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Aurora Davidson

President and Chief Executive Officer

Carmen Amezcua

Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Stephen Ottridge

Vancouver

Nick Toor

Las Vegas

John Polcari

New York

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Q2 2020 Investor Call. I would like to introduce Ms. Aurora Davidson, President and Chief Executive Officer of Amerigo Resources Ltd. Please go ahead, Ms. Davidson.

Aurora Davidson, President and Chief Executive Officer

Thank you. Welcome to the Second 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 our 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 our press release issued on August 12, 2020, and our other documents filed with the securities

authorities in Canada, including our annual information from, 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.

After the formalities of our forward-looking statements, I thank you for taking the time to join us today to report our Q2 2020 financial results. With me today is Amerigo's new Chief Financial Officer, Carmen Amezcua. Carmen is a Certified Public Accountant, Chartered Accountant and has worked in the mining industry for more than 10 years, both in industry as CFO and Controller, and in the audit and assurance group of PricewaterhouseCoopers. Carmen is a very welcome addition to the Company's management team. I will provide the quarterly headlines, a more detailed update on operations and on how we see the rest of the year shaping up, and Carmen will report financial results for the quarter.

As to the headlines, in Q2 MVC's copper production from fresh and Cauquenes tailings increased 20 percent compared to Q1 and was in line with guidance. Our Q2 cash costs were \$1.72 per pound and came in \$0.30 (phon) per pound below our Q2 guidance and \$0.22 per pound below the cash cost in Q1. We continue to operate in the red with a financial net loss of \$3.6 million, or \$0.02 per share, but returned the operation to cash generating mode, generating cash flow from operations of \$2.8 million in the quarter. This was done at a quarterly copper price of \$2.61 per pound. Today's price is \$2.89 per pound.

We operated continually with no COVID interruptions, continued to advance on plant optimization, and maintained our trade accounts and the MVC loans in good standing. While we continue to have a working capital deficiency, our current cash flow projections for the next 18 months show us being able to meet obligations, including debt obligations as they come due.

Weather what's on our side this time in the form of strong rainfall at MVC. This condition reduced uncertainty and are sound building blocks to stronger results in the second half of the year.

Moving on to a more detailed report to investors on our operations, I think it is fair to start with the obvious. While global metal production has been negatively impacted by COVID-19, this is not the case with Amerigo's MVC operation. If you were with us at the Q1 investor call, we

discussed the COVID-19 impact at our operations in Chile had been zero. No affect on copper production, cost, disruption to the supply chain and no disruption to the concentrate shipments from MVCs. This continued in Q2 and continues to-date.

While there are some (inaudible) benefits provided by the nature of our operations, such as how we operate remotely the hydraulic monitors at Cauquenes and how we are able to social distance in open spaces at the plant, MVC had a phenomenal COVID-19 response and was, in fact, publicly praised for this excellent job by Chile's Mining Minister. Some of the response actions that were implemented, such as changes in shift work, will remain in place going forward, which will have a positive impact on reduction of costs and improved productivity.

The region where MVC operates came out of a government mandated strict quarantine this week, and ordinary life activities are returning to the new normal. COVID-19 is not something that Amerigo's investors should fear.

On July 23, 2020, we issued our production results for the second quarter. MVC's copper production from fresh and Cauquenes tailings increased 20 percent compared to Q1 and was in line with guidance issued earlier in the year when we announced a reduction in Cauquenes tonnage processing to 40,000 tonnes per day through the first semester in response to drought conditions then present in Central Chile.

With respect to production results in the quarter, as I mentioned earlier in the call, we met our targets. Throughout Q2 we operated with known reduced processing capacity at Cauquenes due to reduced water supply. These adjustments were put in place in January of this year. On average, the processing rate at Cauquenes in Q2 was 36,000 tonnes per day. For comparison purposes, in 2019 Cauquenes processing rates were around 58,000 tonnes per day with no restrictions from reduced water. The reason why we reduce processing for Cauquenes when we face water supply constraints was because a lot of water was used in this process to break down the dry tailings with hydraulic monitors and then to pump the sludge to the MVC plant for grinding applications.

