FINAL TRANSCRIPT

Amerigo Resources Ltd.

Second Quarter 2022 Earnings Conference Call

August 4, 2022 — 2:00 p.m. E.T.

Length: 47 minutes

CORPORATE PARTICIPANTS

Graham Farrell
Harbor Access LLC — Managing Partner

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

Carmen Amezquita
Amerigo Resources Ltd. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Steve Ferazani
Sidoti & Company, LLC — Analyst

John Whittier
C3 — Analyst

Terry Fisher
CIBC World Markets — Analyst

John Polcari
Mutual of America Capital Management — Analyst

PRESENTATION

Operator

Good afternoon. My name is Sylvie and I will be your conference operator today. At this time I would like to welcome everybody to the Amerigo Resources Q2 2022 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the formal remarks, there'll be a question-and-answer session. If you would like to ask a question during this time, simply press star then number one on your telephone keypad. If you would like to withdraw your question, please press star then number two. Thank you.

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

Graham Farrell — Managing Partner, Harbor Access LLC

Thank you, operator. Good afternoon and welcome, everyone, to Amerigo Resources quarterly conference call to discuss the Company's financial results for the second quarter of 2022. We are delighted to have you join us today. This call will cover Amerigo's financial and operating results for the quarter ended June 30, 2022. 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 a call over to Aurora Davidson. Please go ahead, Aurora.

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

Thank you, Graham. Welcome, everyone, to Amerigo's earnings call for the second quarter of 2022. We remind you that all dollar figures reported in the call are US dollars except where we specifically refer to Canadian dollars.

After seven consecutive quarters reporting net earnings, we are reporting a net loss this quarter of US$0.03, or C$0.04. EBITDA was $6.7 million. The loss was due to the confluence of weakness in copper prices and our annual maintenance shutdown quarter. The impact on earnings of realized lower copper prices was $5.1 million and the effect on quarterly earnings from lower production due to the shutdown was $2.9 million.

As we mentioned in our production report, operations at MVC are strong following the shutdown and proceeding according to plan. We continue to trend over guidance. Copper production was 14.9 million pounds during the quarter. 61% of this came from processing fresh tailings and the remainder from the historical tailings at Cauquenes. We have continued to successfully increase the percentage of fresh tailings we process, which is minimizing our water use and extending the length of our resource at

Cauquenes. During the second quarter, copper from fresh tailings processing was positively impacted by higher tonnage, grade, and recoveries. In Cauquenes, we had higher grade and higher recoveries. These positives were mitigated by the fewer operating days associated with the maintenance shutdown.

We had no operational issues during the quarter and operations continued without any disruptions due to COVID-19. MVC reported good safety performance. There were no environmental incidents and plant availability was 99.2%. CapEx projects are proceeding on time and budget. Water reserves are trending in the right direction with stored water of 5.6 million cubic metres at the end of July, which is 14% higher than we reported in the last earnings call. We monitor our sources and uses of water very closely and maintain detailed projections for the next 18 months ahead of us. At present, we have no indications of needing to adjust our plans to preserve water.

Amerigo continues to show excellent control of its operating costs despite the highly inflationary environment in Chile, where the inflation rate was 3.4% in the quarter and 12.5% over the last 12 months. Based on our latest cost modelling, annual cash cost is trending towards $1.96 per pound, which is only 3% higher than guidance, and this is attributable almost entirely to lower molybdenum by-product credits from lower-than-anticipated moly production.

Amerigo's performance continues to provide a solid foundation supporting our capital return strategy, which I discussed last quarter and will now give you further details on. In the second quarter, Amerigo returned $13 million to shareholders. $4.1 million were paid through Amerigo's regular quarterly dividend of C$0.03 per share and $8.9 million were returned through the purchase of 6.9 million common shares for cancellation through Amerigo's now completed annual normal course issuer bid. Cash is still making its way into Amerigo shareholders' accounts as promised. As was announced yesterday, Amerigo's board of directors declared another quarterly dividend of C$0.03 per share, which will be payable on September 20th.

