CALIBRE
MINING CORP.
TSX.V-CXB

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

(Expressed in Canadian Dollars)

April 9, 2014

Independent Auditor's Report

To the Shareholders of Calibre Mining Corp.

We have audited the accompanying consolidated financial statements of Calibre Mining Corp. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Calibre Mining Corp. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Calibre Mining Corp.'s ability to continue as a going concern.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Calibre Mining Corp.

(An Exploration Stage Company)
Consolidated Balance Sheets
As at December 31
(Expressed in Canadian Dollars)

	Note		2013		2012
ASSETS					
Current					
Cash and cash equivalents		$	1,111,846	$	3,583,868
Receivables			14,030		100,682
Marketable securities	6		356,000		18,000
Prepaid deposits and advances			49,580		72,208
			1,531,456		3,774,758
Non-current					
Property and equipment	7		321,227		339,223
Exploration and evaluation assets	8		15,208,774		12,791,037
		$	17,061,457	$	16,905,018
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables		$	116,754	$	173,332
Shareholders' equity					
Share capital	9		34,309,042		34,309,042
Contributed surplus			12,409,209		11,934,156
Foreign currency translation reserve			562,886		-
Accumulated other comprehensive income			(80,000)		(24,000)
Accumulated deficit			(30,256,434)		(29,487,512)
			16,944,703		16,731,686
		$	17,061,457	$	16,905,018

Going Concern – Note 1

Commitments – Note 11

On behalf of the Board:

"Douglas B. Forster" ______________________ Director

"Edward Farrauto" ______________________ Director

The accompanying notes are an integral part of these consolidated financial statements.

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For The Years Ended December 31

(Expressed in Canadian Dollars)

	Note	2013	2012
Expenses			
Amortization		$ 11,828	$ 15,502
Audit and accounting fees		61,560	60,105
Bank charges and interest		1,386	2,070
Consulting fees		357,018	270,750
Director fees		5,000	20,000
Insurance		35,579	35,621
Legal fees		24,952	20,174
Marketing		3,945	58,726
Office, postage and printing		23,969	36,526
Rent		92,366	89,302
Salaries and wages		212,305	263,036
Share based compensation	9d)	453,363	1,527,787
Shareholder relations		13,734	10,238
Telephone and utilities		2,980	2,682
Trade shows and conferences		20,806	170,764
Transfer agent and regulatory fees		18,821	18,145
Travel		8,055	6,532
		(1,347,667)	(2,607,960)
Other Income (Expenses)			
Foreign exchange gain (loss)		5,465	(85,546)
Gain (loss) on disposal/write off of exploration and evaluation assets	8b)	591,276	(21,033)
Loss on write down of marketable securities		(38,000)	-
Loss on disposal of property and equipment		-	(4,180)
Interest income		20,004	39,236
		578,745	(71,523)
Loss for the Year		(768,922)	(2,679,483)
<u>Other Comprehensive Loss</u>			
Items that will be reclassified subsequently to profit or loss:			
Unrealized loss on marketable securities		(56,000)	(24,000)
Comprehensive Loss for the Year		$ (824,922)	$ (2,703,483)
Loss per Share - Basic and Diluted		$ (0.00)	$ (0.01)
Weighted Average Shares Outstanding		187,910,918	181,102,434

The accompanying notes are an integral part of these consolidated financial statements.

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Common Shares						
	Number	Amount	Contributed Surplus	Foreign Currency Translation Reserve	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance – December 31, 2011	166,965,918	$ 29,671,974	$ 8,946,195	$ -	$ -	$ (26,808,029)	$ 11,810,140
Issuance of common shares and warrants:							
• on private placement	20,000,000	4,354,086	617,226	-	-	-	4,971,312
• on exercise of options	945,000	282,982	(128,732)	-	-	-	154,250
Warrant amendment (Note 9e))	-	-	753,502	-	-	-	753,502
Stock based compensation	-	-	1,745,965	-	-	-	1,745,965
Other comprehensive income	-	-	-	-	(24,000)	-	(24,000)
Loss for the year	-	-	-	-	-	(2,679,483)	(2,679,483)
Balance – December 31, 2012	187,910,918	34,309,042	11,934,156	-	(24,000)	(29,487,512)	16,731,686
Warrant amendment (Note 9e))	-	-	200,134	-	-	-	200,134
Stock based compensation	-	-	274,919	-	-	-	274,919
Translation adjustment	-	-	-	562,886	-	-	562,886
Other comprehensive income	-	-	-	-	(56,000)	-	(56,000)
Loss for the year	-	-	-	-	-	(768,922)	(768,922)
Balance – December 31, 2013	187,910,918	$ 34,309,042	$ 12,409,209	$ 562,886	$ (80,000)	$ (30,256,434)	$ 16,944,703

