FINAL TRANSCRIPT

Amerigo Resources Ltd.

Third Quarter 2024 Earnings Conference Call

October 31, 2024 — 2:00 p.m. E.T.

Length: 36 minutes

CORPORATE PARTICIPANTS

Graham Farrell
Amerigo Resources Ltd. — Investor Relations

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

Carmen Amezquita
Amerigo Resources Ltd. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Steve Ferazani
Sidoti & Company, LLC — Analyst

Terry Fisher
CIBC World Markets — Analyst

PRESENTATION

Operator

Good afternoon. My name is Sylvie and I will be your conference operator today. At this time, I would like to welcome everyone to the Amerigo Resources Q3 2024 Earnings Conference Call. Note that 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 from the question queue, please press star then the number two. Thank you.

Mr. Graham Farrell, Investor Relations, you may begin.

Graham Farrell — Investor Relations, Amerigo Resources Ltd.

Thank you, Sylvie. Good afternoon and welcome, everyone, to Amerigo's quarterly earnings call for the third quarter of 2024. We appreciate you joining us today. This call will cover Amerigo's financial and operating results for the quarter ended September 30, 2024. Aurora Davidson, Amerigo's President and Chief Executive Officer, and Carmen Amezquita, the Company's Chief Financial Officer, will lead the call today. Following Aurora and Carmen's prepared remarks, we will open the conference call to a question-and-answer session. Please note that all dollar figures reported on this call are US dollars, except where we specifically refer to Canadian dollars.

Before we begin our formal remarks, I would like to remind everyone that some of the statements on this earnings call may be 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 various factors 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 to Amerigo's earnings call for the third quarter of 2024. I am pleased to report strong operational and financial results for the third quarter.

Amerigo reported quarterly net income of $2.8 million, EBITDA of $13.3 million, and free cash flow to equity of $5.9 million. Quite significantly during the quarter, Amerigo paid C$0.07 per share to shareholders, representing $8.5 million in dividend payments. The Company's cash position at quarter end was $25.1 million. The Board of Directors has declared Amerigo's 13th consecutive quarterly dividend. The dividend of C$0.03 will be paid on December 20th to shareholders of record as of November 29th.

As mentioned in our press release, our three key performance drivers, which are production, copper prices, and cost management, were robust in the third quarter. Copper production was 16.3 million pounds. MVC's plant availability was 97% and a record 70% of our copper production came from fresh tailings. We have recovered the production lost in the second quarter due to heavy rain, so our guidance for 2024 remains firmly in place.

MVC also continues to manage costs well. Our quarterly cash cost was $1.93 per pound, which was also our normalized year-to-date cash cost, below our annual cash cost guidance of $2.08. The average copper price per pound received by MVC in the third quarter was $4.22. That is, without any question, a high copper price; however, it was lower than the $4.39 price we had in the second quarter, and given our M+3 copper pricing, this resulted in $3.3 million in negative price settlement adjustments to Q2 production. Finally, but no less significant, there were no environmental incidents at MVC or lost-time accidents involving our employees during last quarter.

To close my comments on financial performance, let me quickly recap our year-to-date results. The average MVC copper price in the nine months of reported financial results was $4.18, which enabled us to generate net income of $16.8 million, EBITDA of $49.2 million, and free cash flow to equity of $19.9 million. Year to date, we are beating production and cost guidance.

A significant milestone for the Company occurred in the third quarter. This was the payment of Amerigo's first performance dividend on August 6th. Again, this payment, which is in addition to our regular quarterly dividend, proved how our capital return strategy can quickly share the benefits of high copper prices with shareholders. This first performance dividend was well received by the market. Our Q3 share price significantly outperformed midsized copper producers and ETFs such as the Global X Copper Miners, S&P's Metals and Mining, and Sprott's Junior Copper Miners.

As you know, we have designed our capital return strategy to be flexible in how we return capital to shareholders. This strategy includes three tools: the regular quarterly dividends, spontaneous performance dividends, and share buybacks. And as you may remember, Amerigo has a target cash position of $25 million, which already includes the regular payment of C$0.12 per year to shareholders. In other words, when cash is over $25 million, additional cash can be distributed to shareholders through performance dividends, share buybacks, or a combination of both.

As a Company, we believe that not diluting Amerigo's shareholders year on year is an important goal, so in October we restarted share buybacks through Amerigo's normal course issuer bid. We will continue to buy back shares for cancellation in the remaining months of 2024 and intend to end the year with fewer shares outstanding than on January 1st. The current normal course issuer bid expires on December 2nd, but we will renew it for another year.

