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Q3 2021 Calibre Mining Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2021 / 2:00PM GMT

## CORPORATE PARTICIPANTS

**Darren Hall** *Calibre Mining Corp. - President, CEO & Director*  
**Mark Petersen** *Calibre Mining Corp. - VP of Exploration*  
**Petri Heikki Salopera** *Calibre Mining Corp. - VP of Sustainability*  
**Ryan C. King** *Calibre Mining Corp. - SVP of Corporate Development & IR*

## CONFERENCE CALL PARTICIPANTS

**Eric Winmill** *Scotiabank Global Banking and Markets, Research Division - Associate*  
**Farooq Hamed** *Raymond James Ltd., Research Division - Director & Equity Research Analyst*  
**Justin Stevens** *PI Financial Corp., Research Division - Precious Metals Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Calibre Mining Corporation 2021 Third Quarter Financial Earnings Conference Call. (Operator Instructions)

Please be advised today's conference is being recorded. (Operator Instructions)

It's now my pleasure to hand the conference over to Vice President, Corporate Development and Investor Relations, Ryan King. Please go ahead, sir.

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### **Ryan C. King** *Calibre Mining Corp. - SVP of Corporate Development & IR*

Thank you, operator, and good morning, everyone. Thanks for taking the time to join the call this morning. Before we get started, I'd like to direct everyone to the forward-looking statements on Slide 2. Our remarks and answers to your questions today may contain forward-looking information about the company's future performance. Although management believes that our forward-looking statements are based on fair and reasonable assumptions, actual results may turn out to be different from these forward-looking statements. For a complete discussion of the risks, uncertainties and factors, which may lead to actual operating and financial results being different from the estimates contained in our forward-looking statements, please refer to the joint press release dated October 25, 2021, announcing the transaction with Fiore Gold and our 2020 annual MD&A and 2020 AIF available on our website as well as on SEDAR. And finally, all figures are in U.S. dollars unless otherwise stated.

With me today on the call are Darren Hall, Petri Salopera, Dustin VanDoorselaere, Paulo Santos, Tom Gallo and Mark Petersen. Darren will provide comments on our third quarter year-to-date results and our growth strategy, following which the entire senior management team will be happy to take questions. The slide deck we will be referencing is available on our website at [calibremining.com](http://calibremining.com) under the Events section. You can also click on the webcast to join the live presentation.

And with that, I'll turn the call over to Darren.

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### **Darren Hall** *Calibre Mining Corp. - President, CEO & Director*

Thanks, Ryan. Turning to Slide 3. Good morning, everyone, and thank you for taking the time to join us on our third quarter earnings call. But before providing an update on activities, I would like to take a moment to thank all of our employees and business partners for their continued efforts, which resulted in another solid quarter, and all of our stakeholders for their continued support. Since acquiring our Nicaraguan assets just 2 brief years ago, I'm extremely proud of what the team has accomplished. We have grown production and consistently delivered on our commitments quarter-over-quarter.

We have reinvested into near-mine exploration and mine development, which has increased confidence, expanded resources, doubled reserves net of depletion, and grown production. We have realized significant value from the implementation of our hub-and-spoke operating strategy, which has allowed us to utilize a portion of the 2.2 million tonne per annum installed processing capacity at Libertad. It is important to note that when we purchased the assets, Libertad had been foreshadowed to go into closure in 2020 due to a lack of feed, all of which positions Calibre with an incredible opportunity to continue unlocking shareholder value, given our ability to self-fund

exploration and growth from operating cash flow supported by a clean balance sheet with \$73 million in cash and no debt.

Building up our success at Pavon Norte, which I will discuss in more detail shortly, we will continue to advance our high-grade Eastern Borosi Project, which is located within trucking distance of the Libertad mill. During the quarter, our exploration results -- resulted in the expansion of multiple new gold zones. We were granted new mineral concessions and made noteworthy progress on World Gold Council Responsible Gold Mining Principles by completing our year 1 self-assessment and having our external assurance review completed with no material findings.

Moving to Slide 4. Strong cash flow from operations has allowed us to build cash quarter-over-quarter after reinvesting in the business. We ended the quarter with \$73 million in cash, leaving us in a robust financial position with working capital of over \$84 million.

Turning to Slide 5. A key to our success has been our ability to efficiently add low capital, high margin production by debottlenecking Limon and advancing satellite deposits like Pavon through implementation of our hub-and-spoke operating strategy. Within 22 months, we went from submitting the permit applications for Pavon Norte to holding 1,000 tonnes per day to the Libertad mill.

