

**Amerigo Resources Ltd.**

**Third Quarter 2021 Operating & Financial Results**

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### **John Polcari**

*Mutual of America — Analyst*

### **Dave Brown**

*Private Investor*

## PRESENTATION

### Operator

Good afternoon. My name is Kelsey and I will be your conference operator for today. At this time, I would like to welcome everybody to the Amerigo Resources Q3 2021 Financials 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 the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two. Thank you.

Mr. Jonathan Paterson, you may begin your conference.

### **Jonathan Paterson** — Managing Partner, Harbor Access

Thank you, operator. Good afternoon and welcome, everyone, to Amerigo Resources quarterly conference call to discuss the Company's operating and financial results for the third quarter of 2021. We're delighted to have you join us today. Please note that all dollar figures quoted in this call are US dollars, except where otherwise indicated.

Our call today will be led by Amerigo's Chief Executive Officer, Aurora Davidson, along with the Company's Chief Financial Officer, Carmen Amezcua. Following our prepared remarks, we will open the conference call to a question-and-answer session.

Please note that comments made on this conference call may contain forward-looking statements. This information, by its nature, is subject to risks and uncertainties that may cause the

stated outcome to differ materially from actual outcomes. Please refer to page 21 of Amerigo's third quarter 2021 management discussion and analysis for the Company's cautionary statement on forward-looking information.

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, Jonathan. Welcome, everyone, to the earnings call to discuss Amerigo's third quarter 2021 financial results.

Let me take a few moments to share some sad news that Amerigo's Director, Dave Thomas, passed away suddenly and unexpectedly this week. Dave joined the board earlier this year and he had a wealth of technical experience to share with us. He will be greatly, greatly missed.

Here is an overview of the quarter to provide context to my following remarks. We are pleased to report a strong operational and financial quarter. Our operation in Chile, MVC, produced 16 million pounds of copper and 343,000 pounds of moly at a cash cost of \$1.62 per pound. We reported Q3 net income of \$8.4 million, EBITDA of \$18.5 million, and earnings per share of US\$0.05, C\$0.06. We expect to beat our 2021 annual production guidance of 61 million pounds of copper.

Amerigo will be ending the year with a strong balance sheet, a refinanced and manageable bank debt of \$31.5 million, and a \$15 million line of credit to buffer market cyclicalities should this arise. We will also have fully repaid the loan to El Teniente taken last year to pay for settlement adjustments and, quite significantly, Amerigo now has once again a return of capital policy in place.

Because the topic of capital repatriation has been so important to the Amerigo story, let me start my remarks with a discussion of our recent actions. On September 28<sup>th</sup> we announced a payout policy to start returning capital to shareholders. The payout policy comprised the reinstatement of dividends and an initial share purchase under a substantial issuer bid. On November 1<sup>st</sup>, the Board of Directors of Amerigo declared a quarterly dividend of C\$0.02 per share payable on December 20<sup>th</sup> to shareholders of record as of November 30<sup>th</sup>. Based on the September 30<sup>th</sup> share closing price of C\$1.26, this represents an annual dividend yield of 6.35%.

The objective of the dividend policy is to have steady, safe, quarterly dividends that can gradually grow over time. The dividends will be declared at the discretion of the board on a quarterly basis, depending on the Company's quarterly financial results and other factors of relevance determined by the board, which could include the copper market outlook and the maintenance of appropriate levels of working capital. With a stable quarterly dividend now in place, we are also starting to look at alternative methods, and their costs, of putting in place downside copper price protection.

During the quarter we also announced a substantial issuer bid. The bid expires on November 12<sup>th</sup> and we will announce the bid results shortly after the expiry date through a press release. I can provide a little colour for you in that we know that in this type of bids shareholders commonly tendered their shares during the last days of the bid and that is what we think is happening here. However, from my perspective, whatever occurs with the bid will be a win for Amerigo. We knew going in that certain long-term shareholders wanted to reallocate their portfolios, so Amerigo essentially facilitated a block trade with Amerigo as a counterparty, minimizing market disruption.

Now if a high number of shares are tendered for repurchase under the issuer bid, we will consider this a successful exercise that accomplished the intended goal; however, if a low number of shares are tendered, this will clearly indicate that these investors have changed their view of the relative value of Amerigo in their portfolios and we also think that would be a great outcome. In this scenario we would also have additional capital for a normal course issuer bid in the near future should the board desire to initiate one.