Being active on a normal course issuer bid does not mean that performance dividends can't happen too. Both can occur if copper prices are strong. Just last quarter you saw how Amerigo's performance dividend worked quickly to return extra cash to shareholders. This payment came after only a relatively short period of strengthening copper prices. As a reminder, Amerigo's performance dividend is a flexible tool regarding timing, frequency, and the amount of capital to be returned to shareholders. It can occur at any time during the right copper price conditions. The opportunity cost of missing a performance dividend is high, which provides an extra incentive to hold Amerigo long and ignore market volatility.

Speaking of opportunity cost, I hope you have seen our latest videos on YouTube and Amerigo's website. In them, we redefine what growth means for Amerigo shareholders and why Amerigo's growth should be preferred versus the traditional definition of growth, which is production growth. The videos show how our capital return strategy, launched three years ago, has grown your personal return on invested capital. They also clearly show how your investment is expected to grow consistently based on the stable and reliable MVC operations. I'll tell you a secret: We will release another video and spreadsheet soon. This new analysis paints a very different picture from what investors have been told about the merits of traditional production growth. I think it will be eye-opening for many copper investors. In the new video you will see an even more persuasive discussion about how Amerigo is the best way to generate growth in your personal return on invested capital. The video will show how our growth outperforms the traditional production growth scenario, especially on a risk-adjusted basis.

The opportunity cost of missing a potential performance dividend in a rapidly rising copper price environment is high enough by itself; however, the potential opportunity cost of investing in a production growth stock without truly understanding the risks can be much higher. The new video will make this concept very clear. Ultimately, however, Amerigo's commitment to shareholders is best communicated through facts and dollars. In the last three years, we have paid $72.7 million to shareholders, $49 million through quarterly and performance dividends and $23.7 million through share buybacks, reducing the number of shares outstanding by more than 11% since inception of the strategy. As you can see, Amerigo's return to shareholders is happening right now, not somewhere in the distant future, which is the riskiest place of all.

We are currently developing Amerigo's 2025 operational and capital expenditure budgets. There is good news for the new year, including a significant drop in spot treatment and refinery charges, which will most likely lead to the most competitive TC/RC annual benchmark in years. The level of TC/RC charges is important for two reasons. Of course, a lower charge reduces our cash cost and increases profitability, but lower TC/RCs also signal the state of the copper industry. When smelter and refineries lower their TC/RCs, it's because they lack enough copper concentrate to process. Smelters do not want to halt their daily operations because the costs of shutting down and restarting are very high. They prefer to remain producing, operating at breakeven cost if necessary, until things improve. Therefore, smelters aggressively bid for copper concentrates, resulting in lower charges for copper producers.

Low TC/RCs mean the market is tight, which will eventually result in higher copper prices. Higher prices eventually will bring in more supply into the market to solve imbalance. But as we have spoken of in detail, particularly in the Q2 earnings call, that cannot happen fast. The consensus for copper prices in 2025 is positive, with an average price forecast of $4.42 per pound; however, as we saw earlier this year, copper prices can quickly rise to unprecedented levels. Again, Amerigo is prepared to quickly share the increased cash flows from those price-spike events with shareholders.

Our view on copper continues to be bullish. We have spoken repeatedly that this view is based predominantly on tight market fundamentals pointing to structural supply deficits. As third quarter results have recently been reported, further examples of supply-side problems have emerged, reporting production shortfalls and cuts to guidance from some of the world's largest copper producers. In addition, demand-side market drivers such as interest rate cuts and government stimulus, particularly in China, are currently favourable. As you likely know, China launched a significant stimulus package in September. This was estimated to be the equivalent of 3% of China's GDP, the most significant liquidity injection in China since COVID-19. These positive macro drivers and a round of global interest rate cuts have supported copper prices well. This is despite significant geopolitical noise, including, of course, the US presidential election campaign.

I think a simple argument about the US election is valid. The argument is that copper could benefit from either election outcome or simply from the election being over. Electoral uncertainty could well be a factor, temporarily holding back the price of copper. A recent analysis done by Citi indicates that a Trump presidency could have the most serious potential impact on copper and commodity markets because of proposed tariffs; however, recent history tells us that China responded to US tariffs with strong economic stimulus during the last Trump presidency. The Citi analysis believes this may happen again, with particular emphasis on China's energy grid upgrade, which would benefit copper demand. As a side note, Citi's current estimate for copper prices in 2025 is roughly $4.65, which is higher than consensus.