Pavon is a model we can continue to replicate but I look forward to executing a similar path toward production in our high-grade Eastern Borosi Project. When considering the underexplored potential across the country, our demonstrated ability to execute and having 1 million tonnes of surplus capacity at the Libertad mill, we have a unique value creation opportunity to grow production and therein cash flow.

Turning to Slide 6. Our initial focus at Eastern Borosi has been to progress the Guapinol, Vancouver and Riscos de Oro deposits, which contained an inferred resource of 515,000 ounces of gold, averaging 8 grams gold and 69 grams silver. Since February, the team has made tremendous progress in advancing Eastern Borosi closer to production by acquiring surface rights, completing infill geotechnical and metallurgical drilling in support of the PFS, which is progressing on schedule. We anticipate finalizing the permissible packages for Guapinol, Vancouver and the Riscos de Oro underground later this quarter, all of which positions us well to commence permitting in early 2022 and will likely allow a construction decision in the first half of 2023.

Drilling at our Atravesada deposit continues to return high-grade intercepts over mineable works. We believe there is good potential to delineate additional resources that will contribute towards the development of new reserves as underground development continues. Pavon Central permitting will commence in 2022 with development anticipated by mid-2023, aligned with our PFS study announced earlier this year.

I'm excited about our multi-rig drill program at Pavon, where we are testing the potential of the underexplored 1.5-kilometer structure between the open pit and the Pavon South deposit.

Turning to Slide 7. During the quarter, we had 16 drill rigs operating across our assets. With technical drilling to support the PFS at Eastern Borosi materially complete, we have turned our focus to resource expansion drilling along the Guapinol trend. Exploration and resource drilling focuses on Pavon Central, Panteon, Atravesada and Tigra deposits at Limon and the emerging Cosmatillo and Amalia targets at and around Libertad. We continue to discover and develop new ore bodies through a commitment to exploration and currently anticipate completing approximately 100,000 meters of combined exploration and resource development drilling by year-end. We remain committed to unlock the growth and discovery opportunities we see across our portfolio of mines and exploration properties.

Turning to Slide 8. Our vision of being a growth-orientated multi-jurisdictional Americas-focused mid-tier producer continues to advance with our recent agreement to acquire Fiore Gold resulting in a compelling value opportunity for shareholders of both companies. The combination with Fiore provides the next logical step to a robust and jurisdictionally diversified producer with 3 established operations and a clear pathway to growth.

We anticipate delivering on the high end of our production guidance of approximately 180,000 ounces of gold this year. With the acquisition of Fiore, we will initially add reliable production with strong exploration potential from the Pan Mine in Nevada. We will continue to advance the high-grade Eastern Borosi and Pavon Central assets, which are expected to add low-cost production there. Upon

closing the Fiore acquisition, we will continue progressing the Gold Rock Project, which has the potential to double Nevada production to 100,000 ounces per year.

With a strong balance sheet, a pro forma cash balance of \$96 million, no debt and continued free cash flow generation, we'll be able to self-fund our growth strategy through the Americas, putting us in a great position for near-term organic growth. As demonstrated with our Nicaraguan assets, we will continue to focus on operating responsibly, delivering on our commitments and executing on our growth plans, all part of how we will protect and generate shareholder value.

I look forward to building on what we have achieved and would like to thank all shareholders for their continued support.

With that, we're happy to take questions, and I'll pass it back to you, operator.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question will come from the line of Farooq Hamed with Raymond James.

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### **Farooq Hamed *Raymond James Ltd., Research Division - Director & Equity Research Analyst***

Darren, my question really is related to the upcoming election in Nicaragua, which from news report seems to be fairly complete and somewhat one-sided. And the concerns are that there are international governments, the U.S. included, that are considering ramping up sanctions on the Ortega government post the election. So the question is, what are you hearing on the ground in terms of concerns around any types of protests leading up to the election? Or post the election, how that might impact your trucking operation given you're moving ore around the country? And then further on potential increase in sanctions, how that might impact your business relationships in the country?

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### **Darren Hall *Calibre Mining Corp. - President, CEO & Director***

Yes. Thanks, Farooq. I'll take the question and then maybe ask Petri to layer on any pieces I may miss. But we're not in a position to comment too much on the electoral process. However, we continue to see strong engagement as evidenced by newly approved mineral concessions, which were like approved in-pit tailings, exploration permits. We see the government continuing to do its business as it always has done. Inside the country, we're not seeing any material impact as a consequence of the lead up into the elections. We're not seeing business interruptions. The government continues to function as normal. The communities continue to get about their daily lives. So the impacts associated with the election de minimis at best. And we're not anticipating any significant issues over the weekend, and life goes on.

