CORPORATE PARTICIPANTS

Aurora Davidson
President, Chief Executive Officer and Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Joseph Reagor
Las Vegas

John Polcari
New York

Stephen Ottridge
Vancouver

John Tumazos
New Jersey

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Q1 2020 Investor Call.

Today's call will be hosted by Ms. Aurora Davidson, President and CEO; as well as Dr. Klaus Zeitler.

I would now like to turn the meeting over to Ms. Davidson. Please go ahead.

Aurora Davidson, President and Chief Executive Officer

Thank you very much, and welcome to the First Quarter 2020 Investor conference call of Amerigo Resources. I am Aurora Davidson, President and Chief Executive Officer.

Before we begin the presentation, let me caution you that our comments and discussions will include forward-looking information within the meaning of applicable securities legislation. Forward-looking information will include, among other things, forecasts and projections about copper production for the year, which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from such forecasts and projections. Therefore, although we believe that anticipated future results, performance or achievements expressed or implied by the forward-looking information are based on reasonable assumptions and expectations, you should not place undue reliance on such forward-looking information.

We direct you to the press release issued on May 6, 2020, and on our other documents filed with the securities authorities in Canada, including our annual information form under the heading Description of the Business Risk Factors. These documents describe the material factors and assumptions that were applied in drawing the conclusions and making the forecasts and projections as reflected in the forward-looking information and the material factors that could cause actual results, performance or achievements to differ materially. Except as required by law, we undertake no obligation to update or revise any forward-looking information made in this presentation.

Okay. Having left the formality of the forward-looking statements behind, let me first thank you for joining the call. I will first refer to the operational continuity at MVC, then I will provide an operational recap and move on to talk about finances. A reminder that all dollar amounts in the presentation are U.S. dollars.

The COVID-19 impact at the MVC operation has been none, zero. We have had no effect on copper production, costs, no disruption to the supply chain and no disruption to the concentrate shipments from MVC. We anticipate that this will remain to be the case. You can refer to our news release of April 15, which speaks of the Company's COVID-19 mitigation factors.

MVC is different from a traditional copper mine. There is low contagion risk because most of the work is conducted in open spaces. So our teams have been able to be kept intact and have been operating normally. The COVID-19 emergency has been very well-managed in Chile, where mining is considered an essential sector. Other countries have not taken the same approach and copper producers have been forced to reduce or suspend operations and shipments because of COVID-19, or in response to dropping copper prices that has ensued, which is negatively affecting worldwide copper production. For example, Antamina and Las Bambas in Peru are fully shut down with no certain resumption date. And in Chile, Freeport's El Abra has scaled back processing by 40 percent due to low copper prices.

Production losses are probably larger than readily evident due to the invisible losses from mines with reduced workforce. The effects in copper supply could be material as low prices and lower productivity from social distancing force some mines to close. Copper producers are facing production shortfalls and are minimizing required high capital expenditures due to low copper prices in COVID-19. The shortfalls in capital reductions faced by others will benefit us as they will affect future copper supply, which will, in turn, all other things being equal, bring copper prices up sooner rather than later.

With respect to copper demand, it is still too early to know what will happen in the short term. Of course, there is uncertainty over the global economy and what consumption patterns will look like as economies start to reopen. Governments have not yet announced significant infrastructure plans as part of their economic incentivization strategies, which would be of significance to the industry. A cautionary view on how the rest of the year may evolve could be that of Chile's Copper Commission, Cochilco, who currently anticipates copper surpluses that would see the price of copper hovering around $2.40 per pound.

Let me refer briefly to Codelco and El Teniente because, as you know, we processed the fresh and historic tailings from El Teniente. Codelco as a source of employment and as a source of revenue is majorly important in Chile. And El Teniente is their top-performing division. They have continued to operate at full capacity through COVID-19 and will continue to do so providing fresh tailings to MVC. Even if El Teniente curtails investment in some of their noncore projects, their life-of-mine is longer than our current contract with Codelco, which runs to the end of 2037 currently.