For fresh tailings, processing rates averaged 119,000 tonnes per day, which was within the norm. Copper grade in fresh tailings was slightly higher than expected, and copper grade for Cauquenes was right on budget. Recoveries from fresh and Cauquenes tailings were 20 percent and 35 percent and exceeded our expectations in response to MVC's initial plant debottlenecking initiatives.

Operating days in Q2 were 91 out of 91 for fresh tailings and 89 out of 91 for Cauquenes. We lost two days of operations in Cauquenes in late June due to strong rainfall, and that was one big piece of good news, strong rainfall.

Rainfall is very important at MVC because it is a cost-free way of securing material amounts of water that can be used and safely stored in Colihues, which is essentially our water reserve dam. Water reserves at Colihues are currently over 10 million cubic metres, up from a low point of 200,000 cubic metres at the end of 2019. We had not had this much water stored in Colihues since December 2017.

To provide some context on rainfall in the region, let's look at the last five years: 2016 and 2017 were normal rainfall years, so let's say it rained a hundred percent in each of those years. In 2018 a drought started and annual rainfall was down to 70 percent of normal. Then in 2019, there was a severe drought and the rainfall was 30 percent of normal. In 2020, as of today, we are at 85 percent of annual rainfall. It has not rained since August 5, but August and September are still months when rain can be expected. What the rain data to date tells us is that while we're not back to full normality, we are definitely not in the dire situation we faced in 2019 and are already doing better mid-August in terms of rainfall than for the full year 2018.

Now, as the saying goes, when it rains, it pours. There were days of extremely heavy rains at the end of June and early July, and we had to stop operations in Cauquenes for a total of 11 days in July on account of safety and because of some flooding. Despite these lost days, we continue to expect to meet 2020 production guidance.

The rainfall from June and July allowed us to retake full, normal processing rates in Cauquenes past mid-July, and since, Cauquenes processing rates have been higher than average processing rates in 2019. I think it is also important to point out that even if there were to be no further rainfall this year, we can continue operating at normal rates for the rest of 2020 and until the start of the 2021 rain season in June 2021. At this point, again, should no further rain occur, water reserves in Colihues would be down to 5 million cubic metres, which is still a safe level, but one in which ideally we would like to see rain starting to occur again.

Of course, the effect of normalized rain has an overall positive effect on the whole region. Water bodies are returning to normal shape, which is important because we have water rights. The hills are greener, the snow cap on the mountain ridge is at its best in the last 10 years. The positive effect of rainfall in fresh tailings is not yet

seen as our community's located at a higher altitude at MVC, and we'll benefit from the 2020 rain season in full as snow starts to melt in the fourth quarter of the year when Chile enters into spring and then summer.

During Q2 the plant optimization work that was started earlier this year continued at a steady pace. Year-to-date six debottlenecking projects have been completed, three are work in progress and will be completed in Q3, and two are in the final evaluation phase. The implemented projects have provided good, but not dramatic results. Quite importantly, however, they have contributed to a smoother, more predictable, and less disruptive plant process. They include loss controls for the coarse fraction, mill discharge controls, additional controls in the (inaudible) circuit, and changes in foaming agents and collector agents.

The projects that are going to be finalized in Q3 are the core projects of the debottlenecking initiatives. They include the metallurgical lab work that will allow us to further refine optimal metallurgical parameters and production potential at the plant, the modification of flotation circuits to reduce circulating loads, and what we call a hydrocyclone pilot test. The hydrocyclone pilot test includes using existing smaller hydrocyclones that are already available to MVC to field test their effect on the reduction of copper losses before embarking on a potential full hydrocyclone reconversion.

The completed and under execution projects have a low cost of approximately \$400,000, of which \$250,000 are Capex and \$150,000 are Opex through lab work and consulting.

