# Corriente Resources Inc.

- Auditor Review
- Consolidated Financial Statements

September 30, 2005

(Unaudited)

## AUDITOR REVIEW

November 7, 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 September 30, 2005.

*"Darryl F. Jones"*
Darryl F. Jones, CA
Chief Financial Officer

## Chairman's Message to Shareholders

Our main focus for the past quarter has been the completion of the optimization work on the Mirador Project. The project has had over 50% more drill holes completed since the Feasibility Study was released in April earlier this year. This extra drilling has allowed Corriente's geological staff to construct a much more accurate 3-D geological model that reduces dilution by low grade zones and should reduce the amount of inferred tonnage within the pit model, thereby increasing our indicated tonnage. Additionally, this work should significantly improve our Mirador economic model and will lead to the establishment of a Development Plan at Mirador that will guide our project through the financing and construction phases over the next two years. Results of the optimization work will be released during the next quarter as they become available.

The Mirador Environmental Impact Assessment is nearing completion and we plan to submit the finished EIA to the government authorities following a community consultation process during the next quarter. Review and approval of the EIA is targeted for the first quarter of 2006. The company continues to have good relations and support for the project within the local communities around Mirador. This support base has been slowly built up through the company's community relations work over the past ten years.

In mid-September, Mr. Tom Milner was appointed as President of Corriente and will be responsible for the execution of the Mirador Development Plan. Mr. Milner's background as a mine developer and operator will significantly enhance our execution of our strategies for advancing Corriente towards mid-tier producer status.

During the past quarter, Corriente management held discussions with several major mining companies which were focused on joint venture development of our exploration projects in the Corriente Copper Belt that are outside of Mirador. These discussions are continuing, with the objective of having parallel development take place in the Belt with the construction of our 100% owned Mirador project in the south and advanced engineering studies being carried out in Corriente's Panantza-San Carlos and surrounding exploration concessions.

On behalf of the Board,

*"Ken Shannon"*
Kenneth R. Shannon
Chairman and Chief Executive Officer

November 7, 2005

# Corriente Resources Inc.

Consolidated Balance Sheet
In Canadian Dollars
**As at September 30, 2005 (Unaudited)**

| | September 30, 2005 (Unaudited) | December 31, 2004 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 6,229,160 | $ 12,602,827 |
| Marketable securities (note 10) | 9,661 | 554,000 |
| Accounts receivable and prepaid expenses | 159,536 | 153,133 |
| | 6,398,357 | 13,309,960 |
| **Mineral properties** (note 3) | 32,284,331 | 25,220,211 |
| **Property, plant and equipment** (note 4) | 272,251 | 266,749 |
| **Deferred power project costs** (note 5) | 2,748,689 | 1,704,662 |
| | $ 41,703,628 | $ 40,501,582 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 7) | $ 224,790 | $ 746,567 |
| **Shareholders' Equity** | | |
| **Share capital** (note 6 (b)) | 84,420,762 | 83,525,397 |
| **Options** (note 6 (c)) | 2,652,377 | 1,655,163 |
| **Share purchase warrants** (note 6 (d)) | – | 96,455 |
| **Contributed surplus** | 930,660 | 930,660 |
| **Deficit** | (46,524,961) | (46,452,660) |
| | 41,478,838 | 39,755,015 |
| | $ 41,703,628 | $ 40,501,582 |