Now let me move on to the operational details of the quarter. As I mentioned before, we are pleased to report a strong production quarter with a low cash cost. Copper production was 16 million pounds of copper at a cash cost of a \$1.62 per pound. Moly production was 343,000 pounds. MVC's operations continued through the third quarter without any disruptions due to COVID-19. In terms of work safety, there were no accidents with lost time in the quarter for neither MVC workers nor subcontractors.

Q3 was a particularly important quarter as MVC undertook its annual planned maintenance shutdown, completely halting production for eight days during September and one day during October. It was an extensive and challenging program with more than 1,390 maintenance tasks and projects completed. Excluding the annual shutdown, MVC's average plant availability during Q3 was 97.6%.

During the quarter MVC completed a series of planned plant optimizations to process a higher volume of fresh tailings without sacrificing recovery. As a result, production from fresh tailings in Q3 accounted for 54% of our production increasing to 8.6 million pounds of copper due to higher throughput and higher grade. Recovery from fresh tailings was 22.3% in Q3.

Please remember that we must accommodate both the fresh tailings from El Teniente and the historical tailings from Cauquenes. Given the higher volume of fresh tailings coming to the MVC plant, processing volume from Cauquenes had to be modulated down to an average of 52,981 tonnes per day. The best way I have to summarize what we have done at the plant is to say that we are capturing as much as we can from the flow of fresh tailings and not depleting Cauquenes as quickly. We're essentially extending the life of that finite deposit while maximizing the contribution from fresh tailings.

I would like to highlight that we will incur higher than anticipated capital expenditures this year. Our normal level of annual sustaining CapEx is \$6 million. The longer period observed between maintenance shutdowns 2020 to 2021 resulted in additional necessary work having to be carried out in September and CapEx was so also affected by rising costs for spare parts, replacement components, and subcontracted labour during the shutdown. We have also added additional projects to improve equipment performance. This could bring the total annual CapEx to \$9 million. We expect lower CapEx in 2022 and are confident that the work we have done this year is important to ensure we have no production interruptions during these high copper price times.

Here is an update on our water situation. The 2021 rainfall season in Chile is now over and marked a return to drought conditions, although not as dire as in 2019, which was the worst drought in Chilean history. Notwithstanding, MVC has been able to maintain healthy level of water reserves in Colihues, which are currently 7.3 million cubic metres. This is down from a peak of 10.5 million cubic metres at the end of the 2020 rain season. Because water content in our fresh tailing stream is critical to our processing, MVC has held discussions with El Teniente concerning their own water risk assessment for 2022. Given the latest defrost water flow reports prepared by Chile's general directorate of water, El

Teniente does not currently expect any water supply shortages in 2022, so that is also excellent news for us. Water supply is very much on the radar of all miners in Chile. Majors such as Antofagasta and Anglo American have publicly flagged ongoing drought conditions in their areas of operation as a substantial operating risk and have adjusted their own 2021 production guidance downward.

During the plant shutdown MVC completed most of the work to optimize its three water thickeners, which are core to MVC's ability to re-circulate water in the plant. All the new electrical equipment and (inaudible) pumps for the three thickeners are now in place and one of the thickeners now has all the bells and whistles. The upgrades in thickener two will be completed during MVC's planned maintenance shutdown in Q1 2022. The third thickener will not require a prolonged plant shutdown to be completed and MVC will assess the best time to do this next year without hindering our production plan.

To sum up, while there is no immediate water supply risk identified for 2022, MVC will continue to assess its mid- and long-term water supply risk. We are constantly striving to increase our water efficiency and, as an example, our team in Chile is evaluating ways of reducing water evaporation in Colihues during the summer months. This initiative will not be the last of our efforts.

In October, MVC underwent the external audits required to obtain the ISO 50001 Energy Management Systems certification. This will validate MVC as an organization with a system in place to achieve continual improvement of energy performance, including energy efficiency, use, and consumption. MVC expects to officially receive this important certification in Q1 2022.

I know there is always interest in Chilean politics, so I will offer the following comments. There appears to be more clarity, but also more polarization, in respect of the leading candidates on Chile's presidential election taking place later this month. In recent weeks, the conservative candidate José Antonio Kast has searched in the pulse and is currently commanding a lead with 24% support. If no candidate wins at least 50% of the vote on the November 21 election, a runoff will take place on December 19. Candidate Kast is a proponent of shrinking the role of the state and cutting taxes, including reducing Chilean corporate income tax from 27% to 17%. We will continue to monitor the situation.

