Amerigo Resources Ltd.

First Quarter 2022 Earnings Conference Call

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Length: 47 minutes

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Amerigo Resources Ltd. — President & Chief Executive Officer

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Steve Ferazani
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Terry Fisher
CIBC World Markets — Analyst

Paul Dowhanik
Private Investor

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BlackRoot Capital — Analyst

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PRESENTATION

Operator

Good afternoon. My name is Anas and I will be your conference operator today. At this time, I would like to welcome everybody to the Amerigo Resources Q1 2022 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the formal remarks, there'll be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two. Thank you.

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

Graham Farrell — Managing Partner, Harbor Access LLC

Thank you, operator. Good afternoon and welcome, everyone, to Amerigo Resources quarterly earnings call to discuss the Company's financial results for the first quarter of 2022. We're delighted to have you join us today.

This call will cover Amerigo's financial and operating results for the quarter ended March 31, 2022. Please note that all dollar figures quoted in this call are US dollars, except where otherwise indicated. Following our prepared remarks, we will open the conference call to a question-and-answer session.

Our call today will be led by Amerigo's Chief Executive Officer, Aurora Davidson, along with the Company's Chief Financial Officer, Carmen Amezquita.

Before we begin our formal remarks I would like to remind everyone that some of the statements on this conference call maybe forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the Company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The Company's actual results may differ significantly from those projected or suggested by any forward-looking statements due to a variety of factors, which are discussed in detail in our SEDAR filings.

I will now hand a call over to Aurora Davidson. Please go ahead, Aurora.

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

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

We are pleased to report strong operational and financial results for Q1 2022. Total copper production increased by 6% compared to Q1 2021, meeting our copper production and cash cost targets. We also enjoyed an average quarterly copper price that increased to $4.64 per pound. Our financial results included net income of $15.5 million; earnings per share of $0.09, or C$0.11; EBITDA of $26.4 million; and free cash flow to equity of $17.9 million.

Copper production was 16.5 million pounds during the quarter. 58% of the production came from processing fresh tailings and the remainder from the historical tailings at Cauquenes. The plant configuration changes we have completed are performing beautifully and allowing us to take full advantage of the significantly increased supply of fresh tailings from El Teniente. Because of those changes, we can maintain maximum production levels while using less water and we're also effectively extending the length of our copper resource at Cauquenes.

MVC's operations continued through Q1 2022 without any disruptions due to COVID-19. Our plant availability in the quarter was 97.6% and MVC had a clean environmental compliance record during the period. In April, MVC completed the annual plant maintenance shutdown in nine days, as expected and within budget. We previously shared with you that 2022 is a higher than normal year for CapEx projects, almost $11 million versus a normal $6 million, and all projects are on time and on budget. Copper production continued to be strong in April and we are on track with our annual guidance of 61.9 million pounds of copper. Our preliminary review of our cash cost to April 30 also shows a very close correlation to expected cash cost. This is a testament to the efforts of our team in Chile, which have faced inflation of 3.4% in Q1 and 9.4% over the last 12 months in Chile.

Water supply risks continued to be properly managed with adequate water reserves in Colihues. At the end of March, water reserves were 4.5 million cubic metres, but they increased almost 10% to 4.9 million cubic metres at the end of April following an early start of the rainy season. In all, our operational performance continues to provide us with a solid foundation to employ our capital return strategy, which I would now like to discuss with you.

We have a flexible strategy designed to maximize shareholder capital returns while protecting our share price during times of market volatility. In Q1, Amerigo returned a total of $7.6 million to shareholders. $4.2 million were paid on March 21 by means of an increased quarterly dividend, which currently stands at C$0.03 per share. $3.4 million were also returned through the purchase of 2.4 million common shares for cancellation through Amerigo's ongoing normal course issuer bid, more commonly known as share buybacks.

There are three pillars to our capital return strategy, two of which you have seen us employ since the fourth quarter of 2021. First, we have a sustainable quarterly dividend currently of C$0.03. This consistent dividend represents an annualized yield of 6.52% based on our end of quarter share price of C$1.84. No company ever wants to cut its regular dividend and our board is no different. This is the fundamental pillar of the strategy and Amerigo shareholders can count on that dividend in their portfolios.

