Amerigo
RESOURCES LIMITED

2003 ANNUAL REPORT

Amerigo Resources Ltd. is named for Amerigo Vespucci, an Italian cartographer, navigator and explorer. Vespucci, during his second voyage in 1501, is thought to have been the first to identify the New World of North and South America as new continents (Columbus thought he had reached Asia). During this trip, Vespucci's ships followed the South American coast to within 400 miles of the southern tip of Chile.

Early in the 16th century, German clergyman-scholar-cartographer Martin Waldseemüller created a contemporary world map. Having read of Vespucci's travels, he knew that the New World was indeed two continents. In honor of Vespucci's "discovery", Waldseemüller printed a wood block map with the name "America" spread across the southern continent of the New World.

A Long Term Copper Producer from a World Class Asset

IN JULY, 2003, Amerigo acquired a unique copper production company called Minera Valle Central (MVC). MVC produces copper concentrates from tailings from the world's largest underground copper mine, Codelco's El Teniente mine, a copper producer for the past 100 years with remaining ore reserves lasting many more decades. MVC is treating all the fresh tailings from El Teniente's present production and has the right to treat the higher grade tailings from a 200 million tonne abandoned tailings impoundment known as Colihues.

The MVC operation is located 8 kilometers east of the city of Rancagua and 90 kilometers south of Santiago. MVC commenced operations in 1992, and is currently treating over 100,000 tonnes per day of fresh tailings from the El Teniente copper mine with copper production at an annual rate of approximately 14,000 tonnes (30.9 million pounds) per year.

Left: Dredge on Colihues tailings pond.

Right: The MVC plant near Rancagua, Chile.

Objectives for 2004

- **Complete Phase 1** expansion of MVC plant to increase copper production to an anualized rate of approximately 15,000 tonnes (32 million pounds) in the 2nd Quarter 2004. Additional processing equipment will expand the plant capacity to process the increased tailings flow (from 90,000 to 120,000 tonnes per day) resulting from El Teniente's planned expansion.
- **Initiate Phase 2** expansion to increase production to a rate of approximately 19,000 tonnes (42 million pounds) per year at a capital cost of US$4.7 million by the end of 2004. The commissioning of dredging equipment will enable MVC to process 10,000 tonnes of tailings from the Colihues tailings pond per day.
- **Negotiate the right** to increase the treatment rate of the Colihues tailings pond above the currently contracted 10,000 tonnes per day, with a view to increasing annual copper production.
- **Review other opportunities** to increase copper recovery and decrease costs at MVC, as well as considering the feasibility of extracting the molybdenum contained within the tailings. Pursue other opportunities for copper and copper/gold exploration and development.

Steven G. Dean
Chairman

Management was able to successfully close the second largest TSX Venture Exchange capital financing of 2003.

2003 was an exceptional year for Amerigo Resources.

It was a year of transformation from a copper exploration to a copper producing company. The acquisition of Minera Valle Central (MVC) in Chile resulted in excellent leverage to the increase in copper price and the achievement of a strong level of profitability. Our plans to increase production will enhance this further.

In June 2003 the Company closed on a financing for $28.6 million to fund the purchase of MVC. At the time of announcing this financing the market capitalization of Amerigo was $5 million. Despite such a low capitalization, management was able to successfully close the second largest TSX Venture Exchange capital financing of 2003. Amerigo was listed on the main board of the Toronto Stock Exchange in early 2004.

Since April 2003, when a release was made on the right to purchase MVC, the Company's stock price has enjoyed a considerable re-rating, rewarding shareholders who showed faith in the company's new business strategy.

From the first day of MVC ownership, management had clear objectives to deliver an operating turnaround and a series of planned expansions. Net earnings after tax for the period to December 31 2003 were US$1.88 million. Strong operating cash flows funded the first stage of the plant expansion, and the outstanding debt to Enami of US$2.47 million at the time of acquisition was repaid in full by March, 2004.