And finally, a few words about the robust performance of copper prices that we have been experiencing. The average LME price from January to October was \$4.19 per pound and October's average price was \$4.43 per pound, the second highest month of the year. In our opinion, the market outlook for copper remains strong. Various shareholders have reached out enquiring what happens with the royalties to El Teniente if copper prices go over the current upward limits on our royalty agreement.

The first thing I have to say is that this is a great, quote-unquote, problem to have. Our 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 essentially the continuation of the royalty scale to maintain the same balance of the business split between MVC and El Teniente as that which we currently have within the established price band. The contract also specifically mentions that maintaining the equilibrium between the parties is a condition that must be met. In other words, we would not be facing a clean slate negotiation.

To provide some more context, the only time when we have been out of price range was when moly prices fell below the range some years ago. In that case, the discussions with El Teniente were uneventful and the royalty was adjusted to reflect the lower price. We anticipate that potential future discussions in copper royalties outside of the price band would again be uneventful.

To wrap up my presentation, we are two months from closing a strong year at Amerigo. In 2022 we expect to continue this trend of consistency and predictability. We anticipate providing 2022 guidance in conjunction with the release of the Q4 2021 production results early in January and we will hold the next earning call towards the end of February.

Carmen Amezcuita, Amerigo's Chief Financial Officer, will now report in detail the Q3 financial results.

**Carmen Amezcuita** — Chief Financial Officer, Amerigo Resources Ltd.

Thank you, Aurora.

We're pleased to present the Q3 2021 financial report from Amerigo Resources and its MVC operation in Chile. In Q3, the Company continued its strong performance of 2021. Amerigo posted net income of \$8.4 million, earnings per share of US\$0.05 or C\$0.06 Canadian per share, EBITDA of \$18.5 million, and quarterly operating cash flow before changes in working capital of \$14.1 million.

At September 30<sup>th</sup> the Company's cash and restricted cash balance was \$71.4 million. Ending cash at quarter end was \$64.9 million, an increase of \$17.2 million during the third quarter and an increase of \$52.2 million during the first nine months of the year. Total borrowings decreased from

\$53.8 million to \$36.1 million. This change is the result of the repayment of debt and debt refinancing completed during Q2. Amerigo's financial performance is highly sensitive to copper prices. Amerigo's average copper price for Q3 2021 was \$4.23 per pound, 39% higher than Q3 2020's average quarterly copper price of \$3.04 per pound.

Another factor affecting earnings are the changes in copper price from one quarter 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 September 30, 2021, MVC's provisional copper price was \$4.23 per pound and final prices for July, August, and September sales will be the average London Metal Exchange prices for October, November, and December, respectively. A 10% increase or decrease from the \$4.23 per pound provisional price used on September 30, 2021 would result in a \$7.2 million change in revenue in Q4 in respect of Q3 production. Today's copper price is \$4.43 per pound.

Revenue during Q3 was \$48.1 million compared to \$37.6 million in Q3 2020. This included copper tolling revenue of \$42.5 million and molybdenum revenue of \$5.6 million. Revenue is made up of net copper revenue of \$42.5 million and molybdenum revenue of \$5.6 million. Within the copper revenue of \$42.5 million, the gross copper sales were \$72 million and there were negative settlement adjustments of \$2.9 million. And then, deducted from revenue, we had \$20.6 million in royalties to DET, smelting and refinery costs of \$5.5 million, and transportation costs of \$520,000.

Total tolling and production costs, including depreciation, were \$33.9 million. This compares to tolling and production costs of \$28.6 million from the comparative Q3 2020 period. Cash cost per pound

decreased 10% to \$1.62 per pound from \$1.80 per pound in Q3 2020. In Q3 2021 there were general and administrative costs of \$1 million compared to \$604,000 in Q3 2020. The \$403,000 increase in general and administrative expenses relates mostly to \$157,000 increase in salaries, management, and professional fees in connection with legal fees and tax advisory costs associated with the issuer bid and repatriation of cash from Chile to Canada, a \$156,000 increase in share based compensation, and \$90,000 increase in office and general expenses mostly due to higher shareholder communication and investor relation costs.

The derivative to related parties during the quarter had a loss of \$85,000 compared to a loss of \$303,000 in Q3 2020. This difference is related to the fair value adjustment recovery during the quarter from the fluctuation of metal prices and discount rates. Other losses were \$454,000 compared to \$15,000 in the prior year period. The increase relates mostly to the increase in foreign exchange loss of \$374,000.

