

## Calibre Mining (CXB-T)

### Growth Cycle Extended With Successful Marathon Gold Acquisition

Calibre operates a "hub&spoke" mining operation in Nicaragua that includes two processing facilities that are fed ore from several mines around the country, both open pit and underground. The company also owns the open pit **Pan** gold mine in Nevada, as well as other exploration/development properties in Nevada and Washington State. Calibre recently added a mine under construction in Newfoundland, Canada.

**MOZ Acquisition Completed:** in December, Calibre tabled a friendly takeover offer (0.6164 CXB shares) to **Marathon Gold (MOZ-T, not rated)**. Both company's shareholders approved the deal in mid-January and the transaction closed last week with Calibre issuing 249.8 million CXB shares to MOZ shareholders. Former Marathon Gold shareholders now control ~35% of CXB's outstanding shares. The acquisition brings the +5MMoz **Valentine Lake** deposit in Newfoundland into Calibre, which is under construction to become a ~200Koz/yr open pit gold mine starting in 2025.

**2024 Guidance:** Calibre is looking for gold output of 275-300Koz this year from Nicaragua and Nevada, at a TCC of ~\$1,125/oz and AISC of \$1,225/oz. Growth capital is pegged at ~\$50 million, and exploration capital in the range \$25-\$30 million.

**Recent Exploration:** this morning, Calibre provided additional assay results from 2023 drilling in Nicaragua. Highlights included:

- 4.1 metres grading 111.9g/t gold (Panteon North)
- 5.7 metres grading 15.6g/t gold (Panteon North)
- 2.2 metres grading 36.1g/t gold (Panteon North)
- 9.9 metres grading 9.4g/t gold (Panteon North)

**Panteon North** is located on the **El Limon** property (fig4), and currently contains 240Koz of gold reserves (0.94MMt grading 9.4g/t gold). Panteon North will continue to be a main focus of CXB's 2024 exploration programme.

**Investment Thesis:** we maintain our view that Calibre Mining represents an attractive **value play** among the mid-tier gold producers (fig5). With the successful acquisition of Marathon Gold's Valentine Lake project in Newfoundland, Calibre is also positioned to be one of the **growthier** mid-tier golds.

**Valuation Review:** incorporating the full impact of the Valentine Lake acquisition into our DCF model for Calibre has a positive impact to our NAV, and our 12-month target price increases from C\$3.00 to C\$3.25. As this still represents significant upside from current share price levels, we maintain our **BUY** rating on Calibre Mining shares.

#### Update

Buy (unch.) **C\$3.25 (was C\$3.00)**

Recent/Closing Price	C\$1.39
12-month Target Price	C\$3.25
Potential Return	134%
52 Week Price Range	C\$0.95 - C\$1.78

#### Estimates

YE: Dec 31	FY22	FY23e	FY24e
Revenue (\$MM)	\$403.1	\$557.8	\$555.9
Cash Flow (\$MM)	\$103.7	\$184.4	\$190.5

#### Quarterly Estimates (in US\$/sh)

	Q1/22	Q2/22	Q3/22	Q4/22
EPS (operating)	\$0.03	\$0.03	\$0.01	\$0.03
CFPS	\$0.06	\$0.06	\$0.04	\$0.07
	Q1/23	Q2/23	Q3/23	Q4/23e
EPS (operating)	\$0.04	\$0.07	\$0.05	\$0.05
CFPS	\$0.08	\$0.12	\$0.11	\$0.10

#### Valuation

P/CF	4.5x	2.5x	3.8x
NAV		\$4.05	
P/NAV		0.3x	

#### Stock Data (C\$MM)

Shares O/S (MM)	714
Mgmt/Insiders	2%
Market Cap	\$993
LT Debt (Corporate)	\$41
Working Capital	\$115
Enterprise Value	\$918

#### About the Company

Calibre is a Canadian-listed, Americas focused, gold producer with mines in Nicaragua and Nevada, forecast to produce ~250-275Koz in 2023.

