

Molybdenum plant commissioned ahead of schedule

One-off operating events impact bottomline earnings

Significant Events for the Quarter Ended March 31, 2005

- **Net earnings after tax** for the quarter ended March 31, 2005 were **US\$1,644,722** compared to earnings of **\$2,578,907** in the immediately preceding quarter.

Earnings were impacted by an annual charge of US\$504,760 for stock-based compensation, as prescribed under a recently enacted accounting standard. This is a non-cash expense to the Company arising from the annual stock option grant to employees, officers and directors. Net earnings for the quarter ended March 31, 2005 before stock-based compensation were **\$2,149,482**, compared to earnings of **\$2,578,907** in the immediately preceding quarter.

Earnings were also impacted by the following one-off operating events:

- 9 days downtime due to El Teniente maintenance shutdown in January
 - Shell failure in Mill no. 4 resulted in reduced grinding capacity and lower recoveries for 2 weeks
 - Flotation cells taken offline to install new aeration equipment as part of expansion to optimize future recoveries
 - Below budget Colihues extraction due to late delivery of new extraction equipment
- **Production under budget** – Despite the one-off events mentioned above, production was down by only 14% compared to the previous quarter and 11% higher than Q1-2004 production. **Copper produced** in Q1-2005 was **7.50 million pounds**, compared to 6.78 million pounds of copper produced in Q1-2004.

- **Cash costs** before El Teniente royalty were higher at **US\$0.91** per pound in Q1 - 2005 compared to US\$0.76 in the preceding quarter and US\$0.64 in Q1-2004. Lower production and a high percentage of fixed costs result in higher cash cost per pound.

Cost increases are also due to higher energy and steel costs, and significantly higher smelter and refinery charges in 2005 consistent with industry-wide increases to treatment, refining and shipping charges. Smelter and refinery charges were US\$0.35/lb in the quarter, compared to an average cost of US\$0.20/lb in 2004. Since MVC does not ship concentrate overseas, smelter and refinery charges include the participation by the smelter in MVC's cost savings for shipping.

MVC management also took the opportunity offered by the El Teniente shutdown to undertake annual maintenance of the MVC plant. Accordingly, maintenance costs of US\$0.15/lb are 27% above budget. Maintenance costs per pound are expected to decrease in subsequent quarters as a result of the "upfront" maintenance undertaken in Q1.

Total costs after royalty, depreciation and accretion were US\$1.14 per pound in the quarter ended March 31, 2005 compared to US\$0.98 in the preceding quarter and US\$0.80 in Q1-2004. Contributing to the total cost increase are higher royalty payments at higher copper prices.

The outlook for the remainder of the year should see lower operating costs per pound due to higher expected production related to the plant expansion and the benefit of molybdenum production as a by-product credit.

- Cash balances increased to **US\$8,812,296** at March 31, 2005 after capital expenditures of US\$4,517,658 in Q1-2005 related to the copper plant expansion and the molybdenum plant.
- **Molybdenum plant completed in the quarter** - Construction for the molybdenum plant was completed on March 2005, 3 months ahead of schedule. **Production of saleable molybdenum concentrate** started during the commissioning phase in April 2005 and is expected to be in excess of **500,000 pounds of molybdenum** in concentrates in 2005, with an increase to 800,000 to 1,000,000 pounds in 2006.

Amerigo Resources Ltd.

Consolidated Financial Statements

March 31, 2005

(expressed in U.S. dollars)

Not audited or reviewed by external auditors

Amerigo Resources Ltd.

Consolidated Balance Sheets (Unaudited)

(expressed in U.S. dollars)

	March 31 2005 \$	December 31 2004 \$
Assets		
Current assets		
Cash and cash equivalents	8,812,296	8,239,089
Accounts receivable	3,150,334	3,383,211
Prepaid expenses	932,808	690,946
Plant supplies and inventory	1,367,464	1,153,105
	<u>14,262,902</u>	<u>13,466,351</u>
Investment in Nikos Explorations	477,230	477,230
Mineral property, plant and equipment - net (Note 2)	38,699,872	34,479,801
Future income tax	-	-
Other	40,045	46,563
	<u>53,480,049</u>	<u>48,469,945</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,687,068	3,143,076
El Teniente royalty payable (Note 5)	1,419,291	1,692,374
Due to related parties (Note 3)	39,782	46,264
	<u>4,146,141</u>	<u>4,881,714</u>
Note payable	3,400,000	3,400,000
Other payables	499,496	469,858
Asset retirement obligation	2,084,612	2,049,951
Future income tax	457,073	264,478
Minority interest	1,000	1,000
	<u>10,588,322</u>	<u>11,067,001</u>
Shareholders' Equity		
Capital stock (Note 4)	30,458,174	26,891,142
Value assigned to stock options (Note 4)	1,369,740	1,092,711
Shareholders' Equity	11,085,923	9,441,201
Cumulative translation adjustment	(22,110)	(22,110)
	<u>42,891,727</u>	<u>37,402,944</u>
	<u>53,480,049</u>	<u>48,469,945</u>

