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Q3 2020 Calibre Mining Corp Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Calibre Mining Q3 2020 earnings conference call. At this time all participants are in a listen only mode. (Operator Instructions) I would now like to hand the conference over to your speaker today, Mr. Ryan King. Thank you. Please go ahead, sir.

Ryan King *Calibre Mining Group - VP, Corporate Development & Investor Relations*

Thank you, operator. Good morning, everyone. And 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 two.

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 be different from the estimates contained in our forward looking statements please refer to our 2019 annual MD&A and AIF available on our website as well as on SEDAR.

And finally, all figures are U.S. dollars unless otherwise stated. Present today with me on the call are Russell Ball, Darren Hall, John Seaberg, Mark Petersen and Angela Johnson.

We will be providing comments on our third quarter results, our near mine and infill drilling exploration programs, and our updated guidance for 2020. After which we'll be happy to take questions.

The slide deck we'll 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. With that, I'll turn the call over to Russell.

Russell Ball *Calibre Mining Group - CEO, Director*

Thanks, Ryan. Good morning, everyone. And thanks for joining us today on what is a very busy week for calls like this. Some of you may have seen Hurricane Eta make landfall earlier this week in northeast Nicaragua, leaving behind a trail of devastation and destruction in her wake. Fortunately, our people and assets were spared from her wrath.

Notwithstanding, Calibre and Rio Tinto, our exploration partners on the Atlantic coast have contributed resource and funds to government-led efforts to rescue those still at risk and to help rebuild homes and communities.

Before getting into the details of our third quarter, I wanted to take a few minutes to discuss how we think about the business and where

our priorities lie in regard to the allocation of capital giving a record cash flow we are generating.

In respect to the gold price, in short, we are bullish and intend to deploy capital accordingly on the organic opportunities in front of us. Our focus with the last of the acquisition debt repaid last month and the balance sheet now debt free is on reinvesting in the business.

We have, I believe, a unique value creation opportunity in front of us, given a combination of the following.

We have organic growth and are generating significant free cash flow to reinvest in the business. We have numerous exploration targets in the near-mine and GENEX environments, including our partnership with Rio Tinto.

We own and have the permits and people in place to operate the Libertad mill with its more than 1 million tonnes per annum surplus processing capacity. The country has well established infrastructure to allow us to implement our hub and spoke operating philosophy on a very cost effective basis.

We have a host country government that is supportive of the mining industry, foreign direct investment and, most importantly, job creation.

We have a well established permitting process that with reasonable assumptions allows us to go from discovery to positive free cash flow in less than two years with very little incremental capital, giving us surplus mill capacity at Libertad.

And we have a management team that is aligned with and focused on the interests of long-term shareholders.

I'm extremely proud of what this team has accomplished over the past year since we took control of the assets. And I very much look forward to working with the team on the next 12 and 24 months. We have a lot of stuff in front of us.

In that regard, we are currently working on finalizing our 2021 budget and expect board approval in early December. At that time, we'll be able to provide our 2021 guidance to the street.

Turning specifically to the third quarter. After the COVID-related suspension of operations for most of the second quarter, we had a successful restart in late June and delivered a strong Q3 with production exceeding budget.

We've produced 45,341 ounces, generated operating cash flow of 46 million and net income of 33 million for 10 cents a share. All record numbers for Calibre.

For the first three quarters, we produce 93,435 ounces. And as a result have updated our 2020 guidance to reflect higher production and lower costs, a nice combination for the bottom line.

The fourth quarter marks a significant shift in operations for us with the depletion of the spent ore stockpiles around year end the completion of mining at the satellite Jabali Antenna open pit in the fourth quarter.

As we transition into 2021, we will see production starting and then ramping up from Pavon Norte in Q1. And if I step back and look at 2021 as a whole, what we'll see is higher grade and lower throughput at the Libertad mill. Again, a nice combination.

During the quarter, we acquired the remaining 70 percent of the high grade Eastern Borosi project which hosts an inferred resource of 700,500 ounces of gold and more than 11 million ounces of silver.

With the surface processing capacity at the Libertad complex, this now represents one of a number of opportunities for us to grow production organically through our hub and spoke approach. More from Darren shortly.

On the exploration front, we reorganized the function at the end of the second quarter to align the near-mine and infill drilling programs

within the operations group reporting to Darren, our COO.

The generative exploration function, led by Mark Petersen, is now reporting directly to me as we focus and commit resources to reinvesting in the early stage of the business and the business pipeline.

This is a part of the business that has seen very little capital over the past five years, and I'm excited about the work Mark is leading and the opportunity opportunities in front of that team.

We will be providing a GENEX update in the form of a news release before the end of November, and we have plenty to update you on. You will hear more about the near-mine and infill drilling program from Angela Johnson who is leading that program later on, on today's call.

Turning to slide four, you'll see a summary of our third quarter results with record revenue, earnings per share and operating cash flows driven by the strong production, lower operating costs, and record operating margins.

Total cash costs and all-in sustaining costs were 786 and 963 per ounce respectively with Limon producing an all-in sustaining costs of \$934 an ounce and Libertad an all-in sustaining costs of \$902 an ounce. On that note, I will turn it over to Darren for his more detailed operational update.

