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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Amerigo Resources conference call to discuss the financial results for Q4 and year end 2020.

I would like now to turn the conference call over to Graham Farrell of Harbor Access Investor Relations Advisors for Amerigo Resources. Please go ahead, sir.

Graham Farrell, Harbor Access Investor Relations Advisors

Thank you, Operator. Good afternoon, everyone, and welcome to Amerigo Resources Q4 and year end 2020 conference call. We are delighted to have you join us today.

This call will cover Amerigo's financial and operating results for the fourth quarter ended December 31, 2020, as well as full year 2020 results. Following our prepared remarks, we will open the conference call to a question-and-answer session.

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 February 18, 2021, and 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.

Thank you, and I will now hand the call over to Aurora Davidson, CEO of Amerigo Resources. Please go ahead, Aurora.

Aurora Davidson, President and Chief Executive Officer

Thank you, Graham. I will start our presentation with a review of operations at Amerigo's MVC operation in Chile and our vision for 2021, and then Carmen will provide comments on the annual financial results.

MVC's operational performance in Q4 2020 was very good and stable. MVC was slightly below quarterly production guidance, but Q4 2020 was still the strongest production quarter of the year with 16.5 million pounds of copper produced. Annual production of 56.2 million pounds of copper was within 1 percent of our annual copper production guidance.

Moly production in Q4 was 35 percent stronger than in Q3, resulting in annual production of 1.4 million pounds of moly, which was 6 percent over annual moly production guidance.

Cash cost in Q4 2020 was $1.65 per pound, within quarterly guidance, and annual cash cost was $1.76 per pound and was only $0.02 below the Company's latest cash cost guidance.

Operations in MVC continued uninterrupted due to COVID-19 in the quarter, and to date MVC has completed optimization work expected to be carried out in Q4. This was led by our MVC technical consultants at 911Metallurgy Corp.

In Q4 2020, we completed the change of all the remaining small hydrocyclones which was started earlier in 2020. We changed 28 of the 40 hydrocyclones in fresh tailings, and all of the 42 cyclones in Cauquenes were changed to the smaller units. We continue to work on plant optimization on a low Capex basis and without hindering production capacity at MVC. We expect to complete most of this work by the end of Q2 2021, together with laboratory work that has the objective of providing us with actionable data as to how to improve recovery of the Fine Fraction of Cauquenes, which remains one of the challenges at hand. Projected step-ups and recovery from this work were not factored in our 2021 production guidance.

MVC had full operational continuity in Q4 2020 with 92 out of 92 days of operations in fresh tailings and 91 out of 92 days of operation in Cauquenes, with only one day allocated to maintenance. Amerigo's operation in Chile, MVC, continues to have healthy water reserves of 8.5 million cubic metres of water, which are sufficient to maintain projected Cauquenes tonnage processing through 2021.

To conclude, MVC's Q4 2020 operating results were stable with no surprises and within guidance. Coupled with stronger copper prices, this translated to strong financial results in the quarter.

MVC's copper price in Q4 2020 was $3.52 per pound. Today's copper price is—and you're going to laugh at this here—$3.99456 per pound. I guess it's safe for me to call it $4 a pound.

In Q4 2020, Amerigo's net income was $8.3 million with earnings per share of $0.05, EBITDA of $20.1 million, and quarterly operating cash flow before changes in working capital of $19.8 million. For the full year 2020, Amerigo posted net income of $6.1 million, earnings per share of $0.03, EBITDA of $33.1 million, and operating cash flow before changes in working capital of $29.1 million. The strong financial results in Q4 2020 reversed the financial losses posted during a challenging first semester and represented 61 percent of annual EBITDA. Amerigo's liquidity and financial position were substantially improved in the fourth quarter, positioning us for a sound start in 2021.

Cash balance increased to $14 million on December 31, and today's cash balance is at $30 million. We continue to have a working capital deficiency but expect to be out of it and into positive working capital by the end of February.
We met three of our four bank covenants at year end. The only covenant which was not met was the current ratio, which we expect to meet from June 30 on, and for which we received, from MVC's lenders, a compliance waiver. We also expect to meet obligations as they come due, and we are reviewing our options with respect to deleveraging MVC or refinancing the existing debt beyond the current maturity date of September 2023 with less restrictive covenants.

Moving on from the historical review of 2020 into our working plan for this year, I will start with our production guidance.

In 2021 we expect to produce 61 million pounds of copper and 1.5 million pounds of moly at a cash cost of $1.79 per pound. I would like to provide you with some more information on why we cannot simply replicate the good results we had in Q4 2020 times four to arrive to a production guidance for the year, which would result in an annual production of close to 66 million pounds.

The first item to note are the numbers of operating days over the available days in a period, or in other words, plant availability. As I mentioned earlier, in Q4 2020, we had an almost perfect plant availability, or number of operating days, a hundred percent for fresh and 99 percent for Cauquenes. This was the best availability MVC had in the year, as there was little plant or corrective maintenance and no operations driven time off. The plant availability in Q4 2020 of essentially a hundred percent was way better than 2020's annual availability of 96 percent for fresh and 89 percent for Cauquenes.

In 2021 we currently expect to have better annual availability than in 2020 and achieved 95 percent for fresh and 94 percent for Cauquenes. But for us to assume we can operate a concentrator with no maintenance time through a full-year, as essentially occurred in Q4 2020, is just not realistic, advisable, or safe. If you annualize a Q4 2020 production corrector for the plant availability factor, you arrive at an annualized production projection for 2021 of 62 million pounds.