Approved by the Board of Directors

"Robert J. Gayton"

Director

"Ruston Goepel"

Director

Amerigo Resources Ltd.

Consolidated Statements of Operations (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2005 \$	Quarter ended March 31, 2004 \$
Copper sales, gross	11,070,612	10,238,720
Smelter, refinery and other charges	2,656,203	1,182,611
Net revenue	8,414,409	9,056,109
Costs		
Production costs	2,685,265	2,066,818
El Teniente royalty (Note 5)	1,407,948	940,196
Maintenance and services	1,086,477	721,785
Depreciation and amortization	297,587	246,738
Administration	227,968	231,540
Transportation	157,121	121,712
Asset retirement accretion cost	34,661	32,393
Cost of sales	5,897,027	4,361,182
Operating profit	2,517,382	4,694,927
Other expenses		
Stock based compensation	504,760	-
Salaries, consulting and professional fees	121,677	99,864
Transfer agent and filing fees	56,935	138,475
Management fees	46,454	45,734
Office expense	34,959	38,020
Insurance expense	11,370	10,912
Shareholder information	9,804	8,387
Interest expense	2,879	73,619
	788,838	415,011
Earnings before the undernoted items	1,728,544	4,279,916
Foreign exchange gain (expense)	220,737	(227,899)
Interest income	50,836	69,630
Earnings before taxes and minority interest	2,000,117	4,121,647
Income tax expense, net of (tax recoveries)	243,176	243,760
Earnings before minority interest	1,756,941	3,877,887
Minority interest (Note 3)	112,219	101,705
Net earnings for the period	1,644,722	3,776,182
Retained earnings – Beginning of period		
As previously reported	9,441,201	(1,165,486)
Accounting changes	-	(334,511)
As restated	9,441,201	(1,499,997)
Retained earnings – end of period	11,085,923	2,276,185
Weighted average number of shares outstanding	69,397,844	61,635,466
Earnings per share		
Basic	0.0237	0.0613
Diluted	0.0186	0.0435

Amerigo Resources Ltd.

Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Quarter ended March 31, 2005 \$	Quarter ended March 31, 2004 \$
Cash flows from operating activities		
Net earnings for the period	1,644,722	3,776,182
Items not affecting cash -		
Income tax expense, net of (tax recoveries)	243,176	243,760
Depreciation and amortization	297,587	246,738
Asset retirement accretion cost	34,661	32,393
Stock-based compensation	504,760	-
	<u>2,724,906</u>	<u>4,299,073</u>
Changes in non-cash working capital, net of effects of acquisition of subsidiary		
Accounts receivable	232,877	(2,304,653)
Prepaid expenses	(241,862)	(141,544)
Plant, supplies and inventory	(214,359)	(210,760)
Accounts payable	(456,008)	44,698
Due to related parties	(6,482)	(150,362)
El Teniente royalty payable	(273,083)	629,795
Net cash provided by operating activities	<u>1,765,989</u>	<u>2,166,247</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,517,658)	(1,113,878)
Net cash used in investing activities	<u>(4,517,658)</u>	<u>(1,113,878)</u>
Cash flows from financing activities		
Repayment of Enami loans	-	(1,397,166)
Issuance of shares for cash – net of issue costs	3,339,301	1,119,002
Other payables	29,638	67,485
Net cash provided by financing activities	<u>3,368,939</u>	<u>(210,679)</u>
Increase in cash and cash equivalents due to exchange rate changes	<u>(44,063)</u>	<u>67,539</u>
Net increase in cash and cash equivalents	<u>573,207</u>	<u>909,229</u>
Cash and cash equivalents – Beginning of period	<u>8,239,089</u>	<u>4,366,419</u>
Cash and cash equivalents – End of period	<u>8,812,296</u>	<u>5,275,648</u>

Amerigo Resources Ltd.

Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in U.S. dollars)

	Common shares			Value		Capital	Total
	No. of	Amount	(Cumulative	assigned	Cumulative	stock	shareholders
	shares	(\$)	Deficit)/	to stock	Translation	to be	equity
			Retained	options	Adjustment	issued	(\$)
			Earnings (\$)	(\$)	(\$)	(\$)	
Balance – Dec. 31, 2003	60,197,876	24,813,185	(1,499,997)	986,390	(22,110)	294,062	24,571,530
Issue of shares							
Exercise of warrants	4,767,195	1,934,553	-	-	-	-	1,934,553
Exercise of stock options	230,000	94,979	-	-	-	-	94,979
Options granted	-	-	-	154,746	-	-	154,746
Transfer of value on exercise of stock options	-	48,425	-	(48,425)	-	-	-
Capital stock to be issued	-	-	-	-	-	(294,062)	(294,062)
Net earnings for the period	-	-	10,941,198	-	-	-	10,941,198
Balance – December 31, 2004	65,195,071	26,891,142	9,441,201	1,092,711	(22,110)	-	37,402,944
Issue of shares							
Exercise of warrants	5,389,713	2,980,707	-	-	-	-	2,980,707
Exercise of stock options	350,000	358,594	-	-	-	-	358,594
Options granted	-	-	-	504,760	-	-	504,760
Transfer of value on exercise of stock options	-	227,731	-	(227,731)	-	-	-
Capital stock to be issued	-	-	-	-	-	-	-
Net earnings for the period	-	-	1,644,722	-	-	-	1,644,722
Balance – March 31, 2005	70,934,784	30,458,174	11,085,923	1,369,740	(22,110)	-	42,891,727

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

1 Significant accounting policies

The financial statements of Amerigo Resources Ltd. ("Amerigo") together with its subsidiaries ("the Company") have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial information and therefore do not include all of the information and notes required for annual financial statements. These interim financial statements and notes thereto should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2004.

2 Mineral property, plant and equipment

	March 31, 2005	December 31, 2004
	\$	\$
Plant and infrastructure	20,612,221	16,501,788
Machinery and equipment	9,539,142	9,188,691
Contractual rights	8,029,185	8,029,185
Asset retirement obligations	1,851,055	1,851,055
Office furniture, equipment and other assets	919,491	862,717
	<hr/>	<hr/>
	40,951,094	36,433,436
Accumulated depreciation	(2,251,222)	(1,953,635)
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	38,699,872	34,479,801
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3 Related party transactions

a) Minority Interest

The Company holds its interest in MVC through its subsidiary Amerigo International Holdings Corp. ("Amerigo International"). Amerigo International is controlled by the Company and is a wholly-owned subsidiary, except for certain outstanding Class A shares which are shown on the Company's Balance Sheet as Minority Interest at their book value of \$1,000. The Class A shares are owned indirectly by two directors of the Company.

The holders of the Class A shares are not entitled to any dividend or to other participation in the profits of Amerigo International, except for a total royalty dividend calculated as follows:

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

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

During the quarter ended March 31, 2005, a royalty dividend of \$112,219 was paid or accrued to the Amerigo International Class A shareholders on the basis described above. The royalty dividend is shown as **Minority Interest** in the Consolidated Statement of Operations. At March 31, 2005 \$39,782 of this amount was payable.

b) **Management fees**

During the quarter ended March 31, 2005 the Company paid or accrued \$46,454 in management fees to certain directors and officers of the Company.

c) **Directors fees and remuneration to officers**

During the quarter ended March 31, 2005 the Company paid or accrued \$31,455 in directors' fees and directors' expenses to independent directors and \$18,893 in consulting fees to certain officers of the Company. Directors' fees and consulting fees to officers are categorized as **Salaries, Consulting and Professional Fees** in the Company's consolidated financial statements.

At March 31, 2005 two officers of the Company acted one as a director and the other as an officer of Nikos Explorations Ltd. ("Nikos"), a company to which Amerigo sold its Canadian mineral properties in fiscal 2004. At the time of the disposition of mineral properties to Nikos, no officers or directors of the Company served as directors or officers of Nikos.