Finance expenses were \$1.1 million this quarter compared to \$784,000 in Q3 2020. This difference is mostly the result of \$614,000 from the fair value adjustment loss on interest rate swaps that were recorded in the period compared to the prior period's \$392,000 fair value adjustment recovery.

In Q3 2021 the Company recognized an income tax expense of \$3.1 million and a year-to-date tax expense of \$11.7 million. Tax expense includes both current tax, that is the actual taxes paid 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 on the balance sheet

and on September 30<sup>th</sup> were \$6.5 million. Current taxes for 2021 will be paid in April 2022 by MVC. The balance sheet also shows a deferred income tax liability of \$30.8 million, which is the balance that tracks the timing differences and does not represent taxes outstanding or due by the Company.

In Q3 2021 the Company posted a net income of \$8.4 million and in year-to-date net income of \$30.9 million.

In respect of cash flow in the quarter, cash flow from operating activities before working capital changes during Q3 was \$14.1 million or \$25.4 million after working capital changes. Year to date, the cash flow had \$50.7 million from operating activities before working capital changes and \$75.4 million after. Cash flow from investing activities was \$6 million from the purchase of plant and equipment, as well as capitalized maintenance costs. Cash used in financing activities was \$2.2 million. This is mostly made up of the repayment of borrowings of \$1.9 million as well as lease repayments of \$252,000.

Overall, there was a net increase in cash and cash equivalents of \$17.2 million in Q3 and an ending cash balance of \$64.9 million. Additionally, the Company held \$6.4 million in restricted cash.

Production results in the third quarter of 2021 were strong with copper production 109% of Q3 guidance and 101% of guidance year to date.

We will report the annual 2021 financial results in February 2022 and want to thank you for your continued interest in the Company during this year.

We will now take questions from call participants.

## Q & A

### Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your touchtone phone. You will then hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press the star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Mark Reichman from Noble Capital. Please go ahead.

### **Mark Reichman** — Analyst, Noble Capital Markets

Thank you for taking my questions and it certainly was a strong quarter. So the first question is, as you had mentioned at the outset that investors had inquired about downside protection to copper prices, and I just wanted to get your thoughts on around hedging, because I know in the past the Company had engaged in some short-term hedging programs. Or do you feel like the outlook is strong enough for copper that you just want to be fully exposed to the price environment?

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

Thank you, Mark, for the question. That's a good question. We want to have the full upside exposure on copper prices. I think that's a critical aspect of the Amerigo story. But we have a dividend policy in place, we want to protect the dividend, and we're looking at alternatives and associated costs

of having some downside protection. Whether we proceed with it or not remains to be seen, but we're doing our homework in that respect.

**Mark Reichman** — Analyst, Noble Capital Markets

And then the follow-up question is the cash costs were \$1.88 a pound in the first quarter, declining to \$1.81 in the second quarter and then \$1.62 in the third quarter, and I believe the guidance is still at \$1.79 for the full year and copper production is likely to remain strong. So, any commentary around what you're seeing in terms of the costs? Have you seen any inflation among some of those line items within the cash costs? Or what would your expectations be for the fourth quarter, say, relative to the first nine months?

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

We have cyclicalities in some of the costs that we have to incur. We have a big amount of work to do in respect of environmental work and dust suppressant that has to be done in Q4. So there is some timing issues that come into play that create a little bit of a noise into how the behaviour works one quarter to the next and that's factored into the fact that we basically have stated that we remain guiding towards the initial guidance we provided for annual cost of \$1.79 for the year.

Now, what have we seen in terms of inflationary pressures? For sure spares, replacement materials, reagents, those costs are going up. We bought or we entered into supply agreements for critical aspects of our plant such as grinding balls and lime earlier on this year that will continue for 2021 and for at least a portion of 2022. We are preparing our budget for next year right now, but there is an

inflationary trend in respect of some of the materials that are used in the plant. As I mentioned, reagents and essentially everything associated with maintenance, including replacement parts, spare parts, critical spares, et cetera.

**Mark Reichman** — Analyst, Noble Capital Markets

That's very helpful. Thank you very much

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

For sure.

**Operator**

Your next question comes from Terry Fisher from CIBC. Please go ahead.

