



*(An Exploration Stage Company)*

**FORM 51-102F1:  
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Three and Six Months Ended June 30, 2012**  
(Expressed in Canadian Dollars)

# Calibre Mining Corp.

(An Exploration Stage Company)

## Form 51-102F1: Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2012

(Expressed in Canadian Dollars)



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### Introduction and Date

This Interim Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Calibre Mining Corp. ("Calibre" or the "Company") and compares its financial results for the three and six months ended June 30, 2012 to prior periods. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2012 and 2011 and the audited consolidated financial statements (the "Financial Statements") for the years ended December 31, 2011 and 2010.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars (unless otherwise indicated). Additional information relating to the Company, including the most recent Company filings, can be located on the Company's website, [www.calibremining.com](http://www.calibremining.com), or on the SEDAR website, [www.sedar.com](http://www.sedar.com).

This MD&A reflects information available as at August 22, 2012.

<p>This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.</p>
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### Business Overview and Overall Performance

#### Business overview

The Company is incorporated under the laws of British Columbia, Canada and maintains its corporate head office in Vancouver, British Columbia, Canada. The Company engages principally in the acquisition, advancement and development of precious and base metal assets and mineral properties presently in Nicaragua and Canada. The Company's common shares are listed in Canada on the TSX Venture Exchange under the trading symbol CXB.

The Company is currently focusing on the exploration of a commanding and strategic land position in a highly prospective, but underexplored region of the historic "Mining Triangle" in northeast Nicaragua, named the Borosi Concessions. The Borosi Concessions are named for the three historical producing regions of Bonanza, Rosita, and Siuna. The area is highly prospective for gold, silver and copper mineralization.

As discussed in the notes to the Financial Statements, the recovery of the Company's investment in resource properties and the attainment of profitable operations are dependent upon the discovery and development of economic precious and base metal reserves and the ability to arrange sufficient financing to bring these reserves into production. The ultimate outcome of these matters cannot presently be determined.

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### Overall performance

During the three months ended June 30, 2012, the Company recorded a net loss of \$536,553 or \$0.00 per share, as compared to a net loss of \$598,235 or \$0.00 per share for the same period in 2011.

As at June 30, 2012, the Company had total assets of \$17,419,155 compared to \$12,254,374 as at December 31, 2011. The significant majority of these assets for both periods are the carrying values of the Company's cash and cash equivalents and its exploration and evaluation assets.

As at June 30, 2012, the Company had working capital of \$5,580,753 compared to working capital of \$1,836,742 as at December 31, 2011. The Company's working capital as at June 30, 2012 includes cash and cash equivalents of \$5,367,880 (December 31, 2011 - \$1,944,574). The increase in cash and cash equivalents is attributed to the closing of a non-brokered private placement with B2Gold Corp. for gross proceeds of \$5,000,000 within the three months ended June 30, 2012. The private placement consisted of the Company issuing 20 million units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles B2Gold to acquire an additional common share at an exercise price of \$0.50 until May 2, 2013.

As at June 30, 2012, the total carrying value of the Company's exploration and evaluation assets was \$11,410,160 compared to \$9,739,305 as at December 31, 2011. The net increase reflects the Company's expenditures on the Borosi Project, net of recovery on expenditures pursuant to the Company's joint venture agreements with B2Gold Corp. and Alder Resources Ltd. (discussed below).

During the three months ended June 30, 2012, through to the date of this report, the Company carried out the following exploration activities:

### Borosi, Nicaragua, Central America

On July 21, 2009, the Company acquired a 100% equity interest in CXB Nicaragua, S.A. ("CXB Nicaragua") (formerly Yamana Nicaragua, S.A.) from Yamana Gold Inc. CXB Nicaragua owns a 100% interest in the Borosi Gold – Copper Project ("Borosi Project"), located in the North Atlantic Autonomous Region of Nicaragua, Central America, approximately 275 kilometres northeast of Managua, Nicaragua.

In consideration, the Company issued 12 million common shares with a total fair value of \$2.16 million and paid \$4.42 million in cash. In addition, if within five years from closing, and upon the Company incurring cumulative exploration expenditures aggregating at least \$5 million, and upon completion and acceptance of a National Instrument ("NI") 43-101 Measured and Indicated resource within the originally acquired Borosi Project boundary, the Company will pay a bonus of \$5.00 per gold equivalent ounce, to a maximum total payment of \$3.5 million (700,000 gold equivalent ounces) ("Bonus Payment"). This Bonus Payment will be payable in cash or common shares, at the sole option of the Company. The Company also issued 5 million warrants exercisable at \$0.50 per share, and 5 million warrants exercisable at \$1.00 per share (collectively the "Bonus Warrants"). The Bonus Warrants expire on July 21, 2014 and are only exercisable if the Company delineates at least 2.5 million NI 43-101 compliant ounces of gold equivalent in Measured and Indicated resource categories.

