

# **Corriente Resources Inc.**

- Auditor Review
- Consolidated Financial Statements

March 31, 2005

(Unaudited)

## **AUDITOR REVIEW**

May 10, 2005

### **To the Shareholders of Corriente Resources Inc.**

The company's auditors have not reviewed the unaudited financial statements and accompanying financial information contained in the company's interim report for the period ended March 31, 2005.

"Darryl F. Jones"

Darryl F. Jones, CA  
Chief Financial Officer

## **President's Message**

The highlight of the quarter was the announcement on April 14<sup>th</sup> that the Mirador feasibility study was complete and the results are positive. The project has a Pre-Tax Net Present Value of \$US 78 Million (at \$1.00/lb copper) and \$US 191 Million (at \$1.15/lb copper); note that the current price of copper is near \$US 1.50/lb. With this milestone accomplishment, Corriente can move forward on several fronts. Firstly, additional work will be completed at Mirador for expansion studies to review the impact of increasing throughputs at the mine within the range of 35,000 to 75,000 tonnes/day. This work includes drilling, currently underway within the Mirador block model, to upgrade the inferred mineral resource categories and geotechnical drilling to aid in the analysis of increasing pit wall slopes. Additional drilling is also being planned to provide better definition of the mine model for the first three years of planned production. This drilling should be completed by the third quarter this year.

Secondly, Corriente is in discussions with lending institutions and potential mining partners about how best to structure the financing for the 25,000 tonnes/day Mirador starter project. We are considering various proposals, including taking on senior mining company partners for the project, merging with smaller base metal producers or bringing the project into production as operator. The last option would likely involve smelting partners who would help to provide debt and equity participation in the project in exchange for off-take contracts. Engineering work continues on the Sabanilla run-of-river 30 MW hydroelectric project which is planned to be part of the overall infrastructure development related to Mirador. Work on the Environmental Impact Assessment continues with a target of submitting the application for the Environmental License during the second quarter this year. The Community Relations Plan is also under development and will be submitted at the same time as the Environmental License application. Corriente continues to focus on building relationships with the stakeholders in the Mirador area as part of a long term effort to lever opportunities for the local community from the infrastructure growth provided through the development of a mine at Mirador.

Corriente continues to pursue its vision of staged development at Mirador and the balance of the copper projects in the Corriente Copper Belt. Realization of this vision is being initiated with the 25,000 tonne/day starter project at Mirador which then leads to expansion and additional mineral resource development opportunities in the Belt. The growth plan being pursued by Corriente is relatively unique in the copper development sector which is currently dominated by single projects with limited expansion potential.

Exploration work is also ongoing in the Belt and results of recent activities have led to the acquisition of 5,400 hectares of concessions which have intriguing occurrences of newly discovered copper sulphide mineralization. Planning of a follow-up exploration program on the new concessions is currently underway.

During the period of recent changes in the government of Ecuador, including the office of the President, Corriente has continued to work on developing Mirador with no interruption or delays. We see no reason why project schedules will change because of these events.

On behalf of the Board,

Kenneth R. Shannon  
President and Chief Executive Officer

May 10, 2005

# Corriente Resources Inc.

Consolidated Balance Sheet

In Canadian Dollars

**As at March 31, 2005 (Unaudited)**

	March 31, 2005 (Unaudited)	December 31, 2004
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,197,777	\$ 12,602,827
Marketable securities (note 10)	1,706,000	554,000
Accounts receivable and prepaid expenses	276,532	153,133
	<u>12,180,309</u>	<u>13,309,960</u>
<b>Mineral properties (note 3)</b>	27,553,713	25,220,211
<b>Property, plant and equipment (note 4)</b>	261,772	266,749
<b>Deferred power project costs (note 5)</b>	<u>2,180,598</u>	<u>1,704,662</u>
	<u>\$ 42,176,392</u>	<u>\$ 40,501,582</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 644,647	\$ 746,567
<b>Shareholders' Equity</b>		
<b>Share capital (note 6 (b))</b>	83,525,397	83,525,397
<b>Options (note 6 (c))</b>	1,722,217	1,655,163
<b>Share purchase warrants (note 6 (d))</b>	96,455	96,455
<b>Contributed surplus</b>	930,660	930,660
<b>Deficit</b>	<u>(44,742,984)</u>	<u>(46,452,660)</u>
	<u>41,531,745</u>	<u>39,755,015</u>
	<u>\$ 42,176,392</u>	<u>\$ 40,501,582</u>