The second pillar is the ability to repurchase shares. Currently, the mechanism we employ is a normal course issuer bid, although we have used alternative form of share buybacks in the past. We have been active with repurchases and as of today have retired 3.8 million shares since December 1, 2021 when the normal course issuer bid started. A further 6.9 million shares remain subject to retirement under the course bid at market prices. The total number of shares that can be retired under this program represents 6.1% of the outstanding shares of the Company at the time the program commenced.

The third pillar is a top-up dividend and I particularly like this dividend because of its incredible flexibility. This is a great tool we can use to effectively balance the desire for safe quarterly dividends, but not leaving more cash than necessary on the balance sheet. Top-up dividends will depend on several factors, such as the Company's financial performance, the copper market outlook, and cash balances, but flexibility is the key word here. A top-up dividend may be paid in any amount at any time and as frequently as the board sees appropriate. Do not think of this in the same light as the consistent quarterly dividend. Top-up dividends may occur multiple times during a year or may be temporarily delayed for any reason such as a market shock.

In addition to returning capital to shareholders, top-up dividends will also provide a very important second benefit. In our opinion, when the market recognizes the potential size of this type of dividend in a high copper price environment, we think investors will put a very supportive floor under the Company's share price and I hope to convince you with the following illustration that Amerigo's share price should be considerably higher than where it is now.

Remember that we have previously shared that we are comfortable with cash balances of roughly $25 million to operate the Company. So what could our capital repatriation strategy mean for investors in 2022 if copper prices should average $4.50 per pound for the rest of the year and we continue to meet our production and cost targets? The core pillar of our strategy, the quarterly dividend of C$0.03 per share, would result in an annual cash to shareholders of around $16 million. That's a yield we know of 6.5% on the end of quarter share price.

The normal course issuer bid would require in total around $14 million this year. That means that we could be looking at a top-up dividend of around C$0.27 per share during 2022 while still leaving year-end cash of $25 million. Again, this is assuming copper prices average $4.50 per pound for the rest of the year. If copper prices were to average $4.30 per pound for the rest of the year, top-up dividends would be around C$0.23 per share. So by themselves, top-up dividends of C$0.27 per share represent a yield of

14.7% on our Q1 ending share price. Together with the quarterly dividend, the annualized dividend yield would be 21%. This is the power of a top-up dividend in a bullish copper price environment. It is magnified because our Company has stable operations, controlled costs, and execution risk, and has no substantial CapEx requirements.

And here is the secondary benefit of that top-up dividend that comes into play for our shareholders. Depending upon the view of the strength of copper prices and our ability to continue to operate efficiently, what do investors think is the appropriate risk-adjusted yield for an investment such as Amerigo? Should it really be as high as 21%? We think that, as the market becomes more comfortable with our story and the story of copper, our shares can re-rate based on simple risk-adjusted yield normalization. And really the math is quite simple. If our shares double, our potential dividend yield remains over 10%.

Now let me explain why we think copper prices will continue, why higher copper prices will continue and, in doing so, will allow us to return capital to shareholders for a long time to come. It is a tough job to maintain, let alone grow, the supply of metals the world needs. This quarter, production results from many big mining names were below expectations and faced sharp cost increases. Global metal supplies are tight and most metal stockpiles are at historical lows. Even with the noise from the current Chinese lockdowns, most base metal prices are still at historically high levels. Nearly every major copper producer has faced production issues of late and industry observers are flagging supply disruption risks that could continue to tighten the copper market. Resource nationalism, growing environmental requirements and social scrutiny affects not just current projects. They also affect future projects as well.

Peru, for example, is facing protests that have halted 20% of national copper output and Chile recently denied Anglo American's Los Bronces life of extension project. These are two examples of recent turmoil in the industry. But the world needs increased copper production, not just levels of production in order to satisfy future copper demand. Recent estimates by CRU indicate that the global copper industry will need to spend more than $100 billion to build the mines that are required to close an estimated annual supply deficit of 4.7 million tonnes by 2030. Just to put this in context, this is the equivalent of essentially three times Codelco's annual copper production. In our opinion, weak copper prices will not allow this needed production response and that is why we're bullish on copper prices.