The purchase price of MVC was US$16.6 million, plus a long-term note for US$3.4 million. Based on operating cash flow generated by MVC, the return on capital invested, represented by the total purchase price of MVC, was 13.6% in only the first 6 months of ownership.

During the six months to December 31, the LME copper price increased from US$0.77 to US$1.00 per pound. After a long period of low prices, due to the forces of strong economic growth in China, recovery from recession in the West and supply constraints from both big producer discipline and a long period of limited investment in new projects, the copper price has turned. It is possible that this is the beginning of a sustained period of high copper prices not seen since the late 1980's.

MVC is a unique project with the investment characteristics of a toll road business, yet enhanced by copper price volatility overlaid to its revenue stream. It is without the normal mining risks associated with junior company base metal production, as its source of copper bearing material is the largest underground copper operation in the world, El Teniente. Under the ownership of Codelco, the state-owned copper company of Chile, El Teniente has operated all but continuously since 1904, and even at the planned expanded production rates, will operate for many decades to come. Herein lies another unique attribute of the MVC project; its unusually long life, with production source material under contract at least until the year 2021. Due to the nature of the project, environmental responsibilities of MVC are also limited. In fact MVC actually performs a "clean-up" of the material through the further extraction of minerals from the El Teniente tailings stream.

Plant optimizations in 2003 increased copper production from approximately 24 million pounds of copper at the time of acquisition to an annualized rate of approximately 28 million pounds at year end. The expansion of plant capacity initiated in 2003 is expected to increase that rate further to 32 million pounds in the second quarter of 2004 and 42 million pounds by the end of the year. This will be achieved by the installation of additional flotation and classification equipment to handle the increased flow from the El Teniente expansion, and the commissioning of new plant designed to achieve the full commercial rate of recovery of the in-situ tailings material at the Colihues project.

In December 2003, the Company announced the negotiation of lower smelting and refining terms for its concentrate production resulting in a 2 cent per pound reduction in production costs over the previous terms.

Strategically, Amerigo is well positioned with its local presence and team of world-class skilled executives to take advantage of new opportunities in copper production in Chile and build on the unique technical know- how of its operation. We intend to stay focused in copper or copper/gold, and will seek properties that have the potential to generate similar returns on capital to that achieved to date at MVC.

Finally, we would like to pay tribute to our team of highly skilled staff at MVC and in our Vancouver office, and look forward to another exciting year of business in 2004.

Steven G. Dean
Chairman

Klaus M. Zeitler
President

Klaus M. Zeitler
President

Plant optimizations in 2003 increased copper production from approximately 24 million pounds of copper at the time of acquisition to an annualized rate of approximately 28 million pounds at year end.

MVC produces copper concentrates by treating both fresh and in-situ tailings sourced from the world's largest underground copper mining operation, El Teniente, under a long term contract to at least 2021.

Minera Valle Central Plant Location

History of El Teniente and MVC

CODELCO CHILE, a state-owned company, is the biggest copper producer in the world, bringing to the market more than 1.6 million tonnes per year of the red metal. Codelco operates four divisions, named Chuquicamata, El Salvador, Andina and El Teniente.

El Teniente Division, located 80 km south of Santiago, at 2500 meters above sea level, extracts copper ore from the world's largest underground operation. This mine started operations in 1904, and has 2400 kilometres of galleries and tunnels. El Teniente mines at present an average of 120,000 tonnes per day (tpd) of ore, and produces 334,000 tonnes per year of fine copper, in the form of fire refined and cathodes.

As by-products, El Teniente also produces approximately 5,000 tonnes per year of molybdenum, and in excess of 800,000 tonnes per year of sulphuric acid.

Reserves at El Teniente have been proven to be able to sustain the present operation rate for more than one hundred years. In fact, present production plans are considering expansions that will increase the present mining rates.