All prices in US\$ unless otherwise stated

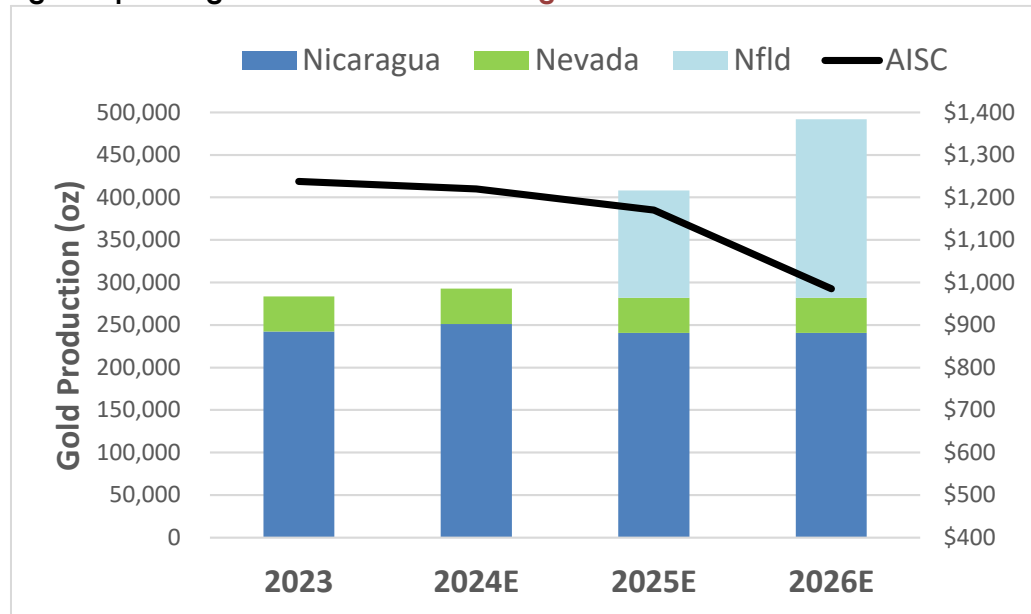
#### Stock Performance



## Investment Thesis...Re-rating Opportunity With Successful Production Growth

We consider Calibre Mining to be an attractive investment for the successful delivery of production growth over the next few years. We see an asset base that will transform Calibre into a substantial mid-tier gold producer (~500Koz/yr) in 2026 with the successful development of the Valentine Lake mine.

**Fig 1 Operating Forecasts: Calibre Mining**



Source: Company reports and Beacon Securities' estimates

## Valuation Methodology

Our favored valuation method for precious metals producers is a price-to-net-asset-value (P/NAV) multiple based on a discounted cash flow (DCF) model constructed using our estimates of the parameters of existing or potential mining operations. Our short-term gold price forecast is \$1,900/oz for 2024, and we employ a long-term gold price of \$1,700/oz starting in 2026.

Future year cash flows are then discounted using a base rate of 5%, to which a risk premium is added, depending on the overall political risk the company's assets are exposed to. Calibre's asset exposure to Nicaragua, Newfoundland, and Nevada are considered low risk (5% base + 0% premium) jurisdictions.

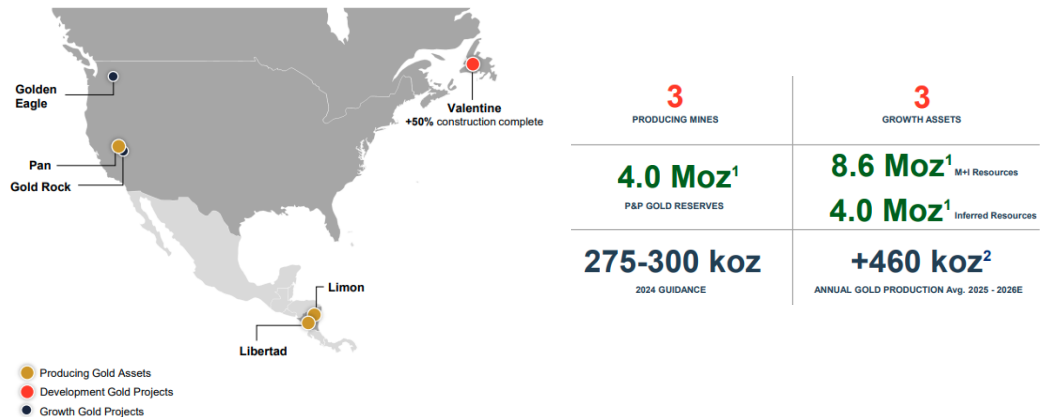
**Fig 2 Net Asset Value Breakdown: Calibre Mining**

