

**Amerigo Resources Limited
Management Discussion and Analysis
For the Quarter Ended June 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") or together with its subsidiaries ("the Company") is prepared as of August 9, 2004 and should be read in conjunction with the Company's unaudited consolidated financial statements and the notes thereto for the six months ended June 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 June 30, 2004

Results of operations for the first two 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 June 30, 2004, net earnings were \$1,625,458 (\$0.03 per share, non-diluted; \$0.02 per share, diluted) on revenue of \$8,218,154, compared to a loss of \$149,747 and no revenue in the three months ended May 31, 2003. In the previous corresponding quarter, Amerigo was an exploration company with early stage properties in Canada. Accordingly meaningful comparison of the corresponding quarters is not possible.

Comparison to the March 31, 2004 Quarter

Net earnings after tax for the three months ended June 30, 2004 were US\$1,625,458, lower than in the quarter ended March 31, 2004 primarily due to unfavourable settlement adjustments to copper revenues.

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 record higher revenue for copper delivered in the period, but it will also record favourable adjustments to revenue for copper delivered in the prior period. Similarly, in a period of declining copper prices, the Company will record lower revenues for current deliveries and negative adjustments to revenue for the prior period's deliveries. For example, copper delivered by the Company in Q1 2004 was recorded as revenue in Q1 2004 at an average price of \$1.3019/lb copper. When the sales prices for these deliveries were fixed in Q2 2004, the average price received was \$1.2487/lb copper, which required negative adjustments to recorded revenues of \$370,561 in Q2. By contrast, in Q1 there were positive adjustments to recorded revenue of \$1,980,021 related to copper delivered in November and December 2003.



In addition to the adjustments to revenue described above, on receipt of final Q1 copper delivery settlements by the smelter Enami, the Company recognized further revenue reductions of \$248,777 in Q2 related to contained metal in concentrate adjustments. The aggregate effect of these adjustments in effect brings down Q1 revenue from 2004 sales to \$7,639,361. Q2 sales, at June 30, 2004 prices, account for revenue of \$8,814,503, derived from the sale of 7.33 million pounds of copper at an average price of \$1.2020/lb copper, a volume increase of 14% over final settled sales of 6.41 million pounds in Q1. As a result of these adjustments and lower copper prices, reported revenue in Q2 is approximately \$2 million lower than in Q1 even though actual copper production was higher in Q2.

Production

Production in Q2 was 7.73 million pounds of copper, compared to 6.78 million pounds in Q1. Due to the receipt of lower sulphide grade material from El Teniente, MVC production was below budget, although still 14% higher than in Q1. Receipt of this lower sulphide grade material continued in July 2004. El Teniente has made a public statement to the effect that their mine development is behind schedule but production is expected to return to the original schedule by year end.

MVC will start increasing the recovery of tailings from Colihues in the 2nd half of August 2004, one month behind schedule due to delays in the delivery of key equipment. As a result of this late commissioning and continuing lower sulphide grade materials, production in the third quarter will be below budget, although the Company anticipates it will again be higher than in the June 2004 quarter. Total production of copper in 2004 is expected to be above 14,000 tonnes, but approximately 10% below the forecast of 16,000 tonnes.

Operating Cash Flows

In the quarter ended June 30, 2004, the Company's operating activities contributed to operating cash flow of \$3,700,531, 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 \$2,166,247. These operating cash flows can be found in the Company's Consolidated Statements of Cash Flows for the three months ended June 30, 2004 and March 31, 2004, respectively under Net Cash Used in Operating Activities.

In preceding quarters, the Company reported cash flow from operations calculated simply by adding back amortization, depreciation and asset retirement accretion costs to operating profits. Under this basis, cash flow from operations was \$4,974,058 in Q1 and \$2,568,514 in Q2.

It is the Company's view that operating cash flows that include the effects of changes in non-cash working capital provides a more meaningful view of the actual cash generated or used by MVC in a given period. Accordingly, the Company will in future report quarterly cash flows on this basis.

Operating Costs and Expenses

Cash costs before Codelco royalty of 59c per pound were lower than the 64c per pound achieved in the previous quarter, primarily due to higher production levels. Total cost after royalty, depreciation and accretion was US78c per pound. Actual production costs were below budget due to lower variable costs as a result of lower than budgeted production.