Approved by the Board of Directors

"G. Ross McDonald" Director

"Leonard Harris" Director

The accompanying notes are an integral part of these consolidated financial statements.

# **Corriente Resources Inc.**

Consolidated Statement of Operations and Deficit

In Canadian Dollars

**For the three month period ended March 31, 2005 (Unaudited)**

	2005 \$	2004 \$
<b>Exploration</b>		
General exploration	109	—
<b>Administration</b>		
Management fees, wages and benefits	103,191	108,659
Investor relations and promotion	38,570	25,853
Regulatory fees	34,245	18,660
Legal and accounting	22,662	15,412
Travel	20,235	27,271
Rent and utilities	17,521	22,771
Insurance	16,839	11,070
Office and miscellaneous	6,447	9,616
Printing and shareholder information	3,977	6,588
Depreciation	3,195	3,048
Transfer agent fees	1,128	2,200
	<u>268,010</u>	<u>251,148</u>
<b>Other</b>		
Recovery on mineral property previously written off (note 3 and 9)	(1,882,000)	—
Gain on sale of marketable securities (note 10)	(265,318)	(199,323)
Write-down of marketable securities (note 10)	176,000	—
Interest income	(71,080)	(116,074)
Stock-based compensation (note 6 (c))	67,054	435,569
Foreign exchange loss (gain)	(2,451)	(2,806)
	<u>(1,977,795)</u>	<u>117,366</u>
<b>Loss / (earnings) for the period</b>	<u>(1,709,676)</u>	<u>368,514</u>
<b>Deficit – beginning of period</b>	<u>46,452,660</u>	<u>45,738,598</u>
<b>Deficit – end of period</b>	<u>44,742,984</u>	<u>46,107,112</u>
<b>Basic and diluted loss (earnings) per share</b>	<u>(0.04)</u>	<u>0.01</u>
<b>Weighted average number of shares outstanding</b>	<u>45,421,393</u>	<u>42,785,242</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Corriente Resources Inc.

Consolidated Statement of Cash Flows

In Canadian Dollars

**For the three month period ended March 31, 2005 (Unaudited)**

	2005 \$	2004 \$
<b>Cash flows from (applied to) operating activities</b>		
Gain (loss) for the period	1,709,676	(368,514)
Items not affecting cash		
Shares received on mineral property written off	(1,882,000)	–
Gain on sale of marketable securities	(265,318)	(199,323)
Write-down of marketable securities	176,000	–
Stock-based compensation	67,054	435,569
Depreciation	3,195	3,048
	<hr/>	<hr/>
	(191,393)	(129,220)
Changes in non-cash working capital		
Accounts receivable and prepaids	(123,400)	42,554
Accounts payable and accrued liabilities	(101,920)	(54,967)
	<hr/>	<hr/>
	(416,713)	(141,633)
<b>Cash flows from (applied to) investing activities</b>		
Mineral property costs	(2,323,136)	(1,764,556)
Proceeds from sale of marketable securities	819,318	529,323
Deferred power project costs	(475,936)	–
Payments to acquire property, plant and equipment	(8,583)	(33,427)
	<hr/>	<hr/>
	(1,988,337)	(1,268,660)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital, net of issue costs	<hr/>	4,005,562
<b>Increase (decrease) in cash and cash equivalents</b>	<hr/>	2,595,269
<b>Cash and cash equivalents – beginning of period</b>	<hr/>	18,688,029
<b>Cash and cash equivalents – end of period</b>	<hr/>	21,283,298

## Supplemental cash flow information (note 9)

The accompanying notes are an integral part of these consolidated financial statements.