Because of Chile's importance as a global metal producer, I would like to make a few comments on Chile's constitutional convention. Various proposals are now being drafted and this could significantly change the current model of mining concessions in Chile. But to make it to the final text of the constitution, these proposals require a 70% vote by the constitutional assembly; otherwise, they are rejected. On two different occasions, the assembly has already rejected mining-adverse proposals made by the environmental committee. So the takeaway point from this is that successful proposals cannot focus solely on raising environmental standards. They also need to provide certainty and stability for the development of mining activities in Chile.

Current polls show that more Chileans are now rejecting the new constitution than supporting it. Unfortunately, in the rest of the world, common sense has not prevailed. Mexico just nationalized its lithium industry and other countries have talked of doing the same, and not just in lithium. Even though resource nationalism is bullish for prices because it threatens future supplies, it is also a threat that investors must consider when assessing their portfolios on a risk-adjusted basis and this is why I would like to provide some additional clarity that I think shows the very strong position Amerigo has despite the trends around us.

Regarding the redrafting of the Chilean constitution, we do not have mining concessions, but rather receive tailings from Codelco. Codelco is Chile's national copper company. We are providing Chile with additional copper production, which would otherwise be lost, while at the same time, providing local jobs and repositioning environmental liabilities.

And with regards to nationalization of copper assets in Chile, this also poses no threat to Amerigo. Many investors new to the copper industry may not be aware that Codelco came into existence in 1971 through the nationalization of foreign-owned copper assets. Further nationalization in Chile would leave us unaffected other than the impact from even higher copper prices that certainly would follow. Our relationship with Codelco remains mutually beneficial and we are extremely proud of the business and social relationship with the Chilean people that we have shared for 20 years.

To close my comments, we are seeing increasing technical, political, and environmental pressures affecting copper producers, but not our operation or El Teniente. These pressures will continue to negatively impact global copper production and support copper prices. In a high copper price environment such as this, the potential yield of return of capital to Amerigo shareholders is tremendous. As we spread our story and illustrate the strength of copper price fundamentals, we expect increased recognition of our unique position in the copper industry and our ability to return capital to shareholders. We also fully expect the market to recognize the undervaluation of our shares and re-rate them accordingly.

I will now ask Carmen Amezquita, Amerigo's Chief Financial Officer, to present in detail the Q1 2022 financial results. Carmen, please go ahead.

Carmen Amezquita — Chief Financial Officer, Amerigo Resources Ltd.

(Inaudible)...

Amerigo posted a net income of $15.5 million, earnings per share of $0.09 or C$0.11, EBITDA of $26.4 million, free cash flow to equity of $17.9 million, and operating cash flow before (inaudible) $20.6 million. The strong results during the quarter were due to a 14% increase in the copper price and a 6% increase in copper production compared to Q1 2021. On March 31, 2022 the Company had a restricted cash balance (inaudible)…

(Inaudible) copper prices. Average copper price for Q1 2022 was $4.64 per pound. As you know, the Q1 prices were not yet final prices. Amerigo has an M+3 price convention for copper sales where the final settlement prices will be the average LME prices for the third month following production of copper concentrate. As such, the final prices for January, February, and March sales will be the average LME prices for April and June, respectively. We now know the average LME price for April was $4.62 per pound. (Inaudible) decrease from the $4.64 per pound provisional price used at March 31, 2022 would result in a $7.6 million change in revenue in Q2 in respect of Q1 production. Today's copper price is $4.33 per pound.

Revenue in the first quarter of 2022 was $53.8 million compared to $48.9 million in Q1 2021. This included copper tolling revenue of $50.4 million and molybdenum revenue of $3.4 million. Within the copper revenue, the gross copper sales were $73.8 million and there were positive settlement adjustments to Q4 2021 sales of $5.6 million. And then, deducted from revenue, we had $22.3 million in royalties to DET, smelting and refinery costs of $6.2 million, and transportation costs of $0.5 million. Total tolling and production costs including depreciation were $32.3 million. This compares to tolling and production costs of $30 million from the comparative Q1 2021 period. Cost performance during Q1 2022 was aligned to budget.

