FINAL TRANSCRIPT

Amerigo Resources Ltd.

First Quarter 2023 Earnings Conference Call

Event Date/Time: May 4, 2023 — 2:00 p.m. E.T.

Length: 46 minutes

CORPORATE PARTICIPANTS

Graham Farrell
Harbor Access LLC — Investor Relations

Aurora Davidson
Amerigo Resources Ltd. — President and Chief Executive Officer

Carmen Amezquita
Amerigo Resources Ltd. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Steve Ferazani
Sidoti — Analyst

Terry Fisher
CIBC — Analyst

John Polcari
Mutual of America Capital Management — Analyst

David Brown
Private Investor

PRESENTATION

Operator

Good afternoon. My name is JP (phon) and I will be your conference Operator today. At this time, I would like to welcome everyone to the Amerigo First Quarter 2023 Earnings Conference Call. All lines have been placed on mute to prevent any background noise.

After the formal remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, 2.

Mr. Graham Farrell of Harbor Access, Investor Relations, you may begin your conference.

Graham Farrell — Investor Relations, Harbor Access LLC

Thank you, Operator. Good afternoon and welcome, everyone, to Amerigo's quarterly conference call to discuss the Company's financial results for the first quarter of 2023. We are delighted to have you join us today.

This call will cover Amerigo's financial and operating results for the first quarter ended March 31, 2023.

Following our prepared remarks, we will open the conference call to a question-and-answer session.

Our call today will be led by Amerigo's Chief Executive Officer, Aurora Davidson, along with the Company's Chief Financial Officer, Carmen Amezquita.

Before we begin our formal remarks, I would like to remind everyone that some of the statements on this conference call may be forward-looking statements. These statements may include, but are not necessarily limited to, financial projections or other statements of the Company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The Company's actual results may differ significantly from those projected or suggested by any forward-looking statements, due to a variety of factors which are discussed in detail in our SEDAR filings.

I will now hand the call over to Aurora Davidson. Please go ahead, Aurora.

Aurora Davidson — President and Chief Executive Officer, Amerigo Resources Ltd.

Thank you, Graham. Welcome to Amerigo's earnings call for the first quarter of 2023.

I will start with our usual reminder that all dollar figures reported in this call are US dollars, except where we specifically refer to Canadian dollars.

With me on the call is Carmen Amezquita, Amerigo's Chief Financial Officer. I will only make a few comments on financial matters, as Carmen does a great job providing you with the details on Amerigo's quarterly financial results.

This quarter's focus of my remarks is our emerging profile as a uniquely profitable copper producer proving its ability to return tremendous amounts of cash to its shareholders. To be in our position is almost unheard of today, given the severe challenges facing nearly every company producing natural resources.

But Amerigo stands out from our peers, and investors are noticing us. Our success begins with operational excellence, and that's where I will start my comments today.

Amerigo had solid operational results in the first quarter, which provided an excellent start to the year. MVC, our plant in Chile, recovered 16.5 million pounds of copper during the quarter, 4.5 percent above guidance; and molybdenum production was 0.3 million pounds, 5.2 percent above guidance.

Over the last three years, our operational results from MVC have become very consistent, which is extremely important. Consistent operations result in predictable cash flow, where commodity prices are the only variables. Consistency also leads to trust, and the market now recognizes Amerigo as a trustworthy operator.

Our ability to consistently meet or slightly beat our base production targets is a result of the technical excellence of our team in Chile. They are not complacent. They are observant and will opportunistically tweak our concentrator plant to capture additional copper whenever possible.

The MVC team continues to do an excellent job maximizing production from whatever we work with, whether fresh or historical tailings. The production outperformance we witnessed last quarter exemplifies how well our team can react to changes in either of those input streams. Twenty-four hours a day, seven days a week, they will wring out every available pound of copper.

In April, Carmen and I, along with all the members of Amerigo's Board of Directors, visited the MVC operation in Chile. We were also guests of Codelco at the El Teniente mine and the Caren tailings deposit.

For some of our newer investors, El Teniente is the largest underground copper mine in the world. This mine provides us with a fresh tailings stream of input material, and El Teniente has a mine plan that is expected to continue for many decades.

