

Amerigo Resources Ltd.

Third Quarter 2022 Earnings Conference Call

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John Polcari

Mutual of America Capital Management — Analyst

PRESENTATION

Operator

Good morning and afternoon, ladies and gentlemen. At this time, I would like to welcome everyone to the Amerigo Resources Q3 2022 Earnings Conference Call.

Jonathan Paterson of Harbor Investor Relations. You may begin the conference.

Jonathan Paterson — Investor Relations, Harbor Access

Thank you, Operator. Good afternoon, and welcome, everyone, to Amerigo Resources quarterly conference call to discuss the Company's financial results for the third quarter of 2022. We are delighted to have you join us today.

This call will cover Amerigo's financial and operating results for the third quarter ended September 30, 2022. 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 Amezcua.

Before we begin our formal remarks, I would like to remind everyone that some of the statements on this conference 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 a variety of factors, which are discussed in detail in our SEDAR filings.

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

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Thank you, JP. Welcome, everyone, to Amerigo's earnings call for the third quarter of 2022.

We remind you that all dollar figures reported in the call are U.S. dollars, except where we specifically refer to Canadian dollars.

We had another strong operational quarter at MVC, where we continue to see consistent results and expect to exceed our annual copper production guidance by 3 percent. Copper production was 16 million pounds during the quarter. Fifty-four percent of this came from processing fresh tailings and the remainder from the historical tailings at Cauquenes.

In contrast to the positive operational performance, Amerigo's third quarter financial results were impacted by decline in copper prices, resulting in a net loss of \$4.4 million or \$0.03 per share for the quarter. Towards the end of my remarks, I will expand upon the topic of our pricing mechanism. I would like to add more detail on it for the benefit of our newer shareholders who have been attracted by Amerigo's return of capital policy.

Yesterday, Amerigo's Board of Directors declared another quarterly dividend CAD \$0.03 per share payable on December 20. Based on Amerigo's end of quarter share price, this represents an annual dividend yield of 12.4 percent.

Currently, the MVC production team is driving the plant proactively and achieving two important operational goals to consistently prioritize fresh tailings processing and to be able to quickly react to changes in the fresh tailings stream when these changes occur.

In this way, on days when throughput from El Teniente declines in response to the mine's own operational conditions, we can quickly ramp up processing from Cauquenes and meet our own production targets. This operational flexibility is key, and it is the driver behind Amerigo's predictable production results.

NBC had no operational issues during the quarter. We had zero lost time due to accidents, no environmental incidents and our plant availability was 98.5 percent. MVC's water reserves at the end of the quarter were 5.4 million cubic meters, that is 0.2 million cubic meters higher than at the end of the second quarter. These water reserves remain sufficient to maintain projected Cauquenes processing rates for a period of at least 18 months, which is our maximum forecast horizon.

Despite a higher inflationary environment, we continued to successfully manage costs. Production costs year-to-date have been 2 percent over budget compared to copper production trending 3 percent over budget.

Last week, we also successfully completed negotiations with MVC's Workers Union and entered into a new three-year collective labour agreement. The Workers Union has 198 members and represents most of MVC employees. This agreement gives us important cost visibility into the future.

MVC's sustaining CAPEX program is advancing well and on budget. This year, MVC undertook two risk mitigation projects as well, one of which has been canceled after conducting additional studies that confirmed it was not necessary to undertake it.

We have also determined that a new sump in Cauquenes will be required in 2023 and decided to take advantage of the current dry season in Chile to start that work now.

Amerigo's operational performance continues to provide a solid foundation for our capital return strategy. In Q3, Amerigo returned \$3.8 million to shareholders through the Company's regular dividend of CAD \$0.03 per share per quarter. On a year-to-date basis, Amerigo has paid \$12 million in dividends and \$12.3 million to retire shares for cancellation.

I mentioned in the last call that because of our current and potential investment yield, we would be working to transform the way we tell the Amerigo story. We are introducing ourselves to additional types of investors and have produced a new deck and a new corporate video, which are available on our website. We hope you will periodically revisit the website as we continue to work on a full revamp of our messaging.