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

Years Ended December 31

(Expressed in Canadian Dollars)

	Note	2013	2012
Operating Activities			
Loss for the year		$ (768,922)	$ (2,679,483)
Items not affecting cash:			
Amortization		11,828	15,502
Loss on disposal of equipment		-	4,180
Stock-based compensation		453,363	1,527,787
Unrealized foreign exchange gain		-	85,490
Loss on write-down of marketable securities		38,000	-
(Gain) Loss on disposal/write off of exploration and evaluation assets	8b)	(591,276)	21,033
Interest income		(20,004)	-
Net changes in non-cash working capital:			
Receivables		44,688	(30,216)
Marketable securities		(2,000)	-
Trade and other payables		(22,167)	(20,885)
Prepaid deposits and advances		22,628	31,019
Decrease in Cash and Cash Equivalents from Operating		(833,862)	(1,178,284)
Investing Activities			
Purchases of property and equipment		-	(169,615)
Proceeds on disposal of property and equipment		-	23,470
Proceeds on disposal of exploration and evaluation assets	8b)	250,000	-
Transaction costs on the sale		(88,724)	-
Interest income		20,004	-
Exploration and evaluation expenditures, net of recoveries		(1,819,440)	(2,294,550)
Decrease in Cash and Cash Equivalents from Investing		(1,638,160)	(2,342,594)
Financing Activities			
Proceeds from share issuances - net		-	5,125,562
Increase in Cash and Cash Equivalents from Financing		-	5,125,562
Net (Decrease) Increase in Cash and Cash Equivalents		(2,472,022)	1,639,294
Cash and cash equivalents - Beginning of Year		3,583,868	1,944,574
Cash and cash equivalents - End of Year		$ 1,111,846	$ 3,583,868
Supplemental Disclosure of Non-Cash Financing and Investing Activities			
Fair value of shares received on sale of Point Leamington		$ 430,000	$ -
Reimbursement of exploration and evaluation costs included in accounts receivable		$ -	$ 41,964
Amortization included in exploration and evaluation assets		$ 24,085	$ 21,333
Stock-based compensation included in exploration and evaluation assets		$ 21,690	$ 140,652
Exploration and evaluation costs included in accounts payable		$ 73,955	$ 108,365

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations and Going Concern

Calibre Mining Corp. *(an Exploration Stage Company)* is incorporated under the laws of British Columbia, Canada and maintains its corporate head office at Suite 1620, 1066 West Hastings St., Vancouver, B.C., Canada. The Company's common shares are listed on the TSX Venture Exchange (TSX.V: CXB) in Canada.

The Company engages principally in the acquisition, advancement and development of precious and base metal assets and mineral properties in Nicaragua. 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.

These financial statements have been prepared by the Company on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Several uncertainties and adverse conditions exist which cast significant doubt on the appropriateness of the going concern assumption.

The Company has a history of losses and no operating revenue and reported an accumulated deficit of $30,256,434 as at December 31, 2013 (December 31, 2012 - $29,487,512). The ability of the Company to carry out its planned business objectives is dependent upon management's ability to raise adequate financing from lenders, shareholders, and other investors, realize marketable securities, and/or by optioning its mineral properties for cash and/or expenditure commitments. Subsequent to December 31, 2013, the Company reduced staffing levels, salaries, and consulting fees, in addition, the Company sold certain marketable securities as described in Note 14. There can be no assurances that the Company will be successful in these initiatives. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments may be material.

2. Basis of Preparation and Statement of Compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost method except for available for sale financial assets (marketable securities) which are stated at fair value. The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses, which are further discussed in Note 3. The Board of Directors authorized the issuance of these financial statements on April 8, 2014.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are as follows:

a) *Principles of Consolidation*

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Cybele Resources Inc. ("Cybele"), which was incorporated under the laws of British Columbia in 2005. The financial statements also include the accounts of the Company's wholly owned 100% interest in Yamana Nicaragua Ltd. Yamana Nicaragua Ltd. is a holding company incorporated in 2006, in Belize, which owns 100% of CXB Nicaragua S.A. (formerly known as Yamana Nicaragua S.A. – incorporated in Nicaragua in 2006).

All material intercompany transactions and balances have been eliminated on consolidation.

3. Significant Accounting Policies – *continued*

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

c) Marketable Securities

Investments in entities that are not subsidiaries, joint ventures or associates are designated as available-for-sale investments. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains and losses related to these investments are excluded from net earnings and are included in Accumulated Other Comprehensive Income ("AOCI") until an investment is sold and gains or losses are realized, or there is objective evidence that the investment is impaired. When there is evidence that an investment is impaired, the cumulative loss that was previously recognized in AOCI is reclassified from AOCI to the statement of loss.

d) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset, along with the future costs of dismantling and removing the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items, or major components, of property, plant and equipment. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss or capitalized to exploration and evaluation assets, as appropriate, during the period in which they are incurred.