Another factor to consider is tonnage. In Q4 2020, we processed a substantial amount of fresh tailings from El Teniente, averaging 136 tonnes per day. In 2021 the information we have received from El Teniente in respect of this variable is slightly lower. With lower tonnage and the same plant, we can do better recoveries. With less fresh, we can process more Cauquenes, and so the story goes.

What I'm trying to say is that our operation is subject to numerous variables. We have made very good progress in 2020 to own up to these variables better and to modulate daily operations with as little disruption to the process as possible. We have more data to understand what our results should be, and our guidance is therefore a more educated and achievable guidance.

Putting together what we know about plant, fresh tailings, tonnage, grade, and scheduled and projected plant maintenance, we expect production to be higher in the first half of the year. MVC and El Teniente's annual plant shutdown will take place this year in September and October instead of in Q1, as has been the case historically. This change of schedule was made in order to reduce COVID-19 risk, as Chile expects to have most of its population vaccinated by September and October.

MVC has identified additional plant optimization initiatives, together with our technical consultants, and most of them, as I mentioned before, are expected to be completed by the end of Q2 2021, with part of the work perhaps continuing into the early part of Q3. The Company's 2021 production targets, as I also mentioned before, do not include any impact from the optimization work underway.

To prepare our cash cost guidance for 2021, we assumed a market copper price of $3.50 per pound, which was close to the market price at the time of that disclosure, a moly market price of $9.30 per pound, and an exchange rate of the Chilean peso to the U.S. dollar of $715. As copper prices improve, so does the Chilean peso strengthen. Our 2021 projected cash cost is expected to be higher than in 2020, precisely because of the effect of the stronger projected Chilean peso. We estimate that each 10 percent of the Chilean peso appreciation to the U.S. dollar could have an impact of $0.06 per pound on cash cost.

Another factor that affects cash cost is the moly byproduct credit, which is driven by moly production and moly prices. We estimate that each 10 percent change in moly price could have a $0.02 per pound impact on MVC's cash cost. Our guidance and the assumed copper price of $3.50 per pound, the El Teniente royalty would be $0.90 per pound during this year. The royalty is calculated on a sliding scale based on copper prices.

Amerigo’s projected 2021 EBITDA, considering these combined variables, is expected to be US$50 million. Our operational results in January are within guidance, and financial results exceeded this guidance.

Annual sustaining Capex in 2021 are expected to be $5.3 million, and we also will be working with capitalizable maintenance and strategic spares (phon), which we expect to be $2.4 million. The most significant 2021 sustaining Capex project will be to further optimize the MVC water thickeners with a target increase in water recovery from 1,600 litres per second to 2,100 litres per second. This will have a cost of $3.6 million.

Other Capex includes $700,000 on miscellaneous plant improvements, $500,000 on environmental safety and compliance projects and $0.5 million on information technology improvements at MVC.

With respect to MVC's financial obligations, we currently expect the following to occur in 2021.

MVC will be repaying a $7.2 million loan due to El Teniente, which originated in 2020 in connection with settlement adjustments due to the rapid fall of the price of copper during the first months of the year. The loan is being repaid monthly in equal installments of $600,000, plus interest.

MVC also has two scheduled semi-annual bank loan payments of $4.7 million each, plus interest, in March and September. After these payments are made, MVC's bank debt would be $37.5 million, which is currently due by September 2023. Under the terms of the loan agreement, MVC can make additional loan prepayments.

Finally, MVC will be making payments of approximately $1.3 million in connection with its leases.

My comments so far have addressed the insights of our operation. I also want to address external factors that can affect us, given that, as John Lennon said, "Life is what happens to you while you were busy making other plans". These factors include labour, environmental compliance, critical inputs, and political environment.

Let me start with labour matters. A three-year collective agreement with MVC's Supervisors' Union comprised of 49 members was signed on January 8, with the same signing bonus per worker that was paid to MVC's union of 206 workers in October 2019 when copper prices were lower. The total cost of the bonus to MVC was $510,000, which was already factored into our 2021 cost guidance. We do not have any remaining union negotiations this year, given that the collective agreement with the MVC plant workers goes to October 2022 under collective agreement with the supervisors goes to January 2024.

Environmental compliance is a big topic worldwide, including in Chile. To provide some context on the complexities of this subject, MVC has seven different environmental permits with a total of 776 environmental commitments. We are focusing our attention to this huge commitment and working on a very granular basis to minimize any risks of non-compliance. This is one of the building blocks of our newly-defined organizational area of operational continuity at MVC.

In terms of critical input, we have a long-term power supply agreement that currently runs the full extent of MVC's contract to 2037. The contract calls for a step down in power supply rates from $62.5 per megawatt hour in 2020 to $58 per megawatt hour this year, $53.5 in 2022, and $49 from 2023 on. MVC also has to pay pass-through charges, which are the general grid and transmission costs passed on to major power consumers in Chile.

One of our other major inputs are grinding balls. Despite rising fuel prices, we recently closed an MVC supply agreement for grinding balls into mid-2022 at very similar prices to what we had in place early in 2020.

With respect to water supply, we continue to have healthy water reserves stored in Colihues, and as we mentioned earlier, we will be working on further optimizing MVC's water recovery thickeners to increase the rate of water recirculated at the plant from 1,600 litres per second to 2,100 litres per second. This project will be undertaken at the time of the annual plant maintenance shutdown in September and October.

In terms of providing an update on Chile’s political and social environment, I will start with very positive news regarding Chile’s phenomenal success to date in respect of COVID-19 vaccinations.

Chile, with a population of 19.2 million people, closed very early during the COVID crisis on building a highly diverse portfolio of vaccines. They were also very keen in negotiating vaccine prices, and as a result, to date they have inoculation rate of 12.4 percent, which is substantially better to what we have in Canada of 3.5 percent. Chile is advancing rapidly to vaccinate at no cost to individuals its population against COVID-19, with a goal to have 15 million people vaccinated by the end of the first semester.

