CALIBRE
MINING CORP.

TSX.V-CXB

(An Exploration Stage Company)

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

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

Introduction and Date

This 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 year ended December 31, 2012 to prior years. This MD&A should be read in conjunction with the Company's audited consolidated financial statements (the "Financial Statements") for the years ended December 31, 2012 and 2011.

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).

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, or on the SEDAR website, www.sedar.com.

This MD&A reflects information available as at March 14, 2013.

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.

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 metals 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.

Overall performance

During the year ended December 31, 2012, the Company recorded a net loss of $2,679,483 or $0.01 per share, as compared to a net loss of $2,866,694 or $0.02 per share for the same period in 2011.

As at December 31, 2012, the Company had total assets of $16,905,018 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 its exploration and evaluation assets.

As at December 31, 2012, the Company had working capital of $3,601,426 compared to working capital of $1,836,742 as at December 31, 2011. The Company's working capital as at December 31, 2012 includes cash of $3,583,868 (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 year ended December 31, 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 December 31, 2012, the total carrying value of the Company's exploration and evaluation assets was $12,791,037 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 agreement with B2Gold Corp. and Alder Resources Ltd. (discussed below).

During the year ended December 31, 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 completed the acquisition of a 100% interest in the Borosi Gold – 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 the Financial Statements for the year ended December 31, 2012 in Note 9d) and to eliminate the Bonus Payment entirely.

On July 21, 2009 (as amended in October 2010), the Company and B2Gold Corp. ("B2Gold") (TSX: BTO), executed an option agreement whereby B2Gold is entitled to acquire a 51% interest over a portion of the Borosi Project (an area of 322km^2) by expending $8 million on exploration expenditures by July 1, 2014. In accordance with the option agreement, once the initial 51% earn-in is complete, B2Gold may elect to carry an individual prospect within the concession area (designated under the agreement) through to a completed Preliminary Feasibility Study within 2 years for an additional 14% interest in the prospect. B2Gold is currently acting as operator on the work programs related to this option agreement.

Under the terms of the option agreement with B2Gold, the Company retained a 100% ownership interest in certain concessions within the Borosi Project, this included 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, and the newly discovered extension of the La Luna gold vein system.

The Company is also party to an option agreement with Alder, whereby Alder can earn a 65% interest in the 3,356 hectare Rosita D concession 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 $4.0 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 400,000 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. 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.

Subsequent to year end, Calibre received notice from B2Gold that they have completed the necessary $8 million in expenditures on the Borosi project and have earned a 51% interest in certain concessions within the Borosi Project as described in Note 8a) of the financial statements for the year ended December 31, 2012. Discussions regarding finalizing a formal Joint Venture Agreement between B2Gold and Calibre are currently on-going.

Exploration Activities and Outlook for Significant Areas of Interest

During the year ended December 31, 2012, the Company has focused its exploration of the Borosi Project on a number of key target areas summarized as follows:

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 ten kilometres 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, along with B2Gold, 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 phase I 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. 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 ppm copper (PR-12-008) and 159.53m at 0.46 g/t gold and 2008 ppm copper (PR12-011).

A phase II drilling program was completed in 2012 at the Primavera Gold and Copper Porphyry Project. The phase II program totaled 9,475 metres of drilling (for a total overall drilling program of 13,414 metres over 32 drill holes since the start of exploration at Primavera). The bulk of the phase II program was focused on the nearby soil geochemical anomalies at Copper Hill and a prominent structural target to the south of the main Primavera zone. In addition, two drill holes tested a prominent geophysical anomaly at Santa Juana, approximately 1.4km southeast of Primavera. Several drill holes south and west of the main Primavera zone show anomalous gold-copper values associated with porphyry style mineralization at depths exceeding 500 metres. Most importantly, the drilling indicates that the porphyry system continues to the north beneath alluvial cover. A comprehensive geophysical program was completed during 2012, with both air magnetic and radiometric surveys flown over the claim area.