Darren Hall *Calibre Mining Group - Senior VP & COO*

Thanks, Russell. Turning to slide five. Firstly, I'd like to take a moment to recognize and thank all of our employees and business partners for their continued focus and efforts which resulted in another excellent quarter. Once again demonstrating our ability to deliver on our commitments.

As Russell provided the consolidated third quarter physicals, I will focus on a few of the team's achievements since our second quarter call. Leveraging our rigorous COVID health and safety protocols, we successfully recommenced activities and returned operations to normal production levels during July.

For the quarter, we delivered 45,341 ounces at an all-in sustaining cost of \$963 per ounce, which is the highest production quarter since Q3 2016. I'm particularly proud of the work the team has done engaging with and supporting our host communities.

An example of which is our community COVID awareness programs. Monthly we are airing more than 1,000 television and 2,500 radio infomercials to assist in maintaining awareness which, coupled with entry screening to our operations, has contributed to a marked decrease in confirmed and suspected COVID cases.

Since recommencing drilling, our near-mine exploration team has drilled over 10,000 meters per month over the last four months. With completion of the infill programs, our focus has now shifted to resource expansion drilling.

The infill drilling results received today support our earlier comments that we remain confident in our ability to upgrade a significant portion of the inferred mineral resources to indicated, and therein convert to mineral reserves.

We will provide our resource and reserve update during the first quarter of 2021. Angela will discuss the drilling results a little later in the presentation.

Integral to unlocking value with our hub and spoke strategy is the ability to transport ore to Libertad. And I'm pleased to update that during the third quarter, we averaged 870 tonnes per day hauled from Limon, a 280 percent increase over the first quarter.

During the quarter, we provided a multi-year outlook for our Nicaraguan assets. Based on current open pit mineral reserves and expected conversion of the mineral resources, the 10-year year outlook for the Limon complex is anticipated to deliver between 50- to 70,000 ounces of gold at an all-in sustaining cost of between 900 and 1,100 dollars per ounce.

Based on the Libertad complex preliminary economic assessment issued in August, it is expected to generate an average of 120,000 ounces per year at an all-in sustaining costs of \$906 per ounce over the next three years whilst utilizing only 45 percent of the installed processing capacity.

It's important to note that of the mineral resources reviewed for the PEA only 60 percent of the indicated mineral resources and 40 percent of the inferred mineral resources were included, an overall inclusion of less than 50 percent.

I see this as a strong foundation from which to build as our understanding of the assets continues to improve coupled with updated deposit models and technical reports incorporating drilling since 2018 which will be completed in the first quarter of 2021.

Demonstrating the importance of maintaining effective external stakeholder relations, we have during the quarter completed construction of the four-kilometer Pavon Norte access road, received all required permits for the Pavon Norte open pit and commenced mine development.

The ore transport contract to Libertad has been executed and we anticipate delivering ore from Pavon Norte to Libertad during the first quarter of 2021. It's worth noting that there has been no active exploration of Pavon since 2014. And our exploration team sees significant upside potential.

We currently have three drills at Pavon focused on infill, geotechnical and condemnation drilling in support of our ongoing PFS and mine development. Once that drilling is complete, the focus will turn to resource expansion drilling during the latter part of the fourth quarter.

Turning to slide six. An excellent quarter at Limon with the team delivering record production of 22,079 ounces at an all-in sustaining cost of \$934 per ounce.

The ordering and development works are progressing at Panteon as we continue to see strong growth potential from recent drilling with the ore body open down plunge into the southeast.

Turning to slide seven. Another pleasing quarter at Libertad with the team delivering 23,262 ounces at an all-in sustaining costs of \$902 an ounce.

We have recommenced operations at Jabali underground during the quarter for which I would like to acknowledge the efforts and supportive engagement of the Ministry of Energy & Mines and the local community of (inaudible) Jabali.

During the quarter, all deliveries averaged 870 tonnes per day from Limon, a 280 percent increase over the first quarter. Importantly, I'd like to note that the team averaged 1,040 tonnes per day in the last two months -- that means September and October.

As Russell mentioned earlier, we acquired the remaining 70 percent of the high grade Eastern Borosi project during the quarter. During September, Libertad received our first ASM ore deliveries from these concessions.

I believe that the key to unlocking value from the Eastern Borosi project will be looking at the assets from a different perspective, a fresh set of eyes if you will.

Not only for the exploration growth potential which Angela will talk to shortly but also in the existing resources as an operator who has installed an available (ph) mill capacity within trucking distance. A vastly different value proposition compared to a junior explorer.

We've commenced scoping level work but let's consider Guapinol, one of the resources at EVP (ph). It's a near surface oxide deposit with a published inferred resource of 612,000 tonnes, grading 12.7 grams per tonne.

Assuming you're relatively conservative, eight grams per tonne mined, that is a 40 percent reduction over the resource grade. Each 250

tonnes per day process that Libertad would generate more than 21,000 incremental lowest (ph) cost ounces annually, which clearly illustrates the untapped value from the available mill capacity at Libertad.

The above example illustrates the value which we realize as our hub and spoke strategy evolves. Even before considering additional exploration success which we anticipate from these prolific and enduring epithermal prints (ph).

Which is a good segue into our exploration update for which I'd like to introduce Angela Johnson, who is our senior exploration manager for our near-mine programs.