The tailings produced by the El Teniente concentrating plants are transported by gravity flow to a tailings dam located 80 km from the plants, at Caren, in the central valley. A concrete channel, with a potential capacity substantially larger than the present production rate, connects the concentrators with the final tailings dam at Caren.

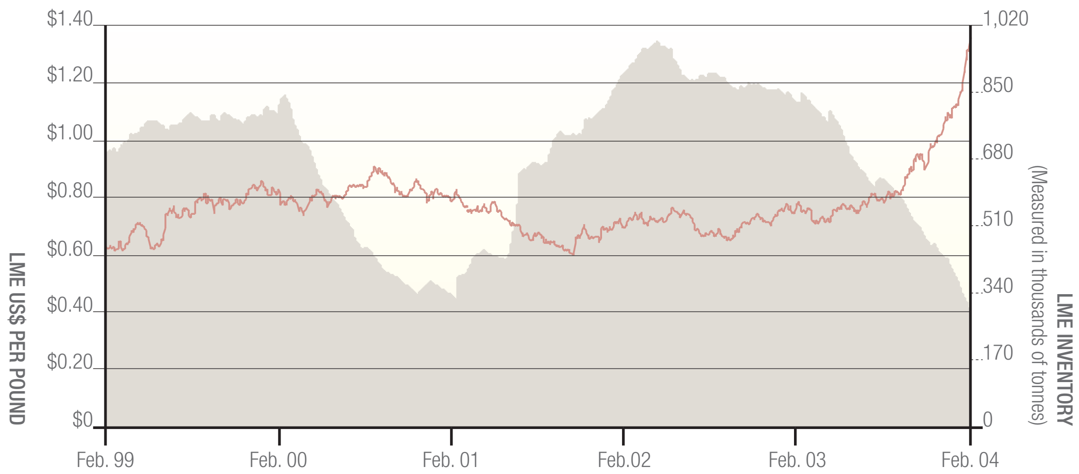
In 1989, MVC negotiated with El Teniente a long-term contract for the treatment of the tailings produced on a daily basis, or fresh tailings.

MVC initiated its operation in 1992, with a first stage that included a cascade plant designed to recover copper present as very fine particles, and with a conventional flotation plant that raised the product grade to acceptable smelter feed levels. The concentrate produced was sold to the state-owned Enami smelter in Chile.

In 1997 MVC added a grinding plant to take advantage of the copper present as a coarse fraction, a stage that increased copper recovery substantially. By mid 2003, the recovery of copper from the El Teniente tailings averaged 30%, a figure that increases to over 40% if this recovery calculation is based on the copper present as a sulphide, which is the recoverable fraction.

In 2003, in addition to the fresh tailings contract, MVC acquired the right to process tailings stored in an old dam located next to the MVC plant which, according to El Teniente records, is estimated to contain 212 million tonnes of tailings with an average grade of 0.26% Cu. MVC is entitled to process 10,000 tpd of tailings from this old dam, called Colihues. MVC and El Teniente have started discussions with a view to increasing the extraction rate from Colihues.

During the second half of 2003, El Teniente initiated its latest expansion program, which will eventually increase the ore treatment rate to 130,000 tpd. It is expected that the projected target of 130,000 tpd will be reached during the first half of 2004.



COPPER MARKET—Five Year Copper Price and Inventory History
(five years to February 25, 2004)
52-week high = $1.36 • 52-week low = $0.71

Operational Performance—Second Half of 2003

MVC WAS ACQUIRED by Amerigo Resources in July 2003, and immediately initiated the necessary steps to adjust the plant capacity to the projected El Teniente expansion. Results for the second half of 2003 reflect the improvement in the international copper price, the higher tonnage of tailings, and the efforts of MVC management to optimize plant operations.

Throughout the second half of 2003 the tonnage of tailings increased by 5% from a monthly average of 2,689,234 to 2,825,029. Tailings grade also increased from 0.107% Cu to 0.109%. Fine copper contained in the tailings increased by 7.5%, from a monthly average of 2,965 tonnes to 3,079 tonnes.