During the three months ended June 30, 2012, the Company amended the original share purchase agreement with Yamana Gold Inc. As a result, the Company is no longer required to pay the Bonus Payment and in return, the Company has amended the terms of the Bonus Warrants, such that all 10 million outstanding Bonus Warrants shall be immediately exercisable and are now re-priced to \$0.25 per share.

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On July 21, 2009, Calibre and B2Gold Corp ("B2Gold"), executed an option agreement whereby B2Gold is entitled to acquire a 51% interest in the Borosi Property by expending \$8 million on exploration and other work by July 1, 2012; of which C\$2.5 million must be expended by July 1, 2010 (completed by B2Gold). Pursuant to an amendment to this agreement, the Company and B2Gold have agreed to extend the first year expenditure commitment to October 1, 2010. B2Gold has the option to acquire an additional 14% interest in a Designated Project Area ("Project Area") as defined and agreed upon by both parties, within the Borosi Project Boundary, for a total 65% Project Area interest by completing a preliminary feasibility study on that Designated Project. Calibre will be the operator of the work program in the first year of the agreement, with B2Gold having an option to assume operatorship afterwards. Upon B2Gold earning an interest in the project, the Company and B2Gold will be responsible for the pro rata share of expenditures and the Bonus Payment, if any, going forward.

In October 2010, the Company entered into an amendment to the above agreement with B2Gold, whereby the area of interest covering the Borosi option agreement will be reduced from 710 square kilometres to 322 square kilometres, covering highly prospective grass roots gold prospects in the Rosita and Eastern Epithermal Districts. As a result, the Company has secured a 100% interest in the past producing La Luz Gold Mine and Rosita Copper-Gold Mine, the high grade gold and silver Riscos de Oro project, the newly discovered extension of the La Luna gold vein system, and the on-strike extensions of the Bonanza Group of Gold Mines. Concession areas that will remain under the option agreement will be subject to B2Gold earning a 51% interest in by completing \$8 million in expenditures over an amended 5 year term. B2Gold may elect to carry an individual prospect within the amended concession area through to a Preliminary Economic Assessment for an additional 14% interest in the prospect.

As at June 30, 2012, \$218,984 (December 31, 2011 - \$180,674) of the above amount was included in accounts receivable.

In addition to the above, during the year ended December 31, 2011, the Company entered into an option agreement with Alder Resources Ltd. ("Alder"), whereby Alder can earn a 65% interest in the 3,356 hectare Rosita D concession located within the Company's 100%-owned Borosi concessions in northeast Nicaragua. Under the terms of the option agreement, Alder can earn a 65% interest in the Rosita D concession by expending a total of \$4.0 million on exploration and other work on the concession and by issuing to the Company a total of 1,000,000 common shares of Alder over a 4 year period (of which 200,000 shares of Alder has been received by the Company). Alder will be acting as the project operator for all work conducted on the concession during the option period, with the first year exploration commitment being \$500,000. Upon Alder earning a 65% interest in the Property a joint venture will be formed with the Company and Alder being responsible for their pro-rata share of all subsequent project expenditures.

### Highlights from the Company's Exploration Activities to Date:

#### ➤ *Primavera Gold-Copper Discovery – Under Option with B2Gold*

The Primavera porphyry gold-copper discovery is located 7 km south of the historic Santa Rita copper-gold skarn mine in the Borosi Concessions of Northeast Nicaragua. The prospect is subject to the option agreement with B2Gold Corp. (as described above).

Since 2011, the Company has been systematically exploring the Primavera area including surveying and mapping, reconnaissance rock sampling, soil sampling, trenching and diamond drilling. The assay results from the initial 667.85 metre, three-hole, diamond drill program confirmed the presence of wide spread gold and copper values. The area of interest covers a gold-copper soil anomaly of over 800 metres in length by 300 metres wide. The results received are consistent with "porphyry style" mineralization within volcanic and intrusive rocks. Effective January 2012, B2Gold assumed the role of operator on this project.

During the six months ended June 30, 2012, B2Gold and the Company completed and announced the results of the Phase I drilling program at Primavera. The initial program totalled 3,938m of diamond drilling over 13 drill holes. Highlights from the initial program included 276.80 metres grading 0.50 grams per tonne (g/t) gold and 2146 parts per million ("ppm") copper (PR11-001); 261.70m grading 0.78 g/t gold and 2966 ppm copper (PR11-002); 172.35m at 0.48 g/t gold and 2401 copper (PR-12-008) and 159.53m at 0.46 g/t gold and 2008 ppm copper (PR12-011).