	<u>Discount</u>		<u>Value</u>	<u>Per Share (C\$/sh)</u>		
	<u>Rate</u>	<u>Ownership</u>	C\$MM	FY24e	FY25e	FY26e
El Limon (Nicaragua)	5%	100%	\$346	\$0.43	\$0.38	\$0.33
La Libertad (Nicaragua)	5%	100%	\$1,723	\$2.13	\$1.71	\$1.69
Valentine Lake (Nfld)	5%	100%	\$1,041	\$1.29	\$1.36	\$1.27
Pan (Nevada)	5%	100%	\$87	\$0.11	\$0.08	\$0.06
<b>Operating assets</b>			<b>\$3,196</b>	<b>\$3.95</b>	<b>\$3.53</b>	<b>\$3.36</b>
Working Capital			\$115	\$0.14	\$0.63	\$0.77
LT Debt (corporate-only)			(\$30)	(\$0.04)	(\$0.04)	(\$0.04)
<b>Corporate assets</b>			<b>\$85</b>	<b>\$0.10</b>	<b>\$0.59</b>	<b>\$0.73</b>
<b>NET ASSET VALUE</b>			<b>\$3,281</b>	<b>\$4.05</b>	<b>\$4.12</b>	<b>\$4.09</b>

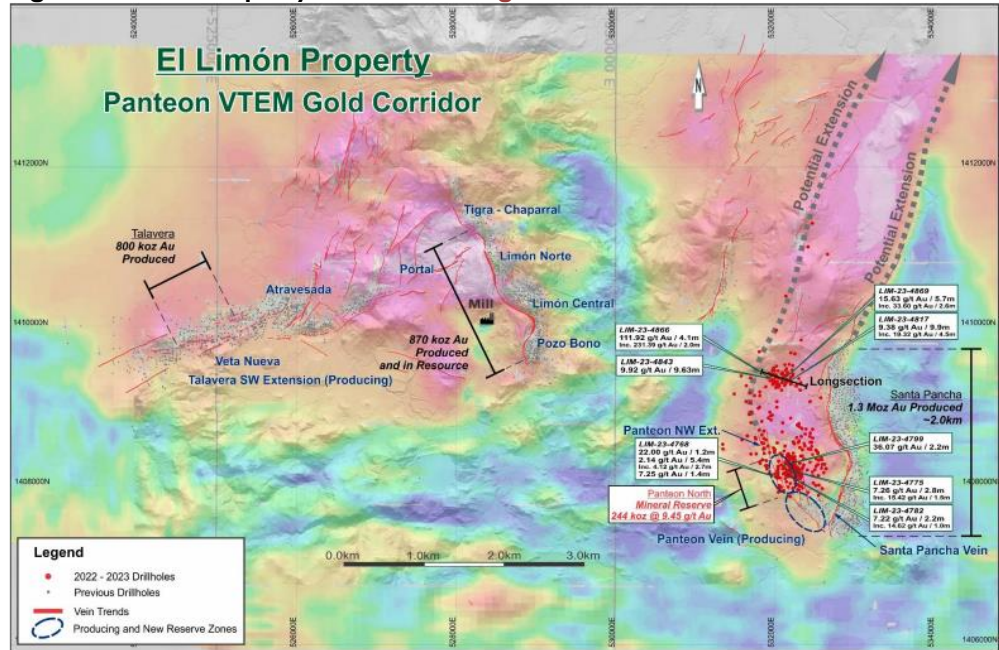
Source: Beacon Securities estimates

In Fig. 2 we provide forward-looking NAV/sh estimates to show how the company's NAV is forecast to change over the next few years. For mid-tier gold producers (gold production 250K to 1MMoz/yr), we employ a target range of 0.75x-1.50x P/NAV. Using a target P/NAV multiple of 0.80x on our 2024 NAV suggests a fair value of C\$3.25/sh for Calibre.