The two projects which are still in the evaluation phase are the full change to the smaller hydrocyclones and improvements to optimize the operation at the MVC water recirculation thickeners. We have completed simulation data for the full hydrocyclone project but decided to further test this alternative with the ongoing pilot test.

In July we received a comprehensive audit report from world-renowned geology experts, Paterson Cooke, with their recommendations on how to optimize the operation of the water thickeners, which is the means by which water recirculation takes place at MVC. What we're looking for is to have a more stable thickener operation in future. MVC is reviewing these recommendations with the current objective of implementing them during the February 2021 El Teniente and MVC plant maintenance stoppage, as they would require for us to stop the thickeners to do the necessary retrofits.

The projects to be completed in Q3, the optimization of thickeners performance and the potential hydrocyclone reconversion, are all important projects to further improve

plant recoveries, which is key to achieving higher production levels. However, our guidance for the rest of the year is based on known production levels that we are already achieving and assumed increased processing rates from Cauquenes, which have already been achieved in July and continue to date, plus no impact of the debottlenecking initiatives implemented to date. Under these assumptions, MVC estimates that it will produce 56 million pounds of copper in 2020 at a cash cost of \$1.67 per pound. Cash costs will step down progressively in Q3 2020 and Q4, primarily due to increased production at Cauquenes.

Cost reductions at MVC have yielded initial results, and costs are trending in the right direction. Continued work is required for us to continue to identify other Opex reduction initiatives and to maintain cost discipline to reduce total costs and to improve production levels to reach sustainable unit costs. MVC's approved 2020 Capex of \$3.7 million was reshuffled to eliminate nonessential projects and to prioritize water recirculation projects and plant optimization. The revised Capex will be \$3 million, of which \$2.3 million are water-related projects, including a project to purchase and install additional metal piping to increase water recirculation capacity from the water thickeners, which will provide an additional 130 litres per second of water at the plant and which will be completed this quarter, and the purchase of parts for the thickeners that will allow them to work properly at higher loads, again, to be completed in Q3. The low sustaining Capex requirements at MVC are one of the investment differentiators at Amerigo.

Moving away from the operational realm, we had a busy quarter managing working capital. As of today, we're current with all of our trade debt, including with critical suppliers like our power supplier. We have maintained a productive and supportive dialogue with the MVC lenders, who waived MVC's June 30 covenant compliance, as none of the four covenant under the finance agreement were met. As mentioned earlier, we will be able to meet our September 26 debt payment of approximately \$6 million of principal and interest, and our current cash flow projections show us replenishing the MVC debt service reserve account by the year end 2020.

We reached an agreement earlier this month with Codelco to repay \$7.3 million due to them in respect of negative trade settlement adjustments which were caused by the sharp drop in copper price in Q1. The \$7.3 million will be repaid in monthly installments in 2021.

We are now almost mid through another productive quarter. We need to deliver on the ongoing optimization projects, meet production and cost guidance, and continue to reduce liquidity risk.

In Q3 we will start negotiations with MVC's supervisor's union, as their three-year union contract expires on January 1, 2021.

As usual, I will conclude my update by stating Amerigo's value proposition. Amerigo owns a solid asset in MVC. MVC has been operating for 27 years through the highs and lows of copper cycles. We have a long-term contract and a solid relationship with Codelco, the world's biggest copper producer. We are a low Capex operation. We have manageable debt and a good relationship with our lenders. Our operational resiliency has seen us navigate through low copper prices, low price cycles, where we adjust, innovate, and keep going. Our objective is to return to a sustainable dividend payment capacity on the back of a solid operation and strong copper prices.

I will now turn the call to Carmen for our financial update. After Carmen's presentation, we will take questions.