In addition to diamond drilling, exploration work continues with on-going regional soil sampling and mapping, which has generated additional targets that will require further detailed follow up. Numerous occurrences of skarn and hornfels alteration and gold-copper mineralization associated with intermediate intrusive rock indicate potential for other porphyry targets existing elsewhere on the property. It is expected that trenching will be executed in these areas. The largest of these occurrences found to date lies immediately adjacent and to the west of the Primavera main zone itself at Copper Hill and is comprised of an andesitic volcanic sequence intercalated with strongly altered (hornfelsed) sediments cut by copper-gold bearing quartz veins. The copper-gold anomaly that includes both Primavera and Copper Hill covers an area over 900m long and 600m wide. The Copper Hill Zone lies within the Primavera hanging wall along a north-north-east trending fault intersected in the Phase I drilling program. None of the drilling to date has tested this hanging wall for the faulted portion of the porphyry mineralization.

During June 2012, a 10,000m Phase II drilling program at Primavera began. This second program will concentrate on expansion of the main Primavera zone, additional drilling along the northeast trending vein zone to the south of Primavera, and test for the offset porphyry mineralization at Copper Hill and the intervening covered area in-between Primavera and Copper Hill itself. Also, several drill holes will be located peripheral to the main porphyry discovery where anomalous soil samples were not investigated in the first phase of drilling. Several drill holes have been located to test the extent and continuity of the vein style mineralization cut in hole PR-12-010 south of Primavera. The vein itself is approximately 13m wide (apparent width) and contained abundant chalcopyrite and other base metal mineralization. The soil and rock chip anomaly associated with the vein zone extends for just over 900m.

Commensurate with the drilling, an aggressive exploration effort including a Lidar topographic survey, air-magnetic and IP surveys, as well as regional soil sampling are currently in progress and under review.

➤ *Riscos de Oro Project – 100% Calibre Owned (not currently under any option agreement)*

The 100% Calibre owned Riscos de Oro ("Riscos") project is located 20 km northeast of the historic mining town of Rosita. Riscos is a southwest trending, low sulphidation epithermal gold-quartz vein system. The project is the site of a small scale open pit and underground mine in the 1970's which is reported to have produced 40,826 ounces of gold and 2,567,808 ounces of silver (Lehman, 1981).

Since 2010 to the present, Calibre continues to explore its 100% owned Riscos epithermal gold-silver project within the Borosi Concessions. In total, the Company has completed over 9,427m of diamond drilling over 37 holes. The programs have been successful in expanding and further defining high-grade gold-silver mineralization at Riscos de Oro. Drilling highlights include 8.53m of 4.23 g/t gold and 384.86 g/t silver (RD10-009); 10.60m of 7.69 g/t gold and 211.87 g/t silver (RD11-012); and 7.10m of 2.72 g/t gold and 287.65 g/t silver (RD11-016).

The drilling programs have successfully outlined a continuously mineralized gold-silver zone 725m long and to a depth of 300 metres. The mineralized zone consists of one to three closely spaced sub-parallel vein structures each averaging between three to six metres in width.

The Company has also completed a regional soil survey program at Riscos that included over 1,500 soil samples that defined anomalous gold values over a 3 km strike length in the vicinity of the Riscos deposit. Additional soil sampling has extended the gold-in-soil anomaly for a further 4 km for an overall strike length of 7km towards the southwest where historic sampling of a trench in the El Paraiso-Murcielago area returned 3m grading 12.43 g/t gold and 93.0 g/t silver. The majority of the 7 km long Riscos gold-silver trend remains untested by diamond drilling.

The Company is currently compiling the drilling and exploration data in order to complete a detailed and upgraded geological and structural interpretation for the Riscos gold-silver project.

➤ *Minnesota Gold-Copper Project – Under Option with B2Gold*

The Minnesota gold-copper project is located 20km northwest of the Primavera gold-copper project (discussed above). The Minnesota area was selected as a high priority target during regional evaluation of the entire Borosi joint venture area. The prospect is subject to the option agreement with B2Gold Corp. (as described above).

Exploration work to date includes soil sampling, rock sampling, over 339m of face sampling of artisanal workings, detailed geologic mapping and reconnaissance geologic mapping.

The work outlined porphyry-style alteration and mineralization delineated over 1.75 km by 1.25 km area with an associated central gold and copper soil anomaly measuring 500m by 250m. The area is also variably anomalous in Mo, Pb, and Zn. A second gold in soil anomaly located 500m to the north-east measures 750m by 250m and has returned initial trench results of 8m grading 6.35 g/t gold and 6.40m grading 5.56 g/t gold. Surface rock samples at the Minnesota target have returned results up to 34.2 g/t gold, 90.4 g/t silver and 0.261% copper. The target consists of a favourable multi-phase intrusive centre with peripheral epithermal vein sets and widespread alteration. Numerous small-scale artisanal gold miners are active in the Minnesota region.