Our goal is to explain how Amerigo is not a copper miner, but rather an industrial company with a simple and proven process whose output is copper. We have ESG attributes that most companies can only aspire to, and our capital return policy is best in class.

Now as I mentioned at the beginning of my remarks, I want to talk about our pricing mechanism. I want to illustrate the timing and effect of our financial results during a period of sharply falling copper prices because we think copper prices are currently stabilizing. I think you will see how powerful the positive effect is as we turn the page on falling prices and market fundamentals continue to reassert themselves.

As many of you know, Amerigo sells its copper on an M+3 basis, which is the most common pricing mechanism in the copper industry. This is so because it usually takes three months for copper concentrates to be shipped, processed and then sold as copper metal to processors. One could say that M+3 is an industry-wide formula.

In practical terms, this means that copper sold, for example, in November 2022, will eventually be priced at the average LME market price that emerges in February 2023, three months down the line. In the meantime, for accounting purposes, we work with provisional prices. It is helpful to think as a provisional price as a temporary placeholder until the final price for each of the three months in each quarter is known.

To reflect this reality, Amerigo must adjust its earnings through the quarter as each final monthly average price replaces the provisional price. At the end of Q2 2022, which was two quarters ago, we assigned a provisional price of \$4.10 per pound to the second quarter's production.

Last quarter, in Q3, we adjusted that provisional price of \$4.10 per pound to reflect the final prices we received. We adjusted for \$10 per pound to the actual realized prices, which were \$3.41 per pound in July, \$3.61 per pound in August and \$3.51 per pound in September. For the third quarter, that represented a negative adjustment of \$0.60 per pound or \$8.6 million in revenue deductions.

Although we have discussed this pricing mechanism previously, I wanted to readdress the topic because it appears that copper prices are now bottoming. This means that the negative earnings adjustment effects from the sharp declining copper prices we have seen this year could be almost over.

At the end of the third quarter, Amerigo's provisional price was \$3.50 per pound. Given the strength of the physical market, I don't expect to see another downward move of \$0.60 per pound in the fourth quarter. In fact, the average copper price for October was \$3.46 per pound, and the average copper price for November so far has been \$3.47 per pound. If these prices continue for the rest of the quarter, we should not have significant final settlement adjustments in Q4. If the prices move above \$3.50 per pound, we will again be in positive adjustments territory.

Now I would like to explain this mechanism in a different way to our newer shareholders. The important thing to remember is that these adjustments don't change the price that we were always going to receive for our copper. In other words, no matter the copper price volatility we experience as we advance through time, we were always going to receive a final price for our copper 90 days in the future. It's not the short-term ups and downs that matter. It's more important to follow the copper price trend line.

We have just endured a tremendous downdraft in copper prices that we think has stabilized. During this period, we have been able to safely maintain our quarterly dividend, which represents a tremendous yield on investment. If the trend has indeed stabilized and starts to reverse the upside, as we think it will, then we will receive a higher final price for the copper we produced in the third quarter as final prices are realized.

I am certain that everyone listening has their own view on the future price of copper. Now I will take some time to share our own outlook.

Every third quarter earnings call from a copper producer has commented on the sharp disconnect between a weak macroeconomic sentiment and the tightness in the physical copper market. In other words, the financial markets have a negative view on copper at a time when physical markets are extremely tight.

Visible global copper stocks have fallen to very low levels, and some experts estimate that these levels could be as low as five days of global consumption. If you are newer to the world of copper, visible copper stocks used to be counted in weeks, not days.

Supply challenges have persisted throughout the year, but the potential for a massive disruption has emerged if Russian metals are suspended from the LME, as is currently being contemplated. It is unclear how such a suspension would be implemented, but the practical effect would be to further distort the reality between the financial markets and the physical markets. Russia accounts for 3.5 percent of global copper production and hindering the ability of that metal to come to market with, in our opinion, throw fuel on the fire of an already hot physical market.

Yes, the strength of the U.S. dollar and the fear of a global recession could lead to weaker copper demand and market surplus decisions. However, the supply side continues to be challenged. The strength of the U.S. dollar has certainly had a major negative impact on copper prices since May, but fundamentally, we continue to see limited copper supply and very low inventories.