Carmen Amezcua, Chief Financial Officer

Thank you, Aurora. We are pleased to present the second quarterly report of 2020 from MVC in Chile. The second quarter marked improvements in production and financial results when compared to the first quarter of the year. Aurora has already provided highlights for production results. In terms of financial results, Amerigo posted a net loss of \$3.6 million in the quarter, down from a net loss of \$4 million in the preceding quarter. Loss per share in the quarter was \$0.02.

Price continue to be a challenge affecting the Company's financial performance. Amerigo's copper price in Q2 was \$2.61 per pound, an increase from Q1's price of \$2.35, but a lower quarterly price from the 2019 comparative period. Today the copper price has increased to \$2.89 per pound.

The Q2 average realized copper price resulted in gross copper sales for the quarter of \$33.3 million and positive settlement adjustments of \$1.4 million. As items deducted from revenue, we had \$6.2 million in royalties to DET, smelting and refinery costs of \$4.3 million, and transportation costs of \$444,000, resulting in net copper revenue of \$23.9 million. The Company also had molybdenum revenue of \$2.1 million for total revenue in Q2 of \$26 million.

Total production and tolling costs, including depreciation, were \$26.4 million. The Company's cash cost was down to \$1.72 in Q2 compared to \$1.94 in Q1 of this year and \$1.97 in Q2 2019. Derivative to related parties was \$2.1 million, including a royalty to related parties of \$274,000 and a fair value adjustment to the royalty derivative of \$1.8 million.

There were lower general and administrative costs of \$434,000 compared to Q2 2019, which had \$1.2 million. Finance expense in the quarter decreased to \$904,000 compared to \$1.5 million in Q2 2019. Included in finance expense were interest charges of \$792,000 and a mark-to-market adjustment to the interest rate swaps in the amount of \$112,000.

The Company posted an income tax recovery of \$613,000 and a net loss of \$3.6 million.

In respect of cash flow in the quarter, cash generated from operations was \$2.8 million, and after changes in working capital, net cash flow from operations was \$1.1 million. Uses of cash in the quarter included \$810,000 used in investing activities related to the purchase of plant and equipment and lease repayments of \$403,000. Ending cash at June 30 was \$489,000. Note that due to a Chilean holiday on June 29, there was a delay in payment of \$4.6 million in receivables that was received July 1. If payment had been received on time, the closing cash balance in June would have been \$5.1 million.

Subsequent to quarter end, MVC reached an agreement with DET to defer payment of \$7.3 million in copper settlements. The deferred payments, which were immediately due to DET, will commence to be paid in January 2021 in 12 equal installments and will bear interest at the rate of the 12-month LIBOR plus 300 basis points. This will reduce the Company's working capital deficiency by \$3.7 million.

Production results in Q2 continue in line with expectations and guidance. However, the Company has been impacted by lower copper prices. Today the price of copper has increased to \$2.89 per pound.

We will report the Q3 financial results mid-November in 2020 and want to thank you for your continued interest in the company during the year. We will now take questions from call participants.

QUESTION AND ANSWER SESSION

Operator

Thank you, Ms. Amezcua. We will now take questions from the telephone lines. If you have a question and you're using a speakerphone, please lift your handset before making your selection. If you have a question, please press star, one, on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star, one, at this time if you have a question. There will be a brief pause while the

participants register for questions. Thank you for your patience.

The first question is from Terry Fisher of Toronto. Please proceed.

Terry Fisher, Toronto

Hi, Aurora. Thanks for taking the call and also for the update you gave earlier on the rainfall in that release. That was quite helpful to have at that time.

I just want, on that topic, first of all, to ask about the pipeline that you're twinning, I believe, down to Colihues. I remember that project was supposed to be completed sometime during the quarter, and I assume it got done and is working properly.

Aurora Davidson, President and Chief Executive Officer

No, that project was initially going to be completed in April, but we ran into some problems with our thickness because we overloaded them in Q1. We had to order some spares for the thickener, so we postponed that installation of the pipeline because it would have been premature to have—it wouldn't have served the purpose. We have to do both of those projects concurrently for them to work properly. So we're working on that now. The pipe is on site and is being installed. We're getting the parts in, and the project will be completed at the end of this quarter.