The Company's return of capital strategy has three pillars: regular quarterly dividends, share buybacks, and flexible performance dividends. The goal of this strategy is to maintain comfortable but not excessive levels of cash on the balance sheet. We will return the excess cash to shareholders to deploy in the most effective way they see fit. The quarterly dividend is a fundamental pillar of Amerigo's return of capital strategy and Amerigo shareholders can count on the quarterly dividend in their portfolios. Based on Amerigo's end of quarter share price, this represents an annual dividend yield of 9.68%.

We have also been very active on the second pillar of share buybacks. Amerigo's number of shares outstanding is down to 166 million shares compared to 182 million shares one year ago. In total, $21.1 million has been used in share repurchases to reduce the outstanding share count by almost 9%.

The third pillar is the flexible performance dividends, which the Company has yet to declare. These types of dividends will depend on several factors such as the Company's financial performance, the copper market outlook, and cash balances. It may be paid in any amount at any time and as frequently as the board sees appropriate. These types of dividends are to be paid in addition to, not instead of, the Company's regular quarterly dividends. This mechanism gives us the flexibility to maintain safe quarterly dividends and not leave more cash than necessary on the balance sheet. This mechanism also allows the Company to distribute excess cash more quickly, flexibly, and frequently than buyback programs or quarterly dividends. As I described in our last quarterly call, performance dividends will be a very powerful component of Amerigo's overall yield during periods of high copper prices.

We have guided the market that a cash balance of $25 million is a comfortable level to run our business with and our current unrestricted cash balance is $53 million. As copper prices start to rebound and our operations continue to perform as they have, the total yield potential for Amerigo's shares is tremendous. Because of our current and potential yield, we're actively transforming the way we tell the Amerigo story so that we may introduce ourselves to additional types of investors. Our story is based on the strong probability of sustained higher copper prices and Amerigo's insulation from the factors and events that negatively impact the world's copper miners. This is because Amerigo is not a copper miner; Amerigo a simple industrial company whose product is copper.

Let me elaborate a bit further. Amerigo is not a copper miner. I see us as a copper manufacturer. We have two streams of someone else's waste material coming into our plant. We process those streams and recover copper which would otherwise be lost to the world. In fact, we are providing additional copper without any additional mining activity. We have an industrial process, not a mining one, and our ESG credentials, unlike so many other companies, are bona fide and transparent. Our clearly defined industrial process is conducive to an extremely efficient business model that generates stable and excessive cash flows at strong copper prices. This transforms Amerigo into solid yield investment, which is how we should be known in the market and why we are expanding the focus of the type of investors we are addressing. The necessary elements for a successful investment in Amerigo are not aspirational. They are in place now.

We have seen lower copper prices starting in May this year. As I have mentioned before and will mention again later in my comments, we believe in a sustained period of strong copper prices. This does not mean, however, that there will not be volatility in the copper market from time to time, as we have recently seen. In recent months, copper prices have factored in fears of a recession, high inflation, higher cost of capital, a slowdown of Chinese economic activity, and the shockwaves of the Ukraine-Russia conflict. However, historically low metal inventories and supply shocks to global copper production have provided reasons for a sentiment shift. It is unclear whether copper's traditional function as an inflation hedge has started to take effect but, when it does, it will provide additional support to copper prices.

Let's look at two fundamental points to understand the strength of copper prices going forward. It is really a simple growing demand/shrinking supply story. Demand growth is expected, mostly in response to the energy transition but also from conventional demand. Supply on the other hand, will continue to be stressed out by the complexity of permitting, building, and operating copper mines. Put together, these two market forces are expected to create a substantial and chronic gap between worldwide copper supply and demand. This shortage will support copper prices.

Many industry associations and experts predict an annual supply gap of anywhere from 4.7 million to 10 million tonnes by 2030. It is important to remember that these shortages will start to show themselves well before 2030 and we're already in the second half of 2022. It is also important to understand the magnitude of these tonnages. When we speak of a 10 million tonne supply gap that is almost 50%—5-0—of current global copper production. Filling a gap of this size will require monumental efforts. It will also require higher copper prices to restrain demand and incentivize new production.

The complexities of finding significant copper deposits and then permitting, financing, and building copper mines are huge. These processes span years and require billions of dollars of investment. Once built, the miners then face the challenges of operating a copper mine. This includes continued investment to maintain the life of mine, declining grades, water supply issues, growing environmental requirements, resource nationalism, and social scrutiny. These factors all translate to copper supply challenges.

