FINAL TRANSCRIPT

Amerigo Resources Ltd.

Full Year and Q4 2021 Earnings Call

Event Date/Time: February 28, 2022 — 2:00 p.m. E.T.

Length: 62 minutes

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PRESENTATION

Operator

Good afternoon. My name is Sylvie, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Amerigo Resources Full Year and Q4 2021 Earnings Call. At this time, note that 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 number 1 on your telephone keypad. And if you would like to withdraw your question, please press *, then number 2. Thank you.

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

Graham Farrell — Harbor Access Investor Relations, Amerigo Resources Ltd.

Thank you, Operator. Good afternoon and welcome, everyone, to Amerigo Resources' investor conference call to discuss the Company's financial results for the full year and fourth quarter of 2021. We are delighted to have you join us today.

This call will cover Amerigo's financial and operating results for the year ended December 31, 2021. And we'll also refer to the financial results for the fourth quarter, along with a discussion of recent highlights and goals for 2022.

Please note that all dollar figures quoted in this call are US dollars, except where otherwise indicated.

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. Forward-looking 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 — Chief Executive Officer, Amerigo Resources Ltd.

Thank you, Graham. Welcome, everyone, to the Amerigo Resources earnings call to present 2021 financial results. Kind reminder that all dollar figures reported in this call are in US dollars, except where we specifically refer to Canadian dollars.

2021 was a transformational year for Amerigo and its shareholders. The Company posted its strongest financial annual results on record, including revenue of $199.6 million, EBITDA of $90.1 million, and net income of $39.8 million. Earnings per share were $0.22 or C$0.28.

Without question, the robust copper prices of 2021 were instrumental in Amerigo achieving these results. The average LME copper price for the year was $4.22 per pound, and our operation in Chile, MVC, had a copper price of $4.25 per pound, compared to an average copper price of $2.94 per pound in 2020.

However, I really want to give credit to our team of 292 workers in Chile for meeting our 2021 production and operational goals. MVC produced 63.4 million pounds of copper at a cash cost of $1.75 per pound, outperforming our guidance for both production and cash cost. Copper production in 2021 was fully 13 percent higher than the year before.

In 2022, we expect to continue to have strong operational results. We have provided guidance to produce 61.9 million pounds of copper and 1.2 million pounds of moly.

So that everyone is aware, the annual plant maintenance shutdown at MVC and El Teniente is currently expected to last eight days and take place in April.

MVC's operations continued through 2021 without any disruptions due to COVID-19. Our plant availability was 98 percent, which compares very well with other traditional copper concentrators. MVC had no environmental regulation infractions and had an excellent safety record.

Water supply risks continue to be properly managed. Despite another year of drought in Chile, we maintained adequate water reserves in Colihues which, at the last monthly count were 5.4 million cubic litres, which is a healthy level. To monitor MVC's sources and uses of water, we have in place an 18-month rolling forecast, which currently shows no need to curtail operations as a result of reduced water availability in the next 18 months.

MVC incurred CapEx of $9.4 million in 2021, which is higher than our target sustaining CapEx of around $6 million a year. The projects undertaken ensured we had full operational continuity and were also associated with a strategic shift to capture more fresh tailings. This shift directly contributed to higher production levels in the year, which we expect will be maintained going into the future. As a result of the shift, the contribution to total production from fresh tailings increased from 45 percent in Q1 to 55 percent in Q4.

This change is an important strategy change for various reasons. One, we're capturing a significantly higher flow of fresh tailings to the plant, which is important to us and to El Teniente; two, we are not depleting Cauquenes as quickly, which means our reserves are extended; and three, we are using less water, as Cauquenes is a water-intensive operation. And I believe the importance of this is clear to everyone, considering the drought.

In 2021, MVC also completed the core work to optimize its three water recovery thickeners. The first thickener is now fully upgraded, the second is scheduled for the upcoming April plant shutdown, and the third will be opportunistically scheduled. These thickeners are an important part of MVC's efficient use of water.

2022 will be another higher-than-normal CapEx year for MVC, as we have indicated in our production guidance already. In addition to 29 sustaining CapEx projects, expected to cost $6 million, we will undertake two additional projects for $4.7 million. These projects include an upgrade to the aerial tailings channel, in response to the higher levels of fresh tailings throughput. Capitalizable (phon) maintenance is expected to be $2.8 million.

Inflationary pressures are becoming evident, and we expect that cash costs will increase, as we have already indicated, from $1.75 per pound in 2021 to $1.90 per pound. The single most significant driver is our treatment and refinery charge, for an expected increase of $0.06 per pound. Treatment and refinery charges are a benchmark cost, and the impact is industry-wide and not specific to Amerigo.

We also expect an increase in steel prices of approximately $0.04 per pound of copper, lower moly by-products credits of $0.02, and another $0.02 for all other inputs. This is an aggressive cost target, particularly considering cost escalation worldwide, but we will do our best to achieve it.

