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# **ASSESSMENT OF CALIBRE'S CONFORMANCE WITH THE RESPONSIBLE GOLD MINING PRINCIPLES**

## **INDEPENDENT ASSURANCE REPORT**

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## **ASSESSMENT OF CALIBRE'S CONFORMANCE WITH THE RESPONSIBLE GOLD MINING PRINCIPLES**

### **1. INTRODUCTION**

In September 2019, the World Gold Council (WGC) launched the Responsible Gold Mining Principles (RGMPs), which are required to be implemented by member companies, such as Calibre Mining Corp. (Calibre). The Principles are grouped into environmental, social and governance (ESG) related topics. There are 10 Umbrella Principles that include 51 Principles, which can be found in the *Guidance in Implementing and assuring the RGMPs*.

The implementation of the RGMPs includes an assurance component that requires member companies to obtain external assurance from a third party, independent assurance provider, following the *RGMPs Assurance Framework*. It is expected that assurance should take place at both the site(s) and corporate levels and assess both processes and performance. Conformance with the RGMPs is expected to be assured every year, covering a 12-month period.

As indicated in the *Assurance Framework* document, the assurance providers' work in years 1 and 2 should be appropriately adjusted/scaled to align to the RGMP requirements for those initial years. As such, in the first year of implementation of the RGMPs, the assurance provider does not need to undertake an audit of the RGMPs. Instead, they need to validate two items: i) that the company has made a public commitment to conform with the RGMPs; and ii) that a gap analysis (or readiness assessment) has been undertaken or is underway to compare their systems, processes and performance against the requirements set out in the RGMPs.

Calibre joined the WGC in August 2020. By Q3 2021, Calibre completed an initial self-assessment of conformance with the RGMPs at the corporate level and its two mine sites (El Limon and La Libertad), and will be working towards complete conformance of its operations by the end of the three-year period (Q3 2023) per the WGC guidance.

SmartAccEss was retained by Calibre as the assurance provider to conduct a review of the self-assessment in this first year of implementation of the RGMPs.

### **2. THE RGMP's**

The following bullets provide key aspects to consider for implementation of the RGMPs:

- The RGMPs allow a three year period for implementation. During years 1 and 2, WGC member companies are required to carry out a self-assessment for all sites in scope, to determine the status of its conformance with the Principles and identify areas where additional work may be required to achieve conformance with the Principles. This self-assessment process is subject of the assurance process in years 1 and 2.
- Member companies that implement the Principles will be required to report publicly on their conformance.

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- In the first and second years, WGC member companies will be required to report on their progress towards achieving conformance, and the assurance providers' work in these initial years should be adjusted accordingly.
- Two reports are associated with the assurance: i) An Annual Report on implementation of the RGMPs produced by Calibre; and, ii) An Independent Assurance Report produced annually by an assurance provider.

Table 1 below presents the 10 RGMPs Umbrella Principles:

**Table 1. RGMPs 10 Umbrella Principles**

Governance	Social	Environment
<p><b>1 Ethical conduct:</b> we will conduct our business with integrity including absolute opposition to corruption.</p>	<p><b>4 Safety and health:</b> we will protect and promote the safety and occupational health of our workforce (employees and contractors) above all other priorities, and will empower them to speak up if they encounter unsafe working conditions.</p>	<p><b>8 Environmental stewardship:</b> we will ensure that environmental responsibility is at the core of how we work.</p>
<p><b>2 Understanding our impacts:</b> we will engage with our stakeholders and implement management systems so as to ensure that we understand and manage our impacts, realize opportunities and provide redress where needed.</p>	<p><b>5 Human rights and conflict:</b> we will respect the human rights of our workforce, affected communities and all those people with whom we interact.</p>	<p><b>9 Biodiversity, land use and mine closure:</b> we will work to ensure that fragile ecosystems, critical habitats and endangered species are protected from damage and we will plan for responsible mine closure.</p>
<p><b>3 Supply chain:</b> we will require that our suppliers conduct their businesses ethically and responsibly as a condition of doing business with us.</p>	<p><b>6 Labor rights:</b> we will ensure that our operations are places where employees and contractors are treated with respect and are free from discrimination or abusive labor practices.</p>	<p><b>10 Water, energy and climate change:</b> we will improve the efficiency of our use of water and energy, recognizing that the impacts of climate change and water constraints may increasingly become a threat to the locations where we work and a risk to our license to operate.</p>
	<p><b>7 Working with communities:</b> we aim to contribute to the socio-economic advancement of communities associated with our operations and to treat them with dignity and respect</p>	

### 3. OBJECTIVES

The objective of the review is to validate that Calibre has conducted a self-assessment exercise, at both the corporate and mine sites level, of its conformance with the RGMPs in this first year of implementation. Calibre specifically requested the following outcome of this review:

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- An assurance letter indicating that Calibre has successfully completed to the highest industry standards a self-assessment in conformance with the RGMPs.