Angela Johnson Calibre Mining Group - Exploration Manager

Thanks, Darren. (Inaudible) slide eight. The near-mine drilling programs have been focused on near-mine discoveries, extending currently defined resources as well as infill drilling to increase confidence and ensure stronger predictability in our models to guide operations. As Darren mentioned earlier.

I will speak more on the programs a bit later. But first, I wanted to highlight some of the initiatives we have completed this year in regards to data and core management. We have successfully migrated our inherited datasets into a unified database which links into our newly implemented digital logging platform.

This allows for more efficient, streamlined core processing and tracking as well as for improved QA-QC and managing of data flow. We have also purchased four automated core saws which will not only expedite core cutting but, more importantly, improve safety for our teams.

Turning to slide nine. Over 18,000 meters of infill and expansion drilling has been completed at Limon during 2020 of which approximately 50 percent is disclosed publicly to date.

Infill drilling was focused on areas in order to upgrade a large portion of our 745,000 ounces of inferred material to indicated and from there to reserves.

We saw infill drilling at Limon Norte open pit intersect 14.8 grams per tonne gold over 3.3 meters and 9.6 grams per tonne gold over 4.4 meters as the vein maintained good continuity and thickness while Panteon returned its best intercept to date; 150 grams per tonne over five meters.

Further defining a new second high grade ore shoot both of which remain open at depth and a long strike towards the south which has limited drilling.

Turning to slide 10. At La Libertad (ph), we've completed over 36,000 meters of infill and expansion drilling during 2020. Of which approximately 55 percent is disclosed to date.

The infill program target our largest inferred resource Jabali West underground which contains 315,000 ounces of 7.87 gram per tonne material.

Drilling results during the quarter returned grades in line with our expectations over minable width and outlined areas which remain open below the currently defined resources for expansion down plunge and a long strike to the west.

Turning to slide 11. For the balance is 2020, resource expansion drilling at Limon will continue to focus on the northern part of the main Limon vein system, while we also aim to grow the high grade shoots at Panteon down plunge towards the southeast.

Additional high priority targets include Veta Nueva and its on-strike extension target Atravesada to the northeast where previous results have returned 18.4 grams per tonne gold over 3.6 meters and 31 grams per tonne gold over 2.6 meters.

At La Libertad heavily underground resource expansion drilling will continue to be a top priority for the remainder of 2020.

We will also continue resource expansion drilling at Rosario and Socorro, both of which are open on strike and at depth which have returned several two to six gram per tonne hits over three to seven meters.

In addition, we are also currently following up on high grade intercepts at Escandalo and El Carmen which are analogous parallel vein structures to Jabali and lie approximately 1.5 kilometers to the northwest of the main Jabali vein.

Finally, we expect to release approximately 19,000 meters of drill results next week on our progress to date. And with that, I'll let Russell take you through closing comments.

Russell Ball Calibre Mining Group - CEO, Director

Thanks, Angela. Before taking questions, I just wanted to conclude by noting a couple of key points.

We continue to responsibly deliver on our commitments to all of our stakeholders. As you heard, the infill and near-mine drilling programs will increase our confidence in the underlying models and mine plans for future production.

In addition, I expect a significant upgrade in indicated resources at year end as inferred material gets upgraded as a result of this year's infill drilling programs which Angela touched on.

The recent Eastern Borosi acquisition provides another opportunity for organic growth and work has already started on two fronts.

Under Mark Petersen's group, to look at the exploration upside around what we just acquired. And through Bill Patterson and in Darren's group, to study what it will take to turn one or more of the deposits into the next spoke for our Libertad hub.

And finally, we are focused on reinvesting in the business through the drill bit with the aim of delivering outstanding financial returns. And we'll be providing more details on our progress in both the near-mine and in-fill program and the nascent GENEX program, as I mentioned earlier, later this month. Operator, with that we are happy to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Ovais Habib Scotiabank.

Ovais Habib Scotiabank - Analyst

Hi, Russ and Calibre team. Congrats, and great quarter. And thanks for taking my questions.

Russell Ball Calibre Mining Group - CEO, Director

Morning, Ovais. Thank you.

Ovais Habib Scotiabank - Analyst

So just, Russ, just starting off with the revised guidance, which would essentially increase production and reduce costs for the full year.

To achieve the high end of the revised guidance range of 130,000 ounces, year to date production of 93,400 ounces implies Q4 production beyond 37,000 ounces. Which is 18 percent lower than Q3 and 11 percent lower than Q1 production.

Now are you just being conservative with the revised guidance or are you expecting throughput or grade movement in Q4

Russell Ball Calibre Mining Group - CEO, Director

Yes. Ovais, I'll take a stab and then Darren can jump in. We will see slightly lower grade, we continue to see positive reconciliations at Limon.

But I think the bigger issue is the reduction or the mined out Jabali Antenna open pit, we won't see any feed. And as we got into the bottom of that pit, we saw some very good grades not only on the gold side but on the silver side, which helped as well.

So the other factor, just to bear in mind, is the Christmas shutdown. We'll effectively be down on the processing end from around the 15th of December. So there are a number of factors there that as we looked at the quarter, the cessation of mining at Jabali Antenna, we'll be slightly lower. It depends on the grade.

If we continue to see positive grade reconciliations, we'll certainly be at the high end and maybe a little over. But at this stage, it's too early for us to call.