Let me point out that the targeted cash cost of $1.90 per pound does not include the effect of signing bonuses to be paid this year by MVC to its 200 unionized workers. Signing bonuses are paid in Chile upon signing of collective agreements, which have a three-year term, and MVC's agreement expires on October 21st.

We do not know the size of the signing bonuses, but they are not token amounts, and they are correlated to the price of copper at the time of signing. As a reference, to sign the current operator's contract in October 2019, copper prices were $2.60 per pound. MVC paid $2.1 million in signing bonuses. These bonuses must be expensed when incurred, so there will be a significant impact on cash cost in the period in which they are paid.

In our opinion, the market outlook for copper remains strong. In January, the average copper price was $4.43 per pound and, as of today, the average copper price in February has been $4.50 per pound. It could be possible that in the year, we reach the upper limits on the royalty agreements with El Teniente. I went over this topic on the last call but want to touch on it again.

The contract with El Teniente states that, if the average monthly LME copper price goes over $4.80 per pound for fresh tailings or $5.50 per pound for Cauquenes, for two consecutive months, and projections indicate the permanence of those higher prices over time, MVC and El Teniente will need to negotiate the upward continuation of the royalty scale.

The purpose of the renegotiation would be to maintain the same balance of the business split between MVC and El Teniente, as that which we currently have in place within the established price band. This would not be a clean-slate negotiation and, based on prior experience, we expect that potential future discussions on copper royalties outside of the current price would be uneventful.

Moving on from the topic of MVC operations, I would now like to discuss the Company's balance sheet and capital repatriation strategies.

Amerigo ended the year with a strong balance sheet, with more cash and less debt. Net cash at year-end was $33.6 million compared to negative net cash of $39.7 million at the end of 2020. Carmen will elaborate further on these topics, as I want to use some of my time to talk about what this means for Amerigo’s shareholders.

In my view, the strength of operational and financial results in 2021 resulted in three important wins for Amerigo’s shareholders: reduction in debt and capital repatriation in the form of share buybacks and dividends. Reducing corporate debt is a benefit to shareholders who are the residual owners after creditors. In 2021, Amerigo’s debt was reduced by $23.4 million. This represents a net debt paid on yield of 11.6 percent.

In 2021, the Company also completed a substantial issuer bid and initiated a normal course issuer bid. A total of $8.8 million were used to repurchase 8.5 million shares which were tenured for cancellation, representing a buyback yield of 4.4 percent.

While we’re talking about the buyback programs, let me give you a brief update on our significant shareholders to perhaps clear up some confusion.

One of Amerigo’s large historical shareholders was Geologic Resource Partners, led by George Ireland, originally holding more than 23.4 million shares of Amerigo. Geologic is in the process of winding up as a fund and distributing its holdings to its investors. Most of the investors opted to receive their Amerigo shares in kind and not in cash, and this included George Ireland, who increased his personal position in Amerigo by 8.7 million shares.

In addition, more than 9 million shares of Amerigo are now held by a top-five US university endowment, and another 2.7 million shares are held by new individual investors, all of whom were investors in Geologic. We are grateful for their continued support.

Now onto the dividends. In Q4 2021, Amerigo reinstated a quarterly payment of dividends to shareholders. The objective of Amerigo's dividend policy is to have a steady, safe, quarterly dividend that can gradually grow over time. In fact, you've already seen this happen.

On November the 1, 2021, the board declared a quarterly dividend of C$0.02 per share. Then, on February 22, 2022, the board declared an increased quarterly dividend of C$0.03 per share. Based on Amerigo's December 31, 2021 share closing price of C$1.46, this increased quarterly dividend represents an annual dividend yield of 8.22 percent. The board considers the quarterly dividend to be secure, and Amerigo shareholders should be able to count on that dividend yield in their portfolios.

We do realize, however, that this prudent policy, from time to time, could end up leaving a pile of undistributed cash, which is not our goal either. To resolve this, the board has decided to periodically pay an annual dividend in addition to the quarterly dividend.

The annual dividend will depend on several factors, such as the Company's financial performance, the corporate market outlook, as well as ensuring that appropriate levels of cash are maintained for operations. Currently, we estimate that the appropriate cash to retain after the payment of an annual dividend would be in the range of $20 million to $25 million.

I was reading a recent market commentary from Bank of America. This commentary followed the release of annual results for Rio Tinto, and the title of the report was, Capital Return is Paramount. Investors worldwide are focused on capital returns as interest rates remain stubbornly low. And in my opinion, Amerigo now has one of the best-in-class return-of-capital policies available to investors anywhere.

To close my remarks, I will mention Chilean politics, as I am often asked about this.

On March 11th, Gabriel Boric will be sworn in as president of Chile. Gabriel Boric is 35 years old and was the left-leaning candidate and ended up winning the race as a result of one strategic change. He significantly tempered down the tone of his political offering to reach the traditional centre-left of Chilean politics. This more rational and inclusive approach was successful and has continued to date, including in the selection of his cabinet. The business community and foreign investors have welcomed this approach.