Caren is the name of the dam where all the tailings from El Teniente are deposited, including the tailings that come out of the MVC plant.

As I proudly showed the MVC operation to the Amerigo board members, I reflected on the remarkable transformation of the operation in just over three years. Our team has made numerous changes that have allowed us to produce more copper, operate more reliably, recycle more water, and reduce risks that could impact operational continuity.

All this has been done with low CapEx, timely execution, and a high safety record. Remember that the COVID overhang was also present over most of this period.

The MVC plant and operation strength is the cornerstone of Amerigo's capital return strategy. My outlook for Amerigo is very optimistic. It is based on the reliable operational conditions we have achieved, a strong copper demand/supply outlook, and the long-term nature of our MVC's contract to process tailings.

During the first quarter, Amerigo posted a healthy net income of $9.1 million and earnings per share of $0.05. However, I want to make again an important distinction.

Amerigo is a cash flow story, not an earnings story. In that sense, our EBITDA was $18.5 million, free cash flow to equity was $8.6 million, and capital return to shareholders was $5.5 million.

The Company's cash position increased by $6 million during the quarter.

Amerigo's capital return policy is well built and balanced. Regular quarterly dividends are the cornerstone of this policy. We think consistent dividends provide a big incentive for investors to buy and hold our stock, and we have now declared Amerigo's seventh consecutive quarterly dividend. The regularity and safety of these dividends, with a current yield of 7.5 percent, are paramount to Amerigo.

Since October 2021, when the Company's capital return policy was launched, Amerigo has also repurchased 19.5 million of its shares. This represents almost 11 percent of the issued and outstanding shares when the policy was initiated.

Under the policy, the Company has used $23 million to repurchase shares and paid $22.2 million in dividends. This represents a 51 percent-to-49 percent capital allocation ratio. The balance is readily apparent.

Quarterly dividends and share repurchases are only two of the tools we will ultimately use to return capital to shareholders. We are watching copper prices and, as the progression unfolds towards the levels already seen last year, we will look to use the third pool of our policy, which are performance dividends.

Let me now address why we think it is only a question of when higher copper prices will occur, not if they will occur.

Last quarter, copper prices stabilized and found a floor at around $4 per pound. Yesterday's LME spot price was $3.87 per pound. Short-term data points, such as lower-than-expected consumption or higher-than-anticipated Chinese metal inventories, may have an impact on today's, tomorrow's, maybe next month's, or perhaps even next quarter's copper prices.

But what is relevant is what happens beyond the immediate term. You will not find a serious market analyst who speaks against the fundamentally strong copper outlook. Without a collapse in global demand, the headwinds facing copper producers are just too significant to allow supply to meet the increase in demand. Higher prices are needed to bring on the required new supply.

Energy transition demand for refined copper is a real thing. It is expected to change the geography of copper demand, making developed regions like North America and Europe become increasing consumers of copper again. This is a reversal of decades of declining copper intensity to GDP metrics for much of the developed world.

Copper demand forecasts continue to be adjusted upwards, and future copper supply gaps are expected to grow even more significantly, given the low pipeline of new projects that are ready to start producing copper.

Producing copper continues to be more challenging as time goes by. On previous calls, I have commented on lower ore grades at existing and new mines, water scarcity, and deeper deposits. Beyond these realities, miners must also deal with long and increasing permitting times, ESG matters, and non-incentivizing political and taxation hurdles.

It is a sure bet that the projects that the world needs to bring in new copper supply will likely face delays, and those timing glitches could trigger fast and strong upward copper price movements.

Remember why we continue to make the distinction that Amerigo's not a miner but a copper producer. We do not face many of the same obstacles hindering the mining industry, but we will undoubtedly benefit from them as they manifest themselves in higher prices.

To conclude my remarks, the global landscape is both pressuring and starting to help miners as a new paradigm for critical metals unveils. It will almost certainly spill over into the copper sector. The world is gearing up for a new metals-centric stage of industrialization, and individual countries are determined to keep their share of this value. Recent examples in the news came from Chile, Mexico, Zimbabwe, Indonesia. None of the new government involvement will be helpful in actually increasing production levels of needed materials.