4 **Capital stock**

Authorized – Unlimited common shares without par value.

a) **Summary of capital stock issued in the period**

In the quarter ended March 31, 2005 the Company received \$2,980,707 from the exercise of 5,389,713 share purchase warrants at exercise prices ranging from Cdn\$0.25 to Cdn\$0.70 per share purchase warrant. The Company also received \$358,594 from the exercise of 350,000 stock options at an exercise price of Cdn\$1.23 per stock option.

b) **Stock options**

Stock option plan

The Company established a stock option plan (the Plan) on April 2, 2003. The Board of Directors of the Company (the Board) administers the Plan, whereby it may from time to time grant options to purchase common shares of the Company to directors, officers, key employees and certain other persons who provide services to the Company or its subsidiaries. The maximum aggregate number of common shares issuable under

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

the Plan will not exceed 5,194,569 and the aggregate number of common shares reserved for issuance to any one person under the Plan in any 12-month period must not exceed 5% of the outstanding common shares of the Company, on a non-diluted basis. The exercise price of an option is determined by the Board and shall be no less than the closing price of the common shares on the Exchange on the day preceding the date of grant, less the maximum discount permitted by the policies of the Exchange subject to the minimum exercise price per common share permitted by the Exchange. Options must be exercised within a five-year period from the date of grant. Vesting periods are determined by the Board.

A summary of the Company's stock options at March 31, 2005 and December 31, 2004 and the changes for the three and twelve month periods ending on those dates is presented below:

	Three months ended March 31, 2005		Twelve months ended December 31, 2004	
	Outstanding options	Weighted average exercise price Cdn\$	Outstanding options	Weighted average exercise price Cdn\$
Balance – start of period	1,675,000	1.14	1,680,000	0.96
Granted	1,185,000	1.60	225,000	1.85
Exercised	<u>(350,000)</u>	1.23	<u>(230,000)</u>	0.54
Balance – end of period	<u>2,510,000</u>	1.34	<u>1,675,000</u>	1.14

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

Value assigned to stock options

	March 31, 2005	December 31, 2004
Balance – beginning of period	1,092,711	986,390
Options granted	504,760	154,746
Transfer to capital stock on exercise of stock options	<u>(227,731)</u>	<u>(48,425)</u>
Balance – end of period	<u>1,369,740</u>	<u>1,092,711</u>

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

The Company estimated that the weighted average fair value of the options granted during the three months ended March 31, 2005 was \$0.43 per option by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

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

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

Range of exercise prices Cdn\$	Number exercisable	Weighted average remaining contractual life	Weighted average exercise price Cdn\$
0.36 to 2.00	<u>2,510,000</u>	4.13 years	1.34

c) Warrants

During the quarter ended March 31, 2005, 5,389,713 warrants with exercise prices ranging from Cdn\$0.25 to Cdn\$0.70 were exercised for net proceeds of \$2,980,707.

Share purchase warrants outstanding at March 31, 2005:

Number of warrants	Exercise price per warrant Cdn\$	Expiry date
190,250	0.32	April 16, 2005
<u>14,744,053</u>	0.70	June 18 and 20, 2005
<u>14,934,303</u>		

Each warrant entitles the holder to purchase one common share of the Company.

5 El Teniente Royalty

MVC has a contract with Codelco through at least 2021 to process the tailings from the El Teniente mine in Chile. MVC pays a royalty on copper produced by MVC to Codelco – El Teniente based on a formula that considers both the price of copper and the copper content in the tailings. No royalties are payable if the copper price is below \$0.80 per pound (for copper content in tailings between 0.09% and 0.1499%); if the copper price

Amerigo Resources Ltd.

Notes to Consolidated Financial Statements (Unaudited)

(expressed in U.S. dollars)

is between \$0.80 and \$0.95 the royalty varies on a sliding scale from 0 to 10%; if the copper price is between \$0.95 and \$1.30 the royalty is 10%; and if the copper price is \$1.30 or higher, the maximum royalty of 13.5% is payable.

Royalty payments for copper production are calculated using the average LME price for copper for the third month following delivery, and invoiced by El Teniente on a monthly basis within 30 days of the end of the third month following the month of delivery of the tailings; payment to El Teniente is effected within 10 days of receipt of invoices. Accordingly, royalties payable to El Teniente are classified as current liabilities.

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

MVC will also pay to El Teniente a 10% royalty of MVC's net revenue received from the sale of molybdenum concentrates.