**Approved by the Board of Directors**

*"G. Ross McDonald"* Director

*"Richard P. Clark"* 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 nine months ended September 30, 2005 (Unaudited)**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| **Exploration** | | | | |
| General exploration | $ **10,863** | $ 5,000 | $ **19,235** | $ 5,000 |
| **Administration** | | | | |
| Management fees, wages and benefits | **129,085** | 120,985 | **335,387** | 333,611 |
| Investor relations and promotion | **118,520** | 23,891 | **184,111** | 69,137 |
| Printing and shareholder information | **2,838** | 5,648 | **61,076** | 66,443 |
| Rent and utilities | **17,441** | 17,909 | **53,466** | 59,290 |
| Insurance | **16,780** | 13,932 | **50,635** | 36,634 |
| Legal and accounting | **682** | 11,218 | **42,484** | 50,725 |
| Travel | **3,844** | 11,030 | **42,379** | 57,028 |
| Regulatory fees | **75** | 1,075 | **39,320** | 26,735 |
| Office and miscellaneous | **6,009** | 5,573 | **19,381** | 23,099 |
| Transfer agent fees | **1,682** | 2,071 | **11,971** | 15,590 |
| Depreciation | **4,270** | 3,345 | **11,322** | 10,865 |
| | **301,226** | 216,677 | **851,532** | 749,157 |
| **Other** | | | | |
| Recovery on mineral property previously written off (notes 3 and 9) | **(88,320)** | – | **(1,970,320)** | – |
| Stock-based compensation | **1,008,918** | 239,711 | **1,224,274** | 830,809 |
| Write-down of marketable securities (note 10) | **–** | – | **176,000** | – |
| Interest income | **(39,836)** | (85,360) | **(164,183)** | (301,234) |
| Gain (loss) on sale of marketable securities (note 10) | **195,304** | – | **(70,014)** | (199,323) |
| Foreign exchange loss (gain) | **16,051** | 48,746 | **5,777** | 52,248 |
| | **1,092,117** | 203,097 | **(798,466)** | 382,500 |
| **Loss for the period** | **1,404,206** | 424,774 | **72,301** | 1,136,657 |
| **Deficit – beginning of period** | **45,120,755** | 46,450,481 | **46,452,660** | 45,738,598 |
| **Deficit – end of period** | **$ 46,524,961** | $ 46,875,255 | **$ 46,524,961** | **$** 46,875,255 |
| **Basic and diluted loss per share** | $ **0.03** | $ 0.01 | **$ 0.00** | **$** 0.03 |
| **Weighted average number of shares outstanding** | **45,923,597** | 45,149,933 | **45,669,085** | 44,367,416 |

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 nine months ended September 30, 2005 (Unaudited)**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| **Cash from (applied to) operating activities:** | | | | |
| Loss for the period | **$ (1,404,206)** | $ (424,774) | **$ (72,301)** | $ (1,136,657) |
| Items not affecting cash | | | | |
| Shares received on mineral property previously written off | – | – | **(1,882,000)** | – |
| Stock-based compensation | **1,008,918** | 239,711 | **1,224,274** | 830,809 |
| Gain on sale of marketable securities | **195,304** | – | **(70,014)** | (199,323) |
| Write-down of marketable securities | – | – | **176,000** | – |
| Depreciation | **4,270** | 3,345 | **11,322** | 10,865 |
| | **(195,714)** | (181,718) | **(612,719)** | (494,306) |
| Changes in non-cash working capital | | | | |
| Accounts receivable and advances | **31,526** | 11,806 | **(6,403)** | 75,326 |
| Accounts payable and accrued liabilities | **(565,576)** | 9,701 | **(521,777)** | 188,260 |
| | **(729,764)** | (160,211) | **(1,140,899)** | (230,720) |
| **Investing activities** | | | | |
| Mineral property costs | **(1,871,821)** | (2,382,357) | **(6,937,288)** | (6,587,925) |
| Proceeds from sale of marketable securities | **1,501,034** | – | **2,320,352** | 529,323 |
| Deferred power project costs | **(85,924)** | (655,730) | **(1,044,027)** | (889,050) |
| Payments to acquire property, plant and equipment | **(80,638)** | (26,223) | **(143,655)** | (183,310) |
| | **(537,349)** | (3,064,310) | **(5,804,618)** | (7,130,962) |
| **Financing activities** | | | | |
| Proceeds from issuance of share capital, net of issue costs | **158,000** | 27,300 | **571,850** | 4,032,862 |
| **Increase (decrease) in cash and cash equivalents** | **(1,109,113)** | (3,197,221) | **(6,373,667)** | (3,328,820) |
| **Cash and cash equivalents – beginning of period** | **7,338,273** | 18,556,430 | **12,602,827** | 18,688,029 |
| **Cash and cash equivalents – end of period** | **$ 6,229,160** | $15,359,209 | **$ 6,229,160** | $15,359,209 |

**Supplemental cash flow information** (note 9)

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

## 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.

In Canadian Dollars

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

| **Corriente Copper Belt** | **Mirador/ Mirador Norte** | **Other** (1) | **San Carlos** | **Panantza** | **Total** |
|---|---|---|---|---|---|
| Balance December 31, 2004 | $19,884,240 | $ 1,791,875 | $ 64,918 | $ 3,479,178 | $ 25,220,211 |
| Option / acquisition payments | 109,399 | – | – | – | 109,399 |
| Deferred exploration and development costs | 4,855,648 | 25,888 | 6,152 | 124,491 | 5,012,179 |
| Balance June 30, 2005 | $ 24,849,287 | $ 1,817,763 | $ 71,070 | $ 3, 603,669 | $ 30,341,789 |
| Option / acquisition payments | 182,632 | – | – | – | 182,632 |
| Deferred exploration and development costs | 1,726,009 | – | 11,955 | 21,946 | 1,759,910 |
| Balance September 30, 2005 | $ 26,757,928 | $ 1,817,763 | $ 83,025 | $ 3,625,615 | $ 32,284,331 |

(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 were subject to a regulatory hold period which expired 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 collectibility 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.