On the opposite side, Japan announced they would subsidize the cost of smelting and mine development projects of critical minerals. The European Union also is actively seeking mutually beneficial partnerships with emerging producers as part of its critical raw materials policy. And the

United States has become a direct investor in rare earths processing facilities and guaranteed loans as part of its push towards US electric vehicle penetration.

Increasingly, copper is being categorized as a critical material, and I will not be surprised when the types of announcements we see for lithium and rare earths are soon made for copper as well. This will be the official acknowledgement of copper's core role in the future, and increasing copper prices will be the signal that precedes this acknowledgement.

The rules of a Monopoly game, mining edition 2023, are being rewritten. In the middle of all of this is increasing impact of ESG, which governments, environmentalists, and investors drive. ESG is an easily visible mark of distinction for Amerigo, and we're working to promote it.

As promised in our last call, Amerigo has launched a new website, where we devote space to highlight our four-year ESG data record, energy footprint, water utilization, safety, diversity, and other metrics. We are in the enviable position to showcase strong ESG credentials that have already been attained, and these credentials can distinctly verify our operation sustainability.

For all these reasons, I hope you'll agree that Amerigo is genuinely in a unique position with a tremendous value proposition for new and existing shareholders.

I will now ask Carmen Amezquita, Amerigo's CFO, to discuss the Company's financial results. Carmen, please go ahead.

Carmen Amezquita — Chief Financial Officer, Amerigo Resources Ltd.

Thank you, Aurora. We are pleased to present the Q1 2023 quarterly financial report from Amerigo and its MVC operation in Chile.

In the first quarter of 2023, Amerigo had a net income of $9.1 million, earnings per share of $0.05 or C$0.07, EBITDA of $18.5 million, and operating cash flow before changes in non-cash working capital of $13.2 million.

On March 31, 2023, the Company had a cash and restricted cash balance of $50.3 million and working capital of $12.6 million, compared to cash and restricted cash balance of $42 million and working capital of $10 million at December 31, 2022.

Amerigo's financial performance is sensitive to copper prices. The Company's average copper price during Q1 2023 was $4.02 per pound, compared to $4.64 per pound in Q1 2022.

Our earnings are also affected by the changes in copper price from one period to the next. This is so because of our M+3 price convention for copper sales, where the final settlement price is the average London Metal Exchange price for the third month following production of copper concentrates.

MVC's Q1 2023 provisional copper price was $4.01 per pound. The final prices for January, February, and March sales will be the average London Metal Exchange prices for April, May, and June, respectively. A 10 percent increase or decrease from the $4.01 per pound provisional price used on March 31, 2023, would result in a $6.6 million change in revenue in Q2 2023 regarding our production from Q1. We now know the April price, which was $4 per pound.

Revenue in Q1 2023 was $52.6 million, compared to $53.8 million in the comparative quarter. This included copper tolling revenue of $44.6 million and molybdenum revenue of $8 million.

Within the copper revenue, the gross copper sales were $66.8 million, and there were positive settlement adjustments of $3.4 million. Then, deducted from revenue, we had $18.4 million in royalties to DET, smelting and refinery costs of $6.7 million, and transportation costs of $0.5 million.

Total tolling and production costs, including depreciation, were $39.2 million. This compares to tolling and production costs of $32.3 million in Q1 2022. Reasons for the increased tolling and production costs included higher power costs, higher direct labour costs, and an increase in other direct tolling costs, mostly due to inflationary pressures and a stronger Chilean peso.

Under other expenses, general and administrative expenses were $1.3 million compared to $1.6 million in Q1 2022, resulting mostly from a decrease in salary, management, and professional fees of $0.3 million.

Other gains were $1.5 million in Q1 2023, compared to $0.7 million. In Q1 2023, the $1.5 million related almost entirely to a foreign exchange gain, whereas in Q1 2022, $1.2 million related to a foreign exchange gain. And this was then offset by $0.6 million in write-downs of obsolete equipment and supplies.

The derivative [audio gap] a $3 million expense, compared to a $0.5 million recovery in Q1 2022. This was due to the change in the fair value of the liability as a result of the change in discount rates used on the calculation of the present value. In Q1 2022, the discount rates increased, thereby decreasing liability [audio gap], but then the discount rates decreased in Q1 2023, resulting in an expense.