Separately, the constitutional assembly that is charged with preparing a draft of a new constitution has generated some controversial proposals, all of them still at the committee level. It is more likely than not that Mr. Boric and his government will infuse the same spirit of rationality, common sense, and logic that they have so long used on the members of the constitutional convention. Most observers believe that a radical proposal for a new constitution will most likely not be accepted by the people of Chile.

Regardless of the tone of some of the proposals and the press coverage they may get, the fact that Codelco is a company owned by the State of Chile makes us interested observers of these topics, but we do not see them as risk factors to our operation in Chile.

Now I will ask Carmen Amezquita, Amerigo's Chief Financial Officer, to present in detail the 2021 financial results. And by the way, we thought it would be better to have the earning calls on Monday rather than on Fridays, when research shows everyone's mind is on the weekend.

Carmen, please go ahead.

Carmen Amezquita — Chief Financial Officer, Amerigo Resources Ltd.

Thank you, Aurora. We're pleased to present the 2021 annual financial report from Amerigo Resources and its MVC operation in Chile.

The Company had a strong financial performance throughout 2021. Amerigo posted a record net income of $39.8 million; earnings per share of $0.22 or C$0.28; EBITDA of $90.1 million; and operating cash flow, before changes in working capital, of $69.5 million.

Q4 2021 financial results included net income of $8.9 million, earnings per share of $0.05 or C$0.06, EBITDA of $24.9 million, and operating cash flow before changes in working capital of $18.3 million. The strong results in 2021 were due to higher metal prices during the year and an increase of 13 percent in copper production over the prior year.

On December 31, 2021, the Company had a cash and restricted cash balance of $64 million and working capital of $24.6 million, compared to a cash balance of $14.1 million and working capital deficiency of $6.1 million at the end of 2020.

Total borrowings decreased from $53.8 million to $30.4 million. This changes the result of the repayment of debt and the debt refinancing completed during the year.

Amerigo's financial performance is highly sensitive to copper prices. Amerigo's average copper price for 2021 was $4.25 per pound, 45 percent higher than 2020's average copper price of $2.94 per pound.

Another factor affecting earnings are 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 LME price for the third month following production of copper concentrates.

At December 31, 2021, MVC's provisional copper price was $4.32 per pound, and final prices for October, November, and December 2021 sales will be the average London Metal Exchange prices for January, February, and March 2022 respectively.

A 10 percent increase or decrease from the $4.32 per pound provisional price would result in a $7.2 million change in copper revenue in 2022, in respect of 2021 production. Today's copper price is $4.52 per pound.

Revenue in 2021 was $199.6 million, compared to $126.4 million in 2020. This included copper tolling revenue of $181.4 million and molybdenum revenue of $18.1 million. Within the copper revenue, the gross copper sales were $269.4 million, and there were positive settlement adjustments of $13.1 million. And then, deducted from revenue, we had $78.4 million in royalties to DET, smelting and refinery costs of $20.6 million, and transportation costs of $2 million.

Total tolling and production costs, including depreciation, were $127.5 million. This compares to tolling and production costs of $111 million from the prior year.

In 2021, there were general and administrative costs of $4.8 million, compared to $2.8 million in the prior year. The $2 million increase in general and admin expenses relates to an increase in salaries and management fees of $520,000 and an increase of $450,000 in legal and tax advisory fees associated with cash repatriation and costs associated with various share repurchase initiatives of 2021.

Share-based payments increased by $546,000, and office and general expenses increased by $487,000, mostly in connection with the Company's revamped investor relations activities.

The derivative to related parties had an expense of $821,000 during the year, compared to an expense of $20,000 in 2020, which in 2021, included actual amounts paid or accrued to related parties of $1 million and a $200,000 decrease in fair value. This difference in expense year over year is mostly related to the $1 million fair value adjustment recovery recorded during 2020, which was related from the fluctuation of metal prices and discount rates.

Other losses were $2.2 million compared to $766,000 in the prior-year period. The increase relates mostly to the changes in foreign exchange recognized, with a loss of $1.4 million recognized in 2021, compared to a gain of $1.5 million in the prior year.

The Chilean peso weakened during 2021, after strengthening during 2020, causing a swing in the FX gain loss that was recognized year over year.

Finance expense was $3.8 million, compared to $5.2 million in the prior year. This included $3.5 million in finance and interest charges and $300,000 in fair value adjustments to interest rate swaps.

In 2020, the finance expense included $3.7 million in finance and interest charges and $1.5 million in fair value adjustments to interest rate swaps.

The Company uses interest rate swaps to manage risks related to variable-rate debt. On December 31, 2021, the balance of the term loan was $30.4 million. The interest on the term loan is synthetically fixed through an interest rate swap at a rate of 5.48 percent per annum for 75 percent of the facility. The remaining 25 percent of the facility is subject to a variable rate based on the US LIBOR six-month rate which, on December 31, 2021, was 0.35438 percent per annum, plus a margin of 3.9 percent.