The major categories of property and equipment are depreciated using the following rates and methods:

Buildings and structures	5% declining balance basis
Furniture and office equipment	20% declining balance basis
Computer equipment and software	30% declining balance basis
Leasehold improvements	straight-line basis over the term of the lease
Vehicles	20% declining balance basis

Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other income (expenses) in the statement of loss.

e) Loss Per Share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The dilutive loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the period.

3. Significant Accounting Policies – *continued*

f) Exploration and Evaluation Assets

Exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. The depreciation of a capital asset in connection with exploring or evaluating a property will be included in the cost of the property. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and expenditure costs, in excess of estimated recoveries, are written off to the statement of loss.

Management reviews the exploration and evaluation assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUS). Recoverable amount is the higher of the assets fair value less the cost to sell and value in use.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or share consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

g) Impairment of Long-Term Assets

Property and equipment and exploration and evaluation assets are reviewed quarterly for indicators that the carrying value of an asset or cash-generating unit (“CGU”) may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in the statement of loss.

Exploration and evaluation costs are aggregated into CGUs based on their ability to generate largely independent cash flows.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm’s length transaction.

Fair value less costs to sell may be determined using discounted future net cash flows and forecast prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in profit or loss. The recoverable amount is limited to the original carrying amount less depreciation, depletion and amortization as if no impairment had been recognized for the asset or CGU for prior periods.

3. Significant Accounting Policies – *continued*

h) Share Capital

The Company records proceeds from share issuances net of issue costs. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value. The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, whereby, the fair value of the common shares is based on the market close on the date the units are issued. The fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

i) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. The fair value of the share-based payment is measured using the Black-Scholes option pricing model with amortized amounts over the vesting periods recognized as an expense or capitalized to exploration and evaluation assets where criteria are met. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus amount is transferred to share capital. Compensation expense is recognized over the tranche's vesting period by a charge to statement of loss with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

j) Provision for Closure and Reclamation

A liability for on-site reclamation is recognized on a discounted cash flow basis when a reasonable estimate of the obligation can be made. The provision is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time, adjustments for changes in the current market-based discount rate and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation.

The Company has no material restoration, rehabilitation and environmental costs as the disturbances to date is minimal.

k) Current and Deferred Income Tax

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies – *continued*

k) Current and Deferred Income Tax – continued

Any carrying amount of any deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

l) Foreign Currency Translation

<u>Functional and presentation currency</u>

Items included in the financial statements of the Company and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of Calibre Mining Corp. (the parent company) is the Canadian Dollar, while the functional currency of its wholly-owned subsidiaries in Nicaragua is the Canadian Dollar. **

The Company's presentation currency is the Canadian dollar ("$").

**During the year ended December 31, 2013, the Company determined that the functional currency of its subsidiary, CXB Nicaragua, S.A. based in Nicaragua, changed from Canadian Dollars to United States Dollars, as a result of the changes described in Note 8 with regards to the Borosi Project. As a result, all translation is re-measured to the functional currency of the Nicaraguan subsidiary with gains and losses recorded in the other comprehensive income.

<u>Transactions and balances</u>

Foreign currency transactions are translated into the relevant entity's functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period – end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss.

<u>Subsidiaries</u>

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income asforeign currency translation reserve.

When a foreign operation is sold, such exchange differences are recognized in the statement of loss to the extent of the portion sold as part of the gain or loss on sale.

3. Significant Accounting Policies – *continued*

m) Critical Accounting Judgments and Estimates

The preparation of these financial statements in accordance with IFRS requires the Company to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, 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 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 evaluation assets

The Company is required to review the carrying value of its exploration and evaluation properties for potential impairment when impairment indicators exist. Impairment exists when the carrying value of the Company's exploration and evaluation assets 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 charged to the statement of loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether 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.

n) Financial Instruments

Financial assets and liabilities are initially recognized at fair value and subsequently measured based on their classification as follows:

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective method less any impairment charge. The Company classifies cash and cash equivalents and receivables as loans and receivables.

- Available for sale ("AFS")
  AFS financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. When an AFS investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of loss. The Company classifies marketable securities as AFS.

- Financial Liabilities – other financial liabilities
  This category includes trade and other payables which are initially measured at fair value and subsequently recognized at amortized cost.

The Company does not have any derivatives or embedded derivatives or use any hedges to manage various risks.

3. Significant Accounting Policies – *continued*

n) Financial Instruments – continued

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. In the case of equity instruments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If such evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the asset fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit and loss. Impairment losses recognized in the statement of loss on equity instruments are not reversed through the statement of loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

o) Newly Accounting Standards Amendments and Interpretations Adopted by the Company

The following new accounting standards and/or amendments are effective and implemented as of January 1, 2013 and did not have a significant impact on the consolidated financial statements of the Company:

(i) IAS 1, "*Presentation of Financial Statements*", introduced a grouping of items presented in other comprehensive income ("OCI"). Items in OCI will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two statements of profit and loss and other comprehensive income remains unchanged.