The Company's finance expense in Q1 2023 was $0.8 million compared to a recovery of $0.1 million in Q1 2022, given changes in the mark-to-market position of interest rate swaps.

In Q1 2023, the Company recognized an income tax expense of $3.5 million, with a current tax expense of $5.6 million, offset by a deferred income tax recovery of $2.1 million.

In respect of cash flow in Q1 2023, cash flow generated from operating activities, before working capital changes, was $13.2 million, with cash generated of $18.2 million after working capital changes.

Cash flow used in investing activities was $4.4 million, which related entirely to the purchase of plant and equipment.

Cash flow used in financing activities was $7.7 million, with $3.6 million of dividends paid, $1.9 million in the repurchase of shares, $2.1 million in increases to restricted cash, and $0.2 million of lease payment, offset by $0.1 million received from the exercise of options.

Overall, there was a net increase in cash and cash equivalents of $6.1 million in Q1 2023 and an ending cash balance of $43.9 million. The Company also held $6.4 million in restricted cash.

Amerigo's cash cost in Q1 was $1.91 per pound, 11 percent lower than Amerigo's guided annual cash costs. This overperformance was caused by our substantial molybdenum by-product credit in Q1.

In our guidance, we assumed a molybdenum price of $16 per pound. Amerigo's average molybdenum price in Q1 2023 was almost double that, at nearly $32 per pound. We have informed the market that we expected that for every 10 percent change in molybdenum price, it would impact $0.02 per pound on cash costs.

The contribution to lower cash costs from strong molybdenum prices in Q1 was better than expected, due to the higher molybdenum production achieved. Our price increased to $31.73 per pound, resulting in a Q1 2023 molybdenum revenue of $8 million, compared to a Q1 2022 molybdenum revenue of $3.4 million.

The increase in molybdenum prices was due to supply issues and favourable demand drivers in sectors such as energy and aerospace. However, prices began to drop from the highs of Q1 and are now around $21 per pound. Higher short-term supply has dampened prices, but the demand drivers for molybdenum remain strong and could surprise again soon.

It's important to remind you that most molybdenum is produced as a by-product, and this is primarily subject to volatility in copper production. In our case, our molybdenum production is priced predominantly at M+4. We have benefitted from higher prices in Q1, and we'll see negative adjustments in Q2 as current price conditions remain.

In Q1, we experienced approximately $0.04 per pound higher-than-anticipated power costs, resulting from higher-than-expected pass-through charges from the Chilean grid. We expect these higher charges will continue throughout 2023.

MVC also faced an increase in cash costs of approximately $0.05 per pound, associated with the stronger Chilean peso against the US dollar in Q1, which was 12 percent stronger in Q1 than our guidance. Our guidance had assumed that for each 10 percent change in the foreign exchange rate of the Chilean peso to the US dollar, the impact on cash costs would be $0.08 per pound.

We will report the Q2 2023 financial results early in August 2023 and want to thank you for your continued interest in the Company. We will now take questions from call participants.

Q&A

Operator

Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press *, followed by the number 1 on your touch-tone phone. You will hear a one-tone prompt acknowledging your request. If you would like to cancel your request, please press *, 2. Please ensure you lift the handset if you're using a speakerphone.

Your first question comes from the line of Steve Ferazani from Sidoti. Your line is now open.

Steve Ferazani — Sidoti

Good afternoon, Aurora. Appreciate all the detail on the call. Wanted to ask you about what you're seeing in terms of inflationary pressures. Are you starting to see any easing? I'm just trying to think if there'd be any offset from the lower moly prices, and how you're thinking about cash costs for the back half of the year.

Aurora Davidson

Steve, thanks for the question. In terms of local Chilean inflationary pressures, they're starting to come down. We're not seeing the same monthly increases that we saw in 2022. The rest of our critical supply inputs, such as steel, we negotiated our steel supply costs for the price of the grinding balls for the full year, the same as lime. So they're not subject to inflationary adjustments.

One item that is changing are reagents, but we're seeing, as well, a flexibility in that sense. And some of the reagents are actually coming down from the higher input costs that we saw in 2022.