Highlights of the phase II program include drill hole PR12-016 which confirmed shallow continuity of porphyry style mineralization on the west side of the main Primavera Zone with 201.35m of 0.77 g/t gold and 0.36% copper. This indicates that copper grades may be increasing to the north and northwest. PR12-024 and several other holes crossed two major post mineral faults to the west and north of the main Primavera Zone and intersected anomalous zones also associated with porphyry style mineralization. Mineralization extends to the two faults and further work, needs to be carried out to determine the degree of fault offset. Results from drill hole PR12-024 indicate that the system continues to the north beneath alluvial cover. Hole 24 yielded several deep intervals including 17 metres of 0.39 g/t gold from 595 to 612 metres, 1.1 metres at 18.28 g/t gold, and 1.5 metres 11.95 g/t gold. These intervals were all associated were all associated with vein and stockwork mineralization in intrusion breccias and diorite although the high grades for gold are unusual. More drilling will be required in this area under the alluvium where the geophysical data indicate the presence of a large magnetic low.

Drilling to the south at Copper Hill has intersected zones of skarn and hornfels similar to the style of mineralization and alteration at the Santa Rita deposit in nearby Rosita which produced over 3 million pounds of copper, 177,737 ounces of gold, and 2,629,720 ounces of silver. Additional drilling may be needed to test for possible skarn deposits which are commonly associated with porphyry systems. The skarn mineralization lies about 1.5km to the southwest. Additional soil sampling is underway in this area.

For 2013, B2Gold is planning an exploration program for Primavera that includes a budget of $2 million. This will fund a 1,500 metre drilling program, a geophysical interpretation, as well as a detailed mapping and geological interpretation assessment. B2Gold is commencing a surface mapping and trenching program to help locate the potential continuation of the main zone beyond the fault.

➢ *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).

(Expressed in Canadian Dollars)

On September 5, 2012, the Company announced its initial National Instrument 43-101 Inferred Resource Estimate at the 100% owned Riscos de Oro Deposit at the Borosi Project, northeast Nicaragua. The Inferred Resource is estimated at a cut off grade of 0.6 g/t Gold Equivalent ("AuEq") is 2,159,000 tonnes grading 3.20 g/t Au and 59.67 g/t Ag (4.14 g/t AuEq) containing 222,300 oz Au and 4,142,000 oz Ag (287,100 oz AuEq). AuEq is calculated using $1,264 oz Au for gold and $19.78 oz Ag for silver and metallurgical recoveries and net smelter returns are assumed to be 100%. The Riscos resource estimate is based on 9,494m in 37 diamond drill holes completed by Calibre in 2010 and 2011 as well as 22 existing drill holes totalling 3,126.8m. The drilling is generally spaced at 25m to 50m intervals along strike and down dip. Additional data related to historical drilling, underground development and past production was used to aid in the geological interpretation. Details of the inferred resource estimate are outlined below:

Zone	Tonnes	Grade (Au g/t)	Grade (Ag g/t)	Grade (AuEq g/t)	Contained Au (ounces)	Contained Ag (ounces)	Contained (ounces AuEq)
Upper	1,539,000	2.45	64.42	3.46	121,200	3,188,000	
Lower	620,000	5.07	47.87	5.82	101,100	954,000	
Total	2,159,000	3.20	59.67	4.14	222,300	4,142,000	287,100

1. CIM definition standards were followed for the resource estimate.
2. The 2012 resource models used Inverse Distance grade estimation within a three-dimensional block model with mineralized zones defined by wireframed solids.
3. A base cutoff grade of 0.6 g/t AuEq was used for reporting resources with capping of silver grades at 591 g/t.
4. A density of 2.65 g/cm^3 was applied.
5. Numbers may not add exactly due to rounding.
6. Gold Equivalent (AuEq) calculated using $1264 /oz Au for gold and $19.78/oz Ag for silver and metallurgical recoveries and net smelter returns are assumed to be 100%.
7. Mineral Resources that are not mineral reserves do not have economic viability
8. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

Following the announcement of the initial resource estimate, exploration work at Riscos has continued with the completion of a LiDAR mapping survey which was highly successful in defining numerous previously unrecognized structural zones in the area and with follow-up soil, rock, and trench sampling on structural targets which is presently on-going.