Terry Fisher, Toronto

Okay, so that will help. Let me ask you a leading question without any promises or guarantees from management. But if we just simply assume, as you've indicated, that production gets back up in Cauquenes to where it was last year, which would be another 2 million pounds versus what happened in the second quarter compared to the second quarter of 2019, and if you assume—I see spot copper today at around \$2.92. If we were to assume another \$0.30 for the realized copper price, I would assume those—all other things being equal, if you get another 2 million pounds and another \$0.30 in, say, the current quarter, that should have a fairly significant impact on profitability, I would assume.

Aurora Davidson, President and Chief Executive Officer

Yes, of course.

Terry Fisher, Toronto

But you don't want to quantify it, I guess?

Aurora Davidson, President and Chief Executive Officer

No, we have provided our production guidance. We have provided guidance in respect of cash costs. We will not provide a guidance in respect of copper prices, but we have provided additional information for all of you to understand how leveraged we are to copper prices and the effect that a recovering copper price has had when it occurs, as has already occurred in July, in respect of those additional uptakes on the three months of, let's call it, forward pricing that we have. That is why we've also said we see under current scenarios full capacity of meeting financial obligations that they can do, which is critical to us. But we are not going to narrow it down further, because we shouldn't.

Terry Fisher, Toronto

Okay, let me ask you just two quick final questions. The first one is, you mentioned \$1.67 in cash cost per pound, but I didn't quite catch whether that was for just the second half, or what period is that for?

Aurora Davidson, President and Chief Executive Officer

Our projection of cash cost is \$1.67 for the full year. So we already know what we have in Q1 and Q2, which was \$1.94 and \$1.72. In our production press release, we provided a breakdown of what we expect in Q3 and Q4, which is \$1.56 and \$1.46.

Terry Fisher, Toronto

Oh, that's right. I do remember seeing it.

Aurora Davidson, President and Chief Executive Officer

Yes, so that (inaudible) annual, yes.

Terry Fisher, Toronto

Okay. There was some talk, and I was not on the call for the previous quarter, but you and I talked after, and I read all of the notes about the call and actually talked to some other people on it. There were seemed to be a discussion—tell me if this is incorrect—that there were negotiations going on with Codelco about maybe making some changes to the long-term contract that you have with them in respect of how the royalty is calculated to maybe give you some better predictability of what happens under highly volatile copper prices. Is that correct or not?

Aurora Davidson, President and Chief Executive Officer

Yes, that is correct, and those discussions took place and we didn't reach any changes to the contract. But having said that, we reached a deferral of an important amount of money that was immediately due to them, so we have structured that into a very payable schedule of repayment for 2021.

The most important thing to bear in mind here is that as Codelco provides that support to MVC, which has occurred in the past as well, it just confirms that we have a supportive relationship. It may not lead to a contractual change, but it is an ongoing supportive and beneficial relationship that has never worked against the Company. So, the relationship is there. Changing a contract and changing a long-term contract is a complicated matter. At the end of the day, the results are that we have continued support from them and we expect to continue to have continued support from them as we go through several other challenges, because this is not the first time that it has happened. Cycles repeat themselves, and we will continue to rely on our strong strategic support from Codelco.

Terry Fisher, Toronto

I think that the length of the contract itself—or both contracts, I think there's more than one contract. The length of these contracts testify to how strong the relationship is. Final question...

Aurora Davidson, President and Chief Executive Officer

Absolutely.

Terry Fisher, Toronto

If you have—do you have any insight from outside consultants or from others in the industry, including those who've had production constraints from the virus, or otherwise in Chile, what the supply demand picture looks like, where we could have some confidence that we might see even higher prices for the commodity? Do you have any feel at all for the outlook for the commodity price?