**Terry Fisher** — Analyst, CIBC Wood Gundy

Thank you. Again, congratulations. A super quarter. This is what we've been waiting literally years to see and you're delivering now, Aurora, and it's a wonderful thing for those of us who stayed in so long. And I think there's a lot more to come.

I just have, ah, my first question was answered in the previous caller's question about hedging and, you know, you had always said that, since you've basically got an open-ended call on the price of copper because of the El Teniente royalty, it's dangerous to cap much of the upside, but there might be

a way to do it by purchasing enough puts to cover delivery of some copper to minimum price to cover the dividend, but we'll wait to hear your work on that.

My question's a very simple one. In the substantial issuer bid circular, it's indicated in there one of your major shareholders is intending to tender up to 10 million shares. I'm wondering if that an obligation, is that an obligation or is that just a statement of intent but they don't have to tender those shares. Do you have any kind of indication at this point that there will be at least some shares tendered under the offer, like those 10 million or maybe more?

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

Terry, thanks for the question. It's an intention and there is no obligation on the part of any shareholder to participate either on the bid or to continue participating until we essentially make payment. You can tender your shares and you can retire your tender provided you still haven't received payment. So that can happen up to the very last minute. We have no update as to what number of shares would be intended to be submitted and that's okay.

**Terry Fisher** — Analyst, CIBC Wood Gundy

Okay. Thanks very much. That's all I had.

**Operator**

Your next question comes from Victor Ho from Yarra Square. Please go ahead.

**Victor Ho** — Analyst, Yarra Square Partners

Congratulations on your results and thank you for giving me some time. Three questions. Firstly, what type of minimum cash balance do you think the Company needs to have just in terms of normal course operations?

Secondly, post the results of that the issuer bid, if there's still a substantial amount of cash availability in the Company, what do you think the options are for potentially returning that that cash to shareholders above and beyond the \$0.05 dividend?

And then lastly, how should we think about sort of working capital over the balance of the year? I know it can swing around if the copper price swings around, but in an environment where the copper price is fairly steady, how should we think about working capital cash uses over the course of a calendar year? Thank you.

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

Victor, thanks for the questions. The first question, I think that a cash balance in the range of \$25 million to \$30 million is good enough to guarantee operations and that potential back and forth with the copper price through the next three months, as long as we continue having M+3 pricing.

The second question was in respect of what could happen. Well, I mentioned, depending on the results of the issuer bid, I mentioned in my presentation, you know, depending on what occurs with the issuer bid, we may end up having a normal course issuer bid shortly thereafter. Or not. I think that the position in respect of dividends has been stated as being stable, secure dividends that can grow up in

time, but we don't want to go up in a situation where we have to reduce a dividend from quarter to quarter. So we obviously don't want to be keeping a huge amount of cash on the balance sheet, we've already stated that before, so I think that the board will act opportunistically depending on the circumstances and will look at a normal course issuer bid, how to grow that dividend, et cetera. I think that those are essentially the ways forward as to how that additional cash can be returned to shareholders.

In respect of working capital, if you look at our balance sheet, it's pretty simple. We have very little receivables. We have a very straight way of realizing cash from our clients. We have to consider that potential fluctuation of copper prices up or down. We don't maintain a significant amount of inventory. The rest of our obligations on a current basis are usually stable in respect of payments to suppliers. The royalties vary. They are tied up to copper prices. So, the better we do, the higher royalty balance we'll have on the balance sheet. We usually have four months of royalties per our payment scheduled with El Teniente. And, as Carmen mentioned, a component of our obligations going forward will be taxes and we're starting to see that current tax amount build up, which is conducive of the type of earnings we're generating at MVC.

In general terms, if you look at the maintenance of a cash balance of \$25 million to \$30 million, you can see that there is a trend for that policy that I mentioned before of slowly but steady growth in the quarterly dividend that the Company will have.

**Victor Ho** — Analyst, Yarra Square Partners

Thank you.

## Operator

Your next question comes from Stephen Ottridge. Please go ahead.

## Stephen Ottridge — Private Investor

Hey, good morning, Aurora. Questions are on fresh tailings. I see 28% increase in your copper production came from fresh tailings in the quarter and I wonder what you're anticipating for fresh tailings into the future. Are they're going to stay at this increased rate with a higher grade?

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

Well, that doesn't depend of us. That depends of El Teniente. We are preparing our budget for 2022 based on their mine plan and information that they will be and they have started sharing with us. So yeah, we have seen that increase in the volume and the grade of fresh tailings and we expect that trend will continue. The specifics, we will discuss those at the beginning of 2022.