- *Inferred Resources – 100% Calibre Owned (not currently under any option agreement)*

The Riscos de Oro resource estimate complements the existing 100% Calibre owned gold and silver resources on the Borosi Project located at the La Luna deposit (10 km south of Riscos) and Cerro Aeropuerto deposit located 60 km southwest of Riscos. As outlined in the table below the 100% Calibre owned Inferred Resources on the Borosi Project total 1,057,750 ozs Au and 8,430,070 ozs Ag (1,190,000 oz AuEq):

(Expressed in Canadian Dollars)

Zone	Tonnes	Grade (Au g/t)	Grade (Ag g/t)	Grade (Aueq g/t)	Contained Au (ounces)	Contained Ag (ounces)	Contained Aueq (ounces)
La Luna	2,539,000	1.56	14.01	1.78	127,700	1,143,570	146,000
C. Aeropuerto	6,052,000	3.64	16.16	3.89	707,750	3,144,500	757,000
Riscos de Oro	2,159,000	3.20	59.67	4.14	222,300	4,142,000	287,000
Total					1,057,750	8,430,070	1,190,000

1. Resource models used Inverse Distance grade estimation within a three-dimensional block model with mineralized zones defined by wireframed solids and a base cutoff grade of 0.6 g/t.
2. Resource Estimates for La Luna and Cerro Aeropuerto detailed in Technical Report titled NI 43-101 Technical Report and Resource Estimation of the Cerro Aeropuerto and La Luna Deposits, Borosi Concessions, Nicaragua by Todd McCracken, dated April 11, 2011.
3. Numbers may not add exactly due to rounding.
4. Gold Equivalent (AuEq) for Riscos de Oro was calculated using $1264 /oz Au for gold and $19.78/oz Ag for silver, and metallurgical recoveries and net smelter returns are assumed to be 100%.
5. Gold Equivalent (AuEq) for La Luna and C. Aeropurto was calculated using $1058/oz Au for gold and $16.75/oz Ag for silver, and metallurgical recoveries and net smelter returns are assumed to be 100%.
6. Mineral Resources that are not mineral reserves do not have economic viability

- *Eastern Epithermal Gold-Silver District*

During 2012, the Company completed a LiDAR survey over a portion of the Eastern Epithermal District with the production of high resolution topographic data and imagery. The surveys identified interpreted epithermal vein systems and targets in areas of poor relief and/or thick vegetative cover along strike from known zones and in areas previously unidentified. The survey covered Riscos de Oro, the La Luna Gold deposit, and the Blag Gold Project.

At Blag, more than 25 individual structures were recognized with the longest greater than 1.5 km in length. Based on the LiDAR survey, the Company commenced a program of soil sampling totalling 881 samples which resulted in values ranging up to 1040 ppb Au and 21 samples returning highly anomalous values greater than 100 ppb Au. The program also included mapping, prospecting, rock sampling, and trenching. Grab samples of epithermal – style quartz vein material on surface highlighted several areas with highly anomalous contents for gold and silver. Anomalous gold values are associated with variably anomalous values in silver, arsenic, barium, lead and antimony. Highlights of the rock sampling includes: B12R5036 assaying 22.72 g/t Au and 12.3 g/t Ag; B12R1031 assaying 13.50 g/t Au and 100 g/t Ag; and B12R0068 grading 11.29 g/t Au and 9.7 g/t Ag.

Calibre continues to advance the Blag Project with a program of trenching and soil sampling on high priority structural and geochemical targets which were defined by the LiDAR topographic anomalies and coincident anomalous soil geochemistry.

- *Western Siuna Gold-Silver-Copper District*

Recent exploration in the south-west portion of the Borosi Concessions, which contains the Cerro Aeropuerto gold-silver deposit as well as the past producing La Luz gold mine, has included an extensive regional program on a large land package located along trend from the known mineralized zones. Highlights of the recent advancements include trenching programs at Cerro Aeropuerto and other areas, mapping, soil sampling, and surface sampling.

A series of five trenches at Cerro Aeropuerto were re-mapped and re-sampled. Structural data show a dominant N-S oriented mineralized zone with dips ranging between 72 and 90 degrees (west dipping). The structural zones range from 0.1 to 5.3 metres in width and contain remnant sulphide. Results confirm significant gold, zinc, silver, and copper mineralization in all trenches including 11m grading 0.56 g/t Au and 7.6 g/t Ag and 14m grading 1.7 g/t Au and 8.5 g/t Ag.

Reconnaissance mapping and prospecting in the northern Siuna area has confirmed bedrock to be composed of andesite volcanics similar in character to those encountered in the Bonanza and Riscos de Oro areas. First pass exploration consisted of stream sediment sampling in the northern Siuna area including in several drainages where visible gold was noted. Additional sampling is on-going. The presence of epithermal-style quartz veins in the northern Siuna concessions suggests a possible extension of the Bonanza gold camp located 25 km to the north.