Aurora Davidson, President and Chief Executive Officer

Well, we remain very bullish on the short- and medium-term and long-term prospects of copper prices. I think that for us it's more important to look at what has happened in Chile in terms of Chile hasn't been as disrupted in its copper supply production as other regions. Peru has been substantially affected by COVID-19. Peru is the second world's largest copper producer. But for us, it has been more a focus of what has happened at Codelco. Codelco, despite COVID-19 being ramp in Chile in Q1 and part of essentially through Q2, increased its production in the first half of the year compared to 2019. Codelco produced 5 percent more copper than in the first half of 2019, had stronger earnings despite lower copper prices.

So what happens in terms of global supply, it's important because there could be—and there are indications and there is sufficient disruption in supply capacity at other regions. But a more immediate take on us is, yes, while that is happening it isn't happening around us. It isn't happening with Codelco. It isn't happening with Chile. So let's benefit from both aspects of the equation. Disruption somewhere else, but not disruption in Chile.

Terry Fisher, Toronto

That's great, thank you. Muchas gracias, hasta luego.

Aurora Davidson, President and Chief Executive Officer

Okay.

Operator

Thank you. The next question is from Stephen Ottridge of Vancouver. Please proceed. Your line is open.

Stephen Ottridge, Vancouver

Yes, hello there. Looking at the estimates for Q3 and Q4, there's a significant production increase in Q4 from Cauquenes over Q3. Then looking on, it says that will be 40 percent more copper. So how are you being so successful, or how will you be so successful?

Aurora Davidson, President and Chief Executive Officer

(Inaudible) Oops, I hear myself with a lot of echo there. Stephen, do you have a speakerphone?

Stephen Ottridge, Vancouver

No, I'm not on a speaker. I'm on a regular phone.

Aurora Davidson, President and Chief Executive Officer

Oh, okay. I'll (inaudible) myself as I do that.

The key line for you to look at in our estimations for the rest of the year, and in particular, Q4, are tonnes per day for Cauquenes. You can see that in Q2 we were processing Cauquenes at a rate of about 36,000 tonnes per day. In Q3 we're showing an increase of 50,000 tonnes per day, and we're actually doing better than that. In Q4 we're showing an increase of 6,500 (phon) tonnes per day, which is very close to where we're at as of today. This is all driven by our ability to process higher rates from Cauquenes because we have the water to do that.

Stephen Ottridge, Vancouver

Looking at that number, that Q4 number, the tonnes processed are 5,750,000, so the process is, in fact, 33 percent more than Q3, and yet the daily production, or tonnes per day, is only 25 percent increase. So I'm not quite sure how you've got more tonnes into there.

Aurora Davidson, President and Chief Executive Officer

Because we have higher processing on a daily basis. We have higher days of operation in Q4 than in Q3.

Stephen Ottridge, Vancouver

Okay. Anyway, it's looking if you (inaudible) to those Q4 numbers as you've got, that's 40 percent more copper. That will be a tremendous boost to you for Q4, so keep it up.

Aurora Davidson, President and Chief Executive Officer

We're working hard to do it, Stephen.

Stephen Ottridge, Vancouver

Okay.

Operator

Thank you. The next question is from Nick Toor of Las Vegas. Please proceed.

Nick Toor, Las Vegas

Hi, Aurora. Congratulations on a good quarter, and it looks like finally we have some good luck on the rainfall front.

I'm just looking at sort of your projections for Q4, and looks like you're going to be roughly around 70 million pounds run rate by Q4 based on what you are already able to accomplish on your production efficiencies. I know that originally you had targeted 80 million pound to 85 million pound with the Cauquenes expansion. Are we sort of looking—is there any sort of seasonality in Q4, or are we looking at this as a steady increase towards our designed production capacity?