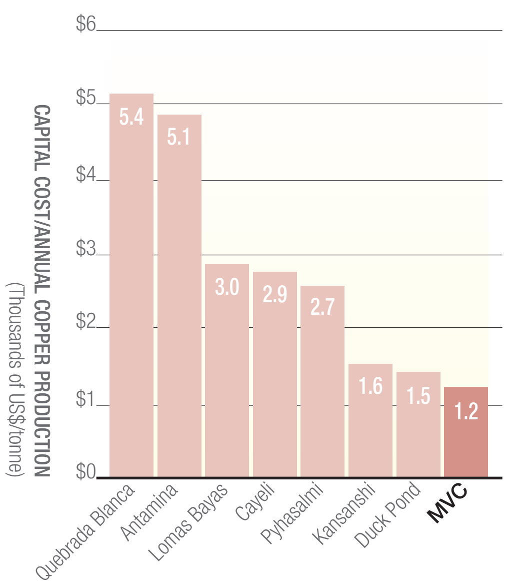
Copper production increased from 12.09 million pounds in the first half of the year to 14.42 million pounds contained in 22,645 tonnes of concentrate of 29.2% copper in the second half of the year after acquisition by Amerigo Resources.

During this period MVC made the necessary capital investments to increase the tailings handling capacity of the infrastructure that delivers the product to the plant, a 3 kilometer concrete channel.

Recovery of copper from the tailings showed a positive trend, increasing from 31.4% in the first half of the year, to 33.5% for the period July-December, 2003. Figures referring to the sulphide fraction are 42.8% and 46.6% respectively. Operating costs (before refining, smelting and royalty costs) at the plant level were consistently at or below $0.40 per pound of copper, despite a strengthening of the Chilean peso between June and December 2003.

In the six months to December 2003, steps were taken to improve classification efficiency of the tailings, increase flotation residence time and step-up concentrate grade, steps that will increase copper recoveries and reduce unit production costs.

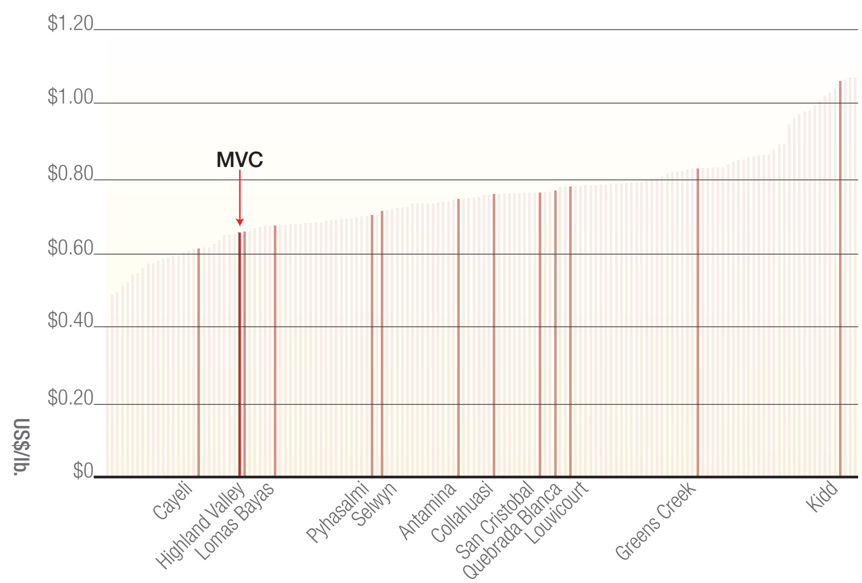
CAPITAL COST/PRODUCTION COMPARISON



MVC's costs include the US$20 million acquisition cost plus Phase1 and Phase 2 expansion.

Based on 2002 annual numbers and Salman Partners esitimates and assumptions for those mines not in production or for mines in which 2002 is an irregular year.