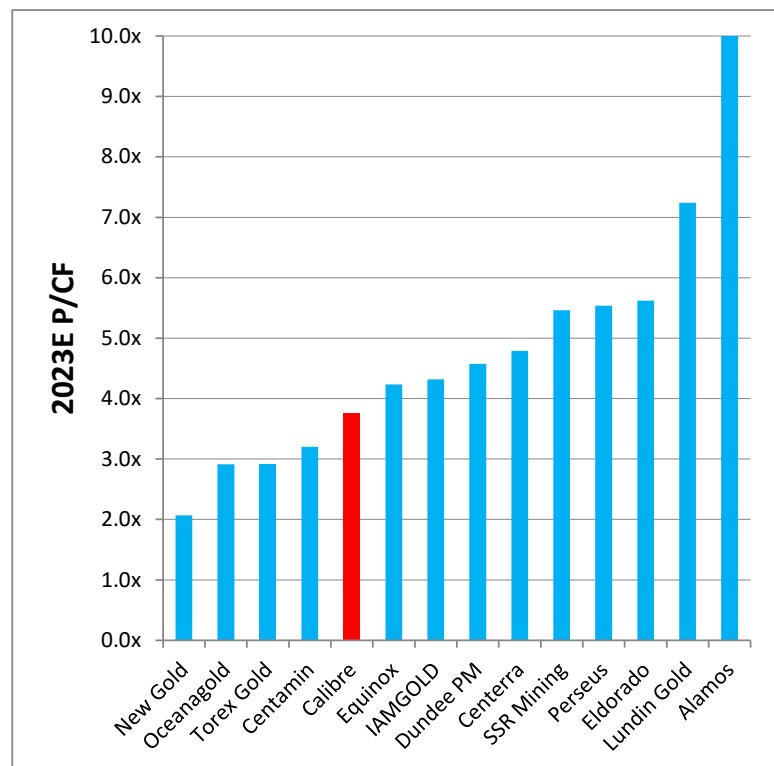
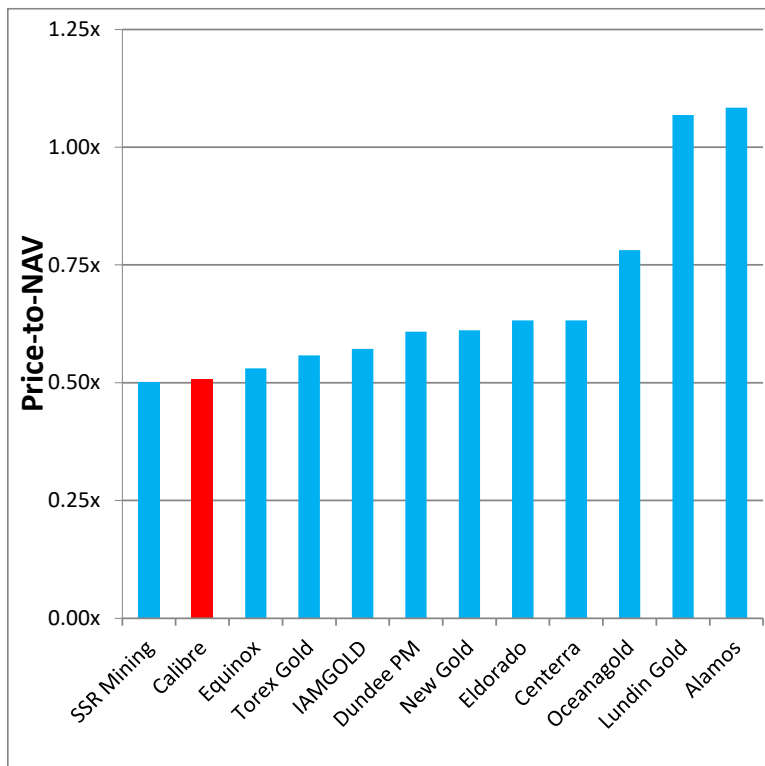
On a forward-looking P/CF multiple analysis basis, we forecast Calibre could achieve average annual CFPS of \$0.36/sh in the first two years of operation including Valentine Lake (2026-2027). Discounting back to this year (at 15%pa) and applying our target multiple of 8.0x P/CF to this estimate, which is towards the middle our 5.0x-15.0x target range for mid-tier gold producers, suggests a fair value of C\$3.30/sh. Using a 50/50 blend of fair values generated by NAV and CF analysis, generates our 12-month target price of C\$3.25 per CXB share.