We think that the impact of fundamentals will soon outweigh the impact of the strong U.S. dollar. We know that copper producers are not having any problem selling copper and that buyers are concerned about locking up future supplies.

Last week, press reports indicated that Codelco signed three and five year contracts with some of their clients instead of the normal one-year contracts. These clients also paid very high premium to secure future supply. It is very evident that end users are worried about accessibility to future copper supply.

Analysts point to quiet demand for copper coming from China for infrastructure and electric vehicles, and from Europe, where the deadline to double solar capacity has been moved forward by five years from 2030 to 2025.

If the energy transition demand is indeed building up and copper prices are simply being held down by recession fears, then a structural repricing for copper could occur quickly. To Amerigo, the question is not if, but when the great copper squeeze will hit us. With copper prices will readjust upwards to reflect the realities of a market facing substantial demand increase without the means to close the supply gap in a meaningful way.

When investor attention is refocused on the historical positive correlation between copper prices and inflation rates, the confluence of market sentiment and physical market reality will provide a powerful base for copper prices to strengthen. We think this will happen sooner rather than later.

I will now ask Carmen Amezcuita, Amerigo's Chief Financial Officer, to discuss the Q3 2022 financial results. Carmen, please go ahead.

Carmen Amezcuita – Chief Financial Officer, Amerigo Resources Ltd.

Thanks, Aurora.

We're pleased to present the Q3 2022 quarterly financial report from Amerigo Resources and its MVC operation in Chile. Amerigo had a net loss during Q3 2022 of \$4.4 million, loss per share of \$0.03 or CAD \$0.03, EBITDA of \$1.6 million, free cash flow to equity of \$0.6 million and operating cash flow before changes in noncash working capital items of \$2.6 million.

The 2022 third quarter financial results were impacted by \$8.6 million in negative price settlement adjustments to prior quarter copper sales because of lower copper prices during the third quarter. Amerigo's financial performance is very sensitive to changes in copper prices. Amerigo's provisional copper price for Q3 2022 was \$3.50 per pound, a 10 percent increase or decrease from the \$3.50 per pound provisional price used on September 30, 2022, would result in a \$5.7 million change in revenue in Q4 2022 in respective Q3 2022 production. Today's copper price is \$3.41 per pound.

On September 30, 2022, the Company had a cash and restricted balance of \$48.2 million and working capital of \$6.9 million compared to a cash and restricted cash balance of \$64 million and

working capital of \$24.6 million at December 31, 2021. Revenue in the third quarter of 2022 was \$30.9 million compared to \$48.1 million in Q3 2021. This included copper tooling revenue of \$27.4 million and molybdenum revenue of \$3.5 million.

The decline in copper revenue was attributed to lower copper prices as copper production levels were essentially the same in Q3 2022 and Q3 2021. Within copper revenue, the gross copper sales were \$56.8 million, and there were negative settlement adjustments of \$8.8 million. Then deducted from revenue, we had \$14.3 million in royalties to DET, smelting and refinery costs of \$5.9 million and transportation costs of \$0.4 million. Of the \$8.8 million in negative settlement adjustments, \$8.6 million related to Q2 2022 production and our final adjustments.

Total tolling and production costs, including depreciation were \$34.4 million in Q3 2022 and \$33.9 million in Q3 2021. Excluding depreciation, tolling and production costs were \$29.3 million in Q3 2022 and \$29.6 million in Q3 2021, which confirm the Company's results and containing costs despite inflationary pressures.

Under other expenses, general and administration expenses were \$1 million, consistent with the prior year quarter. This included salaries, management and professional fees of \$0.5 million; share-based payments of \$0.3 million and office and general expenses of \$0.3 million.

Other losses during Q3 2022 were \$0.8 million compared to other losses of \$0.5 million in the prior year period, relating mostly to a foreign exchange loss that was recorded during the quarter. Foreign exchange losses in 2022 have mostly been of an unrealized nature.

There was a \$0.2 million gain associated with the derivative to related parties compared to a loss of \$0.1 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 derivative, which resulted in a decrease in the liability and a gain on the P&L.