We did know that the 125 number that we had out there, certainly we were going to exceed that so we wanted to provide our best guess. And we'll see how the quarter plays out. Darren, anything new to add?

Darren Hall Calibre Mining Group - Senior VP & COO

No. You covered it all there, Russ. Nothing material to add, mate.

Ovais Habib Scotiabank - Analyst

OK. Perfect. And just -- so in terms of how things are moving along with how things are moving along with any impacts from COVID. So are you seeing or getting impacts by COVID going to Q4 and how are you dealing with this?

Russell Ball Calibre Mining Group - CEO, Director

I mean we have a new normal as Darren alluded to as far as how we operate. The physical separation, the provision of -- obviously, the facilities to provide sanitation and all of that good stuff, the education piece continues.

(Inaudible) a day-to-day basis, we're managing through it. One of the challenges, just like in your business, Ovais, today is the senior team is scattered around the world. And we normally spend a good -- or traditionally, have spent a good period of time in country. And we're not able to do that until flights get re-established.

So that's probably the biggest interruption, certainly for the people on the ground. They're dealing with the new normal that I think everyone's living in. So I'd say that, yes, we're in the new normal and we don't see any significant impacts.

Borders are open, we're still able to get consumables in, there's no issues getting done out. So from that aspect, it's business as near normal, I think, as it can be.

Ovais Habib Scotiabank - Analyst

Perfect, Russ. And that's it for me. And just great, thanks, for taking my questions and great quarter.

Russell Ball Calibre Mining Group - CEO, Director

Thanks, Ovais.

Ovais Habib Scotiabank - Analyst

And look forward to getting some exploration results from you guys.

Russell Ball Calibre Mining Group - CEO, Director

Yes. We'd actually hoped to be able to talk to some of the work Angela's been doing this week.

But what we've seen is -- call it a two- to three-week turnaround delay from the labs as they re-adjust to life under the new normal, under COVID, and provide the physical distances that they need. It's just been difficult to get the turnaround.

So we tried to get it in but we just couldn't get it done. So you'll hear in a week or so as we collate all of that data and get it out. And yes, be happy to chat following that.

Ovais Habib Scotiabank - Analyst

Perfect. Thanks, Russ. And thanks for taking my questions.

Russell Ball Calibre Mining Group - CEO, Director

Appreciate it, Ovais. Thanks for the support.

Operator

Your next question comes from the line of Justin Chan.

Justin Chan Sprott - Analyst

Hi guys. It's Justin Chan from Sprott, newcomer to these quarterlies. But just my first one is on costs. And I'm just looking at your outlook for -- your five-year outlook. And specifically, your all-in sustaining at Libertad next year at just over 1,000.

Are you tracking ahead -- and I realize there's some operational changes coming but, as you stand right now and understanding that your budget isn't finalized yet, can you give us any breadcrumbs on are you tracking ahead of your guidance or your outlook on costs as you stand now?

Russell Ball Calibre Mining Group - CEO, Director

Yes. As you said, it's a little early but we're going through that review process as we speak. As I think about that all-in sustaining costs, I think at the cash cost level we're probably seeing some positives.

But as we reinvest in the business -- if you think about this infill drilling as an example of some of the exploration that we're ramping up, we see additional spend on what I call the future. Which gets captured in that sustaining capital.

So as we sit today, those two are sort of balancing each other out. And really, it's going to be a function of how much we choose to reinvest back into the business. And as I alluded to earlier, I think the opportunities in front of us for the value creation are significant and we are reinvesting in the business.

So that's a discussion we'll be having with the board the first week of December and then we'll be able to communicate where we expect to be. I will say, though, that going forward you should expect to see Libertad and Limon really shown as one number because that's how we're running the business.

The two facilities, the trucking of ore, the sharing of people is really what's driving this value creation. And the more and more we look at the business, the less we have a Limon and a Libertad and the more we have two processing facilities that are processing ores for a number of different pits and undergrounds.

So I think that's the shift we'll move. You'll see one number -- we'll still provide the breakout separately. But really, we don't think about the business as Limon and Libertad anymore. It's how do we drive the most value by processing ore at either one of the two facilities.

Justin Chan Sprott - Analyst

Understood. And perhaps I'll ask a variant of the similar question but incorporating your answer. I presume you will have ability or discretion to increase the scope of ores (ph) or choose, for example, how much development in stripping to budget for next year.

But do you feel that you're tracking ahead in terms of what money gets you in terms of your actual unit costs, your deliverables, versus the PEA you put out? Or are things tracking more in line, would you say?

Russell Ball Calibre Mining Group - CEO, Director

Yes. No, I'd say we're probably on the favorable side. I use the expiration as example. If you look at the revised guidance, I think we're a million or two lower.

We're still putting the same meters in the ground but that's realizing the efficiencies in some of the work we're doing on the supply chain to drive down unit costs. So I'd say overall on the unit cost basis, if that's the question, we've seen costs trend down.

We aren't a huge consumer of diesel so we don't have that exposure that a lot of these big open pits have. So, yes. No, I think on a unit basis through a lot of good work that the supply chain team under Juan Becerra is doing, we're actually seeing positives.

So to your earlier question, I think it's more about how many units we intend to use as opposed to the price thereof.