(ii) IAS 27, "*Separate Financial Statements*", has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate financial statements.

(iii) IAS 28, "*Investments in Associated and Joint Ventures*", prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

(iv) IFRS 10, "*Consolidated Financial Statements*" ("IFRS 10"), provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of Standing Interpretations Committee Standards ("SICs") 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27, "*Consolidated and Separate Financial Statements*".

(v) IFRS 11, "*Joint Arrangements*" ("IFRS 11"), replaces the guidance in IAS 31, "*Interests in Joint Ventures*" and SIC-13, "*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*". Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented, instead jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The investments, opening balance is tested for impairment in accordance with IAS 28, "*Investments in Associates*" and IAS 36, "*Impairments of Assets*". Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented.

3. Significant Accounting Policies – *continued*

o) Newly Accounting Standards Amendments and Interpretations Adopted by the Company – continued

(vi) IFRS 12, "*Disclosure of Interest in Other Entities*" ("IFRS 12") requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in subsidiaries, joint ventures and structured entities and the effects of those interests on its financial position, financial performance and cash flows. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for such investments.

(vii) IFRS 13, "*Fair Value Measurement*" converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS. IFRS 13 does not change when an entity is required to use fair value but rather it provides guidance on how it is measured.

p) Recent Accounting Pronouncements Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods after December 31, 2013 or later periods. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

(i) IAS 32, "*Financial Instruments: Presentation*" ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 with earlier adoption permitted.

(ii) IFRS 9 "*Financial Instruments*" ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard has no mandatory effective date.

4. Capital Management

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits in Central America.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity and cash in the definition of capital. The Company is not exposed to any externally imposed capital requirements.

4. Capital Management – *continued*

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets, especially with respect to exploration results on properties in which the Company has an interest.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at a major Canadian banking institution to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. Notwithstanding the risks described in Note 1, the Company seeks to continue to raise funds, from time to time, to continue meeting its capital management objectives.

5. Financial 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.

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.

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 as they become due (see Note 1). The Company manages liquidity risk through the management of its capital structure, as outlined in Note 4 of these financial statements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities, and cash flows. The Company's cash and cash equivalents are held as cash deposits which are available on demand to fund the Company's short-term financial obligations. Trade and other payables are due within the current operating period.

5. Financial Instruments – *continued*

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 its joint venture partners and relate to project expenditures in Nicaragua incurred during 2013 and 2012 (described in Note 8). 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.

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 December 31, 2013, 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.

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 December 31, 2013 of a five percent increase or decrease in foreign exchange rates on net loss is not considered significant.

(Expressed in Canadian Dollars)

6. Marketable Securities

During the year ended December 31, 2013, in accordance with an option agreement with Alder Resources Ltd. ("Alder") (described in Note 8a), the Company received a total of 200,000 common shares of Alder (a total of 400,000 shares were received in 2012 and 2011). The total fair value of the 600,000 Alder common shares as at December 31, 2013 was $6,000 (the fair value of the 400,000 Alder common shares as at December 31, 2012 was $18,000). The decrease in the fair value of the Alder common shares was adjusted through AOCI resulting in a charge of $14,000 during the year ended December 31, 2013 (December 31, 2012 - $24,000). As a result of evidence that the Alder investment is impaired, $38,000 previously recognized in AOCI has been reclassified from AOCI to the statement of loss as impairment on marketable securities.

During the year ended December 31, 2013, the Company received 1,000,000 common shares from Newmarket Gold Inc. with a fair value of $430,000 at the time of receipt as a result of the sale of Point Leamington as described in Note 8b. As at December 31, 2013, the total fair value of the 1,000,000 Newmarket common shares was $350,000. The decrease in the fair value of the Newmarket common shares was adjusted through AOCI resulting in a charge of $80,000 during the year ended December 31, 2013.