Recent trench assay results include 6.4m grading 5.56 g/t gold (BRTR11-044); 8m grading 6.35 g/t gold (BRTR11-047); 12.8m grading 1.27 g/t gold (BRTR11-057); 6m grading 2.12 g/t gold (BTR11-054); and 4.65m grading 1.51 g/t gold (BRTR11-053). These initial trenches were excavated over a 900m strike length within the Minnesota gold-copper project area.

B2Gold and Calibre continue to plan the next phase of exploration at this high priority target which will include detailed mapping focusing on delineating intrusive centres and alteration as well as additional trenching over areas with newly defined gold-copper soil anomalies.

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### ➤ Inferred Resource – 100% Calibre Owned (not currently under any option agreement)

In February 2011, the Company announced that Wardrop, a Tetra Tech Company (“Wardrop”) completed a review at the 100% owned Cerro Aeropuerto and La Luna deposits and estimated a National Instrument 43-101 (“NI 43-101”) compliant, inferred resource totalling 835,450 ounces of gold and 4,288,070 ounces of silver (903,000 ounces of gold equivalent).

#### Calibre Mining Corp. Global Inferred Resource (using a 0.6 g/t AuEq<sup>1,3</sup> cut-off grade)<sup>2</sup>

Deposit	Tonnes and Grade				Total Contained Metal				
	Tonnes	Gold (g/t)	Silver (g/t)	Au Eq <sup>1</sup> (g/t)	Gold (grams)	Silver (grams)	Gold (ounces)	Silver (ounces)	Au Eq <sup>1</sup> (ounces)
Cerro Aeropuerto	6,052,000	3.64	16.16	3.89	22,013,480	97,804,750	707,750	3,144,500	757,000
La Luna	2,539,000	1.56	14.01	1.78	3,972,160	35,568,870	127,700	1,143,570	146,000
							<b>835,450</b>	<b>4,288,070</b>	<b>903,000</b>

1 Au Eq cutoff equivalent calculated using Wardrop's estimated gold price of US\$1058/oz and silver price of US\$16.57 per ounce.

2 Mineral resources that are not mineral reserves do not have economic viability

3 Metallurgical recoveries and net smelter returns are assumed to be 100%

### ➤ Rosita D Concession – Option Agreement with Alder

The Rosita D concession is located within Calibre's 100% owned Borosi concessions. The project is located 7 km north of the Primavera project. The concession is 3,356 hectares and located within the concession is the historic Santa Rita open pit copper-gold mine and the Bambana copper-gold prospect. The concession is subject to the terms of a joint venture agreement with Alder (discussed above). Alder is acting as operator on the project.

The Rosita D concession hosted historic open pit production of 5.9 million tons at 2.06% copper and 0.925 g/t gold. The concession under option consists of an area of 3,356 hectares and is located 275 kilometres northeast of Managua. The historic open pit Santa Rita copper-gold mine boasts total historic production from the mine estimated at 305 million pounds of copper, 177,737 ounces of gold and 2,629,720 ounces of silver from 5,924,572 tons of ore. The mine closed in 1975 due to low copper prices. Recent work carried out by Calibre returned trench intercepts of 1.06 g/t gold, 0.96% copper and 9.33 g/t silver over 12.0 metres and 3.26% copper, 55.82 g/t silver and 0.15 g/t gold over 8.30 metres. The Bambana project area is located four kilometres northwest of the Santa Rita open pit. In 2010, Calibre completed three drill holes that returned intercepts of up to 0.43% copper over 42 metres and 0.51% copper and 0.25 g/t gold over 11.50 metres.

Exploration to date (from late 2011 to present) has included rock and soil sampling, trenching, and both reverse circulation and diamond drilling. The focus to date has been targeted at stockpile material at the historic Santa Rita open pit and other areas of interest, including investigation and trenching at the Bambana area.

On May 9, 2012, Alder announced the results of an independent NI 43-101 compliant inferred resource estimate for the stockpiles at Rosita. The resource estimate totals 108.5 million pounds of copper, 118,500 ounces of gold and 2.35 million ounces of silver contained within 7.95 million tonnes. The resource is based on a cut-off of 0.15% copper equivalent and averages 0.62% copper, 0.46 g/t gold, and 9.21 g/t silver, for a 1.01% copper equivalent. The results were compiled by consulting firm Coffey Mining Pty. Ltd. and were based on 17 vertical channel samples and 55 reverse circulation drill holes completed by Alder over the stockpiles during the late 2011 and the first quarter of 2012.