In Chile the appreciation of the price of copper goes hand-in-hand with the positive outlook for consumption and investment. Chile’s Budget Office forecasts that Treasury income will grow over 21 percent in real terms this year.

Copper production in Chile is getting close to the 6 million tonnes per year mark, way over other top copper producers, like Peru, with annual production of over 2 million tonnes, and China and the U.S., with about 1.6 million tonnes each. Chile is ranked again in various indexes, such as the Milken Global Opportunity Index, as the Latin American country with the greatest potential to attract foreign investment in 2021.

Chile’s process to draft a new constitution advances as planned. The new constitution will be drafted by a convention of elected citizens, which is going to be voted in on April of this year, and this convention will have up to one year to produce a draft text of a new constitution, which Chileans will either approve or reject in mid-2022.

With respect to copper, we remain bullish on copper price. Copper prices reached this week their highest level in nine years, despite the Chinese New Year, driven by expectations of stronger demand and tight supply. Worldwide green policies are expected to support higher demand through a focus on electric vehicles and non-conventional renewable energy generation, which require a lot of more copper, coupled with the challenges mining companies face to maintain or improve their production supply given decreasing grades in existing deposits, and, of course, the new challenges to bring new deposits into production. China’s and the LME copper inventories have dropped to near decade lows, and production guidance from the top 25 copper producers indicate the market may be in a sizeable deficit this year, assuming a scenario of 5 percent demand growth, such as what is being projected by certain analysts.

As we mentioned throughout our disclosure, MVC’s financial performance is very sensitive to the price of copper. The copper price we had on the books at December 31 was $3.53 per pound, and the average price in January was $3.62. Today's price, as I mentioned at the start of the call, is $4 per pound.

We mentioned as well that each 10 percent increase in copper price from the $3.53 price we used in the financial statements would result in $5.6 million in positive revenue adjustments in respect of Q4 2020 production during this quarter. This, of course, is excellent news in terms of actual cash generation during a period of rising copper prices, which provides us with the opportunity and the mandate, really, to pursue the best option available to Amerigo of refinancing bank debt to have additional flexibility in respect of term, in respect of less restrictive covenants, from which we can return to a sustainable dividend payment capacity on the back of a solid operation and strong copper prices.

As usual, I will finish by stating Amerigo’s value proposition. We own a solid asset in MVC. MVC is a proven operation that has operated continually for 28 years and has a long-term contract and a solid relationship with Codelco, the world's biggest copper producer. We are a low Capex operation with manageable debt.

I will now turn the call to Carmen, who will provide comments on financial results. After Carmen's presentation, we can take questions.

Carmen Hernandez, Chief Financial Officer

Thank you, Aurora. I am pleased to present the 2020 annual financial results from MVC in Chile.

The fourth quarter marked improvements in production and financial results when compared to the first three quarters of the year due to higher copper prices and higher production than the previous quarters in 2020. This resulted in a net income of $6.1 million, $8.3 million of this income coming from Q4. Both basic and diluted earnings per share for the year were $0.03. At December 31, 2020, the Company's cash balance was $14.1 million, and the Company's working capital deficiency was down to $6.1 million from $15.1 million at December 31, 2019.

As shareholders that have been following us for some time know, Amerigo's financial performance is highly sensitive to copper prices. Amerigo's average copper price for 2020 was $2.94 per pound, an increase from the average copper price of $2.73 per pound in 2019. In Q4 2020, our average copper price was $3.52 per pound, and today's LME copper price is up to $3.99 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 December 31, 2020, MVC's provisional copper price was $3.53 per pound, and final prices for October, November, and December 2020 sales will be the average LME prices for January, February, and March 2021, respectively. A 10 percent increase or decrease from the $3.53 per pound provisional price would result in a $5.6 million change in copper revenue in 2021 in respect to the 2020 production.

Revenue in 2020 was $126.4 million, up from a revenue of $119.8 million in 2019. Revenue is made up of net copper revenue of $116.3 million, molybdenum revenue of $9.5 million, and slag processing revenue of $700,000. Within the net copper revenue of $116.3 million, the gross copper sales were $156.6 million, plus positive settlement adjustments of $11.6 million, and then deducted from revenue, we had $33.5 million in royalties to DET, smelting and refinery costs of $16.7 million, and transportation costs of $1.8 million.

Total production and tolling costs, including depreciation, were $111 million. This represents a decrease in costs of $8.4 million from 2019. Cash costs decreased in 2020 to $1.76 per pound compared to $1.82 per pound in 2019, mainly due to a decrease in power costs, smelting and refining, and other direct costs, offset by a decrease in $0.09 per pound in byproduct credits. Byproduct credits were higher in 2019 due to a stronger molybdenum price and production and from slag processing.

In 2020 there were lower general and administrative costs of $2.8 million compared to $4.4 million in 2019. The $1.6 million decrease in general and administrative expenses relates mostly to $1.4 million decrease in share-based payment compensation.

Other losses were $800,000 compared to other gains of $1.1 million in the prior year. The change of $1.9 million is mostly due to $2.4 million loss on inventory adjustments related to the physical settlement adjustments included in the DET deferred settlement loan, offset by an increase in foreign exchange gains of $500,000.

The derivative to related parties during the quarter had a nil expense in 2020 compared to an expense of $2 million in 2019.

Finance expenses were $5.2 million in 2020 compared to $7.8 million in 2019. Most of this difference is due to the $1.6 million loss on modification of debt that was included in the finance expense in the prior year.