Justin Chan Sprott - Analyst

Got you, thanks very much. That's it for me but I really appreciate the color.

Ryan King Calibre Mining Group - VP, Corporate Development & Investor Relations

Good. Thank you, Justin. Welcome.

Operator

Your next question comes from the line of Geordie Mark of Haywood Securities.

Geordie Mark Haywood Securities - Analyst

Yes. Good day, all. Congrats on the good quarter. You had a great run through Q3 --

Russell Ball Calibre Mining Group - CEO, Director

Thanks, Geordie.

Geordie Mark Haywood Securities - Analyst

-- (inaudible) COVID. A number of questions have already been asked. Maybe I can focus on haulage and Limon.

You touched a little bit about grade profile running from maybe Q3 to Q4. Are you looking at mine sequencing rather than grade reconciliation, potentially still giving you some good -- well, north reserve -- grades above or -- let's call it mine grades above reserve average for Q4 and maybe next year?

And given what (inaudible) gave in terms of more recent haulage rates, are we expecting that to go forward as a blend out of Limon into Libertad? And will that offset lower grade material or just augment material -- so greater throughputs at the plant? So what's the --

Russell Ball Calibre Mining Group - CEO, Director

OK. I think two questions in there. And I'll turn them over to Darren. One around the haulage rates, and then the grade profile at Limon Centrale. So, Darren.

Darren Hall Calibre Mining Group - Senior VP & COO

Yes. Hi, Geordie. From a movement perspective, as I kind of mentioned, we had good progress in the third quarter, September and October, we've averaged in both months over 1,000 tonnes a day. So we see that trend continuing.

So in terms of establishing reliable transport between the properties, I don't see any issues in that space. And in terms of unit rates, we're not seeing any surprises there from a cost perspective.

If you look at it today, again, let's say \$50 a barrel oil, you're at just under \$25 a ton from Limon to Libertad. And probably just at \$30 a ton from Pavon next year. It'll be in those sort of ranges.

Into grades. There's two components to that. We are seeing some variability on our deposit model perspective, there are some swings and roundabouts. But generically speaking, if we talk about the fresh rock coming out of Limon, we are seeing a positive in that space.

We're also seeing the benefit of a greater volume. So because we're mining more tons and we're processing at Limon -- of course, the Limon guys are picking the best grade to be able to put through the mill and the balance of the grade has been put through to Libertad.

So we're agnostic as to where the material gets treated, it ends up with the same recoveries and throughputs. So models are performing well. A modest positive there from a run of mine perspective. I think that's answered your questions.

Geordie Mark Haywood Securities - Analyst

Yes, that's good on that front. Just I guess, ultimately, there's a reserve average grade and I guess there's performance.

Just in terms of mine sequencing some components are going to be reserve average but reconciliation's still going to be normally, it's not going to be above because it's the nature of the morphology of the deposit.

So I was just wondering whether you're expecting grades to be higher the next couple of quarters because of that sequencing or --

Darren Hall Calibre Mining Group - Senior VP & COO

Yes.

Geordie Mark Haywood Securities - Analyst

-- continue to reserve --

Darren Hall Calibre Mining Group - Senior VP & COO

Well, it --

Geordie Mark Haywood Securities - Analyst

-- model reserve grades?

Darren Hall Calibre Mining Group - Senior VP & COO

It's both, Geordie. And I guess is that yes -- I'd lead you to look at the indicator versus inferred grades in the deposit as well. So if we look at the Limon Centrale -- I don't have the numbers in front of me so I might be a little bit out.

But from memory, I think the indicator grade at Limon Centrale is like 4.24, being third grade is about 5.8. So if you looked at a blended average of that which the regulators don't like to combine but it's around 4.8 grams per tonne looking at the kind of the resource average grade.

Now, of course, if we look at the reserve average grade, it's about 4.25 which would be consistent with the indicated because, again, the proven and probable needs to be -- include indicated.

So as we convert that inferred to indicated, the shear will see it step up in average reserve grade as well, right? So there's a little bit of that balancing going on.

If you looked at the reconciliation with respect to resources -- kind of agnostic to categorization from indicated versus inferred, we are seeing a little bit of a bonus there in terms of the run of mine portion of the fresh rock.

Geordie Mark Haywood Securities - Analyst

OK. Great, thank you.

Operator

Your next question comes from the line of Justin Stevens of P.I. Financial.

Justin Stevens PI Financial - Analyst

Morning everyone. Congratulations on a great quarter. Bunch of my questions -- have already been checked here.

Russell Ball Calibre Mining Group - CEO, Director

Thanks, Justin.

Justin Stevens PI Financial - Analyst

But just a few more. What are the next steps that you'd need to go through before you could mine at the Eastern Borosi? Like is there a study even before you can submit an application?

Russell Ball Calibre Mining Group - CEO, Director

Yes. So on the Eastern Borosi, that was a legacy Calibre asset. We had managed that program on the ground.

The individual that managed it for the last 10 years, Mark Cianci is intimately involved with what we're doing on the ground there. So it's not like we're picking it up cold. So the work Mark Petersen's group is doing is really looking at what might be.

Remember, that there's 700,000 ounces and 11 million ounce -- sorry, 700,000 ounces of gold and 11 million ounces of silver. We talk about 55,000 meters of drilling, over about seven years.