Also quite importantly, in 2021, the Company recognized an income tax expense of $20.7 million, compared to $476,000 in 2020. Tax expense includes both current tax, that is, the actual taxes payable by the Company, and deferred tax, which is a non-cash figure to reconcile timing differences between financial depreciation and tax depreciation.

The Company's current tax liabilities are shown in the statement of financial position and, on December 31, 2021, were $8.3 million. Current taxes for 2021 will be paid in April 2022 by MVC. The balance sheet also shows a deferred income tax liability of $35.8 million, which is the balance that tracks timing differences and does not represent taxes outstanding or due by the Company.

In respect to cash flow in the year, cash flow from operating activities, before working capital changes, during 2021 was $69.5 million; $93.1 million after working capital changes. Cash flow used in investing activities was $8.1 million, which includes the purchase of plant and equipment of $12 million, offset by $3.9 million received from the sale of investments held by the Company during the year.

Cash in financing activities was $36.8 million. This is made up of the repayment on borrowings of $57.8 million, as well as the repurchase of shares of $8.8 million, dividends paid of $2.8 million, and lease repayment of $1.2 million, all offset by the proceeds from borrowing, net of transaction costs, of $33.8 million.

Overall, there was a net increase in cash and cash equivalents of $48.2 million and, after accounting for the effect of exchange rate changes on cash, an ending cash balance of $59.8 million. Additionally, the Company held $4.2 million in restricted cash.

We will report the Q1 2022 financial results in May 2022 and want to thank you for your continued interest in the Company during the year.

We will now take questions from call participants.

Q&A

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone. You will then hear a three-tone prompt acknowledging your request. And should you wish to withdraw yourself from the question queue, please press *, followed by 2. And if you are using a speakerphone, we do ask that you please lift the handset before pressing any keys. Please go ahead and press *, 1 now if you do have any questions.

And your first question will be from Steve Ferazani at Sidoti. Please go ahead.

Steve Ferazani — Sidoti

Good afternoon, Aurora, Carmen. Appreciate all the detail on the call. Wanting to ask a little bit about uses of cash. Obviously, you've shown a real commitment to return cash to shareholders with the return of the dividend, already increasing the dividend, the buybacks. Trying to think—and now the annual dividend. I'm trying to think of how you weigh returning cash to shareholders versus investment in the facilities and, potentially, the opportunity to invest in the facilities to expand annual throughput.

Aurora Davidson

Steve, that's a good question. Thank you for that. Let's start with a very simple premise. The first priority is to ensure that we have an operation that continues producing and generating returns to shareholders. We cannot take and we've never taken a position where we would prioritize a return of capital without first having assessed what the capital requirements are at MVC, but we have already done that. We indicated that we have—essentially, in addition to our sustaining CapEx project of $6 million, we're allocating an additional $4.7 million to risk mitigation projects that we feel are important to have in place, and so that has already been factored in.

I don't know if that answers your question, but you really have to prioritize attending to your operation and ensuring that your operation is in good shape before anything else.

Steve Ferazani

But I guess the follow-up is how you're thinking about—based on your guidance for it and I know production, your processing is tied to El Teniente production—but just thinking about investments that could increase throughput, that could increase volumes, where you could have a larger amount of both historical and fresh tailings. Or are you, at the current facility, at basic capacity? Or is it the water usage that would limit it?

Aurora Davidson

I think that the basic constraint that we have is that you have to see our operation as a closed circuit or a closed-loop operation adjacent to El Teniente's, right? To the extent that we receive more fresh tailings, as there is more capacity taken in the downstream channel that goes from MVC to the tailings deposit of Caren. So we cannot go in and artificially increase the amount of material that goes down from MVC to Caren. We have to be respectful and mindful of the environmental conditions and the environmental limitations that are in respect of that.

We have already done a substantial amount of work to capture as much of the fresh tailings as we can. We weren't processing all of the fresh tailings that came to MVC before. So essentially, a significant amount of fresh tailings were going out of the plant or being deposited without processing in Colihues, and we have moved away from that by increasing our capacity to process more of the fresh tailings. So those opportunities have already been taken care of.

Cauquenes is not a resource that, if we don't process today, we're losing, as is the case with the fresh tailings, right? So when I mentioned that one of the benefits of processing more fresh tailings means that we maintain the same level of production, the same level of recoveries, the same level of efficiencies without depleting Cauquenes at the same higher rate that we were doing that before, that's a benefit to the Company, right? That basically means that we have more of the benefit of working with both fresh and historical tailings in future periods, rather than working on the basis of gradually extinguishing Cauquenes and only being left with processing of fresh.

Steve Ferazani

I appreciate all the insight, Aurora. Thanks. I'll turn it over.

Operator

Thank you. Next question will be from Aaron Dunn at Keystone. Please go ahead.

Aaron Dunn — Keystone

Hi. Thank you for taking my question. Just wanted to expand on the last question a little bit, and I was curious to know, what are the opportunities for acquiring other facilities either inside or outside of Chile and expanding your processing production capacity that way? And if you could just talk about maybe the size of potential opportunities and timing if that's something that you're looking to do?