Let me give you an example. Chilean copper production has declined this year by 6.4% compared to the same period in 2021. This is much worse than what was seen in 2021 when Chilean annual copper production dropped by 1.9%. However, Chilean copper production was originally expected to grow 4.7% this year. So, at this stage, we are seeing an 11% delta between actual and expected mined copper production from the world's biggest copper producer.

How can a huge projected supply gap be met with current production if production is significantly falling behind despite elevated copper prices? To solve the supply gap, even higher copper prices will be required, and this will, of course, benefit Amerigo and our shareholders. Amerigo will benefit from rising copper prices but will remain immune from most of the problems facing the world's mining companies. This is because, as I said before, Amerigo is not a copper miner but a waste stream processor that recovers copper that would otherwise be lost. This is a particularly powerful story in today's world of ESG investing. It is also a powerful story in an inflationary environment where investors are searching for yield and copper prices have historically been a tremendous hedge against inflation. We are excited to explain this to the market. It is a unique story that combines the strength of copper price with a simple manufacturing business model that produces stable cash flows and guarantees a strong yield for investors.

Carmen Amezquita, Amerigo's Chief Financial Officer, will now discuss the second quarter financial results. Carmen, please go ahead.

Carmen Amezquita — Chief Financial Officer, Amerigo Resources Ltd.

Thank you, Aurora. We are pleased to present the Q2 2022 quarterly financial report from Amerigo Resources and its MVC operation in Chile.

Amerigo had a net loss during Q2 2022 of $5.1 million; loss per share of $0.03, or C$0.04; EBITDA of $6.7 million; negative free cash flow to equity of $10.7 million; and used operating cash flow before changes in non-cash working capital of $4 million. The 2022 second quarter financial results were impacted by reduced copper production during the annual scheduled maintenance shutdown of MVC, which we have estimated at $2.9 million, and by $5.1 million in negative price settlement adjustments to prior quarter copper sales because of low copper prices during the second quarter.

On June 30, 2022, the Company had a cash and restricted cash balance of $57.2 million and working capital of $10.9 million compared to a cash and restricted cash balance of $64 million and working capital of $24.6 million at December 31, 2021. Amerigo's provisional copper price for Q2 2022 copper sales is $4.10 per pound. A 10% increase or decrease from the $4.10 per pound provisional price used on June 30, 2022 would result in a $6.1 million change in revenue in Q3 2022 in respect of the Q2 2022 production. Because Amerigo's financial performance is highly sensitive to copper prices, I would like to walk you through the real-life example of how our first quarter's prices were finalized in the second quarter and to familiarize you with the mechanism that is used.

Amerigo’s has an M+3 price convention for its copper sales where the final copper price for any given month will be the average LME price for the third month following the delivery of our copper to Codelco. From the time of sale until three months later when the final price becomes known, we use the monthly provisional prices, which we take from the price curve between the published LME monthly average M and M+3 price. This is a mark-to-market mechanism.

In this example, at the end of Q1 2022, the final prices for January, February, and March sales were not yet known; however, by looking at the March 2022 LME average M to M+3 prices, we could determine a mark-to-market price of $4.64 per pound for the first quarter sales when closing the March 2022 financial statements. Then, as we advance through Q2, the January, February, and March monthly prices became final. So, the April average price was applied as the final price to January sales, the May average price was the final price for February sales, and the June average price was the final price for March sales. Some of these adjustments to Q1 sales resulted in negative final adjustment of $5.1 million to revenue booked on the Q2 financials.

Because we do a full financial close each month, we follow the same mechanism to record adjustments to same quarter revenue and this resulted in negative adjustments to same quarter production of $2.8 million in Q2, which were not yet final price adjustments as the final prices will become known in Q3. Following the same mechanics, the final prices for our April, May, and June 2022 sales will be the average prices for July, August, and September 2022, respectively. The Q2 2022 sales were provisionally priced at quarter end using the June 2022 LME price curve at $4.10 per pound and will be adjusted during Q3 as the average prices for July, August, and September become known. I hope this illustration of our pricing mechanics is helpful for your analysis. Today’s copper price is $3.47 per pound.