INDUSTRY TOTAL COST COMPARISON



Total cost includes depreciation and interest expense

Based on 2003 estimates.
Source of data: AME, Salman Partners and CIBC

Expansion Plans

MVC INITIATED in this period the engineering and construction work for the first stage of its expansion program. This project consists of the expansion of the classification capacity to handle the increased tonnage of tailings, and to optimize the separation of coarse and fine material in the tailings, a key aspect in copper recovery. When Phase I is completed, the plant will have:

- Increased primary classification capacity from 20 cyclone units of 500mm diameter, to a combination of 12 units of 750mm, plus 10 units of 500mm
- Increased secondary desliming capacity from 8 cyclone units of 400mm to 10 units of 500mm
- Increased tertiary closed circuit classification at the grinding stage from eight 400mm units to 16 units of 400mm
- Increased rougher flotation capacity from 988m3 to 1324m3, a 34% addition
- Increased first cleaner capacity from 257m3 to 557m3, a 120% increase
- Increased rougher concentrate classification capacity by adding four 400mm cyclones to the existing seven units
- Increased installed pumping and pipeline transportation capacity in all areas that presented operating constraints
- Increased second and third cleaner capacity by installing a new flotation column, four-meter diameter that will replace three old small units.

This Phase I expansion program will be completed and operational in the second quarter of 2004. The expansion was budgeted at US$3 million and will be completed significantly under budget.

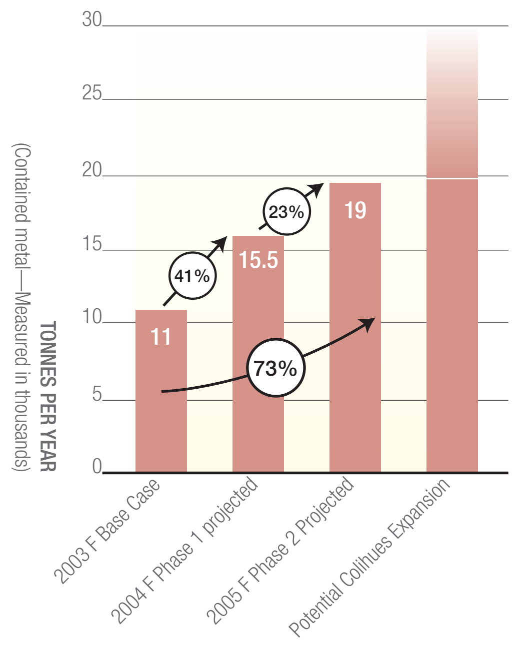
MVC also started in 2003 the pilot extraction of the tailings contained in the old Colihues Dam. A 2,000 tpd dredge pump has been employed in the operation, with good success. It is estimated that 60 tonnes of fine copper per month have been obtained from the 2,000 tpd pilot operation. By the end of 2003 the necessary steps to expand the extraction rate to 10,000 tpd were taken, with an estimated start-up date of July 2004. MVC is now planning to further increase the extraction level from Colihues, and has initiated negotiations with El Teniente. The optimum recovery of copper from the old Colihues tailings will require the installation of a new grinding and flotation plant. A study by an independent consultant is now underway for the definition of the most efficient operating flowsheet.

MVC is considering other expansion projects that will increase the recovery of copper by further reducing the particle size of the coarse tailings. Internal studies are being performed on the present plant tailings to determine potential benefits for increased grinding of this product.

The final concentrates produced by MVC contain molybdenum, in the form of molybdenite, in sufficient quantity to justify investigations of the feasibility of its recovery. The average molybdenum content of the copper concentrates produced during the second half of 2003 was 0.79%, which makes it a very interesting by-product considering the present market price. A study on molybdenum recovery has also been initiated, in order to validate available information obtained in previous investigations.

The Phase I expansion program will be completed and operational in the second quarter of 2004. The expansion was budgeted at US$3 million and will be completed significantly under budget.