Aurora Davidson

Yeah. I appreciate the question. We're essentially not looking at acquiring facilities. I mean—and excuse me for being as precise in the wording. What we're looking for is the opportunity to have access to tailings that we can process, right? So it's not as if there's another facility out there that we would be acquiring to produce copper.

What we do is and our expert advantage is in processing tailings. Now all the mines have tailings, and all the mines could potentially—potentially—have tailings processing operations such as the one that we have at MVC, processing the El Teniente tailings. There are several factors to consider there. One is, how many tailings do you have? Whether they are fresh tailings, that's current production, or whether you have historical tailings, or whether you have both. Where are those tailings located?

In the case of MVC, we get the fresh tailings essentially at no cost, by virtue of them being transported down by gravity from El Teniente to our tailings deposit. And we're just in the middle of it all and receive those tailings free of charge. Water availability, when you're talking about processing old tailings, where you have to essentially break down solidified material in order to create a slurry, that's a capital—that's a water-intensive operation.

So there are a number of factors. And I would just mention location, the size of the deposit, and the ability to establish a partnership with the owner of the tailings, where they would continue being the owners of the tailings, and where we get to process the tailings for them through a similar arrangement as what we have with El Teniente. So those would be some of the considerations to have when considering future projects.

We're looking at other projects. We have been discussing a similar project with Codelco on their other mines for a number of years. So this is all work in progress, but with no definitive timeline of deliverables that we can share at this time.

Aaron Dunn

Okay. So just so I understand, so in terms of just production capacity for the near term, anyways, you foresee yourself as more or less being maxed out at that kind of 61 million to 63 million at MVC? Is that correct?

Aurora Davidson

Yeah, 61 million to 63 million, 65 million, depending on where we are processing Cauquenes. Cauquenes has different grades throughout the deposit so from time to time, we could be working on a higher-grade area that would give us that additional delta of 2 million pounds of copper in any given year.

Aaron Dunn

Okay. Okay. Good. Excellent. Thank you for taking my call.

Aurora Davidson

Sure.

Operator

Thank you. Next question will be from Nick Toor at BlackRoot Capital. Please go ahead.

Nick Toor — BlackRoot Capital

Hi, Aurora. So you had mentioned that you want to consider the two buybacks or additional dividends or an additional annual dividend, based on copper prices and general market conditions to bring your cash balance down to the $20 million to $25 million level. At current copper prices, what is your expectation of how much cash the Company would generate in 2022?

Aurora Davidson

We don't provide that type of guidance, Nick. We have provided a guidance based on our budget. Our budget was at a more conservative copper price of $3.90.

Nick Toor

Yeah.

Aurora Davidson

We have provided guidance on EBITDA.

I think that one of the aspects, particularly now that we have spoken about this dividend policy, and we're going to be incorporating that into our investor materials, will be to move away from EBITDA guidance to free cash flow guidance and start incorporating that in the discussion so that people can get a more concrete feeling of what the potential for that additional room, be it share buybacks or an additional dividend, would be. But it's not something that we can discuss in the context of this call right now.

Nick Toor

Okay. But in 2021, how much cash did you generate? I think it's roughly around $50 million but correct me if I'm wrong.

Aurora Davidson

In 2021? Yeah. Well, Carmen was just providing all of that information. We generated—let me give you the exact number here. We generated from operations before changes in working capital, $69.4 million.

Nick Toor

Right. But that was not your free cash flow because then you had CapEx after—

Aurora Davidson

No, no, no. No. No. No. That's essentially the cash generated from operations. And then after that, you have to calculate your CapEx, debt repayments. And in this case, once you start factoring in a level of dividends at a quarterly rate that we don't want to have to cut back from, well, that becomes part of that free cash flow. Right? I mean, you're—

Nick Toor

Right.

Aurora Davidson

—not considering zero dividends. You would consider the amount of $0.03 per share on a quarterly basis as part of the committed funds that the Company has already factored in.

Nick Toor

Right. Right. Right. So I think on current run rates, you're paying $16 million in dividends. And if I just sort of look at cash flow from operations last year, which was roughly $70 million, and then you think about CapEx, you had roughly around $10 million, so you're now at $60 million, and then take out $16 million for dividends, so you are roughly around $50 million, $55 million of cash generated from operations after paying all your expenses. So—

Aurora Davidson

You're not considering their taxes. You're not considering their taxes. We're actually—as Carmen mentioned, we're essentially paying in 2022 for the taxes that we accrued in 2021. That's just the normal term of payment of taxes. Right? So that's going to be—

Nick Toor

Right. Right. Right.

Aurora Davidson

—something significant that we didn't have before.

Nick Toor

Which is, I think you mentioned about $8 million?

Aurora Davidson

For last year, yes.

