Calibre Mining Corp(UPDATE)

October 18, 2024

Corporate Speakers:

- Ryan King; Calibre Mining Corp; Senior Vice President Corporate Development and Investor Relations
- Darren Hall; Calibre Mining Corp; President and Chief Executive Officer
- Thomas Gallo; Calibre Mining Corp; Senior Vice President, Growth
- Daniella Dimitrov; Calibre Mining Corp; Senior Vice President and Chief Financial Officer

Participants:

- Don DeMarco; National Bank Financial; Analyst
- Ingrid Rico; Stifel; Analyst
- Unidentified Participant; TD Cowen; Analyst

PRESENTATION

Operator^ Good morning. And welcome to the Calibre Mining Q3 and Year to Date 2024 Production and Valentine Gold Mine Update Conference Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Ryan King. Please go ahead.

Ryan King^ Thank you, Operator. Good morning, everyone. And thank you for taking the time to join the call this morning. Before we commence, 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 previous quarter's MD&A and consolidated financial statements 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 Schummer, SVP and Chief Operating Officer; Daniella Dimitrov, SVP and Chief Financial Officer; and Tom Gallo, Senior Vice President, Growth.

We will be providing comments on our third quarter and year-to-date 2024 production and preliminary cost results and an update on the Valentine Gold Mine -- after which, as mentioned, we'll be happy to take questions.

The slide deck we will be referencing is available on our website at 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.

Darren Hall^ Thanks, Ryan. Moving to Slide 3. Good morning. And thank you for taking the time to join the call. I'd like to take this opportunity to welcome Dave Schummer to the team as Calibre's Chief Operating Officer. Dave and I worked together at Newmont, and I have seen firsthand his operational capabilities and am confident that with him leading our operations, the Company will be well positioned to optimize and grow production.

Dave has been in Nicaragua since joining where his positive contributions are already evident and from where he has taken the call this morning.

The company delivered 46,076 ounces for the quarter and 166,000 ounces year-to-date. Q3 and year-to-date gold production has been negatively impacted by two primary issues: Limon Norte open pit mine sequencing, which was previously discussed in Q2.

While there are no technical issues and total material movement is positive with respect to budget, mining progress deviated from plan, which has resulted in delays in delivering ore grades. This issue has been addressed with several people changes including reallocations of and adding additional resources to the team.

Secondly, historical artisanal mining activities on the initial benches of the [Volcan] Open Pit, which commenced in July were higher than anticipated. Full year production from Volcan is expected to be approximately 20,000 ounces below budget due to this historical depletion.

It's important to note there are no current artisanal activities. We have mined through the impacted area. Ore tons and grade are aligning with expectations and the deposit model has been confirmed by infill drilling.

Following a fulsome review, consolidated Q4 production is expected to be 70,000 to 80,000 ounces, driven principally by Nicaragua's increase to 60,000 to 70,000 ounces. This improvement is a result of significantly increased ore tons at higher grades as we catch up to planned face positions.

After increasing Q4 haulage to Libertad mill by 30% over Q3 to 3,000 tons per day, we anticipate a stockpile increase of approximately 30,000 ounces at Limon, which will be available for processing in 2025. Reflecting year-to-date actual and planned Q4 activities, our 2024 midpoint production guidance has been revised down approximately 18%.

With year-to-date and forecast full year total spend being consistent with budget, total cash costs and all-in sustaining costs reflect revised production.

Given a number of internal changes within Nicaragua and bolstering the team with the addition of the Managua base Stephen McCaughey as VP, Technical Services; and with Dave Schummer's focus and presence in Nicaragua for the balance of the year, I'm confident in the team's ability to deliver into revised guidance.

Moving to Slide 4 and Valentine. The team at Valentine has made significant progress with the construction completion at 81% at the end of September and remain on track to deliver first gold during Q2 2025.

Some recent construction highlights include; the tailings management facility is complete and ready to receive water, primary crusher installation is well advanced and overland conveyor construction has commenced, mills and CIL tankage construction is well advanced, pre-commissioning is underway, and we now have over 215,000 tons of mill feed in stockpile.

However, it hasn't all been smooth sailing as we have realized and more importantly, anticipate cost pressures and are therefore revising our initial project capital to CAD 744 million. This reflects a CAD 91 million increase, inclusive of CAD 20 million in contingency. Approximately CAD 25 million of the increase can be attributable to increases in freight and logistical costs, additional sentiment controls, concrete and associated civil works, spare parts and power distribution.

Whilst we have many very good business partners, disappointingly, the majority of the increase can be attributable to productivity performance issues from a primary contractor, which has resulted in mobilizing additional manpower temporary accommodation and associated services, all of which will ensure overall project schedule is maintained to deliver first gold in Q2 2025.

The identified contractor performance gaps are being addressed by augmenting leadership roles and increasing the capacity of our owner's team with the necessary experience and expertise required to manage the contractor's performance and safely complete the build on schedule. The Valentine Gold Mine and surrounding property offers an impressive 5 million-ounce resource base and numerous discovery opportunities from a prospective array of exploration targets.