In general terms, we haven't revised our cash cost guidance for the rest of the year because we're not seeing the necessity to do that. We've run our scenarios at the end of March. We're receiving the information for April, and everything looks under control with no requirement to adjust. Some of the variables have changed, but the overall end result is remaining in line with what we had expected and within the guided parameter variables that we had announced in January.

Steve Ferazani

Perfect. That’s helpful. Scheduled the annual maintenance shutdown, the timing of that and the plan, I guess, it goes in line with how you’re sort of de-risking your production, and which I to assume is some of the investments you’re making during this year as annual maintenance shutdown?

Aurora Davidson

We start the annual maintenance shutdown next week, on the 9th of May. It’s going to last nine days. We do it aligned with the shutdown at El Teniente. Originally, we had planned it based on the information that we had for April, and it has been moved forward a month. We’re ready for it.

And we’re also advancing well in the construction of the new Cauquenes sump, which is one of the critical CapEx projects that we have. So everything on the maintenance, engineering CapEx side of things is progressing according to plan.

Steve Ferazani

Perfect. And then, if I can get one more in, just ask about your thoughts here on the share buyback and the potential for the performance dividend. If you can just sort of update your parameters on both of those potential returning cash to shareholders?

Aurora Davidson

Our policy hasn’t changed. We have the three vehicles, and I always insist on them. And I actually have to apologize because it may sound repetitive. But for us, it’s very important to express why each one of those tools exist, and what are the strengths of each one of them.

We have continued buying shares, as you saw in the first quarter. And we used all of our normal course issuer bid in 2022 as well. So that will continue to the extent that the macro signals are favourable to that, and that the share price considerations still make sense for us and continue to be opportunistic.

If copper prices had been stronger and—even $0.10 stronger in Q1 and had continued so forth as of the date of this call, I'm pretty sure that a performance dividend would have already been declared.

We continue to watch the copper price behaviour. We did the same last year, and it has served us well. As you know, one of the aspects that we have to be mindful of is just the fact that we're selling our copper exposed by three months of copper price corrections. And those can be significant when copper prices have a correction.

Just to give you a reminder here, Steve, in Q3 of 2022, we had almost $9 million in negative settlement adjustments—

Steve Ferazani

Mm-hmm.

Aurora Davidson

—Q2 of last year, almost $8 million. And we were ready for it. We weren't caught off guard. We had the balance sheet strength to face that without any hiccup. Not a hair of stress was raised here.

So we want to continue with that because the paramount philosophy is to protect that sustainable quarterly dividend. And it has worked well, and it will continue to work well. And timing glitches occur. But as I stated in the call, the fundamental for copper price, which is the driving force behind the share buybacks and the performance dividends, are very positive past the immediate scenario ahead of us.

Steve Ferazani

Excellent. Thanks for all the detail, Aurora.

Aurora Davidson

For sure.

Operator

Your next question comes from the line of Terry Fisher from CIBC. Your line is now open.

Terry Fisher — CIBC

Yes. Good morning. I guess, it's still good morning for you, Aurora. I'm not sure. I have three quick questions. But just before that, your introductory remarks, I agree with all of them. But when I was a young analyst, my research director told me, when I would go on and on recommending a stock, that he said, that's fine, but can you put it into a number?

So I wanted to give you a number that I saw recently from someone named Simon Michaux at Finland's geographical society, who said that for one generation of renewable technologies, industry would need to produce 4.5 billion tonnes of copper, which is six times the volume of copper that's been mined throughout history. Just an interesting number.

Anyway, the questions. Number one, I see the electricity costs were up, but I was under the impression that your electricity cost was locked in under a long-term agreement. And I guess I just didn't understand that agreement very well, but maybe you can elaborate on that a bit?

The second question is, I read somewhere that Codelco was having some production problems, as many people are in Peru and in Chile, but in particular at El Teniente. So I don't know what that was about.

And then the final question—I'll just table it now—is on the share buybacks. If I use your numbers, which are in US dollars, and I convert the $1.9 million to Canadian and divide it by the number of shares, all of which are round numbers, I come out with a purchase cost for the first quarter of around about $1.60 a share. I don't know how close that is. What I'm trying to get at is it where the board feels it's the right time to be in there and active on the share buyback?