In the central portion of the Siuna camp numerous northeast and northwest oriented, steeply dipping fault zones have been observed in outcrops of local creeks and rivers. The geochemical signature of rock sample results (Au-Ag-Cu-Pb) of the Casa Blanca prospect points toward an epithermal nature for the mineralization. La Virgen and Cerro Asa have Au-As ± Cu signatures indicative of possible porphyry and/or skarn systems while Montes de Oro has a Au-Zn-As ± Cu signature is more characteristic of skarn-style mineralization. Individual samples assayed up to 1.32% Cu, 3.30 g/t Au, and 25.2 g/t Ag.

- *Rosita D Concession – Option Agreement with Alder*

The Rosita D concession is located within Calibre's 100% owned Borosi concessions. The project is located 10 kilometres 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 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 Phase 1 diamond drilling program included 20 holes totalling 5,908 metre. Eighteen of the holes were collared in the Santa Rita to R-13 corridor and two holes were drilled at Bambana to test high grade copper oxide mineralization below a trench and two benches. All of the holes intersected varying levels of copper, gold and silver mineralization.

On May 9, 1012, 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.

In September 2012, further exploration results were announced at Rosita D, on numerous targets:

- On September 6, 2012, the Company announced further drill diamond drill holes located near and around the historic Santa Rita open pit. Highlights from the program included 8m grading 29.54 g/t Au from 240m (Hole D914). The results from the program help demonstrate the presence of bonanza gold values along a northwest-trending gold-bearing corridor. The mineralization is primarily gold with lesser amounts of silver and is distinct from the copper-gold-silver mineralization associated with skarn and diorite host rocks.

- On September 12, 2012, the Company announced the results for the final set of drill holes from the Phase 1 program at the Rosita D concession. Final results include a well mineralized intercept that returned 10m grading 1.42% Cu, 0.18 g/t Au, and 20.45 g/t Ag. The mineralization was intersected 120m below the base of the historic Santa Rita open pit.

  In addition, two holes from the Bambana prospect, four kilometres northwest of Rosita, returned 13m grading 1.23% Cu, 0.36 g/t Au and 10.63 g/t Ag (Hole D919) and 18m grading 1.74% Cu, 0.09 g/t Au and 16.65 g/t Ag (Hole D920).

Alder is currently carrying out a geologic mapping, soil sampling and trenching program, designed to test several high quality IP geophysical anomalies, and high grade copper – gold bearing grab samples from the highly prospective Bambana Cu-Au-Ag porphyry prospect, and the El Rastro prospect where artisanal minerals are mining gold 1.5 km north of the R-13 pit. Alder will also consider further drilling along the interpreted NW trending gold bearing structural corridors in and around the Santa Rita historic pit and other targets testing several prominent IP geophysical anomalies generated by a recently completed 79 line – km survey.

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 is currently evaluating alternatives to advance the Point Leamington Project.

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:

(Expressed in Canadian Dollars)

	Average Prices for the Period Shown
	Gold (US$/per oz.) [1]
Year Ended December 31, 2012	$1,669
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

[1] *Estimates of average gold prices were obtained from information posted on 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:

	Average Prices for the Period Shown [3]	
	US Dollar	**Nicaraguan Cordoba**
Year Ended December 31, 2012	$1.0002	C$23.1532
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

[3] *Estimates of average foreign exchange rates for the US Dollar and Nicaraguan Cordoba were obtained from information posted on www.oanda.com.*

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 13 of audited consolidated financial statements for the years ended December 31, 2012 and 2011.

Selected Annual Information

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars. The information below has been extracted from the Company's audited financial statements for the years noted. The accompanying discussion and analysis of financial conditions and results of operations should be read in conjunction with the Company's audited Financial Statements and related notes and disclosures in this MD&A for the years ended December 31, 2012, 2011 and 2010:

	December 31, 2012	December 31, 2011	December 31, 2010
Total revenues	$Nil	$Nil	$Nil
Loss before discontinued operations and extraordinary items	$2,679,483	$2,866,694	$1,821,294
Basic and diluted loss per share before discontinued operations and extraordinary items	$0.02	$0.02	$0.01
Net loss for the year	$2,679,483	$2,866,694	$1,821,294
Basic and diluted loss per share for the year	$0.02	$0.02	$0.01
Total assets	$16,905,018	$12,254,374	$9,596,532
Total long-term financial liabilities	$Nil	$Nil	$Nil
Cash dividends declared	$Nil	$Nil	$Nil

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 audited consolidated financial statements for the year ended December 31, 2012 and 2011.