**Fig3 Asset Location Map: Calibre Mining**


Source: Company reports

**Fig4 El Limon Property: Calibre Mining**


Source: Company reports

**Fig5 Mid-Tier Gold Producer Comps**


Source: Company reports

## Appendix: Summary Financials

<b>Calibre Mining</b>	<b>Symbol</b> CXB-T	<b>Last Share Price</b> \$1.39	<b>Beacon Securities Limited</b>
<b>Stock Rating</b> BUY		<b>Shares Outstanding</b> 714.1	
<b>Price Target</b> \$3.25		<b>Market Cap' n (C\$MM)</b> 993	
<b>Michael Curran, CFA (416) 507-3950</b>			

All US\$ unless noted For Fiscal Year Ended Dec 31

INCOME STATEMENT		FY22	FY23e	FY24e	FY25e
Revenues	\$MM	403.1	557.8	555.9	734.5
Operating Costs	\$MM	251.7	309.4	309.2	386.0
EBITDA	\$MM	127.5	229.0	229.2	331.0
DD&A	\$MM	47.7	79.8	66.5	105.5
EBIT	\$MM	79.8	149.1	162.7	225.5
Interest Expense	\$MM	1.5	3.3	1.0	16.8
EBT	\$MM	90.0	153.8	166.7	213.7
Non-Recurring Items/Other	\$MM	11.7	8.0	5.0	5.0
Taxes/Recovery	\$MM	34.9	53.8	53.3	64.1
Net Income (operating)	\$MM	46.0	96.5	113.4	149.6
Shares o/s	\$MM	444.8	450.0	700.0	720.0
EPS (adjusted)	\$/sh	\$0.10	\$0.21	\$0.16	\$0.21
<b>P/E Multiple</b>	<b>x</b>	<b>10.3x</b>	<b>4.8x</b>	<b>6.6x</b>	<b>5.1x</b>
Cash Flow (adjusted)	\$MM	103.7	184.4	190.5	274.3
CFPS	\$/sh	\$0.23	\$0.41	\$0.27	\$0.38
<b>P/CF Multiple</b>	<b>x</b>	<b>4.6x</b>	<b>2.5x</b>	<b>3.9x</b>	<b>2.8x</b>
SCFP		FY22	FY23e	FY24e	FY25e

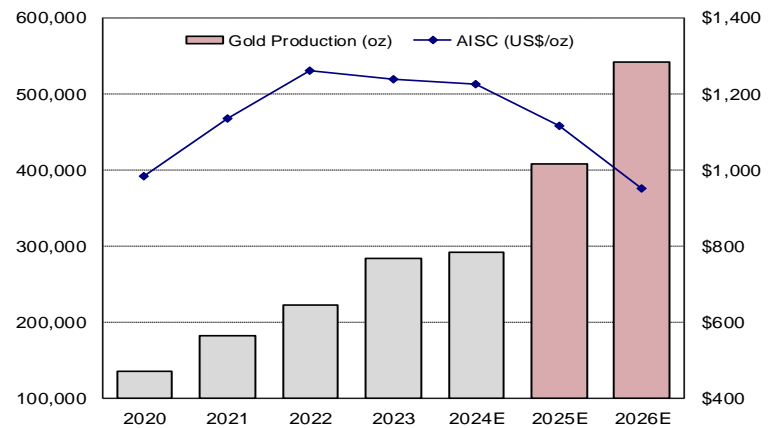
Cash Flows from Operations		FY22	FY23e	FY24e	FY25e
Net Income	\$MM	43.4	92.0	108.4	144.6
DD&A	\$MM	47.7	79.8	66.5	105.5
Deferred Taxes	\$MM	9.9	8.1	10.7	19.2
Non Recurring/Other	\$MM	7.8	4.5	5.0	5.0
Working Cap. Changes	\$MM	(12.2)	-	-	-
<b>Net Operating Cash Flow</b>		<b>96.7</b>	<b>184.4</b>	<b>190.5</b>	<b>274.3</b>
Cash Flows From Investing		FY22	FY23e	FY24e	FY25e
Capital Expenditure (net)	\$MM	(146.2)	(130.0)	(268.7)	(218.5)
Acquis./Investments	\$MM	-	-	-	-
Other	\$MM	12.5	-	-	-
<b>Net Investing Cash Flow</b>		<b>(133.7)</b>	<b>(130.0)</b>	<b>(268.7)</b>	<b>(218.5)</b>
Cash Flows From Financing		FY22	FY23e	FY24e	FY25e
Equity Issues (net of costs)	\$MM	6.2	7.0	10.0	10.0
Net Borrowings	\$MM	12.2	5.5	220.0	-
Dividends Paid & Other	\$MM	(3.4)	-	-	-
<b>Net Financing Cash Flow</b>		<b>15.1</b>	<b>12.5</b>	<b>230.0</b>	<b>10.0</b>
Net Inc/Dec (incl FX)	\$MM	(22.0)	66.9	151.8	65.9
Cash at End of Year	\$MM	56.5	123.4	275.2	341.1