Nick Toor

Yeah. Yeah. So obviously, that's a more narrow—I mean, I'm just saying, based on last year numbers, so if you take that out, you're roughly around $40 million, $45 million. So you currently have a $65 million balance, so it'll be—if you assume that conditions were the same as last year, you would roughly end up with over $100 million worth of cash after paying your dividends. And so, is the guidance that you're giving us that, above $25 million, whatever cash is left—and my estimate says around $100 million—you would then dividend that cash out?

Aurora Davidson

Well, we've said a combination of dividends and share buybacks. Right?

Nick Toor

Right.

Aurora Davidson

Share buybacks are not limited to the normal course issuer bid that we have in place. In general terms, the discussion is—or the conclusion is we don't want to leave—we don't want to end the year with a substantial amount of cash.

Nick Toor

Right.

Aurora Davidson

And considering all the factors and all the obligations the Company may have, a combination of a higher annual dividend or share buybacks, is definitely—are definitely considered in order to maintain appropriate cash but not excess cash on the balance sheet.

Nick Toor

Yeah. No. And I think that's a smart policy. I'm just trying to get my hands around the numbers. So I think (unintelligible) and, obviously, things can change based on copper prices and other factors—but if 2022 looks like 2021, you would have roughly $75 million to either give out as a dividend or for share buybacks or a combination of both. That is sort of your guidance is that, at the end of the day, you'll bring your cash balance down to $20 million to $25 million?

Aurora Davidson

Yeah. I think that that is what we stated, and that's the idea. The calculations that go in the middle of that should not change that conclusion. Right? And—

Nick Toor

Right.

Aurora Davidson

—you mentioned the critical part. Depending on copper prices and other sets of circumstances right now, everything's looking good. We'll—

Nick Toor

Yeah.

Aurora Davidson

—let's keep our fingers crossed that, that is the case.

Nick Toor

Okay. Great. That's my only question. Thanks.

Aurora Davidson

Thank you, Nick.

Operator

Thank you. Next question will be from John Polcari at Mutual of America. Please go ahead.

John Polcari — Mutual of America

Thank you. I assume the interest expense is in US dollars. Correct?

Aurora Davidson

Yes. Everything that we report is in US dollars except our dividends.

John Polcari

So, but the expenses—I assume most of the expenses, pre-translation, are in local—are in pesos?

Aurora Davidson

Some of them are in pesos—yeah—some of them are in pesos, some originating in US dollars.

John Polcari

But the majority, such as labour and benefits, et cetera, in the local currency?

Aurora Davidson

That is correct. Labour, services, subcontract work, all of that is the Chilean peso; power, US dollars; steel, US dollars; TC/RCs, US dollars; lime, we have both in US and Chilean pesos.

John Polcari

So on balance, as the US dollar has strengthened over the last year and, perhaps, might continue to strengthen, on balance, is that a positive or a negative in terms of expenses to the Company? Or is that too difficult to assess at this point because of the use of power, et cetera?

Aurora Davidson

No. In general terms, we have a natural hedge because our revenue is in US dollars. Right? So when we get a benefit out of foreign exchange matters, it's essentially through a weakening of the Chilean peso.

John Polcari

Okay. So on balance, for 2021, you did have a—obviously, it was a positive effect, simply because it had depreciated—

Aurora Davidson

It was a positive effect.

John Polcari

Right. Right. What is the current corporate tax rate? Not that you're paying, but the top rate in Chile, subject to any changes with the new political situation—but at present, what's the corporate tax rate?

Aurora Davidson

There is a—the Chilean corporate tax rate is 27 percent. When you repatriate funds out of Chile, as is the case when dividends are declared from MVC, you get another 8 percent nominal. In practice, what we're seeing is that once you factor in all the taxable differences, the cost is about 11 percent of additional tax and repatriation.

John Polcari

Okay. So that would move the total tax rate north of 30 percent? Okay.

Aurora Davidson

Yeah.

John Polcari

On the royalty, should we be fortunate enough to see the current copper price stabilize, or even move higher, to the point where the royalty had to be adjusted because of higher prices exceeding the current cap, is the entire agreement recast? Or does the existing agreement stay in place and just pricing above $4.80 change?

Aurora Davidson

The existing agreement stays in place. And it's only the—it's only the royalty, which is one of the—one of many clauses in the agreement that would change.

John Polcari

Okay. But the royalty would only change above—for instance, on the historic tailings—would only change above a price of $4.80. Correct?

Aurora Davidson

Correct.

John Polcari

So any existing royalty structure on new or old tailings, up to the current cap that's in the agreement, stays in place going forward. Okay. Can you tell us what might have been repurchased in terms of shares so far for the first two months of '22?

Aurora Davidson

Absolutely. And we have that information on our website as well. But we paid—we have repurchased 2.2 million shares in total out of the normal course bid. We repurchased 1.4 million shares in December; we repurchased 0.8 million shares in January. And that was all the way up to January 24th.

In January 24th, we started our blackout period. And during a blackout period, you cannot do repurchases under the normal course issuer bid. We reinitiated the repurchases today after we came out of the blackout period. So 2.2 million shares out of the normal course issuer bid have been bought, and we have 8.55 million shares to go.