Revenue in the second quarter of 2022 was $33.6 million compared to $50.5 million in Q2 2021. This included copper tolling revenue of $31.4 million and molybdenum revenue of $2.2 million. Within the copper revenue, the gross copper sales were $63.7 million and there were negative settlement adjustments of $7.9 million, which included $5.1 million in final adjustments, as I mentioned before, and $2.8 million in same quarter provisional adjustments. Then, deducted from revenue, we had $18.3 million in royalties to DET, smelting and refinery costs of $5.8 million, and transportation costs of $0.4 million. Total tolling and production costs, including depreciation, were $32 million. This compares to tolling and production costs of $31.4 million from the comparative Q2 2021 period at essentially the same production levels despite inflationary pressures.

Under other expenses, general and administrative expenses were $1 million compared to $0.9 million in the prior year quarter. This included salaries, management, and professional fees of $0.5 million; share-based payments of $0.3 million; and office and general expenses of $0.2 million. Other losses during Q2 2022 were $2.9 million compared to other losses of $0.2 million in the prior year period. The main difference between the expenses period over period was a foreign exchange loss of $2.9 million recorded in Q2 2022 compared to a foreign exchange loss of $0.1 million in Q2 2021. The foreign exchange loss was mostly of an unrealized nature and came from mark-to-market foreign exchange rate adjustments at quarter end for amounts held in MVC that are denominated in Chilean pesos. These adjustments were affected by an all-time low Chilean peso at the end of the quarter. The Company's finance expense in Q2 2022 was $0.3 million compared to $2.1 million in Q2 2021, which includes interest on loans, leases, and bank charges of $0.7 million and positive fair value changes on an interest rate swap of $0.4 million. On June 30, 2022, the balance of the term loan net of transaction costs was $27 million.

In Q2 2022, the Company recognized an income tax expense of $3.3 million compared to $4.3 million in Q2 2021. Although the Company incurred a loss during the quarter, there was current tax expenses. The current tax expense recorded during the period included taxes triggered by the repatriation of cash from Chile to Canada for distribution to shareholders. It is important to note that the new Chilean government has announced a complete tax reform, which is currently underway. Based on an analysis prepared by our tax advisers, the changes introduced by this reform would have no impact on MVC. Income tax rates for MVC would not change and neither would the tax treatment on dividends from Chile to Canada.

In respect of cash flow in the quarter, cash flow used in operating activities before working capital changes during Q2 2022 was $4 million with cash generated of $2.7 million after working capital changes. Year-to-date cash flow generated from operations before working capital changes was $26.7 million and after working capital changes there has been cash flow generated of $24.1 million. Cash flow used in investing activities during the quarter was $3 million, which related entirely to the purchase of plant and equipment. Year-to-date cash flow used in investing activities has been $5.4 million. Cash used in financing activities in Q2 2022 was $16.6 million. Most of this related to the $13 million in cash that was returned to shareholders in the quarter with $4.1 million paid through Amerigo’s increased quarterly dividend of C$0.03 per share and $8.9 million returns through the purchase of 6.9 million common shares for cancellation through Amerigo’s normal course issuer bid. There was also $3.5 million in debt repayment during the quarter. Overall, there was a net decrease in cash and cash equivalents of $16.9 million in Q2 and an ending cash balance of $53 million. Additionally, the Company held $4.2 million in restricted cash.

We will report the Q3 2022 financial results in November 2022 and want to thank you for your continued interest in the Company. 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 star followed by one on your touchtone phone. You will then hear a three-tone prompt acknowledging your request. If you would like to withdraw your question, simply press star followed by two. If you are using a speakerphone, we do ask that you please lift the handset before pressing any keys. Please go ahead and press star one now if you have any questions.

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

Steve Ferazani — Analyst, Sidoti & Company, LLC

Good afternoon, Aurora, Carmen. Thanks for all the colour on the call. Just want to ask first about the raise to production guidance for the year, what generated that, and is the higher production related to the grade of copper? Are you getting more efficient at the plant? Is that just more El Teniente production that's allowing you to increase fresh tailings? Can you provide a little bit of colour around the raised guidance?