BALANCE SHEET		FY22	FY23e	FY24e	FY25e
Cash & Equivalents	\$MM	56.5	123.4	275.2	341.1
Total Current Assets	\$MM	175.0	241.9	393.7	459.6
PP&E & Mining Interests	\$MM	477.2	531.0	738.9	866.0
Other	\$MM	12.1	12.1	12.1	12.1
<b>Total Assets</b>	<b>\$MM</b>	<b>664.3</b>	<b>785.0</b>	<b>1,144.7</b>	<b>1,337.7</b>
Current Liabilities	\$MM	66.6	66.6	66.6	66.6
Long Term Debt	\$MM	8.1	13.6	233.6	233.6
Other Long Term Liabilities	\$MM	64.8	72.8	83.5	102.7
<b>Total Liabilities</b>	<b>\$MM</b>	<b>213.5</b>	<b>235.1</b>	<b>476.5</b>	<b>514.9</b>
S/Holder Equity	\$MM	450.8	549.8	668.2	822.8
<b>Total Liab. &amp; S/Holder Equity</b>	<b>\$MM</b>	<b>664.3</b>	<b>785.0</b>	<b>1,144.6</b>	<b>1,337.7</b>
Working Capital	\$MM	108.5	175.4	327.2	393.0

RATIO ANALYSIS		FY22	FY23e	FY24e	FY25e
Dividend Paid	US\$/sh	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%
LTD/(Total Cap)	%	1.8%	2.4%	25.9%	22.1%
EV / EBITDA		0.5x	0.5x	0.3x	0.3x

PRICES/EXCHANGE RATES		FY22	FY23e	FY24e	FY25e
Spot Gold Price	US\$/oz	1,808	1,943	1,900	1,800
Realized Gold Price	US\$/oz	1,808	1,943	1,900	1,800
US\$:C\$ exchange		1.30	1.35	1.30	1.30

MINE/EQUITY PRODUCTION		FY22	FY23e	FY24e	FY25e
Gold Production	oz	221,998	283,495	292,591	408,062
Total Cash Costs	US\$/oz	1,131	1,063	1,057	946
All-in Sustaining Costs	US\$/oz	1,260	1,238	1,226	1,116



RESERVES / RESOURCES			
Gold Reserves	MMoz	4.0	
AMC/oz	US\$/oz	191	
Total Gold Resources	MMoz	12.6	
AMC/oz	US\$/oz	57	

AMC = Market Cap + LTD - Working Capital  
 Total Resources = measured, indicated, and inferred

NET ASSET VALUE (NAV) - 2024E						
	Discount	Status	Own'ship	C\$MM	C\$/Sh	%NAV
Nicaragua	5%	mine	100%	\$2,069	2.56	63%
Newfoundland	5%	const.	100%	\$1,041	1.29	32%
Nevada	5-7%	mine/devo	100%	\$87	0.11	3%
<b>Operating NAV</b>				<b>\$3,196</b>	<b>\$3.95</b>	<b>97%</b>
Working Capital				\$115	\$0.14	3%
LT Debt				(\$30)	(\$0.04)	-1%
<b>NAV</b>				<b>\$3,281</b>	<b>\$4.05</b>	
<b>Current P/NAV</b>					<b>0.3x</b>	

Source: Company reports, Beacon Securities estimates

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As at December 31, 2023	# Stocks	Distribution
Buy	69	73%
Speculative BUY	18	19%
Hold	1	1%
Sell	1	1%
Under Review	6	6%
Tender	0	0%
<b>Total</b>	<b>95</b>	<b>100%</b>

Buy Total 12-month return expected to be >15%  
 Speculative Buy Potential total 12-month return is high (>15%) but given elevated risk, investment could result in a material loss  
 Hold Total 12-month return expected to be between 0% and 15%  
 Sell Total 12-month return expected to be negative  
 Under Review No current rating/target  
 Tender Clients are advised to tender their shares to takeover bid or similar offer

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