Aurora Davidson, President and Chief Executive Officer

No, I think what we're looking at is, as I mentioned in the call, what we know now and the information that we have in front of us now on a completed basis is allowing us to make this projection. But we have two significant projects that are still under completion in Q3 that should boost this up. But I don't have the data in front of me there yet to provide the same granularity of information as to where that information is going to take us. So this is with what we have in front of us, with what we know we can achieve right now, we're getting to that, as you say, quarterly 17 million pounds of copper, that's 68 million pounds, 69 million pounds per year.

But there is still work to do, and there is still a gap for us to close in Q3 in terms of just getting the final piece of data through the (inaudible) analysis and through the answers that are coming from our pilot test of the smaller hydrocyclones at MVC to see where do those other two projects take us to. Because yes, the intention is to close that gap, but to close it with a known path forward that we can really sign our name around.

Nick Toor, Las Vegas

Got it, okay. That's very helpful, thanks. Now, if I'm looking at your Q4 projections and your cost projections, it looks like you'll be at \$45 million plus or minus run rate of EBITDA that's—your enterprise value right now is under—that implies under 3X EBITDA. But you also should be generating a fair amount of free cash flow. Are you expecting to sort of—if copper prices stay around this \$2.80/\$2.90 level, are you expecting to use that excess cash flow for further debt reduction, or working capital reduction, or are you looking at other alternatives?

Aurora Davidson, President and Chief Executive Officer

Well, it's either going to be debt reduction or distribution to shareholders. We don't have any further major expansion plans ahead of us. We don't have any major capital requirements, so it's A or B.

Nick Toor, Las Vegas

Okay, got it. All right, that's all for me. Thank you so much.

Aurora Davidson, President and Chief Executive Officer

Thank you, Nick.

Operator

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

The next question is from John Polcari of New York. Please proceed.

John Polcari, New York

Thank you. First, Carmen, (inaudible) say welcome and look forward to having you onboard.

Aurora, a couple of quick questions. Am I correct in assuming that there were no COVID-19 issues in terms of illness in the workforce?

Aurora Davidson, President and Chief Executive Officer

We had eight cases within our workforce and within all of our subcontractors. None of them occurred while they were doing a shift work at MVC, and all of them have recovered. So they were mild cases with full recovery.

John Polcari, New York

Wow, excellent. Regarding transportation and shipping, there were no backups at port facilities in the country, the export facilities or transportation hubs?

Aurora Davidson, President and Chief Executive Officer

I think there were some at the beginning of the COVID crisis. Our freight ends at MVC. El Teniente picks up their—sends their trucks and picks up our concentrated MVC, so what occurs after that is not part of MVC's operations.

John Polcari, New York

Okay, thank you. Regarding the liquidity risk, in the past there's been some talk perhaps of establishing some sort of line, as well as the term loan that you service, and instead of having to seek waivers and renegotiations during periods of downturn or unexpected events, like the COVID-19. Is that something that's just not is feasible at this point based on the finances, or you'd prefer not to establish a line as a backup?

Aurora Davidson, President and Chief Executive Officer

No, I think we would like to have a line. But I also think that we have to have two good quarters of results in front of us before we initiate those discussions.

John Polcari, New York

On the water issue, and this might be a little difficult to answer, but at the current trend—and I know it hasn't rained, you said, since August 5 and it's very variable. Versus a particular average rainfall, say, for the last two decades, how far below the average rainfall this year are we? Are we a number of inches below typical rainfall, 10 percent below, 15 percent below? So far, I know there's been substantial additional rainfall and a large catch up, but could you put some context...

Aurora Davidson, President and Chief Executive Officer

Yes, for sure. We currently are, as of today, at 85 percent of expected rainfall on an annual basis in the region.

John Polcari, New York

Based on, say, what, the last 10 years or 20 years?

Aurora Davidson, President and Chief Executive Officer

Correct.

John Polcari, New York

Okay.