The Company's finance expense in Q3 2022 was \$0.2 million compared to \$1.1 million in Q3 2021, which includes interest on loans, leases and bank charges of \$0.5 million and positive fair value changes on an interest rate swap of \$0.3 million. On September 30, 2022, the balance of the term loan was \$27.6 million.

In Q3 2022, the Company recognized an income tax recovery of \$0.9 million compared to an income tax expense of \$3.1 million in Q3 2021, as a result of the Company being in a loss position during the quarter.

Effective cash flow in the quarter, cash flow from operating activities before working capital changes during Q3 was \$2.6 million, with cash used of \$6.3 million after working capital changes. Year-to-date cash flow generated from operations before working capital changes was \$19.3 million. After working capital changes, there has been cash flow generated of \$17.8 million.

Cash flow used in investing activities during the quarter was \$1.8 million, which related entirely to the purchase of plant and equipment. Year-to-date cash flow used in investing activities has been \$7.2 million.

Cash used in financing activities in Q3 2022 was \$4 million. Most of this related to the \$3.8 million in cash that was returned to shareholders during the quarter through Amerigo's increased quarterly dividend of CAD \$0.03 per share. Year-to-date 2022, Amerigo has returned \$24.3 million to shareholders, with \$12 million paid out in dividends and \$12.3 million returned to the purchase of 9.4 million common shares for cancellation through a normal course issuer bid.

Overall, there was a net decrease in cash and cash equivalents of \$12.1 million in Q3 and a strong ending cash balance of \$41.8 million. Additionally, the Company held \$6.4 million in restricted cash.

We will report the 2022 annual financial results in February 2023, and we want to thank you for your continued interest in the Company.

We will now take questions from call participants.

Q & A

Operator

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

Steve Ferazani — Analyst, Sidoti & Company

Afternoon Aurora, Carmen. Thanks for all the detail on the call. I thought that was a great explanation on the pricing. I wanted to ask first about inflationary pressures. Obviously, central banks are pretty determined to try to bring that down. But early on, are you seeing any relief in terms of costs yet? What are your expectations?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Steve, I think that we've been doing a terrific job at the site to maintain costs under control. As I mentioned, what we're seeing with respect to our budget so far in the first nine months of the year was an increase of 2 percent in cost versus 3 percent in additional production. I think that the effort has been done already to maintain costs very aligned and very competitive in order to protect the margins of the business. Our sort of model at MVC is we produce copper and we produce margin. Our team there has been extremely focused on that.

We are in the process of doing our 2023 budget. We're seeing some inflationary pressures locally in respect of services. When these are quoted in Chilean pesos, we're still seeing that the Chilean peso has a weaker standing against the U.S. dollar in 2023, so that will be mitigating any substantial increases. We're seeing good signals with respect to steel for next year, waiting on competitive quotes yet on lime.

As you know, our power costs are essentially locked in other than for inflation. We have another tariff step-down in 2023. We're in the process of working through the budgeting process without feeling that a substantial shift is ahead of us and that we will continue to be able to maintain a similar cost performance to what we have seen so far in 2022.

Steve Ferazani — Analyst, Sidoti & Company

Great. Thanks. You mentioned the increased processing of historical tailings that there was less fresh availability. Was that anything you can—any kind of colour you can provide on that? Was that a short-term in nature issue or is there any kind of...

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

That was very short-term in nature. We saw it during a portion of Q3. It was fully resolved at the end of Q3 and has not occurred again in November or October. Those are just the nature of any operation, right. You cannot operate on a standard basis without any short-term disruptions. The beauty of it, as I mentioned in the call was the flexibility of ramping up Cauquenes to maintain our own results. To the extent that we are able to do that, that gives us very predictability in respect of the operational results that we should be getting.

Steve Ferazani — Analyst, Sidoti & Company

Great. Thanks for that. I wanted to ask on the congratulations on the labour agreement. Are there any costs we should expect in for your 4Q related to that?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Yes, for sure. You've only been following us for about a year or so. When there is a labour settlement in Chile, the biggest component of that negotiation is what's called a signing bonus which is paid to the workers essentially at the time of signing. In our case, we did 50 percent at the time of signing, 50 percent a month afterwards because that represents certain payroll tax savings and we have to pick up as an employer.