But also important note here is the fact of the work that MVC has done to benefit from that condition, right? If you recall, we used to be focused on maximizing processing from Cauquenes. We realize now, with all the lab work and all the testing that has been done, that a significant roadmap to having a stable operation consists of focusing on the coarse fraction recovery of both the fresh and Cauquenes tailings. And we've done a series of plant modifications this year to ensure that we can do that. We're not only just getting more tailings and that's the end of the story. We are able to recover a substantial amount of copper from that additional volume that we're getting. We have reallocated our grinding capacity to have more grinding capacity for fresh tailings. Those tailings need more grinding.

Cauquenes doesn't need to grind as much. So it's a combination of what we're getting from El Teniente but also our fine tuning and optimization to make sure we can get the most out of that.

**Stephen Ottridge** — Private Investor

Okay. That's excellent. The other thing is, when the fresh tailings are coming down and you're into the maintenance mode and shut down, where did the tailings go? Do they go into Colihues?

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

The maintenance shutdown happened concurrently at El Teniente and at MVC. We have to do it at the same time for exactly that aspect that you're alluding to. So, we coordinate with them and both El Teniente shut downs their concentrator as we shut down the MVC plant.

**Stephen Ottridge** — Private Investor

Oh, okay. That's the way it happens. Good. And the one other question, the cashless exercise of the options, how does that work exactly?

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

The cashless exercise? Essentially what it means is that instead of, let's say, an optionee paying their strike price to the Company and getting the full number of shares that they would be entitled to and then having to sell shares in the market to cover up their cost, because, you know, not everybody can have that level of disposable cash to do that, you do a net. So essentially optionees get a reduced number of shares, but they don't have to pay the cash to the Company for doing so. So the benefit to

the Company, the Company doesn't receive the cash, but there's no sort of inflow of selling into the market in order to secure that exercise price.

**Stephen Ottridge** — Private Investor

And less shares are, ah, less shares actually go—

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

Less shares are issued. Yeah.

**Stephen Ottridge** — Private Investor

Yeah. Yeah. Okay. That's good. Thank you very much.

**Operator**

Your next question comes from John Polcari from Mutual of America. Please go ahead.

**John Polcari** — Analyst, Mutual of America

Thank you. Just several quick questions. By the way, I was saddened to hear that David Thomas had passed away after such a short tenure. He certainly had a considerable amount of expertise and will be missed. Thomas is not uncommon name, but I ask that because is Kimberly Thomas, the Secretary, in any way related or not?

Hello?

Hello?

Hello?

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

Hello? Yes, sorry, I lost you for a second. There is no relationship, John.

**John Polcari** — Analyst, Mutual of America

Okay, thanks. Excellent job, obviously, on continued cost reductions, but is there any one particular area of costs that you could say has been an outsized contributor to cost reductions or across the board? Or maybe you could just give me a little colour on that.

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

No, I think it's across the board. When we're talking about cash cost, the contribution of moly price has a big impact. Moly prices have been strong this year. So you can get some credit to moly prices in that respect. But overall, we have been quite focused on cost control on a going forward basis. We're coming out of years of cost discipline and we don't want to lose that muscle.

**John Polcari** — Analyst, Mutual of America

Thank you. What is the restricted cash specifically apply to again, the \$6.4 million?

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

Yeah, the restricted cash, there are two components to it. We have to have \$3.5 million in a restricted cash account until the end of 2024 and then we have to have, on a monthly basis, going into a restricted cash the amount of the debt repayment that is forthcoming at the end of December 31<sup>st</sup>. So, when we get to November 30<sup>th</sup> in that restricted cash, we will have the full principal and interest payment that has to be paid on December 31<sup>st</sup> plus \$3.5 million.

**John Polcari** — Analyst, Mutual of America

Thank you. The Company has historically presented its financials in US dollars, but the dividend is in Canadian dollars. Is that historically the way it has been? I wondered why the difference.

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

Yeah, we have always reported our financial results in US dollars. That's a convention of the mining industry. But we're traded on the TSX and we have to present dividend data or declared the dividend on the basis of a Canadian payment per share.

**John Polcari** — Analyst, Mutual of America

Right. Thanks. And just two minor questions. How long has the drought been in effect in essence with its up and its downs? Has it been five or six years? I'm trying to remember. Six, seven years? Drought conditions have existed for what period of time now?