Aurora Davidson, President and Chief Executive Officer

But no, based on the last five years, as 2016 and 2017 were normal rainfall years. There wasn't anything unusual with them. In general terms, if you really want to dig into this topic a little bit more, there has been a tendency toward drier conditions in Chile as time has passed, but 2016 and 2017 were absolutely normal rainfall years. That is kind of the basis of rain expected on an ongoing basis, and we're at 85 percent of that right now.

John Polcari, New York

Does that include the downturn of '18 and '19, which would tend to pull down the average, or is it—are we at 85 percent of what had been the better years?

Aurora Davidson, President and Chief Executive Officer

Yes, well I'll give you some numbers, if you're asking for them. 2016/2017, which again, I categorize them as base yours for purposes of this discussion. The average rain in the year was 410 millimetres, 2018 was 291 millimetres, 2019 was 124 millimetres. Right now we are at essentially 85 percent of the 410, so we are seeing 350 millimetres.

John Polcari, New York

Thank you. That was very helpful. The labour contract, I believe you said it comes up January of '21?

Aurora Davidson, President and Chief Executive Officer

For the supervisors. We have 56 supervisors. They have their own unions and their contract is—terminates on January 1, 2021. It is not as critical a discussion as with our regular plant operators, because we have 25 percent supervisors compared to the number of plant workers, 56 supervisors versus 206 plant workers.

John Polcari, New York

Are the supervisors under a three-year contract renewal also typical?

Aurora Davidson, President and Chief Executive Officer

Yes. All of the contracts in Chile on passing of Chilean Labour Law reform in 2016 are three-year contracts.

John Polcari, New York

Okay. This is a bit of a one-off, but I seem to recall the Company was—had ordered and was receiving some technical equipment from Italy to augment some of the water issues. Is that correct?

Aurora Davidson, President and Chief Executive Officer

Yes. It was basically to fix a load problem that we have in the thickeners (inaudible) turn into normal processing

capacity. Those parts are scheduled to be on site at the end of this month and will be installed in September, along with—and that's part of our Capex for the year. Water recirculation has been a priority, and those two projects will be completed in Q3.

John Polcari, New York

Great. My last question was simply the fully-loaded projected breakeven, including the royalty, D&A, depreciation, the whole 9 yards, if you will, by year end. What are you projecting for a breakeven—fully-loaded, even including all non-cash costs breakeven?

Aurora Davidson, President and Chief Executive Officer

It's about \$2.50 costs at a \$2.90 copper price, because that includes a royalty of \$0.60 per pound.

John Polcari, New York

All right, \$2.90. What was \$2.60, \$2.60 was without the royalty? Did you just mention \$2.60?

Aurora Davidson, President and Chief Executive Officer

No, I was saying it would be all-in cost of \$2.50, including \$0.60 for the royalty, \$0.60 per pound for the royalty at today's copper price.

John Polcari, New York

Okay, so \$2.50 plus \$0.60. That would bring us up to about \$3.10.

Aurora Davidson, President and Chief Executive Officer

No, \$2.50, including the \$0.60. So, let's assume a cash cost, just to assume \$1.60, \$0.60 royalty, \$0.07 Capex, \$0.22 (inaudible); \$2.50.

John Polcari, New York

Okay, and-in fully, okay, \$2.50 per pound...

Aurora Davidson, President and Chief Executive Officer

All in.

John Polcari, New York

...and the current price is approximately \$2.88, \$2.92, somewhere in that range, fluctuating every day. Okay

Aurora Davidson, President and Chief Executive Officer

Correct.

John Polcari, New York

All right. I thank you for your time and welcome, new team.

Aurora Davidson, President and Chief Executive Officer

Thank you.

Operator

Thank you. There are no further questions registered at this time. I would now like to return the meeting back over Ms. Davidson. Please proceed.

Aurora Davidson, President and Chief Executive Officer

Thank you very much. We appreciate your interest and joining us for this Q2 call. We look forward to chatting with you again in approximately three months' time to discuss our Q3 results, which we expect will be positive results. Until then, continue to enjoy your summer.

Operator

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