So what we see and what we have, at least in the draft budget, is somewhere around 20- to 30,000 meters to go after expansion of that resource. There remains significant untested targets on strike at depth and part of the budget exercise is deciding how much capital we're going to allocate to that.

The effort commenced right as we acquired the asset. We consolidated the data and we're doing what I call a cold eyes review. So independent consultants, various specialties, looking at the data we have and what gaps there might be.

And really, that's the study where Bill Patterson, under Darren's -- in Darren's group, at least, is leading. To determine what it will take to turn those exploration ounces on the book, so to speak, into production ounces.

And we've just been through a very similar exercise at Pavon. If you look where we were at Pavon a year ago, I'd actually say we're further ahead of our understanding at the Eastern Borosi.

And remember, historically, the Eastern Borosi was always viewed as standalone and had to carry 100- to 150 million in capital for a processing facility and pails (ph) et cetera. The beauty of this transaction was that we could now look at that Eastern Borosi just like we did at Pavon from a study perspective and look at it as a satellite pit.

And that, to Darren's point earlier, will drive significant value. So the cold eyes review is scheduled to be completed and the report finalized the end of this month, the study work has been going on in parallel. And we'll ramp that up.

And so you should look for updates next quarter as to what we need to do to progress and the timing around that progression to turn it into the next satellite.

But I look at the work we did at Pavon, it's very analogous to the work we're going to do there. Even, as Darren mentioned earlier, I mean if you look at Pavon. Under B2Gold, it was a small underground resource, we turned it into an open pit. A lot bigger through that 43-101.

We're going to look at some of the Eastern Borosi in a very similar vein, just as Darren mentioned. And I think you'll see that work play out over the next year. So if I look at it, it's sort of study in 2021, fill the gaps, get the required permits 2022, develop and production, 2023.

But it's very early -- but I'm excited about that opportunity. This hub and spoke really unlocks that whole Atlantic piece. And then we have now a significant center of gravity out there with Rio Tinto as we look at on the ground exploration in 2021. A lot of line kilometers planned to be flown to increase the geophysical data set.

So certainly the Atlantic coast there, the Borosi district, is going to pick up and the center of gravity will sort of move that way as we look at developing some of these high grade resources we just acquired.

Justin Stevens PI Financial - Analyst

No, that's great. I'm assuming that study you're mentioning there was just an internal sort of scoping study for --

Russell Ball Calibre Mining Group - CEO, Director

Yes. It's a internal --

Justin Stevens PI Financial - Analyst

-- your take?

Russell Ball Calibre Mining Group - CEO, Director

It's ours. And then obviously, we'll progress that into a pre-feas and feas, similar to what we're doing at Pavon.

Justin Stevens PI Financial - Analyst

Yes.

Russell Ball Calibre Mining Group - CEO, Director

Where we'll be putting out a pre-feas here early next year, I think sometime in the first quarter if I remember the schedule.

Justin Stevens PI Financial - Analyst

Yes. That makes sense. And just has ever been met work done on some of that Eastern Borosi material?

Russell Ball Calibre Mining Group - CEO, Director

Yes, there has.

Justin Stevens PI Financial - Analyst

Or is that soon to be part of the plan?

Russell Ball Calibre Mining Group - CEO, Director

No, there was met work done. There needs to be more, admittedly. But there was work done by ourselves and IAM Gold (ph).

There was there's been a lot of historic mining, it's a very historic and prolific district, Noranda, Falconbridge were in there. The metallurgic does get more complex. You start to see the skarns, the porphyry, you see a lot more silver, as you can see in some of those resource tables.

So, yes. That's an area certainly we're going to be doing more of. I'd say the other one is sort of geotech drilling around in where we set pit walls and set strip ratios, obviously. So those are two areas.

We know the haulage costs, we know the operating costs. We've got the back end, so to speak, down at Libertad. So it's really

understanding what the development is -- there'll be some land acquisition, obviously, and some permitting.

So we're working on that schedule and look forward to updating you in 2021, as the year progresses, as to how things are going.

Justin Stevens PI Financial - Analyst

Sounds good. Last one from me would just be what are you guys looking for timing on your reserve and resource update? I'm assuming sort of end of year and then probably maybe around February?

Russell Ball Calibre Mining Group - CEO, Director

Yes. So it's -- the data cutoff has effectively passed, it's the end of October.

Justin Stevens PI Financial - Analyst

OK.

Russell Ball Calibre Mining Group - CEO, Director

And then we'll be cranking the models internally. And sort of end of February, reserve resources. And then updated technical reports. I think it's end of March timeframe.

Justin Stevens PI Financial - Analyst

Got it.

Russell Ball Calibre Mining Group - CEO, Director

And so what those updates --

Justin Stevens PI Financial - Analyst

And so is that going to be for -- sorry, go ahead.

Russell Ball Calibre Mining Group - CEO, Director

Yes, sorry. The updated technical reports, we'll be filing two; one will be for Libertad, one will be for Limon. And that will effectively replace and update what we provided from a multi-year outlook back in August, I think it was -- if memory serves.

Remember, that was largely based on the B2Gold data that we inherited. We'll basically now update that for everything data wise at least, through the end of October. And again, you'll see that in reserve resources call it end of February and then technical reports end of March.