Our 130,000 meter drill program will take us beyond the originally explored 6-kilometer stretch of the 32-kilometer long shear zone of this greenfields region. I'm extremely optimistic about the significant upside potential as we advance technical studies and review Phase II throughput increase opportunity. I'm encouraged that there are options which may present even higher returns than the feasibility study envisaged.

With approximately CAD 300 million in cash and CAD 197 million cost to complete, the Valentine build remains fully funded and on track for first gold during Q2 2025.

The addition of Valentine to our portfolio of assets will establish Calibre as a quality mid-tier producer in the Americas, providing a compelling re-rate opportunity for all shareholders.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question today comes from Don DeMarco with National Bank Financial.

Don DeMarco^ So first question, maybe I'll just start off with the Q3 operations. So I see you expect at Volcan, you're expecting more ore in the top benches. Wouldn't this have been derisked by some RC drilling ahead of the mining?

Darren Hall^ Yes, Don, and thanks for the questions. And at Volcan, there has been historical artisanal activity, there were allowances made when the plan was generated. But the team had underestimated the amount of material that has been taken from those artisanal activities in the historical sense.

So yes, I don't think that necessarily drilling it in those first few ventures would have derisked it given the kind of the random nature of it. You couldn't have got holes close enough together.

I think it was really that we just overestimated what we would get and consequently underperformed with respect to expectations.

Don DeMarco^ Okay. But now you're through those few top benches and you're feeling more confident about the ore that's to be mined in Q4?

Darren Hall^ Absolutely. There is no evidence of artisanal activities and the ventures we're currently mining in. And we have done drilling below us to ensure that there are no activities ahead of us and the model is performing consistent with expectations from the deposit model.

Don DeMarco^ Okay. Then next question over to Valentine. So the site tour was just six weeks ago. And Valentine showed well the management seemed confident. So did these issues with the contractor challenges and what did it just come about in the last few weeks? If so, maybe you could add a little more color on that.

Darren Hall^ I think we saw signs of that. And I think on the site visit, Don, we actually highlighted some of it. I mean we've made great progress in terms of physically how things look. But if you remember back to the camp, we're starting to put in some additional temporary facilities as we had indications of things, but it was very early in.

We hadn't actually seen the tension from a spend perspective. So I think we've kind of seen the genesis of it around that time, right, that kind of late August, early September. And then during the month of September, we've kind of seen, well bottom, they're not performing according to our plan as a lump-sum contractor.

So we said, let's get ahead of this. Let's make the adjustments, bring in the resources and allow for additional shifts, additional people so we can deliver into that Q2 production commitment.

Don DeMarco^ Okay. Well fortunately, your balance sheet is in good shape and able to weather this. But of course, you have the potential mill expansion at Valentine that's in the works. Would this additional CapEx for development potentially have any implications on the timeline or your thoughts with regard to that expansion?

Darren Hall^ No. I don't think so, Don. Again, as we look at it now we're excited by the potential we see there. And as we've discussed, we've looked at some optionality studies, which show potential to be able to increase beyond what was envisaged in the feasibility study.

But the majority of the next year's spend in that space, so we get to a decision point later in the year would really be about more detailed engineering, which is not significant from a cost perspective.

So the addition of that as advancing that doesn't stress our short-term cash requirements for Valentine nor does it distract the team from delivering into expectations. It's more of work that we've done off-site by engineers.

Don DeMarco^ Good luck with Q4.

Operator^ And our next question comes from Ingrid Rico with Stifel.

Ingrid Rico^ Darren, I'm going to follow up on some of Don's questions. I think there's sort of two main points. So just on Valentine the 30% increase is an underestimation of material?

Perhaps if you can touch a little bit more on that in terms of where -- is this for Phase 1? Or is it for the scope of Phase 2? Like where is that related to? And how comfortable are you are with the new estimate now that you've done the review on all of items?

Darren Hall^ Yes. No. No. Thanks, Ingrid, and appreciate the question. There's approximately probably CAD 20 million, CAD 25 million worth of increases that can be attributable to [things], if you call it that. So increases in freight, logistical costs, some additional sediment control.

So we think about those as kind of scope changes or cost to deliver into the anticipated scope. And if we take that in isolation, if we kind of divorce ourselves from the contractor performance, that would have been within the error of estimate of the total build, right?

So I'm comfortable with -- I think that when we came out in May with the updated guidance for the project, the focus was, at that point, looking at picking up a build mid-construction was to ensure that the pieces that were going to be required for the bill were adequately provisioned.

And I believe that for all intents and purposes we have some minor attention here with the things I just mentioned. But in the grander scheme of things, I think we've got it really, really close.

The oversight here was really about the assumed productivity of the business partners related to the structural, mechanical and piping and that's what we've seen the tension in during September. And that's why we're getting ahead of this from a forward-looking perspective.

So again, a long-winded answer to your question. But if I come back, no, we're comfortable in the costs associated with the things, and we're now making adequate provisions to ensure that we have the buffer to be able to bolt those things together and deliver into schedule.