In Canadian Dollars

## 4 Property, plant and equipment

| | Cost | Accumulated Depreciation | Net |
|---|---|---|---|
| Computer equipment | $ 213,590 | $ 156,530 | $ 57,060 |
| Vehicles | 201,770 | 39,629 | 162,141 |
| Office furniture and equipment | 71,047 | 57,934 | 13,113 |
| Field equipment | 50,417 | 20,231 | 30,186 |
| Communications equipment | 18,284 | 8,533 | 9,751 |
| | $ 555,108 | $ 282,857 | $ 272,251 |

## 5 Deferred power project costs

In March 2004, the company entered into a joint venture (JV) with Hidrelgen, S.A. (Hidrelgen), an associated company of Caminosca Caminos y Canales C. Limitada (collectively referred to as Caminosca), to develop, construct, and operate a 30 megawatt run-of-river hydroelectric generation facility with the associated switchgear and transmission lines on the Sabanilla River (Sabanilla Power Project, or SPP), to supply power to Corriente's planned Mirador copper mine.

Under the terms of the JV Agreement:, Caminosca would contribute the results of all of its engineering design, environmental and other studies as well as any assets and rights obtained by Caminosca with respect to the SPP. Pursuant to the JV Agreement, Corriente was responsible for arranging for the equity and/or debt financing for the then construction and completion costs for the SPP and required completion guarantees by June 30, 2005 (as amended) or the company would lose all interest in the JV and be obligated to pay a US$ 122,500 withdrawal fee to Caminosca.

However, as a result of unfavourable Ecuador power project financing market conditions, Corriente was unable to meet the June 30, 2005 deadline. The company is in negotiations with Caminosca on a new agreement to better meet the parties' objectives. Corriente is a 5% shareholder of Hidrelgen. Upon the conclusion or substantial completion of these negotiations, Management will determine whether the value of the company's contributions to the SPP, totalling $2,748,689 (US$2,245,000) to September 30, 2005, has been impaired, and the appropriateness of any recognition of the withdrawal fee or a writedown.

In Canadian Dollars

## 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 |
| Issued during the period | | | |
| For cash | | | |
| Exercise of options | 235,000 | | 213,850 |
| Exercise of warrants | 250,000 | | 200,000 |
| For other consideration | | | |
| Fair value of options transferred on exercise (note 6 (c)) | – | | 128,868 |
| Fair value of warrants transferred on exercise (note 6 (d)) | – | | 96,455 |
| Balance – June 30, 2005 | 45,906,393 | | 84,164,570 |
| Issued during the period | | | |
| For cash | | | |
| Exercise of options | 200,000 | | 158,000 |
| For other consideration | | | |
| Fair value of options transferred on exercise (note 6 (c)) | – | | 98,192 |
| Balance – September 30, 2005 | 46,106,393 | $ | 84,420,762 |

**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 2,895,000 are outstanding and 3,506,000 have been exercised since the inception of the company’s stock option plan in 1996, leaving 123,830 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.

In Canadian Dollars

| | Number of shares | | Weighted average exercise price |
|---|---|---|---|
| Options outstanding – December 31, 2004 | 2,390,000 | $ | 1.46 |
| Granted | 100,000 | | 2.15 |
| Exercised | (235,000) | | 0.91 |
| Options outstanding and exercisable – June 30, 2005 | 2,255,000 | $ | 1.55 |
| Granted | 840,000 | | 2.53 |
| Exercised | (200,000) | | 0.79 |
| Options outstanding and exercisable – September 30, 2005 | 2,895,000 | $ | 1.89 |

During the period ended September 30, 2005, the company has recorded the fair value of the 940,000 (2004 – 515,000) options granted as stock-based compensation expense of $1,224,274 (2004 - $830,809). This fair value is estimated using the Black-Scholes Option Pricing Model with the following assumptions.

| | |
|---|---|
| Risk-free interest rate | 2.71– 3.78% |
| Expected dividend yield | – |
| Expected stock price volatility | 66 – 81% |
| 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.