To finish, this was a strong quarter for Amerigo and we are optimistic that in 2025 we will continue to benefit from our unique company strengths. We have a long-term business at MVC that produces additional copper for Chile. MVC has excellent operating performance and generates operational cash flow predictably. Excess cash is quickly, flexibly, and efficiently returned to shareholders. As an Amerigo shareholder, you can rely on the business outcome of a solid copper-producing operation that consistently provides actual and substantial capital returns.

I will now ask Carmen Amezquita, Amerigo's CFO, to discuss the Company's financial results. Carmen, please go ahead.

Carmen Amezquita — Chief Financial Officer, Amerigo Resources Ltd.

Thanks, Aurora.

We're pleased to present the Q3 2024 quarterly financial report from Amerigo and its MVC operation in Chile. The Company continued to report strong financial results in the third quarter of 2024. We posted net income of $2.8 million, earnings per share of $0.02, EBITDA of $13.3 million, and operating cash flow before changes in non-cash working capital of $8.9 million.

Copper production in Q3 2024 was 46% higher than Q3 2023 at 16.3 million pounds, up from 11.1 million pounds in Q3 2023. This increase was due to the impact of last year's flooding throughout Chile. Higher production, along with a higher average copper price of $4.22 per pound compared to $3.76 per pound in Q3 2023, resulted in a gross copper revenue of $68.8 million in Q3 2024 compared to $41.6 million in the comparative quarter. The notional items deducted from top-line copper revenue include DET royalties of $19.2 million, smelting and refining of $6.4 million, and transportation of $0.4 million. In Q3 2024 we had negative fair value adjustments of $2.7 million. After these revenue deductions, copper tolling revenue in Q3 2024 was $40.2 million compared to $25.7 million quarter on quarter.

It is important to note that Amerigo's financial performance is highly sensitive to copper prices. Amerigo has an M+3 price convention for its copper sales where the final copper price for any given month will be the average LME price for the third month following the delivery of our copper to Codelco. From the time of sale until three months later, when the final price becomes known, we use monthly provisional prices, which we take from the price curve between the published LME monthly average M and M+3 prices. This is a mark-to-market mechanism. Given that the final prices for our Q2 sales were lower than the provisional prices, this resulted in $3.3 million in negative price settlement adjustments associated with Q2 sales that were deducted from revenue during Q3 2024. Our molybdenum revenue was higher this quarter at $5.2 million compared to $4.6 million in the comparative period quarter, primarily due to the increase in production from 0.2 million pounds to 0.3 million pounds. Amerigo's final revenue in Q3 2024 was $45.4 million, an increase from $30.3 million recognized in Q3 2023. This increase was driven predominantly by higher copper deliveries and copper prices.

Tolling and production costs increased 18% quarter on quarter to $38.1 million compared to $32.4 million in Q3 2023 driven by a 50% increase in copper deliveries quarter on quarter. As I mentioned earlier, Q3 2023 was an anomalous production quarter due to the effects of severe weather events in Chile.

Despite a 33% increase in power consumption, power costs were consistent with those in Q3 2023 at $7.9 million. This is because, in the second quarter of 2023, MVC used a temporary high-cost power source to produce fresh tailings while the plant was disconnected from the central power grid. Both head office, general and administrative expenses, and the derivative to related parties expense remained consistent with the prior period quarter at $0.9 million and $0.1 million, respectively.

Other gains included a gain of $0.6 million compared to losses of $3.3 million in Q3 2023, most of which was due to a $0.7 million foreign exchange gain that was recorded during the quarter compared to a $2.2 million foreign exchange loss recorded in Q3 2023. In Q3 2023 there was also $1.1 million in environmental compliance costs.

The Company's finance expense in Q3 2024 was $0.9 million compared to $1 million in Q3 2023. During the period the Company recognized an income tax expense of $3.3 million with a current tax expense of $4.4 million offset by a deferred income tax recovery of $1.1 million. All of the above items resulted in a quarterly net income of $2.8 million compared to a loss of $5.8 million quarter on quarter. Year to date, the Company recorded a net income of $16.8 million, or $0.10 earnings per share, compared to a net loss of $0.5 million, or a nil loss per share in the nine months ended September 30, 2023.

Before moving on to the statement of financial position, I will mention some non-IFRS measures used by the Company: cash cost, total cost, and all-in sustaining cost. Amerigo's cash cost in Q3 2024 was $1.93 per pound, decreasing from $2.44 per pound quarter on quarter. The $0.51 per pound reduction in cash cost was caused predominantly by the 46% increase in copper produced.