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

Drought conditions, mild drought conditions have been happening in Chile for the last six to seven years. They became critical two years ago.

**John Polcari** — Analyst, Mutual of America

Thanks. And lastly, we've talked about the expansion opportunities in terms of generalities, I know you're always open to entertaining any opportunities. In light of the fact that there's a more robust amount of cash accruing, even with dividend payments, if there are minimal share repurchases and the cash continues to accrete, other than obviously a steady conservative increase in the dividend, do you see any opportunities for expansion other than, obviously, always being open to an opportunity? Is there anything that you would envision over the next one to two years that might be on the horizon? Or not at this time?

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

I think that the board is not interested in pursuing, for example, purchases or expansions in respective exploration projects. We recognize ourselves as leaders in the processing of tailings. Opportunities associated with tailings reprocessing projects are of interest to us, provided they are the right opportunities, but that would be the focus of business development, processing of tailings, not—yeah.

**John Polcari** — Analyst, Mutual of America

(Inaudible) Codelco is moving toward a major ongoing expansion. Would that drive a concurrent expansion in the Company's operations also for tailings? Or not necessarily?

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

I think we have captured a lot of the opportunities that exist with El Teniente at the MVC operation. There are other tailings deposits that El Teniente has that we're not still having under our contractual agreements with them and those are the most immediate opportunities that exist for us in terms of business development.

**John Polcari** — Analyst, Mutual of America

But not over the course of the next 12 months to 18 months it sounds like though.

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

We're evaluating a series of opportunities that may well happen within that timeframe. Anything associated with El Teniente would be more, it would be in a closer time horizon for development than anything outside of the El Teniente arena.

**John Polcari** — Analyst, Mutual of America

Got it. Okay. Thank you. Thanks for the time. Great quarter.

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

Thank you.

## **Operator**

Your last question comes from Dave Brown, a private investor. Please go ahead.

**Dave Brown** — Private Investor

Yes, thanks for taking my questions. I have two of them. The first one deals with the thickeners. I wonder if you could just remind us about what, ah, how much more water you're getting from the thickeners, either like percentage wise for the operation, with the new improvements.

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

Yes. You all want me to talk like an engineer. With the optimization work that we've done at the thickeners, what we have done is that we can now manage the discharge of water from the units with variable speed. And we have a better, less fragile and more reliable pump and pumping system.

Right now what we have done on site, the testing that we have shows that the average recovery on the thickeners has increased from 1,440 litres per second to 1,580 litres per second. There are several other optimization works that, as I mentioned, will be completed, both on thickener number two and thickener number three, to get us to an average water recovery of 1,760 litres per second.

**Dave Brown** — Private Investor

Do you know what the improvement is percentage wise or is that...?

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

That is an improvement of about 20%.

**Dave Brown** — Private Investor

Okay. Thank you. The second question has to do with the shipping issues that are happening around the world. What are you doing to protect yourself in case some critical part fails and you get a quote saying like, hey, we can't give you this motor for another six months or something? Like what are you doing to protect yourself with respect to critical components of your operation?

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

We have a list of critical components at the plant, so we have what we consider the critical spares, we have some of them, and we're looking at what the criticality would be of other items of equipment that could have some significant lead times just to increase that list.

We've always maintained a critical spare inventory on site, but we are expanding that further just because we have, on one hand, the funds do that, and on the other hand we acknowledge that there could be some risks associated with those. So we're moving beyond the critical spares list to a not so critical spares list to have that at MVC in the near future.

**Dave Brown** — Private Investor

Okay. And I guess the final question is, if this bid doesn't result in a lot of cash going out to buy shares, is a special dividend something that's also on the table, a one-time special dividend?

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

I don't know if the board would be amenable to a special dividend. The dividend policy that the board has stated is stable, safe, secure dividends that can grow over time. The possibility of initiating a normal course issuer bid would also be on the table.

**Dave Brown** — Private Investor

Okay. Thanks very much for answering my questions.

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

For sure.

**Operator**

There are no further questions at this time. You may please proceed.

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

Okay. So we have no for other questions. I would just like to thank everybody for joining us at this call and wish you the best wrapping of the year that you can possibly have. And we'll be announcing

by news release the results of the bid and our 2022 guidance early in January of next year. Thank you so much.

**Operator**

Ladies and gentlemen, this concludes your conference call for today. We thank you very much for participating and ask that you please disconnect your lines.