In 2020 the Company recognized an income tax expense of $500,000 and net income of $6.1 million compared to an income tax recovery of $3.3 million and a net loss of $9.4 million in 2019.

In respect of cash flows in the year, cash generated from operations in 2020 was $29.1 million from operating activities before working capital changes and $19.8 million after compared to $9.8 million generated from operating activities before working capital changes and $7.9 million after in 2019.

Uses of cash in the year included $2.8 million used to purchase of property, plant ,and equipment, repayment of borrowings of $9.4 million, and lease repayments of $1.4 million. Ending cash at December 31, 2020 was $14.1 million.

The Company's debt balance at year end was $53.8 million. In 2020 MVC made debt repayments of $9.4 million and obtained a $7.3 million loan from Codelco to finance settlement adjustments. The scheduled debt payments on bank loans are $4.7 million, plus interest semi-annually in March and September, up to March 2023, and a final payment currently scheduled for September 2023 of $23 million, plus interest.

In January 2021, we also began repaying the $7.3 million loan to Codelco, which is a deferral of revenue settlement adjustments. Payments of $600,000 per month, plus interest, are to continue to be made monthly through

2021. Under the current variables of production, costs and copper prices, we project to meet debt obligations with banks and with Codelco as they come due.

We will report Q1 2021 financial results in mid-May 2021 and want to thank you for your continued interest in the Company during this year.

We will now take questions from call participants.

QUESTION AND ANSWER SESSION

Operator

Thank you. Our first question is from Terry Fisher. Please state your city. Your line is open. Go ahead.

Terry Fisher, CIBC

Yes, it's Toronto. Good afternoon—I guess good morning, to you guys. Congratulations on a great quarter.

I have a few questions. The first thing though, I'd just like to make a comment that while the website is excellent in almost all respects, I couldn't find the financials, the MD&A, and all that sort of thing on the website. There's a form you have to fill out apparently there in order to get them. I had to go to SEDAR to get them, which was easy to do, but I just think it would be good if you could just go to the website and click on something and they would be there.

Anyway, first question is that I understand why, from your comments, why the fourth quarter was so strong and that it won't repeat, according to your forecast for this year. However, we also had $3.52 copper in the quarter, and I see the May copper today got up to $4.08. I'm thinking that if we annualize on the basis of 61 million pounds, but with a higher copper price, you still might be able to achieve EBITDA in that $20 million range per quarter. If so, if we're looking at $80 million for the year, my quick calculation shows that you could pretty much pay off almost all your debt, as well as deal with Capex, depending, of course, on what the tax rate is, and the tax rate was pretty minimal for the last year. That was my second question, is what the tax rate is likely to be given that you should be profitable each quarter in 2021.

Aurora Davidson, President and Chief Executive Officer

Terry, sorry about the financial statements not showing up on the website. That is an error from our website provider, and Kim (phon) will be looking at it right away. We normally have all of the financial statements, and they should be available on the website without you having to go through the form. There obviously was some sort of programming error.

When I was referring to a qualification on results, Q4 2020 versus annualizing them, I was referring to the production part of the equation. I was not referring to the financial results as such. I was just making a point of why we couldn't just multiply the production in Q4 2020 times four to achieve a given production for this year.

Your commentary about the effect on prices is absolutely true. With strong copper prices, we get the double benefit of settlement adjustments, which as the market indicates right now, would be sizable in Q1, should conditions continue to be where they are, or continue to improve, and we also get the benefit of basically selling at the high copper price.

With stronger cash flow, of course, there is the ability to allocate capital in a way that makes sense, whether it is a full debt repayment. I don't know if that is the right answer, probably not. I think that what we're looking to do here is refinance our debt facility, such that we have additional flexibility to do what the Board determines that is best in terms of a return of value to shareholders via either a sustainable dividend or a share buyback.

Terry Fisher, CIBC

Okay. That was great, thanks. Could I ask again about the fourth quarter, if—and I know this is highly theoretical—but if you were able to realize $4 for copper in the fourth quarter instead of $3.52, what the earnings and EBITDA might've been?

Aurora Davidson, President and Chief Executive Officer

I will work out those numbers and send them to you. I have your email address.

You also had a question with respect to taxes. We have a series of tax losses in Chile, which are essentially shielding us on a current cash tax basis. At these current prices, probably would be used by the end of Q3 at a projection of $3.50, which is what we used in our 2021 EBITDA guidance. We would have been essentially tax shielded in Chile for the whole year.

Terry Fisher, CIBC

Okay. Another question, just quickly, the receivables seemed pretty high at the end of the year, certainly relative to the previous years. Again, I wouldn't think that you've got any bad debt problems, so I guess that's just what you get back…

Aurora Davidson, President and Chief Executive Officer

No, absolutely not. There were three reasons for the high receivables. One, higher copper prices in the period. The mark-to-market on three months of outstanding sales, because you mark to the price that you have at the quarter end, but you don't go in and collect and receive the cash right away. Also, because of year-end calendars, two of the payments—weekly payments that we should have received from Codelco by the end of December were actually paid on the first business day of January. There were a little bit of timing issues, but also with higher copper prices, it is absolutely normal to have that additional quantum of receivables from the higher sales that you're generating and from your mark-to-market.

Terry Fisher, CIBC

Okay, that's great. Final question. If we go to the guidance and we're looking at your comments about the additional Capex and the work that should continue, most of it done by the end of the second quarter and some into the third quarter, I'm wondering if you could give us just a little bit of more colour on what sort of work that involves. You mentioned $5.3 million in Capex. I don't know whether that's the total number for Capex or…

Aurora Davidson, President and Chief Executive Officer

That is the total number for Capex, $5.3 million, and the single most significant project within that Capex budget are the optimization of the water thickeners, which will have a cost of $3.6 million. For the rest of the guidance, it's fairly lower.