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### Point Leamington, Newfoundland, Canada

The Company continues to own and keep in good standing a 100% interest in the Point Leamington mining lease in Newfoundland, Canada, originally acquired in 2004. The mining lease is subject to a 2% net smelter return royalty, which is held by a third party. The Company has no plans for further exploration or evaluation at Point Leamington and intends to focus entirely on its project in Nicaragua.

### Market trends

The price of our common shares, and the consolidated financial results and exploration, development and other activities of the Company, may in the future be significantly and adversely affected by declines in the prices of gold and other metals or minerals. The Company's business is directly impacted on the prices of gold, silver, copper, and other metals being adequate to continue to develop and explore the properties in which it has an interest. For example, the price of gold has been increasing for more than five years. The following table highlights the average price of gold in each of the last five calendar years:

<b>Average Prices for the Period Shown</b>	
	<b>Gold (US\$/per oz.)<sup>1</sup></b>
Year Ended December 31, 2011	\$1,572
Year Ended December 31, 2010	\$1,225
Year Ended December 31, 2009	\$972
Year Ended December 31, 2008	\$872
Year Ended December 31, 2007	\$695

<sup>1</sup> Estimates of average gold prices were obtained from information posted on [www.kitco.com](http://www.kitco.com).

In addition, the Company incurs costs in Canadian and U.S. dollars and the Nicaraguan Cordoba in exchange rates could result in additional operational costs to the Company. Over the past few years, the Canadian dollar has strengthened against the U.S. dollar and Nicaraguan Cordoba. Significant fluctuations in foreign exchanges rates in countries where the Company operates are difficult to predict and could have a significant variance on the operations of the Company. The following table denotes the average market value of CDN \$1 against the US and Nicaraguan currencies for each of the periods presented:

	<b>Average Prices for the Period Shown<sup>3</sup></b>	
	<b>US Dollar</b>	<b>Nicaraguan Cordoba</b>
Year Ended December 31, 2011	\$1.0115	C\$22.3100
Year Ended December 31, 2010	\$0.9686	C\$20.3581
Year Ended December 31, 2009	\$0.8798	C\$17.3520
Year Ended December 31, 2008	\$0.9435	C\$17.9763
Year Ended December 31, 2007	\$0.9352	C\$16.8172

<sup>3</sup> Estimates of average foreign exchange rates for the US Dollar and Nicaraguan Cordoba were obtained from information posted on [www.oanda.com](http://www.oanda.com).

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### Segmented information

The Company currently operates in one reportable operating segment, being the acquisition, exploration, and development of natural resource properties, which is conducted principally in Canada and Nicaragua. The Company is in the exploration stage and, accordingly, has no reportable segment revenues for any of the periods presented in the Company's Financial Statements. For further information regarding geographical data including assets based on location, please refer to Note 11 of the unaudited interim consolidated financial statements for the three and six months ended June 30, 2012 and Note 14 of audited consolidated financial statements for the years ended December 31, 2011 and 2010.

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### **Selected Annual Information**

Not applicable for interim management discussion and analysis.

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### **Results of Operations**

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended June 30, 2012 and 2011:

#### Three Months Ended June 30, 2012 compared to Three Months Ended June 30, 2011

The Company's general and administrative costs were slightly lower in 2012, totalling \$525,676 compared to \$574,606 in 2011. The key factors contributing to these expenses are as follows:

- Consulting fees remained consistent in 2012 at \$53,000 compared to \$58,385 in 2011. In October 2011, the Company engaged Featherstone Capital Inc. for corporate development and advisory services.
- Office and rent expenses decreased to \$30,993 in 2012 from \$42,296 in 2011. The costs for each of the periods reflect the Company's rental premises in Canada and associated office supplies, postage and printing costs incurred. The decrease is a result of the Company entering into a new cost-efficient office lease which commenced rental payments in October 2011. The Company completed the old lease on June 30, 2011.
- Salaries and wages decreased in 2012 to \$50,647 from \$333,177 in 2011. The amount in 2011 includes severance payments to the Company's former CEO and President.
- Stock-based compensation was \$299,831 in 2012 compared to \$71,575 in 2011. The fair value of the options expensed was estimated at the date of grant using the Black-Scholes option pricing model (the assumptions used for the fair value calculation are discussed in the Financial Statements). During the six months ended June 30, 2012, the Company issued a number of options to employees, directors and consultants of the Company, a portion of which vested immediately, and this resulted in an increase in 2012 stock based compensation expense.