Total cost decreased to $3.54 per pound from $3.94 per pound following a $0.51 per-pound decrease in cash cost and an $0.11 per-pound decrease in depreciation, offset by a $0.22 per-pound increase in DET royalties from higher copper prices.

All-in sustaining costs for Q3 2024 were $3.72 per pound compared to $4.46 per pound in Q3 2023. This was primarily due to the $0.40 per-pound decrease in total cost plus a reduction of $0.30 per pound in sustaining CapEx from the prior period quarter, as 2023 was a CapEx-intensive year. Year to date, the cash cost for the nine months ended September 30, 2024 was $1.95 per pound compared to $2.21 per pound for the nine months ended September 30, 2023.

Moving on to the statement of financial position, on September 30, 2024 the Company had cash and cash equivalents of $25.1 million, restricted cash of $6.7 million, and a working capital deficiency of $4.9 million, a significant reduction from the working capital deficiency of $12.3 million on December 31,

2023. Regarding cash flows during the quarter, Amerigo generated cash flow from operations of $8.9 million and the net cash flow generated in the quarter, including the changes in working capital, was $10.5 million.

In terms of cash uses, $3 million was used in investing activities for CapEx and $11 million was used in financing activities, which included $8.5 million in dividends paid to shareholders through the payment of Amerigo's quarterly dividend of C$0.03 per share and a performance dividend of C$0.04 per share.

As a final comment, our Q3 2024 copper sales were booked at a provisional copper price of $4.24 per pound. The final prices for July, August, and September 2024 sales will be the average LME prices for October, November, and December 2024, respectively. A 10% increase or decrease from the $4.24 per-pound provisional price used on September 30, 2024 would result in a $7 million change in revenue in Q4 2024 regarding Q3 2024 production. The average LME price for October was $4.33 per pound, higher than the provisional price, and today's spot price is $4.28 per pound.

We will report Amerigo's 2024 annual financial results in February 2025 and 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, if you would like to ask a question, please press star followed by one on your touchtone phone. You will then hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by two. If you are using a speakerphone, you will need to lift the handset first before pressing any keys. Please go ahead and press star one now if you have any questions.

Your first question will be from Steve Ferazani at Sidoti. Please go ahead.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Good morning, or good afternoon, sorry, Aurora and Carmen. Thanks for the detail on the call. Aurora, I wanted to ask about the strong production this quarter. It looks like it was your highest level since 4Q of 2023 and you caught back up to, you're on track to hit guidance again this year. In a normal quarter, outside of weather impact, and obviously you have the one-week shutdown annually, what can cause production to flex up or down in a quarter? What are the major factors?

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

The major factors would be the throughput that we get from El Teniente and the grades that we get from El Teniente, because those are significant drivers that are outside of our control. Cauquenes, which is the processing of old tailings, we have full control over that and we layer that on top of whatever we are getting from El Teniente. Codelco has been, or I should say Teniente, not Codelco, although it also applies to Codelco in general, but the El Teniente operations have done very well in Q3 in terms of production and they are expected to continue to do well. This was sort of the guidance that Codelco set out. And they're reaching that desired recovery in their production levels.

Steve Ferazani — Analyst, Sidoti & Company, LLC

So, when you provide guidance at the beginning of the year, is that based off of what Codelco's production plans are? And how much room do you leave yourself a cushion knowing that, for instance, in 2Q you had some weather impact?

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

We work with El Teniente's mining plan to do our own mining plan for the fresh tailings. We add some additional layer of risk protection regarding the days that we may lose for weather events, particularly in Cauquenes, because, for safety reasons, when we have heavy rain, we suspend operations in Cauquenes. That's our normal standard operational procedure. So basically, we do not work with made-up information. We have a very detailed production plan based on the information that El Teniente provides and we layer our Cauquenes plan on top of that to reach our maximum production capacity.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Got it. That's very helpful. I'm sure it's not nearly as simple as you made it sound.

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

It is not. It is not. You're getting the simplified version.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Fair enough. You paid a performance dividend this quarter. Now you just announced you're resuming the share repurchase. We talked about this a little bit on the last call, but can you run through a little bit about how the board weighs the performance dividend versus the share buyback?

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

Well, we have just, we just mentioned that we were back buying back shares as of the beginning of October. It was a small window of opportunity before we went into our blackout. We're coming out of the blackout tomorrow, so we will resume that.

Generally speaking, right now we are not looking at being extremely active with the buybacks as was the case two years ago. I think that our two immediate action steps regarding buybacks are to ensure that we have a lower share count year on year, which essentially means buying back, in round numbers, about 1.2 million shares in 2024, and to have in place a normal course issuer bid going forward just to maintain the full range of tools that we have under the capital return strategy.

