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Q2 2022 Calibre Mining Corp Earnings Call

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CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Calibre Mining Corp. Second Quarter 2022 Earnings Results and Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Ryan King, Senior VP, Corporate Development and Investor Relations. Please go ahead.

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

Thank you, operator. Well, good morning, everyone. Thank you 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, we refer to our 2021 annual MD&A and AIF available on our website as well as on SEDAR. And finally, all figures are in U.S. dollars, unless otherwise stated.

Present today with me on the call are Darren Hall, President and Chief Executive Officer; David Splett, Senior Vice President and Chief Financial Officer; and Tom Gallo, Senior Vice President. We will be providing comments on our second quarter and year-to-date results, exploration programs and our outlook for the remainder of 2022, after which we'll be happy to take questions. The slide deck we will be referencing is available on our website at calbremining.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.

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

Thanks, Ryan. Moving to Slide 3. Good morning, and thank you for taking the time to join us today. I'd like to start by thanking all of our employees and business partners for their continued focus, which resulted in another record production quarter, which pleasingly was led with our safest quarter ever.

As of the end of Q2, our year-to-date injury rate is 55% lower than our full year 2021 rate, clearly demonstrating the team's focus on improving performance. The team delivered a record 59,783 ounces for the quarter for 11,270 ounces year-to-date, positioning us favorably with respect to budget at midyear. Despite industry-wide inflationary pressures, our year-to-date all-in sustaining cost of \$12.44 per ounce is favorable to budget and within guidance. With our solid H1 performance and continued increase in grades in Nicaragua, which will support higher production and lower cash costs in H2, we are well positioned to reaffirm our commitment to deliver on full year 2022 guidance.

We have completed 120 of our budgeted 170-kilometer exploration drill programs which has led to new discoveries and resource growth opportunities. I'm encouraged by the success in Nevada with drilling at Pan and Gold Rock delineating higher grades and potential to expand resources and increase reserves. During the quarter, we announced exciting discovery at Panteon North within the Limon complex, which, coupled with our BTM results provide us a new understanding of mineralization controls along kilometers of potential

strike length. Tom will discuss our exploration progress across the portfolio in more detail shortly.

The company is in great financial shape with \$92 million in cash and continues to strengthen treasury after investment into exploration and mine development. And I'll pass it over to David to discuss our second quarter financials.

David Splett Calibre Mining Corp. - Senior VP & CFO

Thanks, Darren. Turning to Slide 4. As Darren mentioned, we had a strong quarter with respect to production and liquidity management with a record \$92 million in cash at quarter end. We experienced higher production costs in Q2 over Q1, largely due to diesel and to a lesser extent, other consumable price escalation. However, in Q4 2021, our supply chain team fixed our 2022 volumes and prices for cyanide and grinding media with the objective to minimize supply chain risk and price volatility. As a result, our operations have experienced an estimated annual inflation rate of approximately 7.5% through June 30, well below what we're seeing for industry average and a little more than half of the cash cost increase from Q1 to Q2 is tied to inflation.

Aside from price impacts, planned increased waste stripping [attained] during this quarter increased consolidated cash costs by approximately \$30 per ounce. The remaining cash cost per ounce difference was largely related to the acquisition of Fiore in Q1 with the Nevada cost being integrated into the consolidated Calibre results for 79 days in Q1 versus a full Q2.

We remain well within our full 2022 production and cost guidance and favorable to our year-to-date budget supported by petroleum prices falling 20% in July from June high.

Regarding liquidity management and our June 30 cash balance, we have been successful in crystallizing many of the Fiore acquisition synergies which include obtaining a refund in Q2 of \$5.2 million for the Pan surety bond collateral with a further \$1.3 million release in early July. A second positive cash impact from Q1 to Q2 was the higher cash flow from operations after investing activity. The increase in margins due to higher processed grades and gold prices more than offset an increase of \$7 million in capital investments quarter-over-quarter.

Finally, the timing of the June close versus our weekly payables release positively impacted June 30 cash balances by approximately \$6 million. One point I will highlight in our financial statements or our Q2 financial statements, aside from our cash balance is an exploration expense credit of \$1.1 million, reflecting the capitalization of the Q1 [BTM] survey.