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- During the three months ended June 30, 2012, marketing, trade shows and conferences increased to \$34,347 from \$25,893 in 2011. For the 2012 period, the Company looked to increase its marketing efforts through more extensive use of social media, advertising publications, third party website platforms, trade shows and investor and shareholder presentations.

The Company's other losses decreased for the three months ended June 30, 2012, totalling a loss of \$10,877 compared to a loss of \$23,629 for 2011. The majority of the other losses is attributed to foreign exchange loss. The operations of the Company are impacted by the fluctuations in the US Dollar and Nicaraguan Cordoba against the Canadian dollar. Significant fluctuations in foreign exchange rates in countries where the Company operates are difficult to predict and could have a significant variance on the Company's future operations. In addition, during the three months ended June 30, 2012, the Company's higher bank balance resulted in increased interest income in the period compared to the prior period.

### Summary of Quarterly Results

The following information is derived from the Company's unaudited quarterly consolidated financial statements or results for the past eight quarters.

	June 2012	March 2012	December 2011	September 2011
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Loss before discontinued operations and extraordinary items	\$536,553	\$1,157,570	\$1,561,370	\$250,153
Basic and diluted loss per share before discontinued operations and extraordinary items	\$0.00	\$0.01	\$0.01	\$0.00
Net loss for the period	\$536,553	\$1,157,570	\$1,561,370	\$250,153
Basic and diluted loss per share for the period	\$0.00	\$0.01	\$0.01	\$0.00

  

	June 2011	March 2011	December 2010	September 2010
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Loss before discontinued operations and extraordinary items	\$598,235	\$456,936	\$481,978	\$447,650
Basic and diluted loss per share before discontinued operations and extraordinary items	\$0.00	\$0.00	\$0.00	\$0.00
Net loss for the period	\$598,235	\$456,936	\$481,978	\$447,650
Basic and diluted loss per share for the period	\$0.00	\$0.00	\$0.00	\$0.00

The variation seen over the above quarters is primarily dependent upon the success of the Company's on-going property evaluations and acquisition program and the timing and results of the Company's exploration activities on its current properties, none of which is possible to predict with any accuracy.

The Company will continue to incur losses until such time as the commercial development of a discovery or an acquisition results in positive earnings. The above losses are also impacted by the amount of stock options granted in any given period which can give rise to significant stock-based compensation expenses.

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During the three months ended March 31, 2012, the Company included \$790,776 of stock based compensation related to options granted to employees, directors, and consultants of the Company.

During the three months ended December 31, 2011, the Company included a write off of the Point Leamington, Newfoundland exploration and evaluation costs totalling \$1,271,933 as a result of focusing on its Borosi Project concessions in Nicaragua.

During the three months ended June 30, 2011, the Company paid severance payments to a former director and officer of the Company totalling \$217,809.

During the three months ended December 31, 2009, the Company hired additional personnel and increased overall operational activity as a result of the acquisition of the Borosi Project in Nicaragua. The Company also wrote off additional claims not being pursued at Point Leamington.

The three months ended March 31, 2009 includes a write off related to management's decision not to renew certain claims at Point Leamington and the Company's disposal of its interest in the Trundle property.

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### **Liquidity**

The Company currently has no operating revenues other than interest income and relies primarily on equity financing as well as the exercise of warrants and options to fund its exploration and administrative costs. This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its properties.

Other than those obligations disclosed in the notes to its Financial Statements and discussed in this MD&A, the Company has no other long-term debt, capital lease obligations, operating leases or any other long-term obligations.

As at June 30, 2012, the Company had working capital of \$5,580,753 compared to working capital of \$1,836,742 as at December 31, 2011. The Company's working capital as at June 30, 2012 includes cash and cash equivalents of \$5,367,880 (December 31, 2011 - \$1,944,574). The increase in cash and cash equivalents is attributed to the closing of a non-brokered private placement with B2Gold Corp. for gross proceeds of \$5,000,000 within the three months ended June 30, 2012. The private placement consisted of the Company issuing 20 million units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles B2Gold to acquire an additional common share at an exercise price of \$0.50 until May 2, 2013.

The ability of the Company to carry out its planned business objectives is dependent on the ability to raise adequate financing from lenders, shareholders, and other investors, by generating operating profitability and positive cash flow, and/or by optioning its mineral properties for cash and/or expenditure commitments. There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or capability to achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. The financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. Such adjustments may be material.

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The Company's cash and cash equivalents is invested in business accounts with a major Canadian financial institution, and is available on demand for the Company's programs, and are not held in any asset backed commercial paper investments.