Moving on to operations. I need to first explain what we're talking about when we refer to the drought in Central Chile. The drought is caused by lack of rain. In Chile Central Area, rain level has been decreasing over time but reached a critical level in 2019. Looking at the more recent data in 2016 and 2017, rain averaged 412 millimeters per year. In 2018, this dropped to 291 millimeters, which was still manageable for us. And in 2019, it dropped down further to 124 millimeters. When we're talking about millimeters, we're talking about measure precipitation, which is equivalent of 1 liter of rainfall per square meter. The rainy season in the region usually spans five months and starts around April or May. In recent years, for example, 2018, 2019, we have seen a later start of the season. In 2018, the high rain months in the year were June through September and continued even into November. In 2019, most of the rain occurred in June and July.

All regional copper producers are being affected by the drought, not just Amerigo. As water has become less available in the region, everyone including El Teniente, has undertaken water conservation efforts. This is relevant to MVC because its single most important source of water comes from the fresh tailings. As El Teniente has become more efficient at preserving water, it is sending to MVC fresh tailings with less water content. Ideally, MVC needs 625 liters per second of water sourced from the water contained in the fresh tailings, rainwater stored in Colihues and water rights to local rivers. Water reserves at Colihues were quite depleted and went down to 200,000 cubic meters in 2019. Through low capex improvements in water recirculation, the levels at Colihues have been replenished to just below a million cubic meters right now. And that was the good news. The bad news is that this project of water circulation increased the load to the water thickeners that we have on-site, causing equipment malfunction, stoppages and numerous operational days lost in Q1. We spoke about this in our last call.

To avoid further damage to the equipment and the thickeners, we had to revert to operate the thickeners with lower feed tonnage, reducing water recovery and forcing us to have lower processing from Cauquenes. To return to the desired condition where the thickeners can operate with greater tonnage, we needed to buy specialized spares, which are manufactured in Italy and whose lead time has been affected due to COVID-19 closures. We expect the spares will be installed in late Q3. And thus, we decided to delay installation of the additional metal piping that is needed to increase water recirculation capacity from the water thickeners to time it to the time when we can have it fully operational with the thickeners. This has helped our cash flow. The piping has already been purchased. It's on-site, but it has just not been installed.

In Q1 2020, we produced 12 million pounds of copper, and our current annual production guidance is 55 million to 60 million pounds of copper. So how do we reconcile that? Let's look at Q1 2020 first.

The first quarter is always a skinny quarter of the year because of the annual maintenance plant shutdown at El Teniente and MVC. This year, we also had several plant stoppages caused by the overload of the water thickeners. In Q1, we lost 13 days of operation in fresh tailings and 24 days in Cauquenes in total between the maintenance shutdown and the problems with the thickeners. The effect of these loss days of operation, with all other things unchanged, was 2.8 million pounds. In other words, normalized production, excluding lost operating days, would have been 14.8 million pounds, if we include slag processing and 13.7 million pounds, if we only count fresh and Cauquenes' production, which on an annualized basis is consistent with guidance. We have had no planned stoppages since March 3, and we expect this to continue as we are not overloading the thickeners.

Ongoing production results for the year will be heavily influenced by water supply to MVC. Our current guidance holds true under the assumption that rainfall returns to levels similar to 2018. Remember, 2018 was a drought year. It was just not a severe drought year. Under these conditions, MVC would be able to increase extraction rates at Cauquenes starting in July. This is still possible if rain starts this month. So the assumption is for a stronger Q2 compared to Q1 because of the effect of not having nonoperational days and then improvements in tonnage processing in Q3 and Q4. Now if rains are delayed or start to fall below the 2018 benchmark, we will need to delay increasing tonnage at Cauquenes until we have completed the installation of the spares in the water thickeners, which would occur at the end of Q3.

In this case, we could see a decrease in production of approximately 3.5 million pounds from guidance. As additional data on rainfall in Chile and delivery time for the thickener spares is known, the Company may need to update this guidance, and we will keep the market informed.