Terry Fisher, CIBC

Okay, so just a final—related to this final question is, assuming that that work was all completed going into the year, how much more might that give you in terms of production from your assumption of 61 million pounds? I realize there's also issues of recovery rates and so on and how much—the variability in the fresh tailings, as well. You mentioned all these dynamic factors. But just in terms of what the plant can do more with all of this completed versus what it's doing now?

Aurora Davidson, President and Chief Executive Officer

Yes. We expect to have—with the work that we're currently doing, again, it's low Capex modifications. We expect to have probably on average 3 percent, 4 percent increase in recovery. I'm not going to put it in writing and I'm not going to hold ourselves against that because it's work in progress, and until we don't have it confirmed and fully validated in front of us, it's an expectation, but it's not a commitment.

Terry Fisher, CIBC

Okay, that's great. That's all my questions for now. I'll turn it over.

Operator

Thank you. The next question is from Nick Toor from Las Vegas. Your line is open. Go ahead.

Nick Toor, BlackRoot Capital

Hi. Thanks, Aurora. I'm just wondering, what is the plan for this Company? Copper is about $4, (inaudible) today, and less than 10 people want 80 percent of the Company. Nobody cares about you guys reinstating dividends. At least, I don't think that really matters. What's the strategy here?

Aurora Davidson, President and Chief Executive Officer

Nick, I think the strategy is to continue to operate the plant, generating as much cash as we can, focusing on what we can control and delivering on strong results. The higher-level strategy of reinstating a dividend, I think that people care about that. I think that our shareholders care about that, and I think it's part of the visibility and part of the step-up that we need in order to get the interest in the story that we used to have in the past, and which is totally replicatable under these market conditions.

Nick Toor, BlackRoot Capital

If you think that that's the case, why is the stock where it’s at?

Aurora Davidson, President and Chief Executive Officer

I have no way of responding to that directly. We're doing our best efforts in communicating our story the best way we can. I think that one of the issues that you mentioned before is we're a tightly-held Company with a significant amount of ownership in a few hands. Maybe that's one of the things that has to change. I don't know. I think that what I have to focus on here is to continue to deliver on creating a value that is sustainable and that is available to the shareholders in the form of an operation that is healthy in producing the operating cash flow it needs to produce.

Nick Toor, BlackRoot Capital

I mean, I think I'll give you my sense. I'm a large shareholder. I control almost, I don't know, 10 million shares, plus. There are a few things that need to happen.

One, this Company has no reason to be a public company. I think the Board has been derelict in its duties. You’ve got an Executive Chairman who’s been collecting a lot of money over the last 15, 20 years, and I'm not even sure what he does. You've got a Board that's packed with his friends, and there is no real strategy on how shareholders who’ve been suffering for 15 years. Stock used to be at $3 and now it's at $0.90. Copper is at $4, and there is no articulated strategy on how shareholders will get any value out of this thing. I think that is a major issue.

Then secondly, when you guys launched into the expansion project, the expectation for cash costs and for production levels was a lot higher. You've said in the past that that was because of issues with water. Those issues have been resolved. But your guidance now is still for flat production next year and you’re—I think you've been working with these consultants for over a year, and now it's like six months from now you will have something that might be, if we cross our fingers, maybe a 3 percent increase in production.

All of those things are the reason the stock is trading at two times EBITDA. I mean, it doesn't—this is not an issue a company that doesn't have tailwinds now, great copper prices, generating cash flow. I think there's a complete lack of confidence in the Board and its ability to actually care about shareholders. Take it from where it is, but that's the reason your stock is very flat.

Operator

Thank you. The next question is from Stephen Ottridge (phon) from Vancouver. Your line is open. Go ahead.

Steven Aldridge, Private Investor

Yes. Good morning, everybody. Let me comment as well on the last caller. I think if and when the dividend gets reinstated in it and Amerigo becomes a confident, solid annual or semi-annual dividend payer, it will get much more respect from the market. You are saying you're going to be studying the situation with the bankers for coming around to do something this year. I hope it is this year, and it's probably done with the March meetings with the bankers and such that by the middle of the year, we will have a dividend policy in place that’s effective. That would get publicity in the financial papers and also, from your new Investor Relations guy that you’ve got on. So, get that dividend coming. That's what I'm looking for. I'm a retired investor. I don't need tonnes of capital gains, but I'd like to have a good, solid dividend-paying stock in my portfolio.

Aurora Davidson, President and Chief Executive Officer

For sure, Stephen. I appreciate that, and that's what we're working for.

Stephen Ottridge, Private Investor

Okay. That was all my comment.

Operator

Thank you. The next question is from Jason Lee (phon) from New York. Your line is open. Go ahead.

Jason Lee, Private Investor

Hi. Thank you for taking my question and congrats on the strong quarter. Just wanted to dive in a little bit more on the capital allocation side. You mentioned, in terms of refinancing your debt, is there a leverage ratio that you can look for to maintain, and also, in terms of the dividend versus buyback, I'll echo the kind of earlier caller about you guys trading at a substantial discount to your peers, whether it's two times or three times your EBITDA. What would you presume—if copper prices stay at current level and your shared price stays at current level, what would your kind of preference be between kind of dividend versus buyback? Thank you.