#### 4. SCOPE OF WORK

The scope of work included the following steps:

- Receive Calibre self-assessment of the RGMPs and supporting information.
- Conduct third party review of Calibre self-assessment
- Confidential report and assurance report writing

It was specifically requested by Calibre that this review should not include an audit of the RGMP Principles or the self-assessment; but only a validation that the self-assessment was completed to the highest industry standards.

#### 5. SELF-ASSESSMENT REVIEW

A conference call was held on September 22<sup>nd</sup> with Luz Habed, Community Development Manager, to share and explain the self-assessment file (in Excel format). The self-assessment file has a worksheet including the 10 Umbrella Principles and the 51 Principles which make up the RGMPs. The file includes all the requirements set forth in the *Guidance in Implementing and assuring the RGMPs* to demonstrate implementation of/conformance with the RGMPs. For each of these requirements, Calibre provided an assessment of the level of implementation (i.e. Yes, No, Partial) including a percentage of implementation; assigned people/departments responsible for each of them; and, provided a brief explanation of the status, evidences and comments that support the results. The file also includes a color-coded summary worksheet for the 10 Umbrella Principles and each of the 51 Principles, which provides a quick snapshot of where the gaps are.

Considering the amount of requirements that need to be met, SmartAccEss considers that Calibre's self-assessment in Excel format is adequate to identify the gaps and track progress of the future implementation of the RGMPs in the following years.

The self-assessment file was provided to SmartAccEss for review, along with supporting documentation and evidences for each of the Principles.

Upon receipt of the information, SmartAccEss conducted the review to verify that all aspects of the 10 Umbrella Principles and 51 Principles have been covered. The review was conducted following the *Guidance in Implementing and assuring the RGMPs* document. As a result, it was verified that the self-assessment document includes all aspects of the RGMP Principles.

Supporting documentation was reviewed not to audit the Principles or the self-assessment, but to verify that back up information exists to support the results of Calibre self-assessment. From that point of view, SmartAccEss focused the review in verifying the existence, or lack thereof, of back up information. For each of the requirements, Calibre provided a brief explanation of the process in place to address the requirement; however, there were a couple Principles where limited evidence was provided to back up Calibre assessment, such as for Umbrella Principle 8 (Biodiversity, Land Use and Mine Closure) and Principle 10 (Water, Energy and Climate Change), as these two Principles require additional integration within each of the mine sites. In all cases, actions plans have been developed to address the deviations identified.



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In those cases where back up evidence provided was not enough, SmartAccEss assumed that the process description provided by Calibre is accurate.

The self-assessment has been completed at both the corporate level and the mine sites level. It is considered that the self-assessment has been designed to determine eventual conformance with the RGMPs for all operations within the reporting boundary.

In the self-assessment file, Calibre determined that certain requirements are not applicable to the operations given Nicaragua's complex socio-political context. These requirements are related to Principle 5.3 (implementation of the Voluntary Principles on Security and Human Rights with the government and civil society), and Principle 6.5 (diversity - no presence of populations of different ethnic groups to promote targeted recruitment or outreach campaigns at the mine sites). For that reason, the assurance activities are limited to those Principles deemed to be applicable.

SmartAccEss also reviewed an internal letter from the CEO requesting support from different areas of the organization to conduct the initial self-assessment to determine Calibre's conformance with the RGMP for year 1, and setting clear expectations to fully meet the RGMP requirements within a two year period (by end of Q3 2023). This letter evidences that the company is making efforts and dedicating the necessary resources to conform with the RGMP requirements.

Calibre has also developed a draft Annual Progress Report on implementation of the RGMPs for Year 1, for the reporting period ending September 2021. This draft report was provided to SmartAccEss for review. The report includes a clear commitment of the company to conform with the RGMP and defines a reporting boundary including both El Limon and La Libertad mines in Nicaragua, as well as the corporate office. The report also covers RGMP governance within the organization and provides general results of the self-assessment, including highlights of the progress towards conformance with the RGMPs, identified non-conformances, action plans and areas for continuous improvement. Appendices of the report include a link to the self-assessment file in Excel format and a placeholder for the independent limited assurance report.

As part of the assurance process in Calibre's first year of implementation of the RGMPs, SmartAccEss verified that the company has made a public commitment to conform to the RGMPs.