Production estimates currently exclude any effects from the current plant optimization program. As we reported in the prior call, an audit of the MVC plant was completed in February, and we identified various areas of opportunity to improve performance through low capex high-impact initiatives. We have continued to work on these opportunities and are nearing the completion of the data gathering and analytical part of the work. The most significant opportunity is to improve plant classification and, therefore, reduce copper losses by switching to hydrocyclones that can perform better in a low feed water environment. Our leading expert firm has visited the plant and has conducted on-site simulation and detailed testing. Our technical consultant at MVC are analyzing all the data and providing recommendations so that an investment decision can be made at the end of May.

We are also in the process of doing extensive laboratory test work in Canada to obtain hard data to simplify and optimize MVC's flowsheet and improved metallurgical performance. It was not easy getting all the samples collected and shipped from MVC to Kamloops in British Columbia in the middle of a pandemic, but they are all here and the lab is working hard on it. A report with recommendations will be delivered next month. Recommendations are expected to be operational and non-capex.

The audit confirmed that MVC has an inadequate water supply to easily optimize the process at the plant and identified the need to engage solid/liquid separation and rheology experts to review and optimize MVC's water thickeners and provide additional expert recommendations on water recirculation and utilization programs. MVC has engaged an international leading consulting firm who is in the process of conducting this evaluation. They have been on-site, they have gathered data and they're working on the recommendations. The first of the reports was delivered this week and is being reviewed with our technical consultant and with MVC.

Moving on to the financial results for the quarter. Amerigo recorded a net loss during Q1 2020 of $4 million compared to a net loss of $1.4 million in Q1 2019 due to lower production and lower metal prices, including the effect of negative fair value adjustments to copper receivables. These adjustments were $5.3 million, and they were quite significant. In comparison, in Q1 '20, they included $2.1 million in positive adjustments—sorry. The adjustments were $5.3 million negative adjustments in Q1 2020 compared to $2.1 million in positive adjustments in Q1 2019. The adjusted net earnings, excluding the effect of our fair value adjustments to receivables, would have been $1.3 million in Q1 2020, compared to an adjusted net loss of $0.7 million in Q1 2019.

Now the negative settlement adjustments result from what is known as M+3, which is a pricing customary practice in the industry under which final pricing for copper produced by MVC is determined based on the average London Metal Exchange, or LME copper price, for the third month following delivery of copper. For example, December 2019 copper sales were settled at the March 2020 average LME copper price. Of the $5.3 million in negative settlement adjustments recorded in Q1 2020, $3 million were final settlements for October, November and December at 2019 sales and $2.3 million were mark-to-market adjustments to Q1 2020 production to a copper price of $2.35 per pound. Today's price is $2.37 per pound.

In the same way, the Company is exposed to negative adjustments. In a period of declining copper price, it will benefit from positive adjustments as copper prices recover. The Company had negative operating cash flow before changes in noncash working capital of $4.1 million in Q1 2020 compared to negative operating cash flow of $5.2 million in Q1 2019. Quarterly net operating cash flow was negative $1.4 million, the same as in Q1 2019.

Cash costs in Q1 2020 decreased to $1.94 per pound from a cash cost of $2.03 per pound in Q1 2019. Actual cash costs in the quarter was $0.07 higher than forecast due to lower-than-expected moly by-product credits because of lower moly price and the effect of moly negative settlement adjustments.

Under an annual production estimate of 55 million to 60 million pounds and with the current cost structure at MVC, cash cost is expected to be $1.85 per pound in Q2, $1.56 per pound in Q3 and $1.46 per pound in Q4, which would result in an annual average of $1.71 per pound. We can see from these projections that further cost reductions are required, including labour and services at MVC. The current price of copper is insufficient to cover the Company's production cost, royalties to DET, or El Teniente, financial commitments and ongoing working capital requirements.