Now looking towards the second half of 2022, progress at our high-grade Pavon Central and Eastern Borosi mines are ahead of schedule, which positions management to advance equipment purchases originally planned for 2023 and commenced works in the second half of this year. As mentioned earlier this year and discussed during this call, we continue to see solid cash margins over the course of 2022 and the company will continue to preserve significant liquidity should accretive investment opportunities present.

I will now hand the call over to Tom to provide an exploration update.

Thomas Gallo Calibre Mining Corp. - SVP of Growth

Thanks, David. Moving to Slide 5. In 2022, we've shifted our focus from conversion and confidence drilling to expansion and discovery drilling with a multi-rig 85,000 meter program active across our Nicaraguan portfolio. As a result, we have made a new discovery of Bonanza mineralization at Panteon North within the Limon complex and have identified numerous priority drill targets across our regional concession package. At Panteon North, located 1 kilometer northwest of existing operations. We continue to intercept consistent high-grade zones thus far across approximately 500 meters of strike and over 250 meters of depth extent. We have 3 drills turning here targeting mineral continuity to debt, and we expect these high-grade results to make a positive impact to our R&R statement for our Elliman complex, which has produced more than 3 million ounces of gold over its history.

Our recently completed airborne VETOM geophysical survey at Limon demonstrates a significant opportunity along strike of the known Panteon and Santa Pancha vein trends for over 6 kilometers beyond currently drilled areas. There are 5 rigs active at Limon as we continue to drill test these newly developed targets. At Libertad, we see the potential for new mineral resources, particularly at [Behan] near surface discovery. Exploration work has demonstrated the potential for open pit style mineralization located within 5 kilometers of

the Libertad mill. Drilling is underway with 3 rigs on priority targets, with focus now shifting to Cosmatillo and Santa Julia along strike of Vulcan.

At both Eastern Borosi and Pavon, our focus remains on delineating mineralized extensions to our anticipated new mining horizons. Currently, exploration drill programs are ongoing with 2 rigs at EPP, testing extension to known resources with newly identified mineralization located both at Southwest and Northeast of our planned (inaudible) project, which is on track for development in 2023. At Pavon Central, where the 6.5 gram reserve grade is more than double the grade mines from Pavon Norte. We recently received the key environmental permit for continued advancement and development for open pit mining. Both projects will contribute to Calibre's plan to grow production driven by grade in the coming years.

Moving to Slide 6. Our Nevada properties located in the prolific Battle Mountain Erica gold trend provide Calibre with considerable exploration potential across a 222-kilometer squared land block. We are encouraged by our Nevada drill programs thus far in 2022. And we see an excellent case for mine life extension of Pan, resource growth and project derisking at Gold Rock and opportunities for further optimization at both projects.

Exploration efforts from our multi-rig 50,000-meter program at Pan continue to demonstrate strong potential to expand and upgrade resources as we infill and step out along strike between past and active mining areas. The Dynamite Pegasus Black Stallion and Dune targets remain a high priority given the continued drill success. The results to date have affirmed our view that mine life extension at Pan is a key driver of value.

Turning to Slide 7. Gold Rock, which sits on a prospective 78-kilometer square land package located just south of the Pan mine is a federally approved advanced stage project, which provides us the opportunity to double Nevada production. The ongoing 35,000 meter drill program has revealed high-grade intercepts over significant width across the primary project area, while at the same time has provided us enough data points to support a robust geometallurgical predictive model. Encouraging metallurgical results demonstrate that the mineralization is amenable to heap leaching with favorable recoveries in leach cycles and ongoing drill results have shown higher grades than already published resources.

We continue to advance infill drilling and technical studies to support state permitting initiatives, which have commenced this quarter. Given the new detailed gain from this year's drill program, we anticipate a maiden reserve declaration for end of year 2022.

With that, I'll hand the call back over to Darren to conclude the presentation.

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

Thanks, Tom. Moving to Slide 8. We remain committed to and transparent in improving all aspects of our business, including our social, environmental and governance programs, which are detailed in our recently released annual sustainability report. We continue to strengthen the business with our demonstrated ability to consistently deliver on expectations quarter-over-quarter, permit new mines and grow production, which has enabled the company to release our 3-year grade-driven outlook in June, which organically grows production to 300,000 ounces per annum in 2024.