# **Corriente Resources Inc.**

Notes to Consolidated Financial Statements  
In Canadian Dollars  
**March 31, 2005 (Unaudited)**

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## **1 Nature of operations**

Corriente Resources Inc. and its subsidiaries (collectively, "Corriente" or "the company") are engaged in the exploration and development of mineral properties primarily in Ecuador, South America. The company considers itself to be an exploration and development stage company.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the company to obtain financing to complete their development and future profitable operations or sale of the properties.

Although the company has taken steps to verify the title to mineral properties in which it has an interest, 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.

## **2 Significant accounting policies**

### **Basis of presentation**

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual audited financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2004.

## **3 Mineral properties**

### **Corriente Copper Belt, Ecuador**

Under various agreements signed with certain Ecuadorian subsidiaries of BHP Billiton LLC ("BHP Billiton"), the company has earned a 100% interest in BHP Billiton's resource properties located in the Rio Zamora copper porphyry district (Corriente Copper Belt), in Ecuador. This required the issue of shares to BHP Billiton and the expenditure of exploration funds under the terms of these agreements. Additionally, these resource properties are subject to a 2% Net Smelter Royalty ("NSR") payable to BHP Billiton, though the company has the option to reduce the NSR to 1% for the Mirador/Mirador Norte, Panantza and San Carlos resource properties upon the payment of US\$2 million to BHP Billiton.

During 2004, J. David Lowell exercised his option to acquire the company's interest in the Warintza resource concession in exchange for his 10% interest in Corriente's interests in the remaining concessions in the Corriente Copper Belt. As a result, the company has complete ownership of its Corriente Copper Belt resource properties. Mineral property costs associated with the Warintza property, in the amount of \$2,461,946, have been re-allocated to the company's other Corriente Copper Belt resource properties.

# **Corriente Resources Inc.**

Notes to Consolidated Financial Statements  
In Canadian Dollars  
**March 31, 2005 (Unaudited)**

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Following is a summary of the company's deferred mineral property expenditures.

<b>Corriente Copper Belt</b>	<b>Mirador/ Mirador Norte</b>	<b>Other (1)</b>	<b>San Carlos</b>	<b>Panantza</b>	<b>Total</b>
Balance December 31, 2004	\$19,884,240	\$ 1,791,875	\$ 64,918	\$ 3,479,178	\$ 25,220,211
Option / acquisition payments	63,311	—	—	—	63,311
Deferred exploration and development costs and re-allocation	2,135,684	25,888	3,149	105,470	2,270,191
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance March 31, 2005	\$ 22,083,235	\$ 1,817,763	\$ 68,067	\$ 3,584,648	\$ 27,553,713

(1) – comprised of the La Florida, San Luis, San Marcos, San Miguel, Sutzu and Trinidad copper and copper-gold exploration targets in the Corriente Copper Belt

## **Other**

In 2003, the company sold its shares of its wholly-owned subsidiaries, Corriente Argentina Inc. (Cayman) and Corriente Argentina S.A. (Argentina), including its 100% interest in the Taca-Taca property in Argentina. Over five years from the date of the sale agreement, the company was originally scheduled to receive a total of US\$1,150,000 and 300,000 shares of the purchaser. On March 22, 2005, the company and the purchaser executed an amending agreement whereby the purchase price of the Taca-Taca property was changed to US\$ 50,000 and 400,000 shares of the purchaser. Coincident with this amendment, the company received 100,000 shares of the purchaser, which represents the balance of any purchase consideration owing to the company by the purchaser. These shares together with another 100,000 shares of the purchaser received earlier in March 2005 are subject to a regulatory hold period which expires in July 2005 (note 10). Additionally, the purchaser is obligated to pay the company US\$ 1,000,000 upon the Taca-Taca property achieving commercial production. As the collectability of the remaining consideration is uncertain, the foregoing payment obligation will be recorded when received.