This has brought us, as has occurred in the past, to discuss deferrals of royalty payments and settlement adjustments with Codelco as a necessary first step to resolve our immediate working capital constraints. These deferrals have always been granted before. MVC has a very good relationship with Codelco, who understands that periods of low copper prices are part of the business, and they have helped us then, and we're in a similar discussion right now. However, on this occasion, we have asked to expand the discussion so that we can jointly seek a structural solution under which this type of liquidity constraint can be addressed more fluidly in the future, reducing MVC's liquidity risk. As discussions are ongoing, I cannot provide further details for now.

At quarter end, we had a working capital deficiency of $27.6 million. The Company's working capital position was severely affected in the quarter by the sharp decline in copper prices, which resulted, as we've already mentioned, in a reduction in cash receipts due to negative price settlement adjustments of $3 million and a decrease in amounts receivable of $2.3 million from mark-to-market adjustments. Also during Q1, we made scheduled debt payments of $4.7 million in principal and $1.6 million in interest to the MVC lenders for a total of $6.3 million in cash payments to the banks.

You may recall that on September 2019, we refinanced the MVC debt with the support of both lenders. This openness to renegotiate debt payments gave extra breathing room to the Company. Our next payment to the banks is currently due at the end of September for approximately $6 million, including principal and interest.

We are also in a discussion period with the MVC banks. And as with Codelco, these are ongoing discussions, they need to fit together like a jigsaw puzzle. Everybody is interested in making this work, but these things take time as they should because they need to be done right. Needless to say, we resolving immediate working capital constraints is the single most important task at hand.

I mentioned in the prior investors call, three key areas of focus for this year. Number one was to increase production at MVC by improving plant performance; number two was to make the necessary adjustments at MVC to be able to operate with less water; and third was to lower costs and achieve a sustainable unit cost. We have kept working hard in these fronts. It is still work in progress, which does not mean progress has not occurred. This work will come to fruition, and we should see that starting to occur in Q3.

I will conclude by sharing again our value proposition. MVC is a solid asset. It has been in operation for 27 years through the highs and lows of copper cycles. We have a long-term contract and a solid relationship with Codelco, who is the world's biggest copper producer. We are a low capex operation. We have a manageable debt. I know it does not look right, right now, but it is a manageable amount of debt. We have operational resiliency and have survived low price periods before. We work for and expect to return to a dividend payment capacity when copper prices stabilize at higher levels. We all believe in copper, otherwise, we would not be in this call.

So, I thank you for listening, and can now take your questions.

QUESTION AND ANSWER SESSION

Thank you. We will now be taking questions from the telephone lines. If you are using a speakerphone, please lift your handset before making your selection. Please press star, one on your telephone keypad if you have a question. Should you wish to cancel it, please press pound. Once again, please press star, one on your telephone keypad at this time if you have a question.

Our first question is from Joseph Reagor in Las Vegas. Please go ahead. Your line is now open.

Joseph Reagor

Hi Aurora. Thanks for taking my questions. So I guess, obviously, tough time in the world markets in general and especially for copper. I understand you can't really give any more information about the negotiations with Codelco. But maybe can you give us any colour about anything that may have happened positive to the balance sheet since the end of the quarter? I know the cash balance was really tight at the end of the quarter, and maybe any outlook there? And any comments about like what kind of cash balance you guys would like to maintain moving forward as like a minimum threshold?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Well, certainly to $600,000. No, I think you made the right comment. These discussions are ongoing, and they're taking a little bit of time. We are not seeing any negative indications from any of the parties involved. We feel confident that we're making progress. April was essentially quite similar to what you saw in March. We had a good production month within the forecast, consistent with our guidance. So there are no surprises there. We continued to make progress on additional cost reductions that are coming through the MVC structure, but the critical aspect is the discussion on how we're going to be reorganizing the settlement adjustments and royalty payments with Codelco in the short term. Those are critical discussions just to alleviate the immediate working capital constraints. And it's not a partial solution, right? It's a solution that we'll have to work at a 100 percent basis, and we're striving to move towards that conclusion and that resolution as soon as possible. So work is ongoing, and there is no significant change with our year-end—sorry, month-end results in April compared to March. The conditions are not there to have any significant changes.