Cost of sales during the quarter was \$5,959,650, allowing for operating profits of \$2,258,504. When adding back amortization, depreciation and accretion costs, Amerigo reported adjusted gross profits of \$2,568,514 in the quarter.

Year to date, operating costs at MVC other than royalty payments to Codelco have been 9% below budget, representing savings of \$613,269.



Costs not related to MVC's operations are identified as Other Income and Expenses. The two most significant non-operating items in the quarter are of a non-recurring nature, namely:

- A gain on disposition of mineral properties of \$146,259, derived from the sale to Nikos Explorations Ltd. of three Canadian mineral properties held by Amerigo, for consideration of 5,000,000 Nikos shares received on June 2004 and a further 5,000,000 shares in the event Nikos retains an interest in the properties on June 30, 2005.
- A loss on writedown of mineral properties of \$49,529, which results from fully writing-down the value of two other Canadian mineral properties held by Amerigo.

After the sale and writedown described above, Amerigo ceased holding exploration interests.

During the quarter ended June 30, 2004 the Company also recorded a stock-based compensation expense of \$41,153 derived from the application of newly enacted accounting standards whereby the fair value of new stock options granted to directors, officers and employees has to be calculated and charged to earnings.

In the three months ended June 30, 2004 Amerigo recorded a foreign exchange expense of \$93,025, derived from the appreciation of the Chilean peso and the Canadian dollar to the US dollar in the period. In the quarter, the Chilean peso's exchange rate moved from \$604.46 to \$615.72 with respect to the US dollar and the Canadian dollar exchange to the US dollar changed from \$1.3075 to \$1.3440.

Interest expense in the quarter of \$26,169 is materially derived from interest paid to a Canadian bank pursuant to a \$12.6 million loan to the Company, which was part of an interim intercompany financing structure. On June 2004, an alternative structure was implemented whereby no interest expense is paid to third parties and intercompany interest charges are eliminated on consolidation.

Other income and expense items not described in the preceding paragraphs can be categorized as general and administrative expenses. In the quarter ended June 30, 2004 these were \$93,351, consistent with general and administrative costs incurred in preceding quarters and with anticipated costs required to maintain Amerigo's corporate activities in subsequent periods.

The Company recorded income tax expense net of recoveries of \$360,092 in the second quarter, of which \$300,127 is income tax on net earnings generated in MVC. Due to the availability and utilization of loss carryforwards in MVC, there is no tax cash payment associated with the MVC tax expense.

Year-to-date to June 30, 2004

Net earnings during the six months ended June 30, 2004 were \$5,401,640 or \$0.09 per share (non-diluted). On a diluted basis, earnings per share were \$0.06.

Revenues in the period were \$18,456,874 derived from the sale of 13.74 million pounds of copper.

The Company continued to operate its MVC operation in optimal conditions during the period, achieving a cost of sales of \$11,503,443 and operating profits of \$6,953,431. When adding back amortization, depreciation and asset retirement accretion cost, Amerigo reported adjusted gross profits of \$7,542,572 in the six months ended June 30, 2004.

Non-operating income and expenses in the six-month period were \$730,249, or 4% of revenue. The most significant line of expense is foreign exchange expense of \$320,924, derived from the appreciation of the Chilean peso and the Canadian dollar with respect to the US Dollar in the six months ended June 30, 2004.

Transfer agent and filing fees of \$136,523 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.

Income tax expense net of recoveries reached \$603,852 in the period, of which \$543,887 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 June 30, 2004	Qtr ended March 31, 2004	Qtr ended Dec. 31, 2003 *	Qtr ended Nov. 30, 2003
Total revenues	\$8,218,154	\$10,238,720	\$2,837,890	\$5,869,049
Net income (loss)	1,625,458	3,776,182	372,621	1,017,089
Earnings (loss) per share	0.0256	0.0613	0.0062	0.0177
Diluted earnings (loss) per share	0.0188	0.0435	0.0043	0.0120

	Qtr ended August 31, 2003	Qtr ended May 31, 2003	Qtr ended Feb. 28, 2003	Qtr ended Nov. 30, 2002
Total revenues	\$3,536,211	Nil	\$14,047	\$71,445
Net income (loss)	537,313	(\$46,010)	(36,930)	(50,102)
Earnings(loss) per share	0.0125	(0.01)	(0.01)	-
Diluted earnings (loss) per share	0.0144	(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 June 30, 2004 of \$8,044,947, 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 \$1,127,672 from the exercise of stock purchase warrants in the period.