Whether performance dividends or share buybacks are used from time to time depends on various factors. We have spoken before about the spot copper price, the copper outlook, the share price, general macro drivers. So these factors change from time to time and also new factors always come into the analysis. For example, this year in Canada there is a new federal tax of 2% associated with buybacks. Is it a deal breaker? It's not. But it has to be considered. And we have also spoken about that some of the challenges regarding share buybacks is that our cash generation cycle is inverse to the best timing for buybacks, right? At high copper prices, we generate good amounts of cash to buy back shares, but we will also be dealing with a stronger Amerigo share price because of how Amerigo's shares respond to copper price hikes.

So, in general, the decisions regarding buybacks or performance dividends are decisions that are made in real time by the Board of Directors based on the information that we have in front of us from time to time. When we had our prior board meeting last quarter, the conditions were very indicative of paying a performance dividend. This time around we are moving first with share buybacks, and as I said in the call, it all depends on copper prices what can occur. It's not that we cannot do both, but the timing of when to do them will be 100% dependent on how strong copper prices are.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Okay. That makes a lot of sense. You mentioned you're in early stages of starting the budgeting process. Can you talk a little bit about CapEx plans? Is there anything larger on the horizon right now?

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

We usually have our capital-intensive years in three-year cycles. We had a capital-intensive year last year when we built a Cauquenes sump. We don't have anything out of the ordinary right now on the drawing board, so I would expect our CapEx to be consistent with what we have seen so far for 2024.

One of the things that I mentioned, though, which I think is quite interesting, is what has been happening with TC/RCs, because they do have a significant impact on the profitability of every copper producer. And the indication right now is that we will be looking at perhaps the lowest benchmark for treatment and refinery charges since 2008, which is good news.

Steve Ferazani — Analyst, Sidoti & Company, LLC

2008 did you say?

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

Yes.

Steve Ferazani — Analyst, Sidoti & Company, LLC

Wow. That is good news. Excellent. I think that's a good way for me to wrap it up then. Thanks so much, Aurora.

Operator

Ladies and gentlemen, if you do have any questions, please press star followed by one on your touchtone phone.

Your next question will be from Terry Fisher at CIBC World Markets. Please go ahead.

Terry Fisher — Analyst, CIBC World Markets

Good day and thanks again for pretty thorough reporting. The first thing I would say is that I think the press releases are very well done. The notes at the end I find very helpful in summing everything up and giving us the right way to look at things. I have not had a chance to go through the MD&A yet, so my first question was about the big reduction in costs on page four, other expenses, but I think from Carmen's comments that that's really accounted for by the lower power costs and the lower environmental costs from the previous year.

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

In other expenses it would be the absence of the environmental costs that we faced last year and swings in foreign exchange. Some of those are realized. Some of those are unrealized. Power is included within tolling and production costs, not under other expenses.

Terry Fisher — Analyst, CIBC World Markets

Right. Okay. So the only other thing that I wanted to comment on and ask is it seems to me, Aurora, that you're kind of pioneering here in terms of how investors should look at an investment, not just in these shares but generically in a lot of other kinds of businesses, and I'm quite complimentary about that, things like the free cash flow to equity and then the notes describing that. And then you've gone on to mention in this call about the videos and the focus on how to understand shareholder returns perhaps from a different perspective. So my question is, are you really pioneering this? Where does this come from?

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

No, it's old school. It's old-time school. This is how the world used to be before.

Terry Fisher — Analyst, CIBC World Markets

Okay. So I was going to ask is there any other company you know of that does it like this?

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

No. No. I haven't seen it. We're just trying to be contrarians in response to the usual pushback that we get that we're not a growth company. We are a growth company in a different way.

Terry Fisher — Analyst, CIBC World Markets

Yes. I agree completely. And I've looked at things the same way for a long time, but I thought it was in the wilderness and had no company, but now I do, so I appreciate that. Thanks a lot that was great. Another good quarter.

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

Thanks, Terry.

Operator

Thank you. And at this time, Ms. Davidson, we have no further questions registered. Please proceed.

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

Okay. So that was sweet and easy. No further questions. Thank you for joining us today. The recording and the script will be available on the Amerigo website in the next few days. We will have our next earnings call in February, as Carmen mentioned, to report annual results, but also to provide our detailed 2025 production, cash cost, and CapEx guidance. In the meantime, you know you can reach out to us at any time with your questions and we thank you for your continued interest in Amerigo.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time we ask that you please disconnect your lines.