We expect that the cost of the bonus for the workers will be around \$2.9 million. That all has to be expensed in Q4. Even if the contract has a term of three years, we take the hit for accounting purposes in the month of October.

How does that compare to the prior settlement adjustment? I think very favourably, last three years ago, our cost was \$2.1 million. At that time, copper prices at the time of settlement were \$2.60 per pound versus \$3.48 per pound when we settled a week ago. Copper prices are a major driver for the workers in their negotiating stance. We did pretty well there.

We also can report that we managed to negotiate a 1 percent salary increase with our workers which compares favourably to the 4 percent increase they received in 2019. When I'm talking about salary increases for the workers in Chile, I'm talking about adjustments beyond the inflationary adjustments they get under their contracts. This is above and beyond inflationary adjustments that are rolled into their remuneration on a fourth monthly basis in Chile. Again, bonus costs of \$2.9 million and a 1 percent salary increase over three years.

Steve Ferazani — Analyst, Sidoti & Company

Perfect. Thanks for the detail. Last one for me just on how you're thinking about share repurchases. Would you like to see more stabilization at a higher level before you'd start? I know there's a period of delay before you be able to do that...

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

I think so we've mentioned essentially a level of—when we see prices stabilizing over \$3.80 per pound, we think about some repurchases below that, we really will not.

Steve Ferazani — Analyst, Sidoti & Company

Great. Okay. Thanks so much for the time. I appreciate.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Sure. Thank you, Steve.

Operator

Thank you. Next question will be from Terry Fischer at CIBC World Markets. Please go ahead.

Terry Fischer — Analyst, CIBC World Markets

Hi, Aurora, thanks, and Carmen. Congratulations again in these difficult operating conditions. You're obviously performing very well. I was partially—I have three questions. First one was partially just answered, which was about buying back shares. But the NCIB was fully utilized the last one. I don't think you're able to renew it until December. So, my first question is, even the copper price is such that you're not ready to buy back more shares, you have to have the NCIB in place. I'd just like to know the timing of that and the indicated amount?

My second question is whether or not in the current environment where copper, where it is, but given the amount of money accumulating on the balance sheet by the end of the year. What are the prospects for an occasional or special dividend? I forget the terminology you use for that.

My final question is progress on the new constitution in Chile, what the timing would be and whether you're seeing any positive movement there? I just wanted to table all my three questions ahead of time.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Don't worry, Terry, I will answer your three questions. We will be renewing the normal course issuer bid. You're right. We basically are a month away from having the ability of having another normal course issuer bid go live. We will do it. We will have it up and running. We'll have the program open and so that we can execute on it opportunistically as we can.

The second question was—what was your second question was...

Terry Fischer — Analyst, CIBC World Markets

About a special dividend.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Yes, we call it performance dividend. I gave up on it. So, we're calling it performance dividend. No one likes the top-up dividend name.

Terry Fischer — Analyst, CIBC World Markets

Okay.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

I don't think that at today's price, that's something that we would be doing, but things could change. We mentioned that a sharp readjustment of copper prices could happen. Whether it happens from now until the end of the year, who knows. We have another dividend coming up on December 20.

We'll see. That would be totally dependent on the behavior of copper prices from now until the end of the year.

With respect to the Chilean constitution, you are aware that on September 4, Chile finally had the referendum to reject or accept a proposed new constitution. Sixty-two percent of Chileans voted to reject the constitution that had been presented to them as an option, which in my opinion, in these political times, whenever you see a 62 percent vote, that's an overwhelming result.

Now, we should remember that the project to draft a new constitution was in response to the Chilean social protests of October 2019. There is no question that Chileans want to have a new constitution. My reading is that they want to have something that's closer to what they currently have rather than a very dramatically different document. That would indicate that perhaps the best way of approaching a mechanism would be a revamp of the existing document rather than a full rewriting of constitution has occurred and was rejected.

But no one seems to really know how to go about this process. I think that it's a bit of a conundrum where people want to see change, but no one knows what would be the best way of getting that change through the process. Also, who is going to be doing that? Is it going to be done—*is it going to be done* through the existing Congress, is a new constitutional group going to be formed? All of those questions are open. They are in flux and no one seems to know how to put them together with clarity and in an executable way.