Joseph Reagor

Okay. And then on your payables, they've remained elevated while the receivables have dropped so much and it's kind of most of what the negative working capital has been driven by. But can you give us any additional colour on like timeframe on the payables? How much of those are negotiable versus how many of those are must pay and when?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Well, a significant portion of our payables are related to power. Power is the single most significant single cost at MVC. We have had discussions to structure our payments with the power supplier. So that is giving us some breathing room. We also have had discussions and have a payment plan with our other key suppliers at MVC, which are the grinding ball supplier, supplier for lime. So power, lime and grinding balls are all organized in a way that are scheduled to be cleaned up through the next four or five months in an orderly way. So that gives us some breathing room. And you can see, however, that our payables, trade payables at the end of March compared to the trade payables at the end of December are lower by $2 million. So we don't have—we haven't seen a spike in those payables this year per se. You talked about the decrease in receivables. Of course, that's coming from the mark-to-market adjustments and from the actual settlements that have fallen through in the quarter.

And those are all part of the discussions that we're having with Codelco. We're talking about how do we organize those settlement adjustments that have already been realized. And how do we organize the royalty payments, which are not insignificant. When you factor those two points together and you can move them out of current into a more long-term payment structure, you have a substantial change in the dynamics of your working capital deficiency.

Joseph Reagor

Okay. And then beyond the impacts of the balance sheet being where it is, do you have any idea on the lending front, how much leeway the recent bank loans are going to give you?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

As I said, we are in the process of having those discussions. There are discussions that are occurring in tandem with the banks and with El Teniente. So it's all work in progress. We have a good relationship with the banks. You've seen us refinancing the debt back in September. The conditions that MVC is facing are not particular to MVC as a copper producer, they're not even particular to all copper producers. They are conditions that bankers are seeing in any industry they are involved in. I think that when you look at our situation versus how other industries have been impacted, yes, we are an area of concern to lenders, but significantly not to the extent of other industries. So this is something that they're seeing with each and every client other than some industries that have actually benefited under the pandemic. But discussions are progressing, I would say, as normally as one would expect under the circumstances that we're living.

Joseph Reagor

Okay. Thanks for providing all the colour you could there. One final thing, if I could. Capital spending and debt payments for Q2 what should we expect there? (Multiple speakers)

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. No, there are no debt payments in Q2 because our next scheduled payment is at the end of September. And we still have time to discuss what's going to be happening with that date with the banks. It's one of the things that we're discussing, but there's nothing coming in Q2. We had a low capex program for this year anyway. We don't have to build a sump at MVC. So that gave us a substantially less onerous capex requirement for the year. We have delayed installation of the water piping at MVC into Q3 because we're only going to be getting the spares installing the thickeners then. So we didn't need to rush in and install the pipe if it wasn't going to be usable. So that gives us some less constraint on capital required in Q2, but it's low. It was a low capex year. It's even a lower capex year right now. So there are no big constraints on that front.

Joseph Reagor

Okay. All right, I’ll turn it over. Thanks.

Operator

Thank you. Our next question is from John Polcari from New York. Please go ahead. Your line is now open.

John Polcari

Thanks very much. First of all, let's say, Aurora under the circumstances, considering how many variables and the unexpected, should I call it, coalition of events that have happened many beyond your control, such as the virus, the weather, etc., I think I commend your performance. I have just a couple of quick questions. One, how long has the drought been in effect? How many years has it been now?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Well, as I mentioned, it's always raining a little bit less in Chile. Some people say that the drought has been going on for 10 years. However, even at the low precipitation levels that were present in 2018, it was not that critical for the industry as such. We started seeing constraints in the mining sector in 2019 when essentially rain was at a quarter of the precipitation levels of 2016, '17 and half the levels of 2018. So it's all a matter of relativity, right? I mean things are not—I think climate change is certainly evidencing its effects in the region. It's a Mediterranean region anyway. So it was never—it was not a rainforest to start with. But the critical aspect or the severity of the drought became evident in 2019.