The Company's working capital on June 30, 2004 was \$8,612,138, while on December 31, 2003 it was \$4,321,297. 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
February	1.2521	May	1.2402
March	1.3651	June	1.2190

The Company's long-term debt at June 30, 2004 was \$3,810,721, compared to \$5,153,654 on December 31, 2004. The reduction in long-term debt comes from the repayment of working capital loans to Enami during the first quarter of 2004. As part of its long-term debt, Amerigo has issued a \$3,400,000 note payable in connection with the acquisition of MVC. The note, together with accrued interest, will be paid 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 within two years counted from the end of the three-year period plus interest at an annual rate of 5%.

Also in connection with the acquisition of MVC, the Company implemented an interim financing structure under which it pledged \$12,600,000 as collateral for a demand loan of \$12,600,000 advanced by a Canadian owned bank. The financing structure has now been finalised, and the loan has been fully repaid.

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



As of June 30, 2004 the Company had 1,755,000 outstanding share purchase options (with exercise prices ranging from C\$0.20 to C\$1.55) and 21,473,516 outstanding share purchase warrants (with exercise prices ranging from C\$0.20 to C\$0.70). During the six months ended June 30, 2004, 75,000 share purchase options were granted to an officer of the Company and 3,275,701 warrants were exercised for net proceeds of \$1,127,672.

Investing activities

The Company has been able to complete significant plant expansions in MVC, without relying on additional capital 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. Optimisation work on the new flotation cells continued in the quarter ended June 30, 2004. The Phase 1 expansion represented in aggregate an investment of \$2,475,000, \$525,000 below the \$3,000,000 original budget. Of the \$891,818 expended for the purchase of property, plant and equipment in Q2, approximately \$490,000 was expended on the purchase of plant and equipment for the Phase 1 expansion.

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. Negotiations with El Teniente progress well 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.

On June 17, 2004, the Company announced it will proceed to construct 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. Notwithstanding recent molybdenum oxide prices of \$16 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 \$2.1 million will be required to build the extraction plant in a six-month period once detailed engineering is complete. The project capital expenditure will be funded with MVC's operating cash flow and cash on hand. Commissioning is expected in the first half of 2005.

Maintenance expenditure for the second half of the fiscal year is estimated to be \$1,400,000. These expenditures will be met from MVC operating cashflow.

New Board Appointments

Dr. Robert Gayton and Mr. Ruston Goepel have agreed to join the Amerigo Board of Directors effective August 15, 2004. Both men are very experienced businessmen and are most valuable additions to the Board.

Dr. Robert Gayton graduated from the University of British Columbia (UBC) in 1962 with a Bachelor of Commerce and in 1964 earned the Chartered Accountant designation while at Peat Marwick Mitchell. He joined the Faculty of Business Administration at UBC in 1965, beginning 10 years in the academic world, including time at the University of California, Berkeley, earning a Ph.D. in Business. Dr. Gayton rejoined Peat Marwick Mitchell in 1974 and became a partner in 1976 where he provided audit and consulting services to private and public company clients for 11 years. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987. He currently serves as Director and Chairman of the Audit Committee for Bema Gold Corp., Western Silver Corp., Nevsun Resources Ltd. and Northern Orion Resources Inc. among others.

Mr. Ruston Goepel is Senior Vice President at Raymond James Ltd. He entered the investment business in 1968 specializing in institutional sales with Ryan Investments and Pemberton Securities Ltd. In 1989 he was a founding partner and CEO of Goepel Shields & Partners, a national securities dealer which was acquired by Raymond James Inc. -the 8th largest U.S. brokerage firm- in January 2001. Mr. Goepel is Chairman of the



Business Council of British Columbia and a Director and Chairman of the Nominating and Governance Committee of the Vancouver 2010 Olympic Organizing Committee. Mr. Goepel is a past member of the Executive Committee of the Investment Dealers Association of Canada and a Past Governor of the Vancouver Stock Exchange. He is also a Director of a number of Canadian companies. Mr. Goepel was the recipient of the Queen's Jubilee Medal for Business Leadership and Community Service.

Mr. Ian Gallie has tendered his resignation to the Board of Directors with effect from the same date.

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 June 30, 2004.

Other MD&A Requirements

As of August 9, 2004, the Company has 63,583,177 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.