And at that stage, the technical reports will reflect our best guess, short circuit today from a data and knowledge perspective.

Justin Stevens PI Financial - Analyst

Perfect. So that will include all the drilling that's been done on like the Panteon resource and everything, and the drilling on Limon Centrale and Norte as well then?

Russell Ball Calibre Mining Group - CEO, Director

Correct. Basically, all the drilling through the end of last month.

Justin Stevens PI Financial - Analyst

Perfect. Great. That's it for me. Thanks, guys.

Russell Ball Calibre Mining Group - CEO, Director

Thanks, Justin. Appreciate your time.

Operator

Your next question comes from the line of Steven Green of TD Securities.

Steven Green TD Securities - Analyst

Yes. Good morning, everyone.

Russell Ball Calibre Mining Group - CEO, Director

Hi, Steve.

Steven Green TD Securities - Analyst

Morning. Just quickly -- most of my questions have been asked and answered. Just the one on Limon Centrale and the Limon mill. Can we assume now that 100 percent of that ore feed going through that mill is now from Limon Centrale?

And in terms of costs, are those unit costs we're seeing, is that something can we can expect now to be fairly consistent going forward?

Russell Ball Calibre Mining Group - CEO, Director

I'll flip that one to Darren in Perth. Go ahead, Darren.

Darren Hall Calibre Mining Group - Senior VP & COO

Yes. Hi, Steven. I guess -- sorry, two questions. I missed the first part, sorry. I had a bad connection.

Steven Green TD Securities - Analyst

Yes. Was all the mill throughput at Limon from Limon Centrale to the quarter?

Darren Hall Calibre Mining Group - Senior VP & COO

No, it wasn't. It was a blend. Some of the material came from (inaudible) and Veta Nueva. But the majority of the material had come from Limon Centrale.

Looking forward, it will be a combination of as well particularly with the advent of Panteon. We could expect that Panteon would supplement the feed next year but the majority of the feed, volumetrically, would come from Limon Centrale.

Russell Ball Calibre Mining Group - CEO, Director

And Darren, second part of the question. Operating costs from Q3 --

Darren Hall Calibre Mining Group - Senior VP & COO

Oh, (inaudible).

Russell Ball Calibre Mining Group - CEO, Director

-- for the mill project facility indicative of future costs?

Darren Hall Calibre Mining Group - Senior VP & COO

Yes. From a unit cost perspective, absolutely.

As Russ alluded to, we've made good progress on our commercial space so we'll start to see the benefits of those renegotiated bulks and consumables work their way through the process as we run through inventory.

So we'll start to see some lower unit costs from a cost per ton mined, a cost per tonne mill process. We'll continue to be unrelenting in looking for opportunities to improve efficiencies as well.

So on the consumption piece, we'll see some improvements. And of course, the result and all-in sustaining costs will be a function of

grade.

And that will vary period by period depending on where you happen to be in the deposit vis-a-vis the discussion happening with Geordie just a little bit ago. So there will be some variability in the pace but the guidance we provided mid-August still maintains.

And when we update the reserves and resources at year end which will include a significant portion of the future as reserve we'll have those financials embedded within the technical reports. So that will basically supersede and replace the PEA.

Steven Green TD Securities - Analyst

Great. OK, great. That's all I have. Thanks a lot and congrats on the quarter.

Russell Ball Calibre Mining Group - CEO, Director

Thanks, Steve. Appreciate the support and picking up coverage here.

Operator

Your next question comes from the line of Farooq Hamed of Raymond James.

Farooq Hamed Raymond James - Analyst

Hi, there. Good morning, guys. So the question I have is I'm looking at -- or I'm listening to kind of the opportunities said (ph) some of the things you're going to be working on for the next year and it does sound interesting. But it doesn't strike me that it's all that capital intensive.

So, Russell, my question is you've had a very strong free cash flow quarter, you've got \$50 million in the bank, no debt, you're going to have very strong operating cash flows at these gold prices.

So the cash balance should continue to grow even with increased spending on exploration and even with some increased spending on development of some of these opportunities.

So I'm wondering about your capital allocation. You talked about reinvestment in the business but what other opportunity sets do you see in front of you, as your cash balance continues to grow?

Russell Ball Calibre Mining Group - CEO, Director

Yes, Farooq. It's fortunate, the position we're in -- I call it a bit of a Hollywood problem. I'm not concerned with a lazy balance sheet where I accumulate cash.

At this stage we haven't even entertained the thought or discussion at the board level around a dividend.

Quite frankly as I look at the business, it's a growth story. And similar to tech, if you've got the opportunities for growth I think the stakeholders, shareholders, we've spoken to are willing to entrust that capital to us to reinvest in the business.

So the question will be how much we choose to reinvest next year. And that's really the discussion we're having as a senior team.

Our pits are basically run at 1,400 and we don't have a lot of sensitivity, just given the high grade nature. We don't have these low grade halos, these big open pits, like in Nevada where waste turns into ore, we're pretty much binary.

So our pits are at 1,400. But we think about the business at 1,800 from a cash flow perspective. And I firmly believe that that will be conservative in light of the myriad of economic, financial and other issues the world faces.

And everyone has a view. Ours is bullish and we intend to invest accordingly. So we are debt free, to your point. We're generating free cash flow, the balance sheet will take care of itself. And we'll look to be prudent stewards of capital.