7. Property and Equipment

	Computer Equipment and Software	Furniture and Equipment	Vehicles	Buildings and Structures	Leasehold Improvements	Total
Cost, Dec. 31, 2011	$ 146,809	$ 104,035	$ 39,729	$ 140,729	$ 6,010	$ 437,312
Additions	4,595	36,366	-	128,654	-	169,615
Disposals	-	-	(39,729)	-	-	(39,729)
Cost, Dec. 31, 2012	151,404	140,401	-	269,383	6,010	567,198
Foreign currency translation	420	5,193	-	17,133	-	22,746
Cost, Dec. 31, 2013	151,824	145,594	-	286,516	6,010	589,944
Acc. depreciation, Dec. 31, 2011	113,877	57,904	9,431	21,435	572	203,219
Charge for the year	10,760	12,737	2,648	9,259	1,431	36,835
Disposals	-	-	(12,079)	-	-	(12,079)
Acc. depreciation, Dec. 31, 2012	124,637	70,641	-	30,694	2,003	227,975
Foreign currency translation	282	2,530	-	2,017	-	4,829
Charge for the year	8,220	13,836	-	12,712	1,145	35,913
Acc. depreciation, Dec. 31, 2013	$ 133,139	$ 87,007	$ -	$ 45,423	$ 3,148	$ 268,717
Net book value, Dec. 31, 2012	$ 26,767	$ 69,760	$ -	$ 238,689	$ 4,007	$ 339,223
Net book value, Dec. 31, 2013	$ 18,685	$ 58,587	$ -	$ 241,093	$ 2,862	$ 321,227

During the year ended December 31, 2012, the Company disposed of its trucks and vehicles with a net book value of $27,650, for total gross proceeds of $23,470, resulting in a net loss on disposal of assets of $4,180.

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets

		Year Ended December 31, 2013		Year Ended December 31, 2012
Borosi, Nicaragua *(Note 8a)*				
Cost, beginning of year	$	12,791,037	$	9,739,305
Administration and maintenance		176,070		298,870
Amortization		24,864		21,333
Assaying		136,479		369,886
Camp and field supplies		59,735		140,068
Drilling and related		23,229		346,510
Foreign currency translation		511,087		-
Geological consulting		15,038		253,464
Logistics and communications		204,241		305,448
Professional fees		20,693		23,594
Property maintenance		718,403		778,511
Salary and wages		862,442		1,197,264
Stock-based compensation		21,690		971,680
Travel		79,150		119,758
Recovery of costs		(435,384)		(1,774,654)
Total expenses during the year		2,417,737		3,051,732
Cost, end of year		15,208,774		12,791,037
Point Leamington, Canada *(Note 8b)*				
Cost, beginning of year		-		-
Administration and maintenance		-		21,033
Write-off of exploration and evaluation assets		-		(21,033)
Cost, end of year	$	-	$	-
Total Exploration and Evaluation Assets	$	15,208,774	$	12,791,037

a) *Borosi, Nicaragua, Central America*

On July 21, 2009, the Company completed the acquisition of a 100% interest in the Borosi Gold – Silver – Copper Project (the “Borosi Project”), consisting of a number of contiguous mining and exploration concessions located in the North Atlantic Autonomous Region of Nicaragua, Central America. In consideration, the Company issued 12 million common shares and paid $4.42 million in cash. The Company also agreed to a contingent bonus (“Bonus Payment”) and granted contingent warrants (“Bonus Warrants”). The Bonus Payment and the Bonus Warrants would only be payable and exercisable upon the Company completing a National Instrument (“NI”) 43-101 Measured and Indicated Resource Estimate. However, during the year ended December 31, 2012, the Company agreed with the original seller of the Borosi Project to amend the terms of the Bonus Warrants (as described in Note 9e) and to eliminate the Bonus Payment entirely.

8. Exploration and Evaluation Assets – *continued*

a) Borosi, Nicaragua, Central America – continued

The Company has entered into two separate option agreements over a portion of the Borosi Project as summarized below:

(i) Since July 2009, the Company has partnered with B2Gold Corp. ("B2Gold") (TSX: BTO) to explore the Borosi Project, as outlined in the option agreement dated July 21, 2009 (as amended on June 18, 2010 and October 19, 2010). The option agreement covers only a portion of the Borosi Project (approximately 322 km^2) (the "B2Gold Option Property"). Pursuant to the agreement, B2Gold has completed $8 million of expenditures on the Borosi Project and has earned a 51% interest in the B2Gold Option Property, with Calibre retaining a 49% interest over these concessions. B2Gold continues to be the operator on the B2Gold Option Property.

In September 2013, the Company signed a definitive joint venture agreement (the "JV Agreement") with B2Gold which granted B2Gold a further option to acquire an additional 19% interest in the B2Gold Option Property, for a total interest of 70%, by spending $6 million in additional project expenditures over a 3 year period. The JV Agreement supersedes and replaces the original Option Agreement between Calibre and B2Gold (entered into in June 2009 and amended in July 2010 and October 2010), which has now been terminated.

(ii) Calibre continues to control a 100% interest in 463 km^2 of mineral concessions within the Borosi Project and includes NI 43-101 Compliant Inferred Resources totaling 1,057,750 oz. Gold and 8,430,070 oz. Silver over three Gold-Silver Deposits at Riscos de Oro, Cerro Aeropuerto, and La Luna. The area also covers the Company's high priority targets at Montes de Oro and Guapinol and the past producing La Luz Gold Mine.