John Polcari

Has there been any long-term or intermediate-term studies on the next 5 or 10 years trying to—difficult as it is, to try to predict the extent of the drought? I know a number of years ago in California, there was an extremely long drought that lasted north of 20-plus years, and then they were able to determine from various things like tree-ring, studies, etc., when it might turn. And in fact, within several years of their predictions, California wound up having more water than it needed, it actually had some flooding...

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. Yes. We haven't seen those studies. We have asked for information in Chile, we have been looking for it. There doesn't seem to be that much of a scientifical research around that, which is surprising given the magnitude. And given the fact that it's affecting everyone in the region, right? It's affecting agriculture, it's affecting mining. It's not just an isolated event. But no, we haven't seen any hardcore studies to that effect.

John Polcari

So for the year, just starting as far as rainfall, would you say it's—I mean we're only into May 7, but is it about on a par with last year, weather-wise or a little bit better?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Last year, it only started raining much later in the season, June, July.

John Polcari

Okay. So still too early to tell.

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

So, yes, every day, I check the copper price and every day I check the rain forecast in Cauquenes. I'm not getting good news yet on those two fronts.

John Polcari

What's the—there was some time ago when the Company ran into some liquidity issues, and they were able to take some of the payables and turn them out with the concurrence of suppliers and everyone was paid, and I think everyone walked away happy...

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Everybody has always been paid. And everybody has always walked out happy. And this is a long-term business, and everybody realizes the ups and downs of the cycle. So we are doing a similar payment program with our key suppliers. I spoke about that briefly - power, lime, grinding balls. Those are...

John Polcari

So you're getting cooperation from suppliers as far as...

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes, for sure.

John Polcari

Okay. Just two other quick questions. One, all-in then, assuming that the equipment from Italy arrives and it's installed and it works up to expectations, without any other significant changes in the weather or significant changes in processing or tweaking, what would be the fully loaded breakeven cost, assuming you didn't get a break on the royalties? Just all-in costs, I know we had talked about $1.65 to $1.70 to—I'm sorry, $2.65, $2.70 to fill all expectations. Where do you see that now? Is it still the same?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. As I've mentioned before, I think we still have to work beyond the current expectation that we have from MVC of an average cash cost for the year of $1.70. I think that is still high. We have to reduce that. There's no question about that. We have...

John Polcari

Right. But that wouldn't—I'm sorry to cut you off. I was just going to say that that cash cost would not include royalties or debt service payments. So all-in…

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

No. No. No. We have 20—look, at today's copper price, we have a royalty of $0.35, and we have a debt service of $0.25. So that's $0.60, right? And we have a copper price that is hovering at $2.35 to $2.40. So we have to reduce that cash cost because we need that extra room. We need that extra room. So I think that part of the discussion is, yes, what happens when we have a low copper price in terms of organizing that royalty so that it can be payable in an organized way. But the other part of the equation is we have to take responsibility for a lower cash cost, and we have to take responsibility for higher production. These are all moving pieces.

John Polcari

I think we—am I correct, though, that without any adjustments to royalty or debt service or any other variables that 65 was about the price that would have covered everything all in on a breakeven?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. And that's what we're saying. Right now, we're not in that position, right? I mean, we have a working capital deficiency as well to take care of. So right now, at these current copper prices, it doesn't work. And that's why we have to make it work.

John Polcari

No, I understand. And I'm just wondering like if we were at $2.60 to $2.65 by the end of the year for whatever reason, would that—without any other adjustments put us back in a total all-in breakeven operation would you say?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. Yes.

John Polcari

Okay. So that number is still a good number, let's say, around the $2.60-ish?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

It is.

John Polcari

Okay. And then lastly, we had mentioned this before, and I don't think it was under discussion because the banks had just renegotiated some of the term loan. To get over the hump of short-term liquidity issues, has there been any discussion of incorporating the bank agreement to include maybe a secured line, short-term working capital line to facilitate these lumpy payments or some kind of a short-term facility just to address payables or if things don't necessarily come in and get paid...