I think that we're still seeing changes coming that way. But the indication would be for more moderate changes that are aligned to the model that has seen Chile garner significant political, economical, social progress in the last 25 years.

Terry Fischer — Analyst, CIBC World Markets

That's great. Thanks.

Operator

Thank you. Your next question will be from John Polcari at Mutual of America Capital Management. Please go ahead.

John Polcari — Analyst, Mutual of America Capital Management

Thank you. Good afternoon. First question is on CAPEX for '23. Did you mention there would be a bump in that for some unexpected or anticipated expenditures? Can you expand on that?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

For 2023, John, we're expecting to build a new sump. Sumps are the way in which we continue progressing through the processing of Cauquenes material. The last sump that—the current one where we're working on became operational in July of 2019. It's nearing its end of life towards Q3 of 2023. A new sump will need to be in place.

Normally, that work would have been started in January. We wanted to accelerate that work to take advantage of the fact that it's not raining in Chile. We don't want to have any delays associated with rain occurring while we're doing the construction of that sump. We're just moving ahead in some of the earth removal, earth groundwork for this quarter to start that work.

John Polcari — Analyst, Mutual of America Capital Management

So, how much would that pop the CAPEX budget for '23 then, because CAPEX for '22 is fairly low.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

CAPEX for 2022 was essentially our usual \$6 million in sustaining CAPEX, about \$2.8 million in capitalized maintenance, and we had two projects of \$4.7 million. We have canceled one of them for \$2.5 million. The budget on the sump is coming close to \$7 million, that will be the most significant item in the CAPEX for 2023.

John Polcari — Analyst, Mutual of America Capital Management

That's spread out over three years. The life of the sump of...

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

The life of the pump is 3, 3.5 years. That's what we estimate to have as a useful life, quite similar to what we had in the current sump.

John Polcari — Analyst, Mutual of America Capital Management

Is that would be a cash outlay, I assume in Fiscal '23, right?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

We will have some cash outlay in 2022, about \$1.1 million, and the rest will go into 2023.

John Polcari — Analyst, Mutual of America Capital Management

Okay. That will be a fairly significant cash outlay compared to last several years. All right. On the molybdenum, you have an outlook on those price points that's the outstanding credit to copper was obviously, as you mentioned, one of the contributing factors to raising the average price of copper because we didn't have the offset. Do you have a view on where you think those prices for minimum might be going?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

There's less clarity always on the outlook for moly than there is for copper. Moly prices, however, have been strong in the last 60 days or trending around \$8.40 was the last night checked. It all depends on what will be occurring with that price.

But, I don't ever bank on moly as something significant. You also have to remember that we're getting—to the extent that we focus our production on fresh tailings, we're getting less moly through the plant because there is less moly content in the fresh tailings than in the Cauquenes tailings. It's a good help to have it. Obviously, the higher the moly price, the better.

With moly, it's question also of containing costs. That's another significant price of the piece of the equation because we spend a lot of money in reagents to bring that moly to fruition. Reagents really spiked up their cost in the last months. It's a balancing act. We're doing much better with the moly total economic contribution in Q3 than we did in the first half of the year, but don't really give a lot of weight to moly when you think of Amerigo. It's a help, but it's nothing significant.

John Polcari — Analyst, Mutual of America Capital Management

Got it. On the royalty payment in your financials, you mentioned what the royalty payment expense was. It's lumped in with copper, moly and then the various mines. What was the average royalty payment? Or, do you know off hand for copper alone for year-to-date now? What we were been paying for royalty?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

When you're talking about the royalty payment for Codelco, there is a significant timing difference that one has to be aware of. We pay the royalties based on the M price. The month of—there are no M+3 adjustments on the royalty. Essentially, what we have been paying for 2022 so far has been based on the average prices. I'll get you that number, and I'll send it over to you, but I don't have it with me right now.

