequent periods.

Non-operating items occurring in the quarter are a Gain in Foreign Exchange of $383,421 and Interest Income of $42,763. The foreign exchange gain is derived from changes to the conversion rates of the Chilean peso and the Canadian dollar to the US dollar in the period. The Chilean peso's exchange rate moved from $636.30 to $608.90 with respect to the US dollar and the Canadian dollar exchange to the US dollar changed from $1.3440 to $1.2699.

The Company recorded income tax expense net of recoveries of $810,800 in the third quarter, of which $798,341 is income tax on net earnings generated in MVC. Due to the availability and utilization of loss carryforwards in MVC, there is no cash tax payable associated with the MVC tax expense. At September 30, 2004, MVC still has approximately $1,290,000 of tax losses available to offset future tax payable.

Year-to-date to September 30, 2004

Net earnings during the nine months ended September 30, 2004 were $8,362,291 or $0.1327 per share (non-diluted). On a diluted basis, earnings per share were $0.0961.

Revenues in the period were $29,219,601 derived from the sale of 21.55 million pounds of copper.

During the period MVC's operations recorded a cost of sales of $18,663,540 and operating profits of $10,556,061, or 37% of sales. When adding back amortization, depreciation and asset retirement accretion cost, Amerigo reported adjusted gross profits of $11,466,546 in the nine months ended September 30, 2004.

"Other expenses and (income)" in the nine-month period were $775,949 (2.7% of revenue). The most significant expenses are Salaries, Consulting and Professional Fees of $189,289, followed by Transfer Agent and Filing Fees of $138,377, which include a one-time fee paid to the Toronto Stock Exchange pursuant to the Company's initial listing on the TSX, in the amount of $115,000.

Non-operating items occurring in the nine month period include Interest Income of $172,623, followed by a non-recurring Gain on Disposition of Mineral Properties of $146,259 and a Foreign Exchange Gain of $62,497. Also of a non-recurring nature, the Company recorded a Writedown of Mineral Properties of $49,529.

Income tax expense net of recoveries reached $1,414,652 in the period, of which $1,342,228 is attributable to MVC. Due to the utilization of existing tax carryforwards in Chile, there is no tax payable by MVC on this portion of the tax expense, and represents a tax accounting entry only.

Summary of Quarterly Results

	Qtr ended Sept. 30, 2004	**Qtr ended June 30, 2004**	**Qtr ended March 31, 2004**	**Qtr ended Dec. 31, 2003 ***
Total revenues	$10,762,727	$8,218,154	$10,238,720	$2,837,890
Net income (loss)	2,960,651	1,625,458	3,776,182	372,621
Earnings (loss) per share	0.0463	0.0256	0.0613	0.0062
Diluted earnings (loss) per share	0.0340	0.0188	0.0435	0.0043

	Qtr ended Nov. 30, 2003	**Qtr ended August 31, 2003**	**Qtr ended May 31, 2003**	**Qtr ended Feb. 28, 2003**
Total revenues	$5,869,049	$3,536,211	Nil	$14,047
Net income (loss)	1,017,089	537,313	($46,010)	(36,930)
Earnings(loss) per share	0.0177	0.0125	(0.01)	(0.01)
Diluted earnings (loss) per share	0.0120	0.0114	(0.01)	(0.01)

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

Liquidity and Capital Resources

Amerigo held cash and cash equivalents on September 30, 2004 of $8,106,233, compared to $4,366,419 held on December 31, 2003. The increase in cash is mainly attributable to net operating cash flows after capital investment in new capital equipment generated by MVC and to a lesser degree, to capital proceeds of $1,393,211 from the exercise of stock purchase options and warrants in the period.

The Company's working capital on September 30, 2004 was $9,141,801, compared to $4,321,297 on December 31, 2003. Amerigo continues to be able to generate sufficient cash resources –both in the short and long-term- to maintain existing operations and fund projected plant expansions.

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

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

The Company's long-term debt (Note Payable, Enami Loan and Other Payables) at September 30, 2004 was $3,829,203, compared to $5,153,654 on December 31, 2003. The reduction in long-term debt results from repayment of the Enami Loan during the first quarter of 2004. Included in long-term debt, is a $3,400,000 note issued in connection with the acquisition of MVC by the Company. The note, together with accrued interest, is payable in cash or shares of Amerigo three years after the acquisition if the average copper price is over $0.82 per pound. Payment in cash or shares is at the option of the Company; however, if the Company elects to pay in shares, the vendor has the right to either receive the payment in shares at the then current market price or receive payment in cash two years after the end of the three-year period plus interest at an annual rate of 5%.

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

During the quarter ended September 30, 2004, there were no material changes to the Company's previously disclosed contractual obligations and no significant contractual obligations were incurred.

As of September 30, 2004 the Company had 1,525,000 outstanding share purchase options (with exercise prices ranging from C$0.36 to C$1.55) and 21,030,059 outstanding share purchase warrants (with exercise prices ranging from C$0.25 to C$0.70). During the nine months ended September 30, 2004, 75,000 share purchase options were granted to an officer of the Company, 230,000 share purchase options were exercised for net proceeds of $94,979 and 4,061,151 warrants were exercised for net proceeds of $1,594,411 ($294,062 of which were received in December 2003 and recorded as Capital Stock to be Issued in the December 31, 2003 Balance Sheet).

Investing Activities

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

Work continues on schedule for the next stage of expansion. In July 2004, MVC purchased for a price of $1,870,000 four used mills with a capacity of 140% of the presently installed mills to accelerate the implementation of the expansion process. An additional $1,980,000 has been allocated to refurbish the mills and transport them from North America to Chile, for a total mill cost of $3,850,000. At September 30, 2004, $3,090,000 of this cost had been paid by MVC.

Negotiations with El Teniente are continuing with respect to an increase of tailings supply from Colihues beyond the present limit of 10,000 tpd. Until these negotiations are finalized, the precise scale of the next expansion is under review to accommodate potential increased Colihues feed material.

Work continues towards the construction of a processing plant to extract molybdenum from MVC's copper concentrate production. Amerigo estimates an average molybdenum content between 0.80% and 1% in the copper concentrate it produces. An independent feasibility study suggests that yearly production of molybdenum at MVC could reach 700,000 pounds at an approximate production cost of $2 per pound before treatment charges and royalty payments to El Teniente, both to be negotiated. Notwithstanding recent molybdenum oxide prices of $24 per pound, the economic feasibility of the extraction plant was calculated on a 5-year average price of approximately $4.20 per pound. Amerigo estimates that a capital expenditure of approximately $2.5 million will be required to build the extraction plant in a six-month period from the time when engineering is complete. Engineering was finalized in Q3 and the equipment for the plant has been ordered. The project capital expenditure will be funded from MVC's operating cash flow and cash on hand. Commissioning is expected to take place in the first half of 2005.

Maintenance expenditure for the last quarter of fiscal 2004 is estimated to be $730,000. These expenditures will be met from MVC operating cashflow.

Critical Accounting Estimates and Changes in Accounting Policies

There were no changes to the Company's critical accounting estimates or accounting policies during the quarter ended September 30, 2004.

Other MD&A Requirements

As of November 2, 2004, the Company has 64,534,027 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.