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

Steve, thanks for the question. It is a combination of factors. We are performing very efficiently in respect of fresh tailings. We're processing more. We have good grades coming in from El Teniente and we're also recovering more copper. We've done tune-ups in our plant, changed our grinding profile to devote more grinding power to fresh tailings. This is giving us good results. And to the extent that we're getting these good results from processing more of the fresh tailings we are, as you may have noticed from our production release, adjusting downwards the processing from Cauquenes. So we essentially are not only meeting but surpassing guidance mostly without having to tap into the resource at Cauquenes to the extent that we had projected. So the benefit is double, a benefit for the year but also on a long-term basis by lowering the depletion rate of Cauquenes.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Right. Great. When I think about your weighing capital allocation, and you introduced the idea to top-up dividend fairly recently, obviously, that's before the recent decline in copper prices. By our model, you're still above the $25 million in cash by a good margin by the end of the year. At the same time, I imagine the market volatility and the swing down has to affect the thoughts. How do you weigh that plus weigh the importance of the share buyback, which you could renew the end of the year, versus trying to make a payment in a market that hopefully is better by the end of the year? If you can just sort of consider those factors.

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

Well, I think that, and that's a good question, the fundamental answer, the short answer to that is that we will do whatever we need to do to protect the quarterly dividend. So, yes, we probably would have triggered a performance dividend already given the cash balances that we have on the balance sheet had it not been for the volatility that we have seen in recent months in copper prices, right? So that introduces a level of observation, a level of conservatism. We will not go out and drain the resource and put that quarterly dividend at risk but, as conditions continue to improve in respect of copper prices, that view will change. But we fundamentally are preserving the viability of that quarterly dividend until conditions in the market are looking a little bit better in the short term. There is that volatility that you allude to. I alluded to that in my comments as well. It's unavoidable. It exists in all markets. But we're not thoroughly concerned about it from a more long-term/mid-term analysis. But in the short term we have to factor that in.

Steve Ferazani — Analyst, Sidoti & Company, LLC

I've asked this in the past, and it's very hard to model and maybe you can help out a little bit in terms of just timing of cash repatriation because, obviously, we didn't model in the tax expense this quarter given the expected operating loss. How do you think about timing of cash repatriation and is it off of buybacks, when you're going to be making buybacks? I'm just trying to figure out, think about, and I'm sure others want to sort of think about how to be considering, you know, when you'll see that higher tax expense due to repatriation to return that cash.

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

Yeah, it’s normally on the second quarter of the year. We have the free cash flow determination done in March of every year and then we return capital in the second quarter of the year. Just as a side note, because I don’t want to complicate your modelling too much, but we didn’t return all the capital that we needed from Chile in one go just out of forecasting internally, so there is still cash in Chile that will need to be returned later on this year, but most of it was already returned in Q2.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Fantastic. And then in terms of the settlement of the receivables, obviously it was higher this quarter than you might have projected just ongoing mark to market quarter to quarter. There was that extra $2.8 million. Help us out on how that can reverse based on the way prices move or can you help us out on that extra $2.8 million?

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

Yeah, you have to be an accountant to understand that. We tried to simplify it as much as we could and got to the point of, ah, I think Carmen did an excellent job in trying to explain it. Look, if we only reported or if we only did our financial statements on a quarterly basis, you would only be seeing the $5.1 million, right, because you wouldn’t have had any adjustments. Those additional $2.7 million adjustment would have gone to revenue. What happens is that, if we have sales, for example, in July, and they are marked to market in July and then that mark to market has to be done again for those July sales in August and then in September. So we capture some of that adjustment within the line. And this is just a line that we reference to note. It doesn’t affect the top revenue line at all. But it’s not just that the settlement adjustments refer only to the prior quarter sales, they also refer to the intra-quarter adjustments from one month to the next, just because we want to be busy and do financial statements every month.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Fair enough. Thanks for all the detail, Aurora. Appreciate it.

Operator

Thank you. Next question is from John Whittier at C3. Please go ahead.

John Whittier — Analyst, C3

Hi, Aurora. I have just a quick question about, you alluded to some of the, you know, no income tax change as a part of, ah, or income tax effect as a part of a change in the constitution. Is there anything in that draft of the constitution, whether it's production levels in the future or anything else, is there anything that's unexpected that can be added in or changed in the last minute that gives you any cause for potential concern at the present time?