COPPER PRODUCTION PROFILE



Workforce and Safety

MVC HAS a 70 person workforce, including management and supervision. A subcontracted workforce of similar size performs specialized maintenance work and auxiliary services.

Safety indexes both for MVC and its subcontractors are among the best in the Chilean industry, for the type of operation. In 2003, only three lost time accidents were recorded, for a combined total of 22 days lost. Two of these accidents occurred in the second semester, with 15 lost days.

Environmental Management

AS PART of the agreement with El Teniente, MVC has the contractual obligation of maintaining the highest standards on environmental matters. Due to the nature of the MVC operation, and the contract with El Teniente, the company's environmental responsibilities are limited to good practices for the handling of the El Teniente material and the extraction of copper from this material on the land area covered by a sublease from Codelco. MVC also has an obligation to rehabilitate the site areas upon expiry of its contract with Codelco. MVC is in full compliance with its environmental obligations under the Codelco-El Teniente contract and Chilean regulations.

Left: The copper concentrate storage shed.

Right: Pump installation on Colihues dredge.

Raul Poblete
General Manager

Management of Amerigo Resources Ltd.

Steven G. Dean
Chairman

Steven G. 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 with Teck Cominco Limited, where he was President from September 1999 to July, 2002. He has also been Executive Director and Chief Financial Officer of Normandy Mining Ltd. from 1987 to 1994, and Chairman and Chief Executive Officer of PacMin Mining Corporation from 1995 to 1999. Both of these latter companies traded on the Australian Stock Exchange.

Klaus M. Zeitler
President

Klaus 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 also President and CEO of Inmet Mining Corp. from 1986 to 1996, and has been a director of Teck Corporation, Cominco Limited, Western Silver Corporation and other mineral development companies.

Aurora Davidson
Chief Financial Officer

Aurora 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 14 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 high technology sectors.

Jeffrey Giesbrecht
Secretary

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

Management of MVC

Raul Poblete
General Manager

Raul Poblete is the General Manager of MVC, a position he has occupied since acquisition of MVC by Amerigo in July 2003. Upon completion of the plant in 1991, he was made Operations Manager, having been head of the group of engineers that designed and built the plant.

From 1974 to 1988 he held several management positions with Codelco Chile, at the Salvador, Andina and El Teniente divisions. From 1971 to 1974, he held the position of Copper Concentrator Superintendent at Rio Tinto Patiño, in Spain.

Manuel Cartagena
Operations Manager

Manuel Cartagena has 23 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 design and construction of the Phase I grinding and flotation plant to be commissioned in 2004. In 1998 he was promoted to Superintendent of Operations, and in 2004 was further promoted to Operations Manager.

Jaime Alfonso Gutiérrez
Maintenance and Services Manager

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

Christian Cáceres
Engineering Manager

Christian Cáceres has eleven 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 active in the design and construction of the Phase I grinding and flotation plant to be commissioned in 2004, and was promoted to Engineering Manager of MVC in 2004.

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

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	—
Other payables	356,488	—
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	—
Contributed surplus	1,747	1,747
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 Directors:

Director

Director

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)

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	

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 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 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.

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 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

5. Plant supplies and inventory

	Dec. 31, 2003	Feb. 28, 2003
Plant supplies	$ 484,276	$ —
Concentrate inventory	48,380	—
	532,656	—

6. Mineral property, plant and equipment

	Dec. 31, 2003	Feb. 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:

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

	Feb. 28, 2002 Balance	Acquisitions	Deferred exploration	Feb.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 C$250,000 on exploration and issue 200,000 shares to Falconbridge over a three-year period starting January 21, 2002.

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

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 C$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 C$30,000 and issued 200,000 shares at C$0.20 per shared on signing of the agreement and must issue a further 400,000 shares and pay C$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 C$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.

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 C$0.20 per share and must spend C$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% 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
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.
- 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 price Cdn$	Outstanding options	Weighted 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 perio	1,680,000	0.96	320,000	0.20

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.