Aurora Davidson, President and Chief Executive Officer

Yes, thank you for the call and for the question. In the past, we saw much more appetite for the dividend. The stock did better when we had a sustainable dividend. We didn't see the same appreciation or the same positive reaction with the share buyback. Some people liked them, but not all of them, and we definitely got a better response from the dividend. In fact, our share price was heavily punished when we took the dividend away. I think that there seems to be more of a (inaudible) with a sustainable dividend reinstatement than with share buybacks.

Having said that, share buybacks also have their value and perhaps as an adjuvant would also be interesting to look at. Again, it's a question of doing that analysis at the time when we're ready to pull the trigger on the distribution (inaudible).

Jason Lee, Private Investor

Okay, and is there a target leverage ratio you would maintain in the Company?

Aurora Davidson, President and Chief Executive Officer

I think we are fairly under levered. I mean, we don't have a high leverage ratio right now. What we would be looking at is essentially perhaps maintaining a debt between $30 million, $40 million of debt would be more palatable and more in tune with the rest of our balance sheet components.

Jason Lee, Private Investor

Got it, okay. My other question is with regards to kind of COVID. What's the COVID impact like onsite at this point, and is any of that kind of baked into your cash cost guidance for this year?

Aurora Davidson, President and Chief Executive Officer

No, we have had no impact from COVID. We basically have had a very strong response to it from the inception. Last year we got an award from the Mining Ministry in Chile to that effect, so we have no effect in our operation. We do have a budget for COVID response within the cash cost. It's not a significant amount of money, but it's all refactored into our guidance.

Jason Lee, Private Investor

Okay, perfect. Thank you.

Operator

Thank you. The next question is from Terry Fisher from Toronto. Your line is open.

Terry Fisher, CIBC

Yes, I just wanted to comment on what Nick in Las Vegas had to say, and I certainly sympathize with him and with his comments. But I think—and just on what the last caller said, I would certainly put share buybacks ahead of dividends in order—if the objective is to try to get the stock price up, because I think it would have a much greater effect, even though I hear what you're saying, Aurora, about the way things used to be when you had a dividend. But I think there may be a new set of shareholders now. This stock, I hate to buy stock back and reduce the float, but the float is so low that a small amount of buyback, besides the statement it would make, would also have a big impact on the market price of the stock.

But the comment I would make about why it's where it is—and keep in mind, we were down at like $0.15 a few months ago. We're now at over $0.90. That's a pretty big move. If you look at Lundin (phon), which is a $10 billion company, right now, it's up over $15 a share. Less than a year ago, you could have got it at $4.08 and you could have got it for under $7 back in, I think, October, September/October. These things can have very sharp moves, commodity producers. I would think if we're patient, we're going to see much, much higher share prices. That's one comment.

The other comment would be that having been through the whole expansion, Phase I and Phase II, that was a fairly significant change in the operations and an increase in the operations, the extension of the contract with Codelco. These are major events that took time. There’s always problems when you run in a new plant. I think they were greater than anticipated, but again, look at the steps that the Company has taken that speak volumes to me, one being we have a new CEO who seems to be well on top of things, but that was a big change to make. Secondly, bringing in these outside consultants, making a lot of changes in the plant (phon). It's a process we need to see through to the end of.

I do take the comment, though, earlier that the projected tonnages when we entered into the expansion project were going to be higher than you're now indicating. I think some of that may have to do with once you got into the new pit, it just wasn't maybe the grades that were able to get out of there, the type of material, it wasn't what you had expected. But one would hope that maybe over time production could be higher, because I had in mind a figure maybe 80 million pounds.

But anyway, those are my comments. I'm staying with it, and I think we should just keep plugging and see what the market does for us as the performance numbers get demonstrated. We're going to need—this is a show me situation. We're going to need another couple of quarters, really good results, before the market's going to pay attention.

Operator

Thank you. The next question is from Peter Antico (phon) from Los Angeles. Your line is open. Go ahead.

Peter Antico

Hi, can you hear me?

Aurora Davidson, President and Chief Executive Officer

We do.

Peter Antico

Sorry. Okay, great. I've been a holder of your Company several different times. I bought it again about eight months ago. First time, I rode it from about $0.08 to $0.95, and then I got out of the copper, went into a bear market. But when it was at $0.90, the copper price was much lower than it is today. For us to get a $0.20 move in the last two weeks, and the stock price basically moves $0.05 when it used to move on a penny move a couple of cents, the stock is performing horribly. There's no marketing to speak of that I think has been promoting the stock.

If you look at Western Copper, it was trading at $0.39 in March, and now it's trading at a $1.57. It's up a 11 percent today, and it reflects the price of copper. I mean, this stock should be trading at a dollar with the copper price at $4. That's an all-time high. You're not even at $0.85 with copper price was at $2.50, when it was that way before.

So, I respectfully think that as a shareholder, obviously, I want a higher stock price because I have a lot of shares, but it doesn't make any sense for me to stay in this Company. I have a good profit because I'm in, talking in American dollars. If I'm in the stock at about $0.20 with a lot of shares and I'm watching all my other copper companies on the board go up with the price of copper and you're not doing it—and your quarter was excellent. Your guidance is on $2.84 (phon) for the next year, so your limited free cash flow won't be—your liquidity won't be damaged. But the price of copper is $4. With $4, which I assume being in the car market, the electronics, everything's going electronics globally, the copper price will be underpinned and most likely go towards $5 a share.

Me saying that, for this price to be so low to me it's a failure by the Board. It's a failure by management. You're not doing marketing. I'm telling you, I'm looking at Amerigo today. With that quarter reported yesterday, you're trading at $0.72 American. You're not even up on the day. In fact, you're down on the day. That makes absolutely no sense. I don't know why it's down. In the American market, you're trading 68,000 shares. I'm sure there's more than that. There's a bunch more on the Toronto exchange. But theres' no visibility for this to be trading 68,000 shares. That makes no sense. Western Copper, 2.479 million shares today already. It's got no liquidity and it's really a failure to this point.