And I look at your first quarter results and the first quarter of last year. If I take this year, it's a 27 percent return on your equity of $0.74 a share. And last year, it was 49 percent return on equity. So the equity is dramatically understated on the balance sheet. And if I'm a director, I'm looking at spending money to buy back shares only if that's at a better rate of return on equity than would be my target. If I use 15 percent at the lower rate of earnings, that's about $1.87 a share. And at the higher $0.09 a quarter, it would be more like $2.40 a share.

So can you give me any kind of sense of direction of what would be an upper limit, where the share buyback would stop operating because you think you could make better use of the cash in another way?

Aurora Davidson

Well, you get one of your three questions. No, I'm just kidding. I'll answer the three of them, and I'll start with the power.

Our power contract is to 2037, and it has locked in the power rates that we pay. This is the last year, 2023, when we actually had a base tariff decrease. And it's just subject to US CPI adjustments from one year to the next.

On top of that base tariff, we have to pay what are called pass-through charges, and those are charges charged to every consumer in Chile. Of course, major industrial consumers like ourselves pay the lion's share of the pass-through charges from the grid.

In our MD&A, we have provided some additional information on where our power variances to budget or to guidance have been this year. And it is basically coming from higher pass-through charges coming to all the major industrial consumers in Chile.

Why is this happening, Terry? Because as Chile continues to move to renewable energy supplies, they have to build up redundancy. A significant amount of the renewable supply is coming from wind. Wind is not a super reliable source, so there have to be layers of redundancy built in because it's just absolutely required to ensure that there is reliable power supply. And that cost is being paid by the major consumers.

We have looked at the trend for the pass-through charges for the rest of the year. There was a hike in January. They have remained quasi-stable for the rest of February and March, and they change on a monthly basis. So we know that we're going to be having that continued incremental power cost. It's out of our control.

It represents—normally, in prior years, about 12 percent of our power costs came from pass-through charges. It's now coming up to about 15 percent or so. But it's not something that is making us change our cash cost guidance. So I hope that's clarified on the power cost side of things.

Your second question was about El Teniente. Yes, they have released—sorry, about Codelco in general, not about El Teniente, and that's an important distinction. They have reported their first quarter results this week, and they have provided details to the Chilean press around that.

They have been facing problems in two of their divisions, mostly Chuqui and Ministro Hales. They didn't speak about problems at El Teniente. We are not seeing any significant deviations in El Teniente from the plans that have been shared with MVC for 2023. So that's on that front.

And the rest of—the third question that you had was whether we have reached a stage where share buybacks don't make sense to the Company. We haven't, but we analyze that on a consistent basis on every board meeting. And we had ample discussions about that at the last meeting.

The value, the intrinsic value of the Amerigo share depends on what your outlook is on copper. Right? If you want to use a long-term copper price of $3.50, you probably wouldn't be buying back shares. Do we think that that is the long-term value of copper? No, we don't, but we monitor that on a consistent basis.

And the two conditions that we have to meet in order to make share buybacks are, essentially, the protection of the regular dividend, based on forecast projections on the rest of the operational, financial, and investing commitments that we have on the short term—I would say short term, in our case, means 18 months at any given point in time—and the outlook on copper. So it is monitored. And we haven't seen any indications yet to say we're going to put a stop on the share buybacks. But it has to be monitored consistently. It's not just done on an automatic basis.

Terry Fisher

If I could ask just one follow-up on that. The 11 percent number you mentioned that you've achieved so far in buying back or reducing shares, is that net of option grants? Or is that a gross figure?

Aurora Davidson

That is a figure based on the number of shares outstanding on the day we initiated the capital return policy, which was around £180 million.

Terry Fisher

Right. Okay. That's great, Aurora. Thanks very much. I'll look at the MD&A on the electrical thing. I should have done that before.

Aurora Davidson

Okay. Not a problem.

Operator

Your next question comes from the line of John Polcari from Mutual of America Capital Management. Your line is now open.

John Polcari — Mutual of America Capital Management

Thank you. Thank you for taking the call. I have like several quick questions. I know molybdenum is simply a by-product, but I'm wondering if you could comment on the grade of the oxide. I understand that various grades determine the price received in the marketplace, and I wondered what the level of, or quality of the grade was that the Company's achieving as a by-product.