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Well, that is the mechanism that we're trying to factor into the agreement with Codelco. Because this liquidity challenges are coming from the fact that we have a royalty that continues at a copper price where once you factor in the current debt service and the cash cost, it's just not payable. So that mechanism is part of what we're discussing with Codelco. How do we have a mechanism that on a—without having to look at it on a case-by-case basis, provides that reduced liquidity risk to the Company.

John Polcari

And lastly, one more, there was a reserve fund that had been filled, buckets set aside, so to speak, in case there were not sufficient funds to make a certain payment. Is that still in effect with the bank? Is that still—has that been...

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. No, we disclosed that in our Q1 documentation, we used the reserve funds to make the scheduled March 26 payment.

John Polcari

Okay. All right. Well, thank you again, and so far under circumstances well done.

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Thank you John.

Operator

Our next question is from John Tumazos from New Jersey. Please go ahead. Your line is now open.

John Tumazos

Thank you very much. Aside from the fresh tailings from El Teniente, there's an older tailing stockpile, big volume of older high-grade tailings. Are you able to increase the old high-grade tailings in a time of need to improve your grades?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

John, those are the Cauquenes tailings. We actually have had to reduce tonnage processing of those tailings because of water constraints.

John Tumazos

That's unfortunate. I know you can't talk about the negotiations, naturally. But in other circumstances, sometimes there's compromises between constituencies, sometimes the bank lending officers, maybe they don't get much incentive pay, maybe they're not rocket scientists. They don't know. But if the Company issues a little bit of stock, it's like the canary in the coal mine, and the banks figure, oh, they can sell stock, we're safe. Are you willing to raise a small amount of equity, $3 million, I know the prices are terrible. Some amount just for these dumb loan officers who know you can or convert a little bit of the royalty to an equity interest to improve the ratios?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. No, the royalties are not convertible to equity interest. And all discussions—all possibilities are under discussion. The Company has moved away from dilution in the past. I think we—there is still a lot of discussions to be had with Codelco and with our lenders before considering a situation or a solution like you're presenting.

John Tumazos

Good luck.

John Tumazos

Thanks John.

Operator

Thank you. Once again, please press star, one on your telephone keypad to ask a question.

Our next question is from Stephen Ottridge from Vancouver. Please go ahead. Your line is now open.

Stephen Ottridge

Hi there. Good morning. You were—just confirming, you were around with Amerigo the last time they had the liquidity problems, correct?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Correct.

Stephen Ottridge

Yes. That's what I thought. So you've got a good experience with this, and it sounds as the way you're talking is you've done a good job here. One thing that in your presentation, you've mentioned that the water level in Colihues had grown considerably, and I didn't take a note of the numbers, but it sounded really significant. So how did that occur?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Through water recirculation. Remember, we have additional water recirculation projects that we kicked in, in Q4 of last year. Now as I said in my presentation, everything is relative. It has increased from an all-time low of 200,000, 300,000 cubic meters to about 900 million cubic meters. It doesn't mean that's where we would like it to be. We would like it to be significantly higher than that.

Stephen Ottridge

Okay, but it's still a significant increase like it's looking 4x or something, so.

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Yes. But it was from critical low levels.

Stephen Ottridge

Yes. My other sort of concern, then you mentioned El Teniente is working at normal rates, but that is an underground mining operation. So the problem of people working close together is a possible problem for them. Can you comment?

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Well, I'm not going to comment on the COVID-19 measures other than to say that they have worked so far, and they haven't had a single incident since the emergency situation has been in place in Chile. They're doing their protocols. I guess they're doing them right because nothing wrong has happened yet. But yes, other than that, I cannot comment on their operations.

Stephen Ottridge

Okay. Thanks very much.

Operator

Thank you. We have no further questions registered at this time. I would now like to turn the meeting back over to Ms. Davidson.

Aurora Davidson, President, Chief Executive Officer and Chief Financial Officer

Well, thank you very much to all attendance. We appreciate your continued support for the Company, and we look forward to speaking again with you three months from now. Thank you.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.