I appreciate the higher price. But as an investor, I want market share for my money, and I'm not getting it here. I may give your Company—in a week, if I don't see this Company up $0.10, I'm out. I'll just trade it to another company, because I never see any press. You're never on any shows. You're not on Kitco. You're not on ThemeWorld (phon). You're not on any—you're not promoting the Company. Not a lot of people know about you. I put a lot of investors in your Company. They made a profit. I'm grateful, but you're not getting the market share. So, if it doesn't turn around quickly, I'll liquidate a lot of shares in this Company. You've got to do better, because it's not making any sense with the price of copper now.

Your Company should be up $0.10 today; it's doing nothing. It's down. I'm losing money on your Company today. Like, who's selling your shares? Let me ask you a question. Are the insiders—what are the insiders doing?

In the last six months, have you sold your shares, bought your shares? Because that's one thing I have not checked. I'd like to know—I'd like you to respond to my questions. I want to know what the insiders are doing. I want to know what you're doing to solicit institutional money, and I want to know what you're going to do going forward in the market (inaudible), because your Company is basically nonexistent. The only people that hear about the Company is what I tell them. That's it. Thank you.

Aurora Davidson, President and Chief Executive Officer

Yes, no. Insiders, you can check the activity of insiders. All of our insiders have held positions or have increased their positions in the last year. Your comment on our lack of visibility, we'll take that. We'll work with that. The focus of the Company is to make money, to generate cash, to have a sound operation. Yes, we maybe lagging behind in the marketing efforts, but we're not lagging behind in the business fundamentals of the Company, which is to produce as much as we can and as cheaply as we can. I think that we've made very good progress operationally, and we hope to translate that same strength that we have on the operational basis to the marketing of the Company.

Peter Antico

Why is your Company down today with the strong quarterly report that I read yesterday? I don't think there's another copper company in the sector that's down today. I'm really shocked. I don't know who is selling your shares. Have you had institutional money move out of the stock recently? Did you have big blocks of institutional investors leave the Company? What is the reason that your share price is trading down today, so abhorrently low with not very much volume?

I just would caution and tell all the educated shareholders to look at the volume. If the copper price is this and you have no volume, that means you've got no exposure. You may try to get additional exposure on better exchanges, but I haven't heard anything going forward that gives me any confidence that your Company will generate more market share for the customers. Everybody has done reasonably well because of the copper price rise, because in a rising tide, all ships move up. I tell you, there's got to be a plan. I haven't heard it yet from you. I'd like a response for that. Thank you.

Aurora Davidson, President and Chief Executive Officer

As I said before, we will continue to be focused on our operational results, and we will do a better effort with our seasoned Investor Relations professionals to improve on our marketing. But the focus is not the marketing of a business that has no sound business. The focus is to have a sound business and then have a sound marketing of the sound business.

Peter Antico

No, no, I understand that. As you know, the market—you have a sound business, you've had a sound business. (Inaudible) is one of the biggest producers in the world, and your share price doesn't reflect that. The fact that that—you know, I can read it because I do research, but that's not publicized—that's really not publicized because you have a mine feeding you with tailings that is respectfully extremely strong, and outside of marketing, the fundamentals since the copper price rose from $2.50 to $3 was astronomical. Now it's a dollar higher than that. I still (inaudible) marketing. I mean, respectfully, you—and I actually do think 50 percent of this issue, or more, is marketing and perception, and maybe you ought to think about applying for a bigger exchange with more exposure, because there's not value here.

I don't want to sit around while I can go into other companies that if the price goes up, I'm going to realize market share. I agree, like, there's no dividend, but obviously, I'd rather have the stock share go up. But you really shouldn't have to buy back shares for this Company to go up. With the price of copper. I mean, you're not realizing it. You could see in the volume that there's nobody trading the stock. It's very thinly traded, and it's certainly thinly traded in the U.S., and it's not that great in Canada, either or on the TSX. This is an issue. If you don't have volatility, if you don't have volume, you don't have awareness. Unless you get awareness, this stock is going to stay a couple of pennies here and a couple pennies there. I don't see—you're not giving me a reason to feel comfortable to be here much longer.

Graham Farrell, Harbor Access Investor Relations Advisors

Aurora, if I may. Peter, Graham Farrell here, from Harbor Access Investor Relations, fairly new to the Company. We just got our feet out of the desk, and we hear you loud and clear. We do have a robust plan to get the story out there. We do agree it's a great story. It should be told to a wider audience, and that's part of our plan.

Peter Antico

Well, great. I hope—I wish you luck. You might consider looking at buying the Los Azules mine or making an offer on that, but Rob McEwen has it in McEwen Mining as a part of the gold and silver play. I think that's a target in Argentina that you might want to look at, because it's a pure play and I think—I just have an inclining—knowing the business model, that might be a possibility for the right price. It's a $30 billion play. But, I mean, you've got to do something, brother, and I appreciate your comments.

I know everybody is trying to use their best efforts. But in this marketplace, where everything is going electric, you see the silver market's going to be underpinned because of all the electric vehicles and the entire electric grids that they're trying to put up globally, which means that the base metals, copper and silver, are going to be widely used. These two prices should be underpinned greatly. The prospects for these two metals going forward in the next 36 months is astronomical. The shareholders, me being one of them, would certainly want these kinds of things to be publicized because there is a great case for copper.