(iii) The Company is party to an option agreement with Alder Resources Ltd. ("Alder") (TSX.V: ALR), whereby Alder can earn a 65% interest in approximately 34 km^2. The area, known as the Rosita D concession, is located within the Company's 100%-owned Borosi Project. Under the terms of the option agreement, Alder can earn a 65% interest in the Rosita D concession by expending a total of $4 million on exploration and other work on the Rosita D concession and by issuing to the Company a total of 1,000,000 common shares of Alder over a 4 year period (of which 600,000 shares of Alder has been received by the Company). Alder will be acting as the project operator for all work conducted on the Rosita D concession during the option period. 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.

As at December 31, 2013, a total of $6,618,437 has been recovered from B2Gold and $98,586 from Alder in connection with the exploration and evaluation at Borosi as consideration in the respective option agreements described above. As at December 31, 2013, $Nil (December 31, 2012 - $41,964) of the above amount was included in accounts receivable.

8. Exploration and Evaluation Assets – *continued*

b) Point Leamington, Newfoundland, Canada

During much of 2013, the Company owned a 100% interest in the Point Leamington mining lease in Newfoundland, Canada. The mining lease is subject to a 2% net smelter return royalty, which is held by a third party.

On June 20, 2013, Calibre entered into a Purchase and Sale Agreement (the "Transaction") with Newmarket Gold Inc. *(formerly Raystar Capital Inc.)* ("Newmarket") which outlines the proposed terms by which Calibre will sell a 100% interest in the Point Leamington Project including the 263 hectare mining lease. As consideration, Newmarket has agreed to issue 1,000,000 common shares and pay Calibre $250,000 on closing of the Transaction. Calibre will retain a 0.5% net smelter return royalty on production from the Point Leamington Project, which can be purchased by Newmarket at any time after closing for $1,000,000. Newmarket is considered a related party to the Company as there is an officer and directors in common.

In October 2013, the Company and Newmarket received final regulatory approval for the completion of the sale of the Point Leamington Project. As a result, in October 2013, Calibre received the full cash payment of $250,000 and 1,000,000 common shares of Newmarket (with a fair market value of $430,000 at the time of receipt) and the title of Point Leamington was transferred to Newmarket. With the exception of maintaining a 0.5% net smelter return royalty (discussed above), Calibre no longer retains any ownership interest in the Point Leamington Project.

During the year ended December 31, 2013, the Company charged to operations certain costs associated with project review and maintenance totalling $88,724 (year ended December 31, 2013 - $21,033). As a result of the sale, the Company recorded a net gain of $591,276 during the year ended December 31, 2013.

9. Share Capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares.

b) Private Placements

During the year ended December 31, 2012, the Company closed a non-brokered private placement with B2Gold 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. The Company incurred $28,688 in transaction fees related to the private placement. The allocation of fair value of the warrants issued in connection with this private placement was $617,226, with corresponding charge to contributed surplus using the relative fair value approach. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk-free rate of 1.32%, volatility factor of 130% and expected life of the warrants of one year.

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

c) Stock options

The Company has a stock option plan (the "Plan"), whereby the Company has reserved a number of common shares for issuance pursuant to the exercise of stock options. On May 22, 2013, the shareholders of the Company approved an amendment to the Plan that increased the number of common shares reserved for issuance under the Plan from 18,000,000 to 25,000,000 (subject to regulatory approvals). The Plan is administered by the Compensation Committee of the Company's Board. Options granted under the Plan will be exercisable at a price not less than the market value of the Company's common shares on the date of grant and granted for a term not to exceed five years from the date of grant. Any options granted under the Plan shall vest based on a periodic vesting schedule as determined by the Compensation Committee. In general, options have been granted to vest 25% immediately and 25% at each six month interval after the date of grant until fully vested.

A summary of the status of the Company's stock options as at December 31, 2013 and 2012 and changes during those years is presented below:

	2013		2012	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	16,105,000	$ 0.25	12,575,000	$ 0.15
Options modified on re-pricing	(4,475,000)	0.49	-	-
Options modified on re-pricing	4,475,000	0.15	-	-
Granted	-	-	4,975,000	0.46
Exercised	-	-	(945,000)	0.16
Forfeited	(1,155,000)	0.15	(500,000)	0.20
Outstanding, end of year	14,950,000	$ 0.15	16,105,000	$ 0.25
Exercisable, end of year	14,950,000	$ 0.15	13,430,000	$ 0.21

During the year ended December 31, 2013, the Company received regulatory and shareholder approval to have an aggregate of 4,475,000 stock options for the purchase of an aggregate of 4,475,000 common shares of the Company having an exercise price of $0.49 per share to be re-priced to an exercise price of $0.15 per share. All other remaining terms of the options remain the same. The total additional fair value of the option modification was calculated to be $59,516 on the modification date. The fair value of the stock options used to calculate the option modification was estimated using the Black-Scholes option-pricing model with the following assumptions:

Weighted average risk-free interest rate	1.10%
Weighted average expected option life	3.75 years
Weighted average expected stock volatility	101%
Weighted average expected dividend yield	Nil

During the year ended December 31, 2012, the Company granted a total of 4,975,000 stock options to employees, directors, and consultants. Of the options granted, 4,475,000 options granted are exercisable at $0.49 per share and expire on January 25, 2017; while 500,000 options are exercisable at $0.19 per share and expire on June 15, 2017. The options vest 25% immediately and 25% at each six month interval after the date of grant until fully vested.