Under other expenses, general and administrative expenses were $1.6 million compared to $1.2 million in the prior year quarter. This included salaries, management, and professional fees of $1 million; office and general expenses of $0.4 million; and share-based payments of $0.2 million. There was a $0.5 million gain associated with the derivative to related parties compared to a loss of $0.4 million in the prior year period. This difference related mostly to a change in the fair value of the derivative liability as a result of the sharp increase in discount rates used to compute the fair value of the derivatives, which resulted in a decrease in the liability and a gain on the P&L.

Other gains during Q1 2022 were $0.7 million compared to other losses of $1.2 million in the prior year period. The main difference between the expenses period over period was the foreign exchange gain of $1.2 million recorded in Q1 2022 compared to a foreign exchange loss of $0.5 million in Q1 2021. The Company's finance gain in Q1 2022 was $0.1 million compared to a loss of $0.9 million in Q1 2021, which includes interest on loans, leases, and bank charges of $0.5 million and positive fair value changes on the interest rate swap of $0.6 million. The Company uses interest rate swaps to manage risks related to variable rate debt.

On March 31, 2022 the balance of the term loan was $30.8 million. The interest on the term loan is synthetically fixed through an interest rate swap at the rate of 5.48% per annum for 75% of the facility. The remaining 25% of the facility is subject to a variable rate based on the US LIBOR six-month rate, which on March 31, 2022 was 0.35438% per annum plus a margin of 3.9%.

In Q1 2022 the Company recognized an income tax expense of $5.6 million compared to $4.3 million in Q1 2021. Tax expense includes both current tax, that is the actual taxes payable by the Company, and deferred tax, which is a non-cash figure to reconcile timing differences between the financial depreciation and tax depreciation. The Company's current tax liabilities are shown on the statement of financial position and on March 31, 2022 were $13.6 million, of which $7 million was paid in April 2022 in connection with the 2021 tax year. The 2022 taxes will be paid April 2023. The balance sheet also shows a deferred income tax liability of $36.2 million, which is the balance that tracks timing differences and does not represent taxes outstanding or due by the Company.

In respect of cash flow in the quarter, cash flow from operating activities before working capital changes during Q1 2022 was $20.6 million, $21.4 million after working capital changes. Cash flow used in investing activities was $2.4 million, which related entirely to the purchase of plant and equipment. Cash used in financing activities was $7.8 million. Most of this related to the $7.6 million that was returned to shareholders with $4.2 million paid on March 21, 2022 through Amerigo's increased quarterly dividend of C$0.03 per share and $3.4 million returned through the purchase of 2.4 million common shares for cancellation through Amerigo's ongoing normal course issuer bid. Overall, there was a net increase in cash and cash equivalents of $11.2 million in Q1 and an ending cash balance of $71.1 million. Additionally, the Company held $6.4 million in restricted cash.

We will report the Q2 2022 financial results in August 2022 and want to thank you for your continued interest in the Company. We will now take questions from call participants.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you'd like to ask a question, press star followed by one on your telephone keypad. If you would like to withdraw your question, press star two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Steve Ferazani with Sidoti. Please go ahead.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Good afternoon, Aurora, Carmen. Appreciate all the detail on the call. Wanted to start off asking, Aurora, you touched on this at the beginning of the call, which was inflationary pressures. I think as we've gone through this earnings season we've pretty much heard this from every company that maybe it's gotten worse than was expected when the year began, partially from the Ukrainian conflict. I'm trying to get a sense of what you're thinking on cash cost, which you were within guidance, but given volatile steel prices and other issues, how you're thinking about cash cost through the year now versus maybe even two months ago.

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

Steve, that's a very good question. I appreciate it. We took some time at the start of the week to sit down with our team in Chile and see what the performance was for April. As we have reported, Q1, our cash cost was within guidance. We didn't see any deviations. We have a 2% deviation on cash cost in, sorry, a $0.02 per pound deviation in April. It's immaterial.