Corriente continues to review joint venture projects that are offered under the terms of the December, 2001 Global Exploration Alliance ("Exploration Alliance") with BHP Billiton. To keep the Exploration Alliance agreement in good standing, Corriente has agreed to allocate US\$500,000 in exploration funds for future planned Exploration Alliance joint venture expenditures.

# **Corriente Resources Inc.**

Notes to Consolidated Financial Statements  
In Canadian Dollars  
**March 31, 2005 (Unaudited)**

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## **4 Property, plant and equipment**

	Cost	Accumulated Depreciation	Net
Office furniture and equipment	\$ 67,832	\$ 56,341	\$ 11,491
Computer equipment	196,331	147,285	49,046
Field equipment	39,678	17,176	22,502
Vehicles	222,768	55,385	167,383
Communications equipment	18,284	6,934	11,350
	<hr/> \$ 544,893	<hr/> \$ 283,121	<hr/> \$ 261,772

## **5 Deferred power project costs**

Hidrelgen, S.A., an associated company of Caminosca Caminos y Canales C. Limitada (collectively “Caminosca”) and the company have entered into a joint venture (the “Joint Venture”) to develop, construct, and operate a 30 megawatt hydroelectric generation facility with the associated switchgear and transmission lines on the Sabanilla River (the “Project”), to supply power to the company’s planned Mirador copper mine.

Under the terms of the Joint Venture agreement, the parties are responsible as follows:

- a) Caminosca will contribute the results of all of the engineering design, environmental and other studies that it has done as well as any assets and rights obtained by Caminosca with respect to the Project. Additionally, Caminosca will contribute the services necessary to provide any required completion guarantees associated with the financing of the Project. The value of Caminosca’s contributions has been fixed at \$US 2,450,000. Caminosca will have an initial 18.22% interest in the Joint Venture;
- b) Corriente is responsible for arranging for the equity and/or debt financing of the construction and completion of the Project and required completion guarantees. Additionally, should the company not fulfill or arrange for its required contributions by June 30, 2005 (as amended), the company will lose all interest in the Joint Venture and will pay a \$US 122,500 withdrawal fee to Caminosca. The company will have an initial 81.78% interest in the Joint Venture.

The parties’ ownership percentages will be subject to adjustment based on the actual contributions made by them. Provided that the company completes its contribution commitments, the company has an exclusive option to purchase from Caminosca all of its rights, title and interests in the Joint Venture. The option exercise period expires 5 years from the date of commencement of commercial power production from the Project.

To March 31, 2005, the company has contributed \$2,180,598 to fund the Project’s pre-development activities.

# **Corriente Resources Inc.**

Notes to Consolidated Financial Statements  
In Canadian Dollars  
**March 31, 2005 (Unaudited)**

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## **6 Share capital**

### **a) Authorized**

100,000,000 common shares without par value

### **b) Issued**

	Number of shares	Amount
Balance – December 31, 2004	45,421,393	\$ 83,525,397
Shares issued during the period	–	–
<b>Balance – March 31, 2005</b>	<b>45,421,393</b>	<b>\$ 83,525,397</b>

### **c) Stock options**

The company has a stock option plan whereby the company may grant options to its directors, officers, employees and consultants of up to a total of 6,524,830 common shares (of which 2,390,000 are outstanding and 3,071,000 have been exercised since the inception of the company's stock option plan in 1996, leaving 1,063,830 available for grant). The exercise price of each option is determined in accordance with the company's stock option plan. The option term and vesting period is determined by the Board of Directors, within regulatory guidelines.

	Number of shares	Weighted average exercise price
Options outstanding – December 31, 2004	2,390,000	\$ 1.46
Granted	–	–
Exercised	–	–
<b>Options outstanding – March 31, 2005</b>	<b>2,390,000</b>	<b>\$ 1.46</b>
 Options outstanding and exercisable – March 31, 2005	 2,340,000	 \$ 1.42

During the period ended March 31, 2005, the company has recorded the change in fair value of options previously granted and now vested as stock-based compensation expense of \$67,054 (2003 - \$435,569). This fair value is estimated using the Black-Scholes Option Pricing Model with the following assumptions.