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### Capital Resources

Historically, the Company's only source of funding has been the issuance of equity securities for cash. The Company has issued common share capital the past few years, pursuant to private placement financings, and the exercise of warrants and options. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to significant equity funding. The Company's ability to raise additional funds may be impacted by future exploration results and changes in metal prices or market conditions. Management believes it will be able to raise equity capital as required in the long term, but recognize there will be risks involved that may be beyond their control. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners were appropriate and maintenance of existing capital by means of cost saving measures. The Company has no outstanding debt facility upon which to draw.

On May 2, 2012, the Company closed a non-brokered private placement with B2Gold Corp. for gross proceeds of \$5,000,000. The private placement consisted of the Company issuing 20,000,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles B2Gold to acquire an additional common share at an exercise price of \$0.50 per share until May 2, 2013. No finder's fee was paid in connection with this private placement.

As at August 22, 2012, the Company has approximately 36.1 million stock options and warrants outstanding which, if exercised, would bring a further \$11.5 million to the Company's treasury upon exercise.

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### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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### Transactions with Related Parties

a) *Related party expenses and balances*

The following is a summary of the related party transactions that occurred throughout the six months ended June 30, 2012 and 2011:

	2012	2011
Management fees paid to a director of the Company	\$ 30,000	\$ 30,000
Geological fees paid to an officer of the Company	\$ 55,000	\$ -
Corporate advisory fees paid to a company controlled by two directors	\$ 35,000	\$ -

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All of the above transactions were incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

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### b) Key management personnel compensation

Key management of the Company are directors and officers and their remuneration includes the following:

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Short-term benefits <sup>(i)</sup>	\$ 85,417	\$ 225,000
Share-based payments <sup>(ii)</sup>	\$ 1,305,225	\$ -
Termination benefits <sup>(iii)</sup>	\$ -	\$ 217,809

<sup>(i)</sup> Short-term benefits include salaries and wages.

<sup>(ii)</sup> Share-based payments are the fair value of options granted to key management personnel as at the grant date, which is being amortized over the vesting period.

<sup>(iii)</sup> Key management personnel paid termination benefits, or long-term benefits owed during the periods ended June 30, 2011.

### c) Key management commitments

(i) The Company has management employee agreements in place with terms ranging up to three years. The Company may terminate these agreements for any reason (other than by the expiry of the term) with a lump sum payment equal to the key employee's annual compensation. The aggregate annual compensation for senior executive employees of the Company is approximately \$527,083.

(ii) Effective June 1, 2012, the Company engaged Featherstone Capital Inc. to provide corporate development and financial advisory services for a monthly retainer of \$10,000 per month.

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## Fourth Quarter

Not applicable.

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## Proposed Transactions

Although the Company is currently investigating a number of additional property acquisitions as at the date of this MD&A, there are no proposed transactions that the board of directors, or senior management believe that confirmation of the decision by the board is certain.

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## Critical Accounting Estimates

The Company's significant accounting policies are presented in Note 3 of the audited Financial Statements for the year ended December 31, 2011. The preparation of the Financial Statements in accordance with IFRS requires the Company to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

### Impairment of exploration and expenditure assets

The Company is required to review the carrying value of its exploration and evaluation properties for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds their estimated fair value is changed to the statement of loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether it is likely that future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices to potential reserves.

### Resource estimates

The Company estimates its ore mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 "*Standards for Disclosure of Mineral Projects*". Resource estimates may be used in the calculation of depreciation and amortization, impairment assessment, assessment of life of mine stripping ratios and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may, ultimately, result in the resources being restated.

### Stock options and warrant valuations

Stock option and warrant valuation models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted or vested during the period or the fair value of the Company's warrants at their date of issue.

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## Change in Accounting Policies including Initial Adoption

The condensed interim financial statements for the three and six months ended June 30, 2012 should be read together with the Company's annual financial statements for the year ended December 31, 2011. The Company's accounting policies are set out therein, and have been consistently applied to all periods presented in the preparation of the condensed interim financial statements.

a) *Statement of compliance*

The condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

b) *New standards and interpretations not yet adopted*

i) IAS 1, Presentation of Financial Statements ("IAS 1")

IAS 1 has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

ii) IFRS 9, "Financial Instruments"

In November 2009, the IASB issued IFRS 9 which addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income.