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

Thanks for the question. Let me just clarify that. The tax reform that was launched in Chile a couple of months ago and that Carmen alluded to in her comments is through the normal channels that are not part of a constitutional reform. So this is just normal business of government irrespective of the constitutional referendum. We do not anticipate any changes, for example, higher income tax rates. We had anticipated that those could be a possibility, but they didn't come through. So everything is good on that front. With respect to the changes that could come as a result of an approval of the constitutional referendum, we do not see any immediate changes from a taxation perspective that would have an impact on our operations in Chile either.

John Whittier — Analyst, C3

Okay. And maybe I can ask you about this off line as well, but another just related comment or question is, in the future, do you believe that there will be a fiscal stability agreements just with anybody having to do with copper production going forward or is that something that you don’t take, in this new government, that that is something with the existing ones, they will expire, but there won’t be any new ones? And the reason I’m asking the question is, as it relates to negative implications from any change that would just come up next month with the constitution, if it were to pass, the question I have is, with Codelco being your JV partner, the question is, ah, it doesn’t seem like it would benefit them to put in place negative legislation or consequences that would lead to negative results for Amerigo. So, is there a benefit necessarily to you because of your existing relationship with Codelco or do you not view it that way?

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

I don’t think that there would be an impact coming in from an approval of the new constitution that would have a tax effect on us or a tax effect on Codelco.

John Whittier — Analyst, C3

Okay. Thanks. I just want to make one comment, and it has to do with, and I'll be quick, with the gentleman's questions that preceded me, and I'll just make this comment that you are the only stock in our portfolio that when your equity goes down for us, as long-term shareholders, it's exciting. If you execute, and you might not view it that way and, candidly, some of the larger shareholders might not who are performance oriented in the short term might not view it that way. My comment is just driven by this. It is the simple, and not asking for you to validate this, but the seven strong quarters that you had, we think, when we look back on this Company's overall performance and return to shareholders in the next 10 years, it was those seven quarters, trailing quarters absent this last one, that fundamentally changed the long-term outlook of the Company. And we can look no further than if you just take your trailing 12-month absolute performance and look at what you did and you mirror that going forward and you, ah, I don't think you can hold the stock price constant but if you were to mirror that going forward, you know, you're all of a sudden, if you have the same performance going forward in terms of how you return shareholder value, at the end of 2026 you're just above 100 million shares outstanding and that with the same $16 million capital outlay to the regular dividend, you're already unusually high 9% yield, if you're looking at where we are today, is 15%. So it is one of these things that I'll say, in a very difficult outcome, congratulations on your quarter. Thanks very much.

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

Thank you for your comments.

Operator

Thank you. Next question will be from Terry Fisher at CIBC World Markets.

Terry Fisher — Analyst, CIBC World Markets

Hello. You can hear me?

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

We can, Terry.

Terry Fisher — Analyst, CIBC World Markets

Okay. Well, I missed the first part of the call, I'm sorry. I've been dealing with COVID actually. I'm almost over it. I don't believe there's a replay of the call.

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

Yes, there will be one.

Terry Fisher — Analyst, CIBC World Markets

Oh, okay. That's fine.

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

We always have the scripts and we always have the replays on the website. It takes about two days for the provider to give it to us, but they will be available.

Terry Fisher — Analyst, CIBC World Markets

Okay. On the website. Okay. Well, the only question I had, you'll appreciate this, because way briefer than usual, my sources in Chile tell me that the snow pack in the Andes is building up pretty well this year. Do you have any intelligence on that?

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

Yes. It's building up very nicely. It's the biggest snow buildup that has been in the region in three years, so it's boding well for El Teniente and for us in respect of water.

Terry Fisher — Analyst, CIBC World Markets

And also for the vineyards, which I care deeply about.

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

Me too.

Terry Fisher — Analyst, CIBC World Markets

Okay. Thanks very much. Congratulations.

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

Thanks, Terry.

Operator

Thank you. As a reminder, ladies and gentlemen, if you do have any questions, please press star followed by one on your touchtone phone.

And your next question will be from John Polcari at Mutual of America Capital Management. Please go ahead.

John Polcari — Analyst, Mutual of America Capital Management

Thank you. A couple of quick questions. By the way, we all think excellent job being done by you and the staff. First, just ballpark, how many remaining months of water supply would you say are available going forward without any significant changes? Maybe 18 months, 20 months, 24 months, something like that?