We had factored in accretion for inflationary protection within our cash flow projections for 2022, which are our main costs, and you're familiar with that. Power, power is not really affecting us now. We are working with the same tariff that was reset at the start of the year. Any increases in inflation that have transpired on the annual reset of the tariff have been essentially eaten up by the reduction in the tariff that we have had for four years. We still have that in 2023. We have a good supply of grinding balls on site. We were worried about logistical supply of grinding balls at the start of the year and we have about four months of supply at good prices.

So right now we haven't yet seen any concrete indication of a substantial deviation that we could be expecting. The Chilean peso has been reflecting some of the uncertainties that Chile is facing. That helps us with a reduced translation of Chilean cost into US dollars. So, so far, as of the closing, the soft closing that we have had for April, we are in the clear.

Steve Ferazani — Analyst, Sidoti & Company, LLC

That's very helpful. Thanks for that. When we think about the mix of fresh versus Cauquenes, clearly the trending has been much higher based on your reconfiguration of the plant, also the production from El Teniente. Trying to think about what you think the peak fresh/Cauquenes mix is, what's ideal, and what do you think peak is right now.

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

I think we were approaching the peak, but we didn't approach it yet in Q1.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Okay. Fair enough. In terms of the special dividend, which you sort of introduced the idea of it last call, it sounded like, and maybe I'm mistaken, it sounded like when you talked about it last quarter that this was thought to be maybe an annual dividend. Now it sounds like you were talking about the frequency could vary. And I'm sure you're still sort of thinking this through as you've just, you know, the returning cash to shareholders, you've been introducing this over the last six months pretty aggressively. How are you thinking about the special dividend now and has that changed a bit?

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

Well, I don't like the name special. I like top up. And let's just trademark that, top-up dividend. But anyway, I'll give you that, that additional dividend. That additional dividend, yeah, no, that's why I wanted to speak about it in more detail in this call. It doesn't necessarily have to be an annual dividend by any means. As I mentioned, it's totally flexible in respect of when it can be declared, in which amount, and how frequently.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Fantastic. Thanks for the colour. I appreciate it.

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

Sure. Thank you.

Operator

Thank you. Your next question comes from Terry Fisher with CIBC World Markets. Please go ahead.

Terry Fisher — Analyst, CIBC World Markets

Aurora, good to hear from you again each quarter. News just gets better and better. I found your initial remarks very, very helpful and that's something that really gives us a good sense of the way things are going to evolve going forward. But I have one question that relates to that and it's a tough one, because it really relates to the board's attitude about things, but it's what's the calculus the board would go through, do you think, in terms of deciding what to pay for buying back stock? What's the right price? Or maybe that also relates to timing but, and again, it relates to the last question as well, because there is a trade-off there between using cash to pay a top-up dividend or to buy back stock. So, as I say, I know that it's a board decision, but maybe you can give us some guidance on that. What's the right price? I think you paid about $1.41 or something in that area, $1.51, something like that, for the stuff you bought back in the first quarter.

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

Terry, look, the board is comfortable with having a normal course issuer bid. We still have a long ways to go in that program. It ends in December. We probably will be ending it a few months before then if we continue to buy at the same rate that we have been buying. And the reason why we have continued to buy at the rate that we have been doing is because we still think that it's a great price to buy the shares at.

I spoke about the re-rating that we see could be happening when the market realizes the amount of cash that can be distributed to shareholders just on a yield adjustment basis. So these prices are good prices, there is a mechanism to do it, it's being done at market prices, so I think that answers the question. There are no indications yet that this is a price by any means where we feel we shouldn't be buying our shares back at. And the reality is that, as I provided in the example that I walked you through, and it's also on our website by the way now, there is room for the special dividend or the top-up dividend, there is room for the share buybacks, and there is room for the sustainable quarterly dividend.

Terry Fisher — Analyst, CIBC World Markets

Okay. That answers the question. There is one other quick one. Someone was on BNN, one of the portfolio managers, and actually mentioned Amerigo for the first time that I've ever heard that, and in his comments he brought up the point that you might be looking at other opportunities to do the same kind of thing, process tailings in other mines somewhere else. Is there anything new on that front?