During the year ended December 31, 2012, option holders exercised a total of 945,000 options for total gross proceeds of $154,250. In connection with these exercises, the Company reclassified the fair value of these options previously recorded in the amount of $128,732 from contributed surplus to share capital. No options were exercised during the year ended December 31, 2013.

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

c) Stock options – continued

As at December 31, 2013, stock options exercisable and outstanding are as follows:

	Options Outstanding		Options Exercisable	
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)	Number	Weighted Average Remaining Contractual Life (yrs.)
$0.15	14,350,000	1.94	14,350,000	1.94
$0.19	500,000	3.46	500,000	3.46
$0.20	100,000	1.09	100,000	1.09
	14,950,000	1.99	14,950,000	1.99

d) Stock-based compensation

The Company amortizes the total fair value of options granted over a graded vesting schedule. Consequently, the total compensation expense recognized for options granted during the year ended December 31, 2013 or prior periods was $274,919 (2012 - $1,745,965). Of the total compensation recorded, $253,229 (2012 - $1,527,787) was charged to operations expense and $21,690 (2012 - $218,178) was capitalized to exploration and evaluation assets.

The fair value of the options granted during the year ended December 31, 2013 and 2012 has been estimated at the date of grant using the following Black-Scholes option pricing assumptions:

	December 31, 2013	December 31, 2012
Weighted average risk-free interest rate	N/A	1.24%
Weighted average expected option term	N/A	5 years
Weighted average expected stock volatility	N/A	141%
Weighted average expected dividend yield	N/A	Nil

The weighted average fair value of options granted during the year ended December 31, 2013 was $Nil (December 31, 2012 - $0.41).

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

e) Warrants

A summary of the status of the Company's outstanding warrants as at December 31, 2013 and 2012 and changes during the years then ended:

	2013		2012	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	20,000,000	$ 0.38	10,000,000	$ 0.75
Warrants cancelled on amendments	(10,000,000)	0.50	(10,000,000)	0.75
Warrants re-issued on amendments	10,000,000	0.10	10,000,000	0.25
Granted	-	-	10,000,000	0.50
Outstanding, ending of year	20,000,000	$ 0.18	20,000,000	$ 0.38

During the year ended December 31, 2013, the Company received regulatory approval to amend the terms of 10 million common share purchase warrants (the "Warrants") of the Company held by B2Gold. The Warrants issued to B2Gold were issued pursuant to a non-brokered private placement of 20 million units at a price of $0.25 per unit, which closed on May 2, 2012. Each unit consisted of one common share and one-half of one Warrant, which each Warrant entitling B2Gold to purchase an additional common share of the Company until May 2, 2013 at an exercise price of $0.50. Pursuant to the amendments, the Warrants were amended by extending the term of the Warrants by one additional year from May 2, 2013 to May 2, 2014 (the "Amended Expiry Date") and by reducing the exercise price of the Warrants from $0.50 to $0.10 (the "Amended Exercise Price").

If during the term of the amended Warrants, the closing price of the Company's common shares on the Exchange exceeds during a period of 10 consecutive trading days the Amended Exercise Price by 25% then the Amended Expiry Date will be deemed to be automatically accelerated as a result of which the amended Warrants will expire on the earlier of the 37^{th} calendar day following the tenth trading day and the Amended Expiry Date. All other terms and conditions of the Warrants remained the same.

As a result of the warrant modification, the Company recognized a one-time expense to share-based compensation expense of $200,134 during the year ended December 31, 2013. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk-free rate of 0.97%, volatility factor of 101% and expected life of the warrants of one year.

In addition, during the year ended December 31, 2012, the Company amended the Bonus Warrants granted in connection with the acquisition of the Borosi Project (described in Note 8a). As a result of this amendment, the Company agreed to cancel the 10,000,000 Bonus Warrants originally issued and in exchange, grant 10,000,000 warrants with an exercise price of $0.25 per share. The newly granted warrants are fully vested and can be exercised without any conditions before their expiry on July 21, 2014. In connection with this amendment, the Company has calculated a fair value of $753,502 related to the newly granted warrants, which has been capitalized to exploration and evaluation assets as an acquisition cost of the project, classified as stock based compensation. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk-free rate of 1.07%, volatility factor of 106% and expected life of the warrants of two years.