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

Look, we work, John, we work on an 18-month forecast just to have numbers in front of us. It doesn't mean that the curtain drops magically at the end of 18 months and suddenly we don't have water, it just means that we are sharpening our calculations to ensure that at least for the next 12, 18 months we know what's going on. So there are no red flags at least for that period. It could be longer than that, but we work on that basis of 18 months, which is a good enough period of analysis for our people in Chile to be focused on.

John Polcari — Analyst, Mutual of America Capital Management

Thank you. On the labour front, I believe, there's a contract renewal coming up this fall. Am I correct on the date or...?

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

That is correct. We have the MVC union of workers' contract is coming up for renewal at the end of October.

John Polcari — Analyst, Mutual of America Capital Management

And have negotiations been initiated, what do you anticipate—?

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

Legally, negotiations begin on the last week of August.

John Polcari — Analyst, Mutual of America Capital Management

I see. Any reason to think that it would be any different than prior? It's a three-year contract, I believe?

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

It is a three-year contract.

John Polcari — Analyst, Mutual of America Capital Management

So, all things being equal, that would be the ultimate renewal term, three years, with whatever bonus might be negotiated.

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

Correct. We don't expect any major surprises. It's just a normal negotiation as has occurred in the past.

John Polcari — Analyst, Mutual of America Capital Management

Thank you. And then two more quick questions. Do you have a specific, it's very difficult to determine what price level to buy the stock back in, the market is volatile, copper is volatile, price has been a bit volatile, but are you looking at any particular metric in terms of when you buy the stock back? I know you've used your allocation for this year, but I believe at the end of the year you can start again. Is there a particular metric again that you're looking to target before you buy more aggressively?

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

Yeah, we announced during our last news release that we are going to be seeking approval from the TSX to reinitiate the normal course issuer bid on December 2nd, which is when we can go out to the market again. We like the mechanism of the normal course issuer bid because it's market prices, it's an immediate activity on the market, so you're not working with a fixed price as would occur in a substantial bid. And yeah, the metric, we have our own internal metric. We know that our shares are undervalued.

We have not run into a period where we see that we are nearing the price where it wouldn't make any sense for us to buy our shares and that's what I can share with you, John.

John Polcari — Analyst, Mutual of America Capital Management

I'm sorry. You're saying you are nearing a price where you would buy them back?

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

Yeah. I mean definitely. We haven't ever been in a place yet since we started repurchasing shares where we feel the price is too high we shouldn't be buying this back.

John Polcari — Analyst, Mutual of America Capital Management

Understand. And lastly, all in, assuming that molybdenum price credits are where they are now, all in for smelting, transportation, the royalty, soup to nuts, could you ballpark where the free cash flow breakeven point would be for standard guidance on production in terms of a copper price? In other words, just to pick a number, at $2 would the free cash flow be about breakeven all in for all cash costs or would it be a little bit higher perhaps? Again, assuming the molybdenum credits don't change, assuming the royalty is what it is as it fluctuates, assuming transportation and smelting costs are where they are, even though they might escalate?

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

You can refer to our EBITDA guidance and our free cash flow to equity guidance on our website. We have all the different ranges of copper prices there. You can see that there are periods in which free cash flow to equity is not being generated at lower copper prices and that's why we have the cash reserves that we have at hand, right? So, until we see that there is no change on the short-term outlook of copper, we have to maintain the necessary surplus cash to maintain that sustainable dividend when free cash flow through equity would not be generated as such in a quarter.

John Polcari — Analyst, Mutual of America Capital Management

Understand. Now I did look at the website and I assume that those tables that are included include everything, the royalty, transportation, smelting—?

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

They include everything, yeah. They include all of the costs that have to be considered.

John Polcari — Analyst, Mutual of America Capital Management

Okay. At the current guidance for production, correct?

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

Correct.

John Polcari — Analyst, Mutual of America Capital Management

Okay. Thank you again and job well done. Thank you.

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

Thank you.

Operator

Thank you. At this time, we have no further questions registered. Please proceed with closing remarks.

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

Thank you. If we don’t have any further questions, we will close the call now and we will be back in about three more months reporting the third quarter results of the year. Thank you all for your interest in Amerigo.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time we do ask that you please disconnect your lines.