Application of IFRS 9 is mandatory for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact that the application of this new standard may have on the presentation of its financial position and results of operations.

iii) Other IFRS pronouncements – not yet in effect

Certain new standards, interpretations, amendments and improvements to existing standards are not yet effective, and have not been applied in preparing the condensed interim financial statements:

- IFRS 7, *Financial Instruments, Disclosures*, requires more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements;
- IFRS 10, *Consolidated Financial Statements*, builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
- IFRS 11, *Joint Arrangements*, establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
- IFRS 12, *Disclosure of Interest in Other Entities*, provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off-balance sheet entities;
- IFRS 13, *Fair Value Measurement*, defines fair value and requires disclosure about fair value, measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards;
- IAS 27, *Separate Financial Statements*, is amended to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements;
- IAS 28, *Investments in Associate and Joint Ventures*, revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associated joint ventures;
- IAS 32, *Financial Instruments, Presentation*, amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

Each standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact that the application of this new standard may have on the presentation of its financial position and results of operations.

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## Financial Instruments and Other Instruments

### Fair Value and Hierarchy

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value is measured within a "fair value hierarchy" which has the following levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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Fair values of assets and liabilities approximate amounts at which these items could be exchanged in transactions between knowledgeable parties. Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The calculation of estimated fair value is based on market conditions at the specific point in time and in the respective geographic locations and may not be reflective of future fair values.

Cash and cash equivalents are recorded at cost and are measured using Level 2. Marketable securities are recorded at fair value and are measured using Level 1. Receivables, deposits and advances and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

### Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full (Note 1). The Company manages liquidity risk through the management of its capital structure, as outlined in Note 3 of these unaudited condensed consolidated interim financial statements. Trade and other payables are due within the current operating period.

### Credit risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company limits exposure to credit risk by maintaining the significant majority of its cash with a large chartered Canadian banking institution. The significant majority of receivables are from B2Gold Corp. and relate to project expenditures in Nicaragua. The remaining credit risk in receivables is considered low by management as they consist primarily of amounts owing from government authorities in relation to the refund of goods and services taxes in Canada applying to inputs for qualified expenditures. The Company does not have financial assets that are invested in asset backed commercial paper.

### Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian dollar and other foreign currencies, especially the United States dollar. The Company monitors commodity prices to determine the appropriate course of action to be taken. However, as the Company has not developed commercial mineral interests, it is not exposed to significant commodity price risk at this time.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises primarily from the interest received on its cash balances. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Based on cash balances held at June 30, 2012, the effect of a one basis point increase or decrease in interest rates on net loss is not considered significant. The Company's other financial assets and liabilities are not subject to interest rate risk, as they do not bear interest.

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### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the Nicaraguan Cordoba ("COR") and the US dollar ("USD"). The Company does not enter into any foreign exchange contracts to mitigate these risks. Based on management's analysis, the effect on these instruments held at June 30, 2012 of a five percent increase or decrease in foreign exchange rates on net loss is not considered significant.

### **Other MD&A Requirements**

Additional information relating to the Company, including the most recent Company filings, can be located on the Company's website at [www.calibremining.com](http://www.calibremining.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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### **Additional Disclosure for Venture Issuers Without Significant Revenue**

For additional disclosures concerning Calibre's general and administrative expenses and a breakdown of the exploration and evaluation assets, please refer to the Company's Financial Statements for the three and six months ended June 30, 2012 that are available on the Company's website at [www.calibremining.com](http://www.calibremining.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company discusses the activities at each of the projects above in *Business Overview and Overall Performance*.

The Company does not have any capitalized or expensed research and development costs or any deferred development costs for the three and six months ended June 30, 2012 and 2011.

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### **Disclosure of Outstanding Share Data**

The following describes the outstanding share data of the Company as at August 22, 2012. For further information and details concerning outstanding share data, options, and warrants, see Note 8 and the Consolidated Statements of Changes in Shareholders' Equity included in the unaudited Financial Statements for the three and six months ended June 30, 2012:

	Number Outstanding
Common shares	187,910,918
Options to purchase common shares	16,105,000
Warrants to purchase common shares	20,000,000

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### **Additional Disclosure for Reporting Issuers with Significant Equity Investees**

Not applicable.



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## **Risk Factors**

The Company's principal activity of mineral exploration is considered to be very high risk. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economic, with some of the most significant risks being:

- Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small;
- The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them;
- Although the Company has taken steps to verify title to the mineral properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects; and
- The Company is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its properties that may cause material liability to the Company.

For further detailed discussions on the various risks associated with the Company's industry, business, and other, please refer to the Company's annual MD&A for the year ended December 31, 2011, which can be located on the Company's website, [www.calibremining.com](http://www.calibremining.com), or on the SEDAR website, [www.sedar.com](http://www.sedar.com).

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## **Internal Controls and Disclosure Controls over Financial Reporting**

On November 23, 2007, the British Columbia Securities Commission in which the Company is registered exempted Venture Issuers from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is now required to file basic certificates, which it has done for the three and six months ended June 30, 2012. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at June 30, 2012.

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