In other words, I understand that the oxide can be anywhere from, say, 50 percent all the way up to 80 percent or 90 percent purity. And I wondered what we are—when we deliver the mineral, if you could comment on the quality of it? What level of material are we actually producing?

Aurora Davidson

John, we don't comment on our technical sort of final grade characteristics of the moly. Let me just mention that, obviously, with our client, which is Molymet, we have to meet certain thresholds. And they're all met. We don't have any penalties based on impurities or similar issues with moly.

Just another point of discussion here. Obviously, the material from Cauquenes has a higher molybdenum content than the fresh material. That's just another point of reference.

John Polcari

Mm-hmm.

Aurora Davidson

And then the other variable for us is the moly grade that we get from the fresh tailings. Last year, we were getting lower than expected molybdenum content in fresh tailings. We are getting higher than expected molybdenum content in the fresh this year. Thus, our production has trended over what we had anticipated in our budget.

We treat moly as a by-product. We will not tweak our facility in order to produce more moly, sort of, if that's a very simplistic way of answering it. But suffice it to say, all of our commercial requirements for delivery of moly concentrates are being met and—

John Polcari

Okay.

Aurora Davidson

—and that's the information that we guide on.

John Polcari

Thank you. So while the volume might go up, might be tweaked somewhat higher, it's safe to say the grade is fairly consistent, I guess.

Aurora Davidson

No. The grade varies. The grade varies.

John Polcari

Does it? Okay.

Aurora Davidson

Mm-hmm.

John Polcari

All right. Thank you. The borrowings went up slightly, $600,000 from year-end to March 31st. I assume that's—

Aurora Davidson

It's accrued interest.

John Polcari

—that's—

Aurora Davidson

That is accrued interest.

John Polcari

Accrued interest? Okay. And in the first quarter, the Company repurchased 1.6 million common shares. Shares outstanding declined 500,000. So the difference of 1.1 million is, I assume, stock grants options. Would that be correct?

Aurora Davidson

It's not option grants. It's options exercised. We have most of our options exercised in the first quarter of each year when the options are about to expire. We get options—management, directors, and our key employees at MVC get options with a five-year term. And most of those are usually granted in each February. So that's when you will see most of the activity happening.

Just another point of comment there, John. Most of the options exercised by senior management and directors are being kept by senior management and directors. You see very little selling—

John Polcari

Right. Okay—

Aurora Davidson

—or none at all from senior officers and directors.

John Polcari

Good. Thank you. And lastly, is there any change that you would be aware of in terms of the long-term weather and precipitation outlook? I know you only comment on the forward 18 months for adequacy of water supply. But is there any change in the longer-term outlook to address the ongoing drought that's been in place for quite a long time?

Aurora Davidson

No. Drought conditions continue to be expected in the foreseeable future in Chile. I will invite you to take a look at our website and see some of the metrics on water utilization. We have become more efficient in capturing industrial water from our own facility compared to where we were three years ago. And that has reduced our dependency on rainfall as an important driver. Obviously, rain is important, but it's not as critical as it was for us a few years ago.

John Polcari

Very good. Thank you. And thank you for your time.

Aurora Davidson

Thank you, John.

Operator

Your next question comes from the line of David Brown, private investor. Your line is now open.

David Brown — Private Investor

Hello. Thanks for this call. I noticed on your website you've got two blackout periods where you cannot buy stock. Is it possible for you to set up an automatic stock buyback system, where you can still buy stock in a certain range or under certain conditions during these blackout periods?

Aurora Davidson

No. That's not allowed.

David Brown

Okay. That's my question. Thanks very much.

Operator

As a reminder, if you have any questions, please press *, 1 on your telephone keypad.

There are no further questions at this time. Aurora Davidson, please continue.

Aurora Davidson

Thank you for joining us at the call today. I appreciate your questions and your interest in Amerigo. The recording of the call and a script of the call will be available in the next few days, and they will remain accessible through the Amerigo website. We don't put a termination date on our remarks. You can always go back and check them out.

We will address you again in August to discuss the second quarter's financial results. As usual, if you have any other further questions about Amerigo, Carmen, Graham, or myself are available any time. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.