But I think what we will do is certainly from where we were a year ago is look at reinvesting back into the business on a number of fronts. We've got to develop Pavon, we've got to acquire more land there.

Similar story will happen at the Eastern Borosi. We're talking to Rio about what the budget's going to be for exploration on their ground and then Mark on the GENEX side -- which hasn't been funded, if you think about it realistically -- for the last five plus years.

So we have a number of opportunities that we think can add real value in a very short timeframe. And that's the unique opportunity that I see.

We have this mill, it's paid for, it's installed, we have the people the permits, we need to find feed. And so as we look at Nicaragua -- essentially the whole country becomes a satellite pit for us.

And so, yes, we will still generate significant free cash flow after investment and the plan right now is it can sit balance sheet and, at some stage, we'll figure out what to do with it. But I can say that the board hasn't entertained any discussions around a dividend and I don't see that on the agenda, at least for the next year, as we look at growing the business.

I have a personal goal in my long term objectives which I've shared with some people internally and externally as 235,000 ounces out of Nicaragua in 2023. And I believe that's eminently doable with the assets in front of us. And that's really what we're focused on. And we have like, I say, the fortunate position to your point.

Yes, the capital, that we need to deploy won't go into processing facilities as such but it will go into land acquisition. And then there's capital, obviously, to develop these deposits, whether you call it deferred stripping or whatever.

So yes, it's an enviable position to be in. And I feel very blessed to be in the spot we are in with the team we have that are -- they're all focused on one thing, and that's the long term opportunities in front of us. Yes, we need to consistently execute and deliver in the short term.

And when we acquired the assets a year ago, there were a lot of people who looked at the older assets as tired and, in the case of Libertad, approaching closure actually a couple months ago, if you believed the street consensus at the time.

So we've done a lot in a pretty short period, a year went by pretty quickly. And I see the next year being just as busy with just as many value creation opportunities internally. So a long answer but hopefully that addressed your question.

Farooq Hamed *Raymond James* - Analyst

Yes -- no, it does. I think what I was driving at. I agree, it's definitely been gratifying to see how quickly the hub and spoke strategy has come together and translated into free cash flow.

I guess part of what I was driving out more was what other Eastern Borosi-type opportunities do you see? Are there some that are not under your control right now that would fit within the radius of the hub and spoke strategy? Is that something, potentially, we could see with excess cash flows in terms of the reinvestment in the business?

Russell Ball *Calibre Mining Group* - CEO, Director

No. As I look at it, we have more than we can deal with on our plate. And the GENEX update you'll hear about before the end of the month, we've got a good pipeline coming organically.

So no, we're not thinking about deploying capital externally in Nicaragua, our focus is on what we have, what we've acquired recently.

And then what we've staked. So we've staked a lot of ground under the GENEX program in the last three to four months as we've combined all these data sets, got some new people in to help. And yes, you'll see an update on that.

And the near-mine program, Angela, by the end of November, as I said earlier. No, we're not looking to deploy capital externally in Nicaragua.

Farooq Hamed Raymond James - Analyst

OK. Thanks. And then just finally, you had briefly talk about the potential of maybe tolling (ph) some artisanal with the excess capacity you have at Libertad? Is that still a consideration or do you have too much kind of sources of ore on your own now that you don't have to consider that?

Russell Ball Calibre Mining Group - CEO, Director

No, absolutely. That's an opportunity for us, I put that thing in the opportunities bucket.

We are acquiring some artisanal ore from Pavon, we have so much some artisanals there that we've been working with, great relationship. Gives us an opportunity to run that through the plants.

And to the earlier question, I actually forgot to mention we are acquiring and have acquired artisanal ores from the Borosi, so from the Atlantic concessions.

And again, that's twofold. One is it let's us understand the metallurgy and recoveries and those issues but, just as importantly, it establishes a relationship with the artisanals.

And so they're key stakeholders in the whole process, they're entitled to one percent of the concession. And B2 did a great job on that side and we've continued to evolve that relationship.

So I look at that as an opportunity. If you look at next year, we'll be under a million tons at Libertad. As I said earlier, we're mining at Jabali Antenna, the spent ore stockpiles will be done so we have in excess of 1.2, 1.3 million tonnes of processing capacity.

And that, quite frankly -- I've said this before -- after our people, that's the most valuable asset we have in the company. So anything we can do to fill that is value accretive. And that's really the focus of Angela's program on the near-mine, that 80,000 meters, and then the work Mark Cianci and Mark Petersen are doing on the GENEX side. So, yes.

Farooq Hamed Raymond James - Analyst

OK. Great, thanks, Russ. That's it from me.

Ryan King Calibre Mining Group - VP, Corporate Development & Investor Relations

Thanks, Farooq. Appreciate it.

Operator

There are no further questions at this time. I will now hand the call back over to the team for closing remarks.

Russell Ball Calibre Mining Group - CEO, Director

Thanks, operator and everyone. Appreciate your time. We're around, Angela's here. I'm surprised no one had any questions for her. She must have nailed it. But Ryan and I are here, Darren's always available, John on the financial side.

Appreciate the support and continued interest. And look forward to talking to you -- or most of you, at least -- in the new year. Take care.

Operator

This concludes today's conference call. You may now disconnect.

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