It's worthwhile noting that the outlook does not consider the encouraging results, which Tom mentioned earlier, including the resource growth at Pan, the Bonanza Grade discovery of Panteon North Gold Rock. With a clean balance sheet, continued strong cash flow from operations, we can self-fund our growth strategy throughout the Americas which will result in significant value creation for all of our shareholders. With that, we're happy to take questions. Back to you, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And our first question will come from Justin Stevens from PI Financial.

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

Team, good to see the solid operating results and obviously, good to see your guidance reaffirmed for the year. I like everyone has been able to do that. So I want to congratulate you guys on being able to pull that one off so far. First question from me. I was wondering, what do you guys see as the critical path to getting mining up and running at Pavon Central? Is it just the clearing inserting that able to sort of be the constraints?

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

Yes. Thanks, Justin. I mean, at Pavon Central, we received a permit on June 8. We've commenced the early works is some road buildings, some relocation of infrastructure and facilities, power lines and things which we're working on now. We've let contracts to commence that. So we're comfortable that we're on schedule to be able to commence the early works mining by end of year and with gold production coming in and potentially even late this year or very early in 2023. So everything is on plan and on schedule there. .

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

Great. And as you mentioned, you had some pretty good exploration success at Panteon lately. Given the high grades there, do you see the Panteon material perhaps getting prioritized over Santa Pancha mining in the coming years? And do you expect any significant differences in terms of mining the Panteon stopes versus Santa Pancha?

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

No, I think it's more of the same. And -- and again, depending on how Panteon North plays out, I don't think there certainly needs to be either or. Both of those things could happen concurrently. So what would likely be reflected in this additional material being pulled to Libertad, and where that material came from. Was it coming from 1 of the open pits of the underground were agnostic too. So I think it would result in an absolute volume increase at an average high grade.

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

Right. We just good to see. And on that, I mean, based on the numbers from Q2, it looks like you still have quite a bit of headroom at the Libertad mill depending on sort of how it's run. I think you could easily get 2,000, 3,000 tonnes a day more into that mill. That I'd say, even without running at the second circuit, which I'm assuming it's still down.

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

Yes. No, there's plenty of capacity at that Libertad. As it stands, we've still got in excess of 1 million tonnes of capacity at Libertad. So that's a long way from being a bottleneck, which again, keeping in context, there's twice the capacity at Limon. So you can see the talk that exists there from incremental throughput at a higher grade or even at more modest grades from, say, a Vulcan or something like that, would very accretively add to cash flow. So lots of capacity at Libertad, lots of opportunity for us-- to improve that multiyear outlook. .

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

Right. And I guess on that -- that was going to be my next question. Obviously, you've only recently put it out, but given the exploration success that you've had, once you've got sort of updated reserves and resources in terms of it will be year-end, do you think you'll sort of continue the trend of trying to produce an updated multiyear outlook could give an idea sort of where things are headed?

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

Yes. I think as we've done for the last 3 years now is that as we've had confidence in and we had the support for, we're pretty transparent in providing that information. I mean, we may be a shade conservative in terms of making sure that we're very confident in our ability to be able to deliver on those expectations. We don't want to set expectations that are beyond our knowledge base. But as appropriate, we'll start to reflect what we know in that guidance going forward or that outlook going forward. .

So let's see how the balance of the year rolls out. How Panteon plays out in terms of reserve resource update. And we'll look at that entire portfolio, right? We've got -- there's some very encouraging results in Nicaragua, but we're also seeing some very positive results out of Pan as well. So the opportunity to be able to keep track in front of the train there a Pan and extend mine life is pretty positive.

Also running the feasibility work at Gold Rock to derisk that project. puts us in a position to maybe more intelligently talk about how that fits into the portfolio in the next couple of years as well. So yes, (inaudible) and again, as we have information, we'll definitely get in front. But we'll ensure that it's all supported for with reserves before we start to make broad statements.

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

Yes, for sure. I know it's -- I think the right way to be tackling it. But yes, that's it for me. Congrats on a good quarter. Looking forward to seeing what the back half of the year holds.

Operator

SP1 And I am showing no further questions from our phone lines. I'd now like to turn the conference back over to Darren Hall for any closing remarks.

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

I would like to thank all of our shareholders for their continued support and everyone's participation on the call today and the questions. So thanks, Justin. And as always, Ryan and I and the leadership team are available if you have any further questions. So take care, and I'll pass it back to the operator.

Operator

SP1 Thank you. This concludes today's conference call. Thank you for your participation, and you may now disconnect. Everyone, have a wonderful day.

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