In terms of sanctions, there could be additional sanctions placed as there has been over the last 2 years that we've been operating there, actually longer, with B2Gold and as an exploration company as Calibre. And we adjust when those sanctions are placed. If we found that it puts us in a situation where we're dealing with someone who is -- or an entity, which is sanctioned by the U.S. government, then we make the change and progress forward. And we saw it, just after taking control of the assets, the sanctions against a distributing company that distributed fuel in country. And so we went out there, rebid, went through that process and without production interruption. So no, I don't anticipate significant impact as a consequence of the election process of what comes subsequent. Petri, is there anything you'd like to layer on that?

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### **Petri Heikki Salopera *Calibre Mining Corp. - VP of Sustainability***

Thanks, Darren, and thanks, Farooq, for the question. Yes, I fully agree with what Darren just said. We are all aware of the international media coverage on Nicaragua. However, from the field, the things look quite different. We continue engaging with the national government, with the local authorities, with our host communities. And as you probably remember, most of our local -- workers come from the local community. So what we perceive, what we see is that [communities are calm], the situation is as close as normal as it's possible. And in that sense, the things continue as business as usual for us. We definitely do not see any interruptions to our operations. And we have to bear in mind that Calibre is a critical contributor to local and national economy, and interruption of our operations would definitely not be a benefit of anybody.

**Farooq Hamed Raymond James Ltd., Research Division - Director & Equity Research Analyst**

That's really helpful color. Maybe just another question, but this is more switching to the operations. In your release from yesterday evening, you pointed out that the mill feed to Libertad, the mix is going to kind of be increasing ore feed from Pavon Norte and from the underground sources and, therefore, result in a higher grade mix in the fourth quarter as you rely less on spent ore. Is that -- in your opinion, is that something that you see continuing beyond the fourth quarter? I would expect -- the Pavon ramp-up is -- has gone well. So I'd expect you to continue that level of trucking from Pavon and maybe expand it. So the question is, will it continue past Q4? And is there scope to increase the Pavon ore above 1,000 tonnes per day, which you've already achieved in September?

**Darren Hall Calibre Mining Corp. - President, CEO & Director**

Yes. Thanks, Farooq. I think there's a couple of questions in there, and maybe I'll start with the haulage one. Year-to-date, we've moved to just over 500,000 tonnes between Limon to Libertad and Pavon to Libertad. And we've done it, again, sustainably and had a nice ramp-up there at Pavon. And as we discussed earlier that we hit 1,000 tonne a day in September, which is 3 months earlier than what we anticipated to do with our 2021 target. I think that's a good place for us to settle things down right now at Pavon in the short term. I think for the balance of the year, we'll try and just maintain that sustainable feed and make sure that we're not putting too much stress on our service providers. And then we'll look at opportunities to be able to maybe ratchet that up in 2022 and going forward. And obviously, we want to make sure that we've got a sustainable business. We've got the appropriate levels of control in place as we look at 2023, and adding Eastern Borosi into that mix as well.

So again, it's a thoughtful, considered approach to making sure that we create a sustainable business in the ore haulage part of our operations. So that piece I think I covered. And sorry, actually, I missed the first part of your question, though, Farooq.

**Farooq Hamed Raymond James Ltd., Research Division - Director & Equity Research Analyst**

So the first part, Darren, was just related to -- so the mill feed to Libertad is going to go towards a higher grade. Is that sustainable kind of beyond...

**Darren Hall Calibre Mining Corp. - President, CEO & Director**

Yes. Got it. Yes. No, I think it is. I mean if you look at the year-to-date grades, it's about 3.3 grams per tonne. The average reserve grade is what 4.49, I think, from memory. So we're currently about 1 gram less than our reserve grade. So as we cycle through different parts of the deposits over the next months and years, we will see that average grades trend to -- closer to the reserve grade, if we mine what we say. If we actually had more material in, there may be some dilution to grade. But obviously, it will come with incremental metal as well, so you get the tonnes at the reserve grade plus some additional.

So no, I think that we're actually seeing on average a lower grade feed in 2021 than maybe what we can, say, anticipate in 2023, for example. So -- but as we look forward, we would anticipate that our life of mine grades, if we were to just mine what was in reserve, would be pretty close to the reserve grades. We're confident in those models.

**Operator**

Our next question will come from the line of Justin Stevens with PI Financial.

**Justin Stevens PI Financial Corp., Research Division - Precious Metals Analyst**

Farooq had a couple of the ones that I was going to ask, which is good to get those out of the way. Just on Atravesada, can you just refresh my memory. Is that permitted? Or is there anything else that you'll need to do on the permitting side before that comes in?