The other thing that I would kindly recommend is to call David—call Kitco and get an interview on their show. It'll give your Company awareness, and you can tell your story, because that opens up a wide audience. Certainly, your Marketing Department should do that. I would suggest you do that, because that's one of the mainstream places where a lot of people, either savvy investors or amateur investors—sometimes in the interviews they have some really good people, and you can listen to them and make up your mind what you choose to do. But if you—I would appreciate if you would reach out to Kitco and get some press out, because I think you'd be certainly better off and you would raise the awareness of this Company. It's cheap now. People would want to buy it, because it's certainly had a discount for the market. Thank you.

Operator

Thank you. Our next question is from Stephen Ottridge from Vancouver. Your line is open. Go ahead.

Stephen Ottridge

I just want to follow up a comment for Terry Lee there, I think out of Toronto, and he mentioned Lundin. We've got to realize Lundin today increased their dividend by 50 percent, and a year ago Lundin increased their dividend by one-third. Lundin has done remarkably well as a stock. It's my other major copper holding. I think dividends do work, with a little bit of publicity.

I do like the comment about Amerigo not being a miner, as such, but being almost like a copper factory, just producing copper. I think the working on tailings and cleaning up tailings and taking more money out of something that's already being produced would be a great idea in this is so-called green world.

So, I'm sticking with it. I ain't going to go just because the stock doesn't move up for a couple of weeks or so. So, there you go. That's my comment.

Aurora Davidson, President and Chief Executive Officer

Thank you, Stephen.

Operator

Thank you. The next question is from Nick Toor from Las Vegas. Your line is open.

Nick Toor, BlackRoot Capital

Aurora, I think that the Board needs to consider to sell this Company. That's really what makes sense. This dividend stuff is not for a Company who has 20 percent of its float outstanding and 80 percent of the Company is held by a few hands. That's not what needs to be done. This is the time to sell the Company, and that's the way shareholders will finally get value out of the Company.

I mean, I haven't been an investment banker for a long time, but I can sell this company for $3 a share tomorrow. It's a layout. I just don't think that continuing to operate this Company as a public entity makes any sense, and if the Board does not see that, then they are doing what they have been doing for the last 15 years, which is nothing.

Hopefully, they'll listen to this call and get the message that this stock has not performed. This has not created value for its shareholders, and it's time for them to exit this Company and let the shareholders realize the value that is inherent in this operation.

By the way, you're doing a great job. I mean, it's nothing against you. You've finally gotten the operations right. You've right-sided (phon) the expectations, and you're doing a fantastic job. But the Board, in my opinion, is completely derelict in figuring out an overall strategy for how the shareholders realize value, and reinstating the dividend and continuing to operate this Company for another 20 years is not the way to do it. You have the opportunity right now. You could sell this Company for a very large price and actually work for the shareholders.

That's my comment, and hopefully the Board hears it. Thanks.

Operator

Thank you. The next question is from Terry Fisher from Toronto. Your line is open.

Terry Fisher, CIBC

Yes. Sorry to drag this out, but just two quick things. From the fellow from Los Angeles, I didn't get his name, but I certainly appreciate his frustrations. He made some good comments. But I'm a CFA. I've run research departments. I've written research reports on companies my whole career, and you have periods where you get a business that's in a show-me mode, especially when we had, going back to a year ago, the water shortage issues on top of running in the new expanded plant. People want to see it in the results. Well, we now have results. They've only been out for a day. I think we've got to give it time and maybe a bit more than a week, but I do appreciate the frustrations.

But I think that over time, this is going to prove out, because the results are there. Aurora is right. I mean, she should be focused on continuing to produce those results and the rest will eventually happen, but with a lag because this is just a small cap stock. There's not much research coverage.

The other point I would make as to what Nick Toor just said, I actually tried to find a buyer for this Company some years ago, okay? I was that frustrated with it. One of the reasons is I knew somebody who I thought—a corporation, a public company—that the business would fit. They wouldn't even look at it, because they were only in Canada and partly in the U.S. They didn't want to get into South America. But there are very, very few businesses where there would be a synergy or a strategic fit. I just don't think that you can't—the Board just can't say, let's go out and hire Goldman Sachs and go and find a buyer. I don't think there is one, unless it's a private equity type firm that just does it as an investment. Well, we're doing that ourselves. We don't need them to come in and take us out at half of what the thing is worth and then take it back public at a higher price.

The other point I would make on somebody buying it is that this whole Company revolves around the contract with Codelco, and I'm sure there's event language in there, and there's no way in the world they're going to allow things to change ownership if they're not happy with who it is that's going to come in and take it over. So, that limits the range of potential buyers as well.

Anyway, those are my comments.

Operator

Thank you. The next question is from Jason Lee from New York. Your line is open. Go ahead.

Jason Lee, Private Investor

Yes, hi. Just a quick follow-up question. I don't mean to you kind of put more gasoline on the fire here, but can you just please talk a little bit about management and kind of compensation? How much is kind of an index to share price performance versus peers? I don't know if I can just kind of find that in the management information circular, but just want to—I hope you can just talk a little bit about it.

Aurora Davidson, President and Chief Executive Officer

Yes. You will find information about that in the management information circular. Our compensation—a significant portion of our compensation is in the term of a stock option incentive, and we're aligned with share price that way. It represents a substantial reward mechanism for us. That is the composition or the extent of the noncash portion of compensation. We don't have any share performance units, pretty simple that way, and basically tied up to stock performance through the option mechanism.

Jason Lee, Private Investor

Okay, thanks.

Graham Farrell, Harbor Access Investor Relations Advisors

Operator, Graham Farrell here. I think we can wrap it up. If there's any other further questions, we're happy to answer via email or phone call and continue to communicate to our shareholders that way.

Operator

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