



(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

Three and Six Months Ended June 30, 2013 and 2012

(Expressed in Canadian Dollars - Unaudited)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Calibre Mining Corp.
 (An Exploration Stage Company)
Condensed Consolidated Interim Balance Sheets
 (Expressed in Canadian Dollars – Unaudited)

Note	June 30, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	\$ 1,843,999	\$ 3,583,868
Receivables	79,008	100,682
Marketable securities	6,000	18,000
Prepaid deposits and advances	54,755	72,208
	1,983,762	3,774,758
Non-current		
Property and equipment	344,157	339,223
Exploration and evaluation assets	5 14,404,753	12,791,037
	\$ 16,732,672	\$ 16,905,018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	\$ 91,369	\$ 173,332
Shareholders' equity		
Share capital	6 34,309,042	34,309,042
Contributed surplus	12,367,829	11,934,156
Foreign currency translation reserve	168,579	-
Available-for-sale financial assets	(36,000)	(24,000)
Accumulated deficit	(30,168,147)	(29,487,512)
	16,641,303	16,731,686
	\$ 16,732,672	\$ 16,905,018

On behalf of the Board:

"Douglas B. Forster" Director

"Edward Farrauto" Director

Calibre Mining Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars – Unaudited)

	Number of common shares	Share capital	Contributed surplus	Foreign currency translation reserve	Available- for-sale financial assets	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:							
- 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 revaluation	-	-	753,502	-	-	-	753,502
Stock based compensation	-	-	1,266,920	-	-	-	1,266,920
Other comprehensive income	-	-	-	-	(7,000)	-	(7,000)
Net loss for the period	-	-	-	-	-	(1,694,123)	(1,694,123)
Balance – June 30, 2012	187,910,918	\$ 34,309,042	\$ 11,455,111	\$ -	\$ (7,000)	\$ (28,502,152)	\$ 17,255,001
Balance – December 31, 2012	187,910,918	\$ 34,309,042	\$ 11,934,156	\$ -	\$ (24,000)	\$ (29,487,512)	\$ 16,731,686
Stock based compensation (Note 6c)	-	-	233,539	-	-	-	233,539
Warrant amendment (Note 6d)	-	-	200,134	-	-	-	200,134
Translation adjustment	-	-	-	168,579	-	-	168,579
Other comprehensive income	-	-	-	-	(12,000)	-	(12,000)
Net loss for the period	-	-	-	-	-	(680,635)	(680,635)
Balance – June 30, 2013	187,910,918	\$ 34,309,042	\$ 12,367,829	\$ 168,579	\$ (36,000)	\$ (30,168,147)	\$ 16,641,303

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

Calibre Mining Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Expenses					
Amortization		\$ 2,957	\$ 3,219	\$ 5,914	\$ 9,393
Audit and accounting fees		17,579	13,555	32,560	38,005
Bank charges and interest		441	555	788	1,275
Consulting fees		97,833	53,000	206,083	100,000
Director fees		-	-	5,000	-
Insurance		9,156	9,117	18,312	18,003
Legal fees		15,634	13,230	17,541	16,196
Marketing		467	14,433	2,183	49,096
Office, postage and printing		3,137	8,725	20,451	18,488
Rent		22,959	22,268	45,804	44,642
Salaries and wages		53,348	50,647	122,323	92,546
Share based compensation	6c & 6d	314,206	299,831	414,481	1,090,607
Shareholder relations		10,104	7,772	10,781	8,612
Telephone and utilities		947	394	1,743	1,002
Trade shows and conferences		-	19,914	20,806	146,180
Transfer agent and regulatory fees		3,976	5,974	7,709	15,614
Travel		118	3,042	5,473	3,927
		<u>(552,862)</u>	<u>(525,676)</u>	<u>(937,952)</u>	<u>(1,653,586)</u>
Other Income (Expenses)					
Foreign exchange gain (loss)		222,484	(16,164)	302,378	(47,368)
Other expenses	5b	(40,071)	-	(60,017)	-
Loss on disposal of assets		-	(4,180)	-	(4,180)
Interest income		6,329	9,467	14,956	11,011
		<u>188,742</u>	<u>(10,877)</u>	<u>257,317</u>	<u>(40,537)</u>
Net Loss for the Period		(364,120)	(536,553)	(680,635)	(1,694,123)
Foreign exchange translation effect		113,229	-	168,579	-
Unrealized loss on marketable securities		(12,000)	(25,000)	(12,000)	(7,000)
Net Comprehensive Loss for the Period		\$ (262,891)	\$ (561,553)	\$ (524,056)	\$ (1,701,123)
Net Loss per Share - Basic and Diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted Average Shares Outstanding		187,910,918	181,022,029	187,910,918	174,219,132

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

Calibre Mining Corp.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Operating Activities				
Net loss for the period	\$ (364,120)	\$ (536,553)	\$ (680,635)	\$ (1,694,123)
Items not affecting cash:				
Amortization	2,957	3,219	5,914	9,393
Stock-based compensation	314,206	299,831	414,481	1,090,607
Write off of disposal of assets	-	4,180	-	4,180
Unrealized foreign exchange gain	(222,484)	-	(302,378)	-
Net changes in non-cash working capital:				
Receivables	42,591	754	(20,290)	(26,268)
Accounts payable and accrued liabilities	(29,260)	(124,230)	(12,194)	(48,361)
Prepaid expenses	7,507	(1,051)	17,453	16,954
	<u>(248,603)</u>	<u>(353,850)</u>	<u>(577,649)</u>	<u>(647,618)</u>
Investing Activities				
Purchases of equipment and property	-	(72,154)	-	(76,486)
Proceeds on disposal of equipment	-	23,470	-	23,470
Exploration and evaluation expenditures, net	<u>(332,447)</u>	<u>(156,814)</u>	<u>(1,162,220)</u>	<u>(1,001,622)</u>
	<u>(332,447)</u>	<u>(205,498)</u>	<u>(1,162,220)</u>	<u>(1,054,638)</u>
Financing Activities				
Proceeds from share issuances	<u>-</u>	<u>4,971,312</u>	<u>-</u>	<u>5,125,562</u>
Net Increase (Decrease) in Cash and cash equivalents	(581,050)	4,411,964	(1,739,869)	3,423,306
Cash and cash equivalents - Beginning of Period	2,425,049	955,916	3,