John Polcari — Analyst, Mutual of America Capital Management

Okay. Understood. Two other quick questions. One, on the repurchase, which may not go into effect on the day you reload for stock repurchases. But, over the course of the next year or two as you

envision there might be surplus free cash that part of which would be deployed perhaps in repurchasing the stock, who actually pulls the trigger, if you will, to use an expression in terms of the price? Do you allocate a certain dollar amount to a broker who determines in theirs what they think a fair price might be. Do you, someone, yourself or CFO to determine that it's a reasonable price to pay? Who's actually authorizing the purchase at a given level when prices were higher, the Company paid a significantly higher price over a year ago. It's hard to tell where and in what direction prices will be, particularly to the stock. What it, could it, should it, as they say, cheaper prices might have been obtained, then again, it might have been more expensive had one waited. But who determines the actual timing of purchases? Is it—do you require a Board approval?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Our discussion is held at the Board level. When we have a bid in front of us, be it a substantial bid, that's an easier exercise because you basically have to go out with one price. When you have a Normal-Course Issuer Bid, it's basically market price. You're not choosing at which price to pay; you just choose when to trigger the purchases or the repurchases...

John Polcari — Analyst, Mutual of America Capital Management

That's what I'm asking. Who's actually...

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Yes, that basically we would have a cap. Anything below that cap is something that can be executed based on availability of the resources. Above a certain price, we would be basically saying

that's as high as we go when a bid is authorized and the program is put in place. We've never repurchased shares at a price that is above what has been determined to be an acceptable price at a recent Board meeting.

John Polcari — Analyst, Mutual of America Capital Management

I understand that. Just who is actually calling up. Is the broker allocated at certain...

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

No. That's not the decision made by the broker. That's the decision be at—o a practical level, I make the decision.

John Polcari — Analyst, Mutual of America Capital Management

Yes. I'm not talking about the cap price. I mean during the course of a given week or month or quarter, just someone in Management or yourself would call the broker and say you're interested in spending plenty of repurchases this week or month or quarter?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Yes, that would be me.

John Polcari — Analyst, Mutual of America Capital Management

Okay. Lastly, we have about \$10.8 million in options outstanding, I guess best guess it's about \$5.8 million. Year-to-date, we've granted another \$2.6 million. Are we to some degree, obviously, just

repurchasing stock to offset option grants? I know it's a required compensation for Management and employees as part of the total package, but do you have a view towards what's a level of...

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

We have repurchased 10 percent of the issued and outstanding in the last year. We wouldn't be able to have—our total number of options out compared to the issued outstanding is significantly less than that.

John Polcari — Analyst, Mutual of America Capital Management

Okay. On a fully diluted basis, I guess, repurchases would be maybe closer to what, 5 percent?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

No, I don't think so. I don't think that we've had that much options issued out in the last years.

John Polcari — Analyst, Mutual of America Capital Management

All right. Lastly, this means of talk on the quarterly calls were perhaps two years or more about the potential to maybe expand the business in terms of doing additional volume with Codelco. I know that the wheels of progress move relatively slowly at times. But there's been some talk now for well over a year or two about the potential as Codelco has to expand to generate more funds for the government and there's pressure on them to expand operations. I'm sure as copper prices hopefully climb, that drumbeat will pick up. Are we any closer to some substantive discussion about expanding operations?

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

No, we're not. I think that with the correction in copper prices that we saw this year, that incentive really was taking off the table for a lot of companies. I think that as copper prices continue to strengthen, the incentive will be there, will have to be there and will be very favourable, but those are not the conditions right now, John.

John Polcari — Analyst, Mutual of America Capital Management

Okay. Because perhaps when copper prices are lower, that's the time for discussions related to expansion as opposed to trying to envision a larger operation at more expensive levels, but be that as it may. At the moment, business as usual, you're saying. Okay.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Correct.

John Polcari — Analyst, Mutual of America Capital Management

Great. Thank you. Appreciate the answer.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Thank you, John.

Operator

Thank you. At this time, Ms. Davidson, we have no further questions. Please proceed with closing remarks.

Aurora Davidson — Chief Executive Officer, Amerigo Resources Ltd.

Thank you, Sylvie. I would like to thank JP and Carmen for being on this side of the call as well and to thank all participants in the four calls we have had this year. This is our final call for 2022, and we will be having our next call in February to report for the full 2022 operational and financial results of Amerigo. All the best to all of you until then.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we do ask that you please disconnect your lines. Enjoy the rest of your day.