(Expressed in Canadian Dollars)

9. Share Capital – *continued*

e) Warrants – continued

As at December 31, 2013, warrants exercisable and outstanding are as follows:

Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
$0.10	10,000,000	0.33
$0.25	10,000,000	0.55
	20,000,000	0.94

10. Related Party Transactions

Key management personnel

Key management personnel of the Company are members of the Board of Directors, as well as the President and CEO, the CFO and Corporate Secretary, and the Vice-President of Exploration. Key management compensation includes salaries and benefits and various consulting fees as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Short-term benefits [(i)]	$ 212,305	$ 260,587
Share-based payments [(ii)]	$ 232,520	$ 1,305,225
Termination benefits [(iii)]	$ -	$ -
Director fees paid	$ 5,000	$ 20,000
Consulting and advisory fees to key management	$ 258,333	$ 198,750
Geological fees paid to an officer of the Company	$ -	$ 55,000

(i) Short-term benefits include salaries and benefits paid to key management personnel.

(ii) Share-based payments are the fair value of options granted or modified to key management personnel and consultants as at the grant date or modification date

(iii) Key management personnel received termination benefits related to an employee contract during the year ended December 31, 2013 or 2012.

The Company has employee and consulting agreements in place with provisions which would provide a lump sum payment to certain key management personnel. The total amount accruing to key management on such a change of control would total $850,000.

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

(Expressed in Canadian Dollars)

11. Commitments

The Company has minimum annual lease commitments for its office premise expiring September 2016. The following schedule details the Company's minimum commitments not discussed elsewhere in these financial statements:

2014	$ 95,000
2015	97,000
2016	73,000
	$ 265,000

12. Deferred Income Taxes

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial tax rates:

	2013	2012
Loss before income taxes	$ (768,922)	$ (2,679,483)
Effective statutory rate	25.72%	25.0%
Expected income tax recovery	$ (197,765)	$ (669,871)
Effect of differences in foreign and future tax rates	(123,428)	(4,484)
Items not deductible (not taxable) for tax purposes	117,030	(91,641)
Effect of foreign exchange	(283,757)	80,230
Other	-	(2,848)
Income tax benefit not recognized	487,920	688,614
	$ -	$ -

The income tax benefit of the following tax assets have not been recorded in these financial statements because of the uncertainty of their recovery.

	2013	2012
Deferred income tax assets		
Non-capital loss carry-forwards	$ 3,629,944	$ 3,401,497
Unamortized financing costs	16,305	53,662
Exploration and Evaluation assets	1,135,105	984,609
Property and equipment	82,370	75,623
Unrecognized deferred income tax assets	4,863,724	$ 4,515,391

As at December 31, 2013, the Company has non-capital losses for Canadian tax purposes of approximately $8,500,000 available to offset against taxable income in future years, which if unutilized, will begin to expire in 2014. The Company also has resource exploration expenditures of approximately $4,300,000 available to reduce taxable income of future years in Canada, subject to certain restrictions. In addition, the Company has tax losses for Nicaraguan purposes of approximately $4,900,000 available to offset against taxable income in future years in Nicaragua, which begin to expire in 2014.

(Expressed in Canadian Dollars)

13. 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 Central America (Nicaragua). The Company is in the exploration stage and, accordingly, has no reportable segment revenues for any of the years presented in these financial statements. The following geographic data includes assets based on location:

As at December 31, 2013

	Canada	Nicaragua	Total
Cash	$ 1,107,583	$ 4,263	$ 1,111,846
Other current assets	410,178	9,432	419,610
Property and equipment	33,443	287,784	321,227
Exploration and evaluation assets	-	15,208,774	15,208,744
Total assets	$ 1,551,204	$ 15,510,253	$ 17,061,457
Total liabilities	$ 42,799	$ 73,955	$ 116,754

As at December 31, 2012

	Canada	Nicaragua	Total
Cash	$ 3,548,355	$ 35,513	$ 3,583,868
Other current assets	180,509	10,381	190,890
Property and equipment	45,271	293,952	339,223
Exploration and evaluation assets	-	12,791,037	12,791,037
Total assets	$ 3,774,135	$ 13,130,883	$ 16,905,018
Total liabilities	$ 84,908	$ 88,424	$ 173,331

The following geographic data denotes net losses based on their country of origin for the year ended December 31:

	2013	2012
Canada	$ 774,387	$ 2,589,812
Nicaragua	(5,465)	89,671
Loss for the year	$ 768,922	$ 2,679,483

14. Subsequent Events

Subsequent to December 31, 2013, the Company sold 1,000,000 common shares of Newmarket Gold Inc. for net cash proceeds of $260,060. The Company no longer maintains any investment in Newmarket Gold Inc.