John Polcari

And that would have to be re-approved, I assume, at the end of the year for '23? You'd have to file again for another—

Aurora Davidson

Yeah. At the earlier—

John Polcari

—licence?

Aurora Davidson

—the earlier—yeah. The earlier of the expiry date or the date in which you finish buying the 10.75 million shares that we have approval to buy for repurchasing—to buy for cancellation.

John Polcari

Got it. So theoretically, you could actually reconstitute the repurchase agreement at an earlier—at a date earlier than year-end?

Aurora Davidson

That is correct.

John Polcari

Okay. And my last question is simply—

Aurora Davidson

That is correct. And, John—

John Polcari

Yeah?

Aurora Davidson

—we can also put a pause on the normal course issuer bid and do a substantial issuer bid. We cannot do both concurrently, but we can pause the normal course and do a substantial issuer bid.

John Polcari

Great. Thank you. My last question is simply on any special dividend that may or may not happen. Would that be also a qualified dividend as the existing dividends are? Or would that be some other form of return of capital? Or…

Aurora Davidson

No. That would be an eligible dividend in the same form as the normal dividends are. And we wouldn't call it a special dividend. We would just call it a top-up dividend, but an ordinary dividend.

John Polcari

Okay. But as an ordinary dividend, it wouldn't necessarily be at a permanently higher level. I know you've been—and we appreciate you being—

Aurora Davidson

Correct. Correct.

John Polcari

—conservative in terms of escalating the dividend and maintaining a sustainable level. But above the—

Aurora Davidson

And we wouldn't call it a special. We would just call it a regular dividend at a higher annual rate.

John Polcari

Okay. But not necessarily a permanent higher annual rate? Just a—

Aurora Davidson

No. No. No. No. No. No. That is not what we intend to do. We want to have a consistent record of quarterly dividends that people can count on and then use an annual dividend, precisely as a mechanism to return additional cash, excess cash that the Company may have generated in the period or—

John Polcari

Yep.

Aurora Davidson

—that is sitting on the balance sheet.

John Polcari

Thank you. Thanks for clearing that up. And again, that would be, as the dividends have been so far, a qualified dividend for tax purposes?

Aurora Davidson

Yeah. It's—yeah. It's called an eligible dividend in Canadian—

John Polcari

Right. Yep.

Aurora Davidson

—tax terms. Yes.

John Polcari

Yeah. Okay. Great. Well, thank you. That's all I had and steady as she goes. We appreciate the excellent management. Thank you.

Aurora Davidson

Thank you.

Operator

Next question will be from Terry Fisher at CIBC. Please go ahead.

Terry Fisher — CIBC

Yes. Aurora, congratulations again. I'll be mercifully brief since this has gone on a long time. First of all, I again have trouble trying to find the MD&A and financial statements on the website. I was able to get them on SEDAR, but I would just point that out, that maybe people are looking for them, be good to have them on the website. Or maybe I'm just incompetent enough not to be able to find them there, but I gave it a pretty good search.

Secondly, question-wise, to follow up on the last two callers about dividends, I'm just interested in timing. If you're going to pay a special dividend in addition to the quarterly one—which just got raised, and I think that should get the market's attention—I would assume that that's—the way other companies do it is, at the end of the year, they take a look at where they are, and it's sort of declared sort of at the end of the year or maybe even after year-end, out of the annual results, as opposed to some interim period during the year. In other words, you rarely ever see more than one special dividend, and it tends to be at the end of the year.

Anyway, that's one question. Related to that is the timing on the normal course issuer bid is ongoing. So I guess, it's a management—or a decision that the board needs to take in managing the process of getting capital out to shareholders, as to the timing of which of those you do. And I would think the share price also might factor into that. If it shoots up, you'd pay a cash dividend, special one, rather than buy shares back. Like I don't know what the calculus is there but, right now, what I'm asking about more is the timing. What I'm expecting is you're going to keep buying shares back under the NCIB during the year and then, at the end of the year, there may be a special dividend. Is that correct?

Aurora Davidson

Yeah. I don't expect that the board will be declaring that higher annual dividend in Q2 of 2022, just to give an example. The normal course issuer bid is ongoing. The board assesses where things are in respect of share price, what's the adequacy of continuing with share buybacks or, for example, as I mentioned with John before, initiating a substantial issuer bid.

I think it's—there are a number of factors that come into play, Terry. And yeah. Normally, the annual dividend is declared after the review of annual results, but I don't think that, necessarily, you're set to do it then. I think that the Company and the board may have the flexibility of declaring that annual dividend, not necessarily always at the same time.

And it will not be a special dividend, just to clarify that. It will be within—we'll call it a regular dividend. We will not call it a special. And so it's—we're just not—and all the companies that have annual dividends call it just an ordinary dividend as well. They do all the necessary disclosures to include that, that is a dividend that is being paid at a higher annual rate, but it is not—there are not going to be five dividends in a given year. There are going to be four.