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

There is nothing new on that front. That's something that we continue to evaluate, but it has to be under the right conditions and I think that we have talked about that before. It's not growth for the sake of growth, it's not adding activity just to show you that we don't have anything more to do with our time; it would have to make total sense in respect of the jurisdiction, it would have to make total sense in respect of the business context of it. We are not in to do this type of work for a fee. We're in to share the risks and the benefits of the exposure to copper prices. So, if conditions were to be similar to what we have with a project such as MVC, for sure. In absence of that, it remains to be evaluated as such.

Terry Fisher — Analyst, CIBC World Markets

That's great. Thanks a lot, Aurora

Operator

Thank you. Ladies and gentlemen, as a reminder, if you have any questions, please press star one.

There are no further questions at this time. Mr. Farrell, you may proceed.

Graham Farrell — Managing Partner, Harbor Access LLC

Thank you, operator. Oh, it looks like we have a couple questions coming in, operator. We can take those.

Operator

Your next question comes from Paul Dowhanik, a Private Investor. Please go ahead.

Paul Dowhanik — Private Investor

Hi. Yeah, I'm interested in the debt or borrowings that are still on your balance sheet. Considering the increase in interest rates, are those going to be re-rated to a higher interest rate and does the board have any plan on paying off the debt to transfer those savings to the bottom line? Thank you.

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

Paul, 75% of our debt is protected through an interest rate swap, so we're only exposed on 25% of the debt.

Paul Dowhanik — Private Investor

Okay. Thanks.

Operator

Thank you. Your next question comes from Ahsen Khan, an Investor. Please go ahead.

Ahsen Khan — Private Investor

Hi. Just curious, right now you have excess cash in excess of the $25 million to run the business. You've talked in previous quarters about returning that excess cash and haven't seen anything on that front. How should we think about that? Thanks.

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

Hi. You haven't seen the top-up dividend. You have seen quarterly sustainable dividends and the share buybacks. If you look at our free cash flow to equity for the quarter and you compare that against the amount that was paid out in the quarter, and we have disclosed that in terms of the quarterly dividend and the share buyback, it's a good portion of it, not all of it. The rest of the cash, as I mentioned, can be distributed at any point in time and at any amount. So, it's still not in place. It doesn't mean it will not be in place.

Ahsen Khan — Private Investor

Okay. Thanks.

Operator

Thank you. We have a follow-on question from Steve Ferazani. Please go ahead.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Hi, Aurora. I just wanted to ask a couple of more questions around the shutdown. I just wanted to get an update on projects completed during the shutdown. Was it primarily maintenance or was there anything larger completed? And also how you think about the portion of CapEx this quarter as kind of a modelling question.

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

That's a good question. A significant amount of the work that was done in the plant shutdown was just regular maintenance that has to be done without no load in the plant. So if you recall, El Teniente shuts down its mine and then we shut down MVC. So it's a great time to basically have no material coming in and we can just look at everything on an empty structure basis. All of the work that we needed to carry out during the plant shutdown was carried out. One of the major pieces of importance, from my point of view, was the allocation of a seventh mill for fresh tailings that was completed as well. So Q2 will be a higher intensity CapEx than what Q1 was and then we have other projects continuing on in Q3 and Q4. But Q2 will be probably the highest quarter in respect of investing cash flow.

Steve Ferazani — Analyst, Sidoti & Company, LLC

When you get in and start doing this maintenance, do you find there are other projects that you then want to complete? Are there any projects you have on the sort of long-term roadmap that you haven't gotten to yet that you think can improve operations or are you right on track?

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

We are on track. We also identify wear and tear and it always gives us a great indication for what the CapEx for the next year is going to be like. So that's part of what occurs during the maintenance shutdown. If you recall, we have two, I would call them risk mitigation projects that we're tackling this year, which is the reason why we have a higher than normal CapEx, and those came out of the assessments that we did last year. And I am sure, as things progress, that we will continue to incorporate our 2023 CapEx program based on the information that we have captured either through the normal stage of operations so far and through the inspections conducted at the time of the plant shutdown.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Great. Thanks for taking the additional questions.

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

Sure. No problem.

Operator

Thank you. Your next question comes from Dave Brown, a Private Investor. Please go ahead.