In Canadian Dollars

The following table summarizes information about stock options outstanding and exercisable at September 30, 2005:

| Exercise prices | Options outstanding and exercisable at September 30, 2005 | Remaining contractual life (years) |
|---|---|---|
| $ 3.55 | 100,000 | 1.8 |
| 3.32 | 275,000 | 1.4 |
| 3.25 | 40,000 | 2.0 |
| 3.16 | 100,000 | 1.7 |
| 2.99 | 300,000 | 2.9 |
| 2.27 | 540,000 | 2.8 |
| 2.15 | 100,000 | 2.7 |
| 1.28 | 310,000 | 0.9 |
| 1.14 | 25,000 | 0.4 |
| 0.90 | 625,000 | 0.7 |
| 0.89 | 480,000 | 0.8 |
| | 2,895,000 | 1.6 |

On June 1, 2005, the company granted options to its non-management directors to purchase 100,000 common shares at an exercise price of $2.15 per share. On July 25, 2005, the company granted options to certain employees to purchase 540,000 common shares at an exercise price of $2.27 per share. These options expire July 25, 2008. On September 6, 2005, the company granted options to an employee to purchase 300,000 common shares at an exercise price of $2.99 per share. These options expire September 6, 2008.

**d) Share purchase warrants**

| | Number of warrants | Assigned fair value |
|---|---|---|
| Balance – December 31, 2004 | 1,243,748 | $ 96,455 |
| Issued | – | – |
| Exercised | (250,000) | (96,455) |
| Expired | (993,748) | – |
| Balance – September 30, 2005 | – | $ – |

No share purchase warrants were issued during the period ended September 30, 2005.

During the nine months ended September 30, 2005, the company received proceeds of $200,000 from the exercise of 250,000 outstanding warrants to purchase shares of the company. Additionally, warrants to purchase 993,748 shares at $3.00 per share expired May 5, 2005.

In Canadian Dollars

## 7 Related party transactions and balances

a) Included in management fees, wages and benefits and in mineral properties and investor relations are expenditures of $155,800 (2004 - $166,395), $322,695 (2004 - $252,570) and $75,000 (2004 - $75,000), respectively, for the nine months ended September 30, 2005 in respect of administrative and technical services provided by an officer and his affiliated company. At September 30, 2005, $10,000 (2004 - $6,142) was due to this company. All amounts due are non-interest bearing.

b) During the nine months ended September 30, 2005, the company incurred independent directors' fees of $39,000 (2004 - $38,600) of which $12,600 was due to directors at September 30, 2005 (2004 - $12,600). All amounts due are non-interest bearing.

## 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 mineral properties, property, plant and equipment and deferred power project costs as at September 30, 2005 is as follows:

| | Mineral properties | Property, plant and equipment | Deferred power project costs |
|---|---|---|---|
| Canada | $ – | $ 50,541 | $ – |
| Ecuador | 32,284,331 | 221,710 | 2,748,689 |
| | $ 32,284,331 | $ 272,251 | $ 2,748,689 |

In Canadian Dollars

## 9 Supplemental cash flow information

During the nine month period ended September 30, 2005, the company received interest of $149,752 (2004 - $328,135).

Cash and cash equivalents at September 30 comprise the following:

| | 2005 | 2004 |
|---|---|---|
| Cash on hand and balances with banks | $ 411,001 | $ 179,049 |
| Short-term investments | 5,818,159 | 15,180,160 |
| | $ 6,229,160 | $ 15,359,209 |

During the periods ended September 30, 2005 and 2004, the company conducted non-cash operating, investing and financing activities as follows:

| | 2005 | 2004 |
|---|---|---|
| Mineral properties – non-cash deferred exploration | $ (77,809) | $ (29,198) |
| Marketable securities received from sale of subsidiary company | $ 1,882,000 | $ – |

## 10 Financial instruments

The company does not use any derivative financial instruments.

At September 30, 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 September 30, 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 during the period ended September 30, 2005 by $176,000. During the same period, the company sold the majority of these and other marketable securities (with a carrying value of $2,260,000) for net proceeds of $2,320,352, realizing a net gain of $70,014. The carrying value of the remaining marketable securities is $9,662 at September 30, 2005.