Year ended December 31, 2012 compared to year ended December 31, 2011

The Company's general and administrative costs were higher in 2012, totalling $2,607,960 compared to $1,519,950 in 2011. The key factors contributing to these expenses are as follows:

- Amortization expense decreased in 2012 to $15,502, from $24,332 in 2011. The decrease is a result of the Company not purchasing any significant corporate or administrative property and equipment in 2012 or 2011 as well as disposing certain furniture, equipment, and a vehicle in 2011 as a result of moving to a smaller office space.

- Audit and accounting fees increased to $60,105 from $50,247 in 2011. These charges are billed by the Company's external auditor for services provided in auditing (and auditing related services) as it pertains to our Company's annual financial statements for the subject year and for regulatory requirements as they occur.

- Consulting fees increased in 2012 to $270,750 from $226,516 in 2011. During 2012, the Company engaged consultants and reduced the level of employees engaged to run day-to-day operations.

- Director fees were reinstated during the year ended December 31, 2012 and as a result, the Company paid $20,000 (2011 - $Nil) to certain directors for their responsibilities on the Company's Board.

- Office and rent expenses increased slightly to $125,828 in 2012 from $123,256 in 2011. The costs for each of the years reflect the Company's rental premises in Canada and associated office supplies, postage and printing costs incurred. The expenses are fairly consistent from the prior year.

- Salaries and wages decreased in 2012 to $263,036 from $533,655 in 2011. The amount in 2011 includes severance payments to the Company's former CEO and President.

- Stock-based compensation was $1,527,787 in 2012 compared to $347,832 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 year ended December 31, 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.

- During the year ended December 31, 2012, marketing, trade shows and conferences increased to $229,490 from $95,630 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 and attendance in trade shows and conference.

- Travel decreased to $6,532 in 2012 from $17,128 as a result of less trips to Nicaragua on due diligence and management functions.

The Company's other losses decreased for the year ended December 31, 2012, totalling a loss of $71,523 compared to a loss of $1,346,744 for 2011.

- During 2011, the Company wrote off all exploration and evaluation costs associated with Point Leamington, Newfoundland as the Company has focused exploration on its project in Nicaragua. The total amount of the loss was $1,271,933 in 2011. During 2012, the Company wrote off further costs associated with keeping the Point Leamington Mining Lease in good standing totaling a loss of $21,033.

- Another key factor related to the change is a result of fluctuations in foreign exchange factors, with the Company recording a loss of $85,546 in 2012 and a loss of $71,606 in 2011. 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.

- During the year ended December 31, 2012, the Company accrued or earned a total of interest income of $39,237 compared to $7,785 from the prior year. The increase is a result of the Company completing a private placement early in 2012 which resulted in an increase bank balance throughout the year compared to the prior year.

(Expressed in Canadian Dollars)

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.

	December 2012	**September 2012**	**June 2012**	**March 2012**
Total revenues	$Nil	$Nil	$Nil	$Nil
Loss before discontinued operations and extraordinary items	$473,395	$511,965	$536,553	$1,157,570
Basic and diluted loss per share before discontinued operations and extraordinary items	$0.00	$0.00	$0.00	$0.01
Net loss for the period	$473,395	$511,965	$536,553	$1,157,570
Basic and diluted loss per share for the period	$0.00	$0.00	$0.00	$0.01

	December 2011	**September 2011**	**June 2011**	**March 2011**
Total revenues	$Nil	$Nil	$Nil	$Nil
Loss before discontinued operations and extraordinary items	$1,561,370	$250,153	$598,235	$456,936
Basic and diluted loss per share before discontinued operations and extraordinary items	$0.01	$0.00	$0.00	$0.00
Net loss for the period	$1,561,370	$250,153	$598,235	$456,936
Basic and diluted loss per share for the period	$0.01	$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.

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.