The CEO publicly endorsed Calibre's commitment to RGMP implementation and conformance in the company inaugural 2020 Sustainability Report. In the section "*Message from the CEO*" the report states the following:

*"In August 2020, we (Calibre) joined the World Gold Council. As members, we share a unified vision of our responsibility toward ensuring a sustainable gold mining industry based on a deep understanding of gold's role in society, now and in the future. The World Gold Council's Responsible Gold Mining Principles (RGMPs) establish guidelines that Calibre is working to meet. To that end, as part of this inaugural sustainability report we are beginning to document our alignment with the RGMPs and with the Responsible Mining Principles of the International Council on Mining and Metals (ICMM), as well as our contributions to the UN Sustainable Development Goals (SDGs). We believe these principles reflect leading practices in managing environmental, social, and governance issues. They will be a pivotal guide for us as we further strengthen our systems and processes."*

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*“...we are aiming to conform fully with the RGMPs within the World Gold Council’s three-year timeframe. To prepare for this, we will be conducting a gap analysis in the second half of 2021 to identify those policies, standards, and processes that already comply with the RGMPs and those areas that require improvement.”*

As indicated by Calibre, the self-assessment at both the corporate and mine sites levels is the first step in the journey to be in conformance with all the requirements of the RGMPs by the end of the three-year period. An action plan is under development to close the gaps identified.

## **6. RESULTS**

As a result of the review of the self-assessment and supporting information provided by Calibre, SmartAccEss validates that the company has made a public commitment to conform to the RGMPs; and that a gap analysis has been undertaken, at both the corporate and mine sites level, to compare their systems, processes and performance against the requirements set out in the RGMPs. These evidences meet the requirements that are expected of WGC members companies in the first year of implementation of the RGMPs.

Appendix 1 of this report includes an Independent Assurance Report following the requirements and guidelines of the *Assurance Framework* document. The report is addressed to Calibre management, states the assurance provider’s conclusion, and validates that the self-assessment exercise was conducted.

## **7. APPENDIX 1 - INDEPENDENT ASSURANCE REPORT**

## Independent Limited Assurance Report

To the Directors of Calibre Mining Corp:

We were engaged by Calibre Mining Corp (“Calibre”) to provide limited assurance on the conformance with the Responsible Gold Mining Principles for the period ended September 30<sup>th</sup>, 2021.

### Assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention to indicate that Calibre’s conformance with the Principles as described below, as of September 30<sup>th</sup> 2021, is not fairly stated, in all material respects. This conclusion is to be read in the context of the remainder of our report.

### Assurance scope

The assurance scope consists of a review of the disclosures made by Calibre in its 2020 Sustainability Report, which can be found in [Calibre website](#); and the self-assessment at both the corporate and mine sites level conducted by the company, along with supporting documentation that represents the underlying systems, processes and performance to conform to the requirements of the RGMPs. The illustrative criteria for the Company’s conformance with the Responsible Gold Mining Principles are set out in the *Guidance on implementing and assuring the RGMPs: supplement to the Assurance Framework*.

### Respective responsibilities of the company and the independent practitioner

Calibre is responsible for ensuring that the company designs, implements, operates and monitors activities, processes and controls to ensure compliance with policies and procedures that conform to the Principles. It is also responsible for the preparation and presentation of the report on implementing the RGMPs.

Our responsibilities are to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board and the guidance set out in the *Assurance Framework for the Responsible Gold Mining Principles* and the *Guidance on implementing and assuring the RGMPs: supplement to the Assurance Framework*.

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than for a reasonable level of assurance, and therefore level of assurance is provided.

### Limited assurance procedures performed

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of processes followed to conduct an initial self-assessment, at both corporate and mines sites level, to conform to the RGMPs.
- Review of Calibre self-assessment, and supporting documentation, to compare their systems, processes and performance against the requirements set out in the RGMPs, and validate that Calibre



has conducted an exercise to understand its gaps to fully conform to the RGMPs as a company.

- Review and validate that the company has made a public commitment to conform to the RGMPs.

These activities meet the requirements that are expected of World Gold Council (WGC) members companies in the first year of implementation of the RGMPs.

Our assurance report is provided solely to Calibre in accordance with the terms of our engagement. Our work has been undertaken so that we might report to Calibre on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than Calibre for our work, for this assurance report, or for the conclusion we have reached.

Considering this assurance is for year one of implementation of the RGMPs, and was mainly focused on validating the completion of a self-assessment, the engagement was conducted by a professional with suitable skills and experience in both assurance and in the applicable subject matter.

### **Inherent limitations**

Non-financial information, such as Calibre's conformance with the Principles, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining conformance. The absence of a significant body of established practice on which to draw to evaluate and measure nonfinancial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

### **Independence and competency statement**

In conducting our engagement, we have complied with the independence and other ethical requirements of the Code of Ethics for Environmental Professionals issued by the National Registry of Environmental Professional (NREP – [www.nrep.com](http://www.nrep.com)), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We confirm that we satisfy the criteria for assurance providers as set out in the *Assurance Framework for the Responsible Gold Mining Principles* and the *Guidance on implementing and assuring the RGMPs: supplement to the Assurance Framework*, issued by the World Gold Council.



SmartAccEss Socio-Environmental Consulting, LLC

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September 30<sup>th</sup>, 2021