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 C$0.60 per warrant, entitling the holder to the same number of common shares of the company. Payment in the amount of C$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.

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:

	Dec. 31, 2003	Feb. 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:

	Dec. 31, 2003	Feb. 28, 2003
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:

	$
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.

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.

Management Discussion and Analysis

Year End Change

As a result of the company's year-end change from February 28 to December 31, these audited statement represent a ten-month period ended December 31, 2003, with the fourth quarter of 2003 being one-month. The comparative period is the 12 months ended February 28, 2003. The company 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.

Operations

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 for the 12 months ended February 28, 2003.

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 ten months ended December 31, 2003 was US$2,713,252. Earnings per share were US5c for the ten months ended December 31, 2003.

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, which contributed to a foreign exchange loss for the month – on a consolidated basis - of $38,137, compared to a consolidated foreign exchange gain for the month of $222,840 prior to this adjustment. The adjustment reduced consolidated net earnings for the month of December 2003 to $372,621 from $633,598. This adjustment does not affect cash flows.

Change in Reporting Currency

Due to the change in the company asset base, all financial reports are now expressed in US dollars.

Exercise of Warrants and Options

During the ten months ended December 31, 2003 the company issued 53,813,188 common shares on the exercise of options and warrants, for proceeds of US$25,890,856. Subsequent to the period, the company issued an additional 741,987 common shares on the exercise of options and warrants, for proceeds of US$326,053.

Warrant Listing

On December 18, 2003, certain warrants issued by the company in June and July 2003 began trading on the TSX Venture Exchange under the symbol ARG.WT. Each warrant is exercisable into a common share of the company until June 20, 2005 at an exercise price of CDN$0.70.

Management Discussion and Analysis—continued

Disposition of Canadian Exploration Properties

Subsequent to the period, 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. The sale will enable the company to focus on its Chilean copper production at Minera Valle Central, while maintaining an interest and the upside in the Coppercorp, Island Copper and Bellevue properties.

Outlook

Production expansion plans remain on track to achieve an annualized production rate of approximately 16,000 tonnes of refined copper, up from 11,000 tonnes at the time of acquisition, for a 45% increase. The additional classification and flotation equipment has been ordered and is expected to be fully commissioned in the first quarter of 2004, at a cost of US$1.5m, significantly below the original budget of US$ 3.0m.

Planning is well underway for Stage 2 of the expansion which is planned to increase copper production to an annual rate of approximately 20,000 tonnes in 2005. Preliminary indications are that this stage will also require less investment than originally budgeted. Both stages of expansion position the company 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 by July, 2004. Further studies are planned for 2004 to examine the potential to increase production from Colihues beyond this rate.

Risk and Uncertainty

The company is currently engaged in processing tailings at its MVC operations near Santiago, Chile. The company is also involved in mineral exploration, an inherently high-risk activity. Except for historical information contained in the discussion, the discussion may contain forward-looking statements or future oriented financial information and as such are based on assumed set of economic conditions and courses of action. This includes estimate of future production levels, expectations regarding mine production and capital costs, and expected trends in copper price. There is significant risk that actual results will vary from projected results. There are geo-political uncertainties and inherent risks associated with operating in a foreign jurisdiction.

Corporate Data

Directors:

Steven G. Dean
Klaus M. Zeitler
Ian Gallie
Sidney Robinson

Officers:

Steven G. Dean
Chairman

Klaus M. Zeitler
President

Raul Poblete
Operations Manager

Aurora Davidson
Chief Financial Officer

Jeffrey Giesbrecht
Secretary

Shares Listed:

Toronto Stock Exchange (Symbol ARG)

Shares Issued: 60,197,876
Fully Diluted: 86,944,337
(at December 31, 2003)

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Website:

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Transfer Agent:

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

Legal Counsel:

Gowlings LLP
Vancouver, British Columbia

Auditors:

PricewaterhouseCoopers LLP
Vancouver, British Columbia

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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