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 December 31, 2012, the Company had working capital of $3,601,426 compared to working capital of $1,836,742 as at December 31, 2011. The Company's working capital as at December 31, 2012 includes cash of $3,583,868 (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 year ended December 31, 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 the Company is in the exploration stage, no mineral producing revenue has been generated to date. The ability of the Company to meet its obligations and continue the exploration and development of its mineral properties is dependent upon its ability to continue to raise adequate financing. Historically, operating capital and exploration requirements have been funded primarily from equity financing, joint ventures, disposition of mineral properties and investments. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Company's exploration program may be tailored accordingly.

The Company's cash 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.

(Expressed in Canadian Dollars)

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.

As at March 14, 2013, the Company has approximately 26.1 million stock options and warrants outstanding which, if exercised, would bring a further $11.4 million to the Company's treasury upon exercise.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

a) *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, 2012	Year Ended December 31, 2011
Short-term benefits (i)	$ 260,587	$ 375,000
Share-based payments (ii)	$ 1,305,225	$ 55,323
Termination benefits (iii)	$ -	$ 217,865
Director fees paid	$ 20,000	-
Consulting and advisory fees to key management	$ 198,750	$ 75,000
Geological fees paid to an officer of the Company	$ 55,000	$ 60,000

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

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

(III) Key management personnel received termination benefits related to an employee contract during the year ended December 31, 2011.

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.

b) Key management commitments

a. The Company has management employee agreements in place with terms ranging up to two 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 $250,000.

b. The Company has a consulting agreement with Featherstone Capital Inc., a company controlled by two of the Company's directors, to provide corporate development and financial advisory services for a retainer of $10,000 per month.

c. The Company has a consulting agreement with a company controlled by a director of the Company to provide management fees for a retainer of $5,000 per month.

d. The Company has a consulting agreement with a company controlled by the Company's Chief Financial Officer and Corporate Secretary whereby the Company agrees to pay a consulting fee for services ordinarily provided by a Chief Financial Officer totalling $14,583 per month.

Fourth Quarter

- Consulting fees increased during the fourth quarter of 2012 to $107,750 from $80,037 for the same time period in 2011. During 2012, the Company engaged more consultants and reduced the level of employees engaged to run day-to-day operations.
- During the fourth quarter of 2012, the Company paid director fees totalling $20,000. No such payments were made during 2011.
- During the fourth quarter of 2012, the Company paid salaries and wages of $65,105 compared to $38,998 in the prior period of 2011. The increase related to the Company hiring a full time CEO and President during the second half of the year ended Dec. 31, 2012.
- During the fourth quarter of 2012, stock based compensation was $191,114 compared to $57,161 in the fourth quarter of 2011. The increase is a result of options granted earlier in the 2012 year, for which the fair value is being amortized over the vesting terms.
- During the fourth quarter of 2011, the Company wrote off all exploration and evaluation costs associated with Point Leamington, Newfoundland. The total amount charged to operations was $1,271,933.

Proposed Transactions

Although the Company may be investigating any number of potential properties or projects at any given time, there are no proposed transactions that the board of directors or senior management believe that confirmation of the decision to acquire any specific project by the board is certain.

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, 2012. 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, revenues and expenses, and the related disclosure of contingent assets and liabilities. The Company evaluates its estimates on an on-going 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.

Change in Accounting Policies including Initial Adoption

The accounting policies followed by the Company are set out in Note 3 to the audited Financial Statements for the year ended December 31, 2012.

The Company prepared its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and required publicly accountable enterprises to apply such standards for financial years beginning on or after January 1, 2011. The accounting policies applied in these financial statements are based on IFRS as issued by the International Standards Board ("IASB") and the IFRS Interpretations Committee under the historical cost convention except for available for sale financial assets (marketable securities).

The following standards and interpretations have not yet been adopted by the Company and are currently under review:

a) IFRS 9, "*Financial Instruments*"

The new standard is a partial replacement of IAS 39, *Financial Instruments: Recognition and Measurement".* IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Application of IFRS 9 is mandatory for annual periods beginning on or after January 1, 2015. This standard has not yet been adopted by the Company, and the Company has not yet completed the process of assessing the impact that it will have on its financial statements.

b) 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 these 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 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.

Each standard is effective for annual periods beginning on or after January 1, 2013. These standards have not yet been adopted by the Company, and the Company has not yet completed the process of assessing the impact that they will have on its financial statements.

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.