**Darren Hall Calibre Mining Corp. - President, CEO & Director**

No. Just no. It is permitted. Developments, Mark, is there anything you'd layer in there?

**Mark Petersen Calibre Mining Corp. - VP of Exploration**

No. Darren, I think you covered it quite well. Yes, it's this time of year, the labs are always fully occupied. So a little bit of, I'd call it, a temporary seasonal slowdown. But really what that really translates to is not a significant longer time for total turnaround. And as well, as Darren pointed out, all of the drilling that we needed to get done for year-end resource and reserve updates is pretty much in the box,

and we have all the results. They're in the hands. Block models are being updated, so on and so forth. So no delays there. The only thing that really might affect is just the timing for some of our new earlier-stage (inaudible) exploration and drilling. But still, I think this will all be cleared out within the next few weeks, certainly before the end of the year.

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**Justin Stevens *PI Financial Corp., Research Division - Precious Metals Analyst***

Got it. Makes sense. That's good to hear. I guess the only other thing would be then is on the Rio Tinto JV. Any sort of rough time line for when we could expect those first pass results?

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**Darren Hall *Calibre Mining Corp. - President, CEO & Director***

Mark, are you addressing that?

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**Mark Petersen *Calibre Mining Corp. - VP of Exploration***

Yes. I'll take that. Rio, our partners are currently -- like most companies this time of the year, they are reviewing all of the results in the context of what do they want to shape out for their program for 2022. I can't speak directly for them, but I can say we are all -- I think both partners are encouraged by what we've seen with the first pass reconnaissance drill program that was directed at really 5 different large porphyry scale targets out there in the Atlantic region. We got about 5,000 meters done before we wrapped it up in September.

In terms of when we would release drill results, I think I'd need to get back to you on that. That would be also subject to some conversations with Rio. But overall, as a general comment, I think everybody feels like, yes, we are in the right place to be hunting for elephants like they are.

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**Operator**

(Operator Instructions) Our next question is going to come from the line of Eric Winmill with Scotiabank.

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**Eric Winmill *Scotiabank Global Banking and Markets, Research Division - Associate***

Just had a quick question on Gold Rock. I know maybe it's a bit premature because obviously, the deal hasn't closed, but just wondering if you can comment on the feasibility study underway. Any opportunities for optimization there? I know was looking to use vat leach and possible synergies with Pan, which I know you kind of touched on a little bit, but what you're seeing there would be really helpful.

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**Darren Hall *Calibre Mining Corp. - President, CEO & Director***

Yes, Eric. Yes, it's a little early for us to make conclusive comments in and around Gold Rock. But suffice to say, we are very encouraged about what we are seeing. The work at Fiore that Tim and Ross and the team have been executing there has been first class as they derisk the project and get a better level of understanding in and around the technical components of that work. And I think that it's safe to say, and Tim has said it that the metallurgical results are coming back probably even a little more favorable than what they had anticipated. So there's nothing that's presenting as an issue from Gold Rock.

And of course, one of the opportunities that we see in that is that Gold Rock and Pan are surrounded by 222 kilometers of very prospective and underexplored terrain. And I think that us coming in and maybe taking the pressure off the need to have to have Gold Rock done by a certain period to have continuity with Pan as a single asset producer will allow us to better understand that full exploration potential in and around Gold Rock and allow us to be able to look at scope and scale, and you raise the spectrum of vat leach. And I think that the work that Fiore did to be federally permitted to have that flexibility was a very clever move.

But as we progress forward, I'd anticipate that, that probably won't be part of the solution. I think it will look very similar in nature to a Pan type of development, just obviously with a little different scope and scale. But yes, no, it's shaping up very nicely, and we're looking forward to getting our teeth into that earlier in the year and progressing that opportunity forward.

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**Eric Winmill *Scotiabank Global Banking and Markets, Research Division - Associate***

Okay. Great. No, that's really helpful. I appreciate it. So yes, congrats on the quarter.

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**Darren Hall *Calibre Mining Corp. - President, CEO & Director***

Thanks, Eric. Appreciate it.

**Operator**

And at this time, I see no other questions in the queue. I'd like to turn the call back over to management for closing comments.

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**Darren Hall *Calibre Mining Corp. - President, CEO & Director***

Well, thanks, everyone, for your participation and questions this morning. And as always, Ryan, I and the full leadership team are available. If you have any other -- any further questions or queries, you know how to get a hold of us. And we'd like to wish you all the very best. Take care and stay safe. Have a great day. Back to you, operator.

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**Operator**

Thank you. Once again, we'd like to thank you for participating on today's Calibre Mining Corporation 2021 Third Quarter Financial Earnings Conference Call. You may now disconnect.

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