Risk-free interest rate	2.71–3.71%
Expected dividend yield	–
Expected stock price volatility	67–72%
Expected option life in years	3

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options.

# **Corriente Resources Inc.**

Notes to Consolidated Financial Statements  
In Canadian Dollars  
**March 31, 2005 (Unaudited)**

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## **d) Share purchase warrants**

	Number of warrants	Assigned fair value
Balance – December 31, 2004	1,243,748	\$ 96,455
Issued	–	–
Exercised	–	–
<b>Balance – March 31, 2005</b>	<b>1,243,748</b>	<b>\$ 96,455</b>

No share purchase warrants were issued during the period ended March 31, 2005.

Exercise prices	Warrants outstanding and exercisable at March 31, 2005	Average remaining contractual life (years)
\$ 3.00	993,748	0.1
0.80	250,000	0.2
	<b>1,243,748</b>	<b>0.1</b>

As at April 26, 2005, the company received proceeds of \$200,000 from the exercise of 250,000 outstanding warrants to purchase shares of the company. Additionally, as at May 5, 2005, the remaining warrants to purchase 993,748 shares at \$3.00 per share expired.

## **7 Related party transactions and balances**

- a) Included in management fees, wages and benefits and in mineral properties and investor relations are expenditures of \$56,863 (2004 - \$59,948), \$122,000 (2003 - \$83,000) and \$25,000 (2003 - \$25,000), respectively, for the three months ended March 31, 2005 in respect of administrative and technical services provided by employed officers and companies affiliated through common officers. At March 31, 2005, \$9,339 (2003 - \$3,807) was due to an officer.
- b) During the three months ended March 31, 2005, the company incurred independent directors' fees of \$12,700 (2003 - \$13,500) of which \$12,700 is due to related parties at March 31, 2005. All amounts due are non-interest bearing.

# **Corriente Resources Inc.**

Notes to Consolidated Financial Statements  
In Canadian Dollars  
**March 31, 2005 (Unaudited)**

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## **8 Segmented information**

The company operates within a single operating segment, which is mineral exploration and development. The company's mineral property interests are in South America, as set out in note 3. Geographic segmentation of property, plant and equipment and mineral properties as at March 31, 2005 is as follows:

	Mineral properties	Property, plant and equipment	Deferred power project costs
Canada	\$ —	\$ 42,145	\$ —
Ecuador	\$ 27,553,713	\$ 219,627	\$ 2,180,598
	\$ 27,553,713	\$ 261,772	\$ 2,180,598

## **9 Supplemental cash flow information**

During the three month period ended March 31, 2005, the company received interest of \$75,151 (2004 - \$27,073).

Cash and cash equivalents at March 31 comprise the following:

	2005	2004
	\$	\$
Cash on hand and balances with banks	(219,579)	209,230
Short-term investments	<u>10,417,356</u>	<u>21,074,068</u>
	<u>10,197,777</u>	<u>21,283,298</u>

During the periods ended March 31, 2005 and 2004, the company conducted non-cash operating, investing and financing activities as follows:

	2005	2004
	\$	\$
Mineral properties – non-cash deferred exploration	(35,630)	(6,749)
Recovery on mineral properties previously written off	1,882,000	—

## **10 Financial instruments**

The company does not use any derivative financial instruments. At March 31, 2005 the carrying value of cash and cash equivalents, short-term investments, accounts receivable and prepaid expenses, accounts payable and accrued liabilities approximate their fair values based on the short-term nature of the instruments.

As of March 31, 2005, marketable securities received on the recovery of mineral properties previously written off by the company are carried at a cost which was written down by \$176,000 to their quoted market value of \$1,706,000.

During the period ended March 31, 2005, the company sold other marketable securities (with a carrying value of \$554,000) for net proceeds of \$819,318, realizing a net gain of \$265,318.