Terry Fisher

Okay. That's good clarification. Thanks. I certainly misinterpreted it. Anyway, we will accept the dividend whenever you choose—you and the board choose to pay it out. So again, congratulations. Thanks, and we're looking forward to another really good year and good luck.

Aurora Davidson

And I'll send you an email with a path for the MD&A and financial statements. They're all on the website.

Terry Fisher

Yeah. I'd like that because I couldn't find them.

Aurora Davidson

Yep. I'll do that. Thank you, Terry.

Terry Fisher

Okay. Bye-bye.

Operator

Thank you. As a reminder, ladies and gentlemen, if you do have a question, please press *, followed by 1 on your touch-tone phone.

And your next question is from John Whittier at C3. Please go ahead.

John Whittier — C3

Hi, Aurora. I have a follow-up to all the questions as far as uses of cash. We haven't really dialled in yet on—with some expenses coming in the second half of the year, is there any thought right now on—you did an excellent job with restructuring your debt, spreading it out, and getting it to the point where there's no prepayment penalty. Is there any thought at this point, because copper has stayed where it's been, now, for a prolonged period of time, and that has such a huge magnitude of effect on what's going on with your company—is there any thought on—I mean, at a minimum, with all expenses, including interest expense, mattering, cutting that in half or even zeroing that out, based on the strong quarterly free cash?

And then, if you could, can you tell me again—can we review your credit line? Your credit line is $15 million and just how long is that in effect for? Is that a '22, '23 thing? And what are the terms of that, if you ever draw down on that credit line? And is it a possibility of taking out the debt and expanding the credit line? And is the net savings of that beneficial to the Company?

Aurora Davidson

Yes. No. That's a good question. When I mentioned that the benefits to shareholders in 2021 were three, the first one that I mentioned was a reduction in debt. So to the extent that, that is available to us, it's something that could and would be considered. At the end of the day, we still have some provisions in respect of repatriation of funds that are—that have a cap. It's not a small cap; it's a substantially ample cap that would still allow us to return a good number of—a big number of cash to shareholders.

But to the extent that we don't want to have that, then we can always go back to the drawing board with our lenders and see what needs to be done with them to either remove fully all of those conditions, or we could move on into, as you mentioned, partial or old debt repayment.

We do have that line of credit. We haven't used any of that, as we disclosed in our financial statements. I think that the line of credit has an availability—correct, I'm just checking out here—to June of 2023, if I'm not mistaken. And the terms of disbursement—yeah, June 30, 2023—and it would be subject to, basically, the same rates that we have on the current loan, which is not protected by the bank. So it's a LIBOR plus the market.

John Whittier

Okay. And I just wanted to compliment you again for—you're blessed and everyone's blessed with where copper is, and where it may go, and where it may stay for the foreseeable future, measured in many years but—and so you're blessed by that. But what you've done on the ESG and the cost savings and the production side has progressively just gotten better, and it's super impressive. So I wanted to pass that along.

I also wanted to tell you that I know everybody appreciates the transparency in providing, especially inter-quarter, your monthly buyback numbers, which I think is a very important element for people to understand because it's very clear, based on your January go-along buybacks, that the market volatility—not the copper volatility because there really wasn't any for any significant period of time—but the market volatility is this company's friend at this kind of out-of-touch, inefficient valuation.

And the fact that—this is just a comment—I was not impressed at all with the results with the Dutch auction. I am super impressed with the effectiveness and the commitment that you have on a go-along, every day—at least it looks that way—go-along buyer of your shares. And it's comforting to know, with how your—how strong your balance sheet is now, that in this kind of market, that this is—the most comforting thing is that there is a bid, at a certain point, and it seems like it's a regular one from the Company. So I compliment you for that.

And then I will—if there is anybody else, I'll pass it along. But I just—I do absolutely want to be the contrarian here and just offer up, again—I'm not going to say what I've said to you before. I think it's fantastic that you have now a very inexpensive, ridiculously inexpensive stock that has more than an 8 percent dividend yield. It won't stay that way. It's just not going to—that is what it is. And so that's been great.

The contrarian comment is I, for one, hope that there's no special dividend. And I am the guy who sits here and with absolutely—I don't quite understand why, based on history, with an interest in taking out the debt, why you wouldn't carry large amounts of cash and—large amounts of cash into the new year. And I just—I wanted to tell you, if you do that—companies get criticized all the time for being lazy, having low share prices and high debt or high cash balances. You're new to that neighbourhood, and it's a cool club to belong to. And if you happen to change your position and carry major cash balances, at the expense of the special—there's a different word, but one-time types—

Aurora Davidson

Yeah.

John Whittier

—of dividends, fine with me as a shareholder. So anyway. Thanks very much and great numbers. I appreciate everything you do for the Company.

Aurora Davidson

Thank you, Jon. I think that we have used all of our hour. Everybody else has to return to their normal day. So I really appreciate all of you being here with us today. And as Carmen said, we look forward to reporting Q1 results in about three months' time. Thank you, all.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a great day.