Dave Brown — Private Investor

The projects where you are upgrading your thickeners, I'm just wondering if you could tell us the status of those projects. Are they all complete or are they still on the schedule for later this year?

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

The only project that remains to be completed is, I would say, the final 30% on one of the three thickeners. So the majority of the improvements were conducted last year. We had some additional minor equipment installations to be completed on thickener two and three. We completed thickener two this year and we will be completing that final part of the project next year at the plant shutdown for thickener number three. The reason why we couldn’t do it either last year or this year is because of the time involved in installing those equipments. It has to be done in confined spaces, huge equipment, so there is only so much we can do from a safety perspective. But I would say, at this point in time, it’s safe to say that 90% of the full project or even more has been completed and only that final installation for the thickener number three remains to be done next year.

Dave Brown — Private Investor

Okay. Thanks very much.

Operator

Thank you. Your next question comes from Nick Toor with BlackRoot Capital. Please go ahead.

Nick Toor — Analyst, BlackRoot Capital

Hi, Aurora. Could you give me an update on what Chilean peso prices and moly by-product prices you had assumed in your sensitivity analysis of EBITDA to different copper prices and how does that compare to where they are currently and, if they stay at where they are currently, what the impact might be?

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

Yes, Nick, we are seeing approximately a 10% cheaper peso than what we had expected for the year. Moly prices are quite aligned to what we had anticipated. We're seeing lower production in moly and we alluded to that. That has to do with the fact that the fresh tailings themselves have, by definition, lower moly content. And we've also been facing some issues with the moly characteristics that we're getting from El Teniente. They are finding that themselves. It could be sectorial based. But we are not seeing any significant changes in respect of the other variables that we looked at.

Nick Toor — Analyst, BlackRoot Capital

And the 10% lower peso, what kind of impact does it have for you guys?

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

Well, it essentially gives us lower labour costs, lower maintenance costs.

Nick Toor — Analyst, BlackRoot Capital

I understand that, I just was wondering if you have, like if they are 10% lower, does that increase your EBITDA by $1 million or $3 million or whatever? Is there some ballpark number for that?

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

No, it's essentially washing out a little bit with the inflation that we're seeing. So that's why we are, essentially at the end of April, we are not seeing a huge variance in what, all variables taken in, we're not seeing that much of a variable between what was projected and what we are seeing. Yes, we are seeing a weaker peso and we are seeing more inflation but, all factors put into the basket, it's basically evening out.

Nick Toor — Analyst, BlackRoot Capital

Okay, great. Thank you.

Operator

Thank you. Your next question comes from Ryan Hamilton with Morgan Dempsey. Please go ahead.

Ryan Hamilton — Analyst, Morgan Dempsey Capital Management, LLC

Good afternoon and thanks for taking my call. I have just one quick follow up on the debt question. It looks like, in the past couple of quarters, here you've been pretty aggressive in paying that off. Is that something that we can expect going forward? And can you give us maybe an idea as far as what the clip might be?

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

Yeah, Ryan, last year we refinanced our debt at the end of Q2, so on June 30th there was a substantial reduction in debt that was essentially the departure of our old instrument into a new one. Once we restructured the debt, we're essentially following a semi-annual amortization of $3.5 million per semester. So that's the reason why you're seeing less debt repayments this year.

We also had another debt that was paid out last year which was a loan to Codelco which was associated with the terming of settlement adjustments. That has been fully repaid and that's why you also see a drop in debt repayments this year compared to last year.

But in general terms, the debt that we restructured, $35 million, is being repaid at $3.5 million per semester over five years. This would be the first anniversary hitting on the June 30th. And at this point in time we're not anticipating any acceleration of those repayments.

Ryan Hamilton — Analyst, Morgan Dempsey Capital Management, LLC

Great. Thanks for the colour. I appreciate it. Keep up the good work.

Operator

Thank you. Mr. Farrell, you may proceed.

Graham Farrell — Managing Partner, Harbor Access LLC

Thank you, operator, and thank you, everyone, for participating in today's call and thank you for your continued support for Amerigo Resources. We look forward to speaking next time in August and, until then, the Company is reachable through the traditional investor relations channels. Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a great day.