Ingrid Rico^ Great. And just to keep it on Valentine. So Q2 expected production has not changed. Any sense -- I know you haven't provided guidance of what you expect for Valentine in 2025. But any sense or any indications that you can give us on what's that expected production next year?

Darren Hall^ Yes. No. We haven't provided any updates. But I guess is that if we come back to what was in the feasibility study, the feasibility study, I think, in year one had -- and it was a full year in the feasibility, right, call it, 200,000 ounces.

So if we say, hey, we're going to have first gold in Q2 allow for a ramp-up. It's reasonable to expect that it's effectively like six months of production. So again, if I was sitting on your side of the table looking at this, I wouldn't feel uncomfortable with something about half of what would have been anticipated in the first year.

Ingrid Rico^ And if I can just move on quickly on Nicaragua. The way I see it is, I guess, sort of a reconciliation issue. But as we look forward to 2025, Nicaragua has had, I would say, a spotless performance year-over-year, this being a bit of a setback.

But any sort of additional sort of drilling that you expect to do to have confidence in 2025? Or how do you look at the performance from Nicaragua going forward?

Darren Hall^ Yes. Thanks, Ingrid. And it's a good point. I guess I'll segregate it into two different issues. We talk about reconciliation and performance of Volcan that is a very isolated issue related to those historical ASM activities.

The model, as defined, was reliable what was missed was how much was taken from the model in terms of historical activities.

So when we apply that learning forward, where are we sourcing from previously mined entities in 2025, and there isn't any, right? Volcan will continue to contribute in 2025. But given we're through those early impacts of that historical activity, I think we're good.

The larger miss here in Nicaragua was really about delays in presenting grade predominantly from Limon. And those delays were associated with the technical issue that we discussed in Q2, right? And that was the genesis of it, but the real issue was delivering into plan.

So there was a good plan that was developed but for reasons which we've corrected, people deviated from that plan. And so we didn't deliver the grade and the tons as expected.

And now as we've corrected that, we see a build in a material being mined in Q4. Put it in perspective, the strip ratio in Q4 is one half what it was in Q3 and the grade is higher. So we end up with a significant stockpile build on surface as a consequence of those initial delays.

So as we play forward to 2025, this truly is management dropping the ball, right, is not following the plan, not putting in place those short interval controls that allow for delivery into and pivoting when conditions change.

Operator^ And our next question comes from [Luke Bertozzi] with TD Cowen.

Unidentified Participant^ Darren and team, most of my questions have been answered, but I do have a follow-up on Volcan. So I believe Volcan was originally expected to obtain around 160,000 ounces of gold. And can you give us some indication of the impact of the historical artisanal mining?

Darren Hall^ Yes. We'll take 20,000 ounces of the top -- yes. So Luke, thanks for the question. And again, take 160,000, take 20,000 off the top. If we look forward at the model, I've got Tom sitting to my right, so I'll ask, as part of the model update, do we anticipate any further changes?

Thomas Gallo^ No. Not really. And that 160, Luke -- the majority of that was considered to be inferred. So we don't typically convert 100% of that inferred. I think the mine plan going forward internal, not 43-101 spec is somewhere between 105,000 and 115,000 ounces on the go forward, 2025 forward.

So you look at that 160, do a little bit of conversion on what the inferred would be at our typical conversion rate of 75%, lop 20 off the top, as Darren said, and you sort of kind of get into that number.

Unidentified Participant^ And then I noticed in Q2, you guys drew down around $50 million of restricted cash. But in Q3, you only drew down $30 million. Can you give us some color on how that's expected to be drawn down through the remainder of the construction period?

Darren Hall^ Yes. At the end of Q2, I don't think we had $50 million in restricted cash, would have been higher than that.

Unidentified Participant^ Sorry, I meant that you guys drew down $50 million in Q2 but the drawdown was less.

Darren Hall^ So maybe I'll pass it down to Daniella in terms of where we're currently at, what we pulled in Q3 and what we anticipate going forward.

Daniella Dimitrov^ Yes. So just after the end of the second quarter, in July, we drew down another USD25 million. So at the middle of August, we stood at USD100 million in restricted cash. And actually, at the end of September, we stood at USD100 million in restricted cash.

Following the end of the third quarter, so the beginning of October, we drew down another USD25 million. So as we sit today, we're USD75 million remaining in our debt proceeds account as restricted cash. We are restricted to USD25 million a month so we intend on accessing the remainder of the USD75 million in November, December and January.

Unidentified Participant^ Perfect. Okay. I appreciate that. [As long as] everything is going to plan.

Operator^ (Operator Instructions) Seeing no further questions, this will conclude our question and answer session. I would like to turn the conference back over to Mr. Darren Hall for any closing remarks.

Darren Hall^ Yes. Thanks, Operator. I'd like to firstly thank all of our shareholders for their continued support and your participation with questions this morning. As always, Ryan, I and the entire leadership team are available if you have any further questions. And with that, take care, be well, and I'll pass it back to the operator.

Operator^ The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.