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 of the audited Financial Statements for the year ended December 31, 2012). The Company manages liquidity risk through the management of its capital structure, as outlined in Note 4 of these Financial Statements for the year ended December 31, 2012. 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.

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 2012 and 2011. 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 December 31, 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.

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, 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 or on the SEDAR website at www.sedar.com.

Additional Disclosure for Venture Issuers Without Significant Revenue

For additional disclosures concerning the 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 year ended December 31, 2012 that are available on the Company's website at www.calibremining.com or on the SEDAR website at 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 year ended December 31, 2012 and 2011.

Disclosure of Outstanding Share Data

The following describes the outstanding share data of the Company as at March 14, 2013. For further information and details concerning outstanding share data, options, and warrants, see Note 9 and the Consolidated Statements of Changes in Shareholders' Equity, included in the audited Financial Statements for the year ended December 31, 2012:

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

Additional Disclosure for Reporting Issuers with Significant Equity Investees

Not applicable.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties, in Central and North America. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are primarily early stage exploration properties with no known resources or reserves), the following risk factors, among others, will apply:

Exploration, Development and Operating Risks

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Company toward the search and evaluation of precious metals and other minerals will result in discoveries of mineral resources, Mineral Reserves or any other mineral occurrences.

Political Stability and Government Regulation Risks

The operations of the Company are currently conducted in Nicaragua and Canada, as such, the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; extreme fluctuations in currency exchange rates; and changing political conditions, currency controls and governmental regulations. Changes, if any, in mining or investment policies or shifts in political attitudes in any of these countries may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Reliability of Resource Estimates

There is no certainty that any of the mineral resources identified at any of the Company's properties to date will be realized. Until a deposit is actually mined and processed the quantity of mineral resources and grades must be considered estimates only. In addition, the quantity of mineral resources may vary depending on, among other things, precious metal prices. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of any project undertaken by the Company. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production. Fluctuations in the prices of gold and other precious or base metals, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition.

Insurance and Uninsured Risks

The business of the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or require abandonment or delays in development of new mining properties.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

Land Title

There may be undetected title defects affecting the Company's properties. Title insurance generally is not available, and the ability of the Company to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, the Company has conducted only limited surveys of certain of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. Accordingly, the Company may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Permits

The Company cannot be certain that it will receive, on acceptable terms, the necessary permits to conduct further exploration and to develop its properties. The failure to obtain such permits, or delays in obtaining such permits, could increase the Company's costs and delay its activities, and could adversely affect the operations of the Company.

Competition

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be materially adversely affected.

Hedging

The Company does not have a hedging policy and has no current intention of adopting such a policy. Accordingly, the Company has no protection from declines in mineral prices.

Additional Capital

The development and exploration of the properties in which the Company holds an interest will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all such properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. In addition, any future financing may be dilutive to existing shareholders of the Company.

Fluctuations in Metal Prices

The price of the common shares, and the consolidated financial results and exploration, development and mining 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 prices of gold and other metals or minerals fluctuate widely and are affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and other foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world, the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market prices of gold or other metals or minerals could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the prices of gold and other metals and minerals, cash flow from mining operations could not be sufficient and the Company may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's properties is dependent upon the prices of gold and other metals and minerals being adequate to make these properties economically viable.

In addition to adversely affecting the resource estimates of the Company and its financial condition, declining commodity prices can affect operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or interrupt operations until the reassessment can be completed.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Precious metals and other minerals are generally priced in U.S. dollars and the costs of the Company are incurred in Canadian dollars, Nicaraguan Cordoba, or U.S. dollars. The appreciation of non-U.S. dollar currencies against the U.S. dollar can increase the cost of exploration and production in U.S. dollar terms, which could materially and adversely affect the Company's profitability, results of operations and financial condition.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Key Personnel

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

Changes to Exploration Programs

The Company may make changes to planned programs at anytime. This could be done due to a number of factors including results obtained to date changes in regulations, changes in metal prices, identification of new, more important, targets and a number of other possible causes.

Share Price Volatility and Liquidity

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for our shares will be subject to market trends generally, notwithstanding any potential success of us in creating sales and revenues. In addition, our shareholders may be unable to sell significant quantities of shares into the public trading markets without a significant reduction in the price of their shares, if at all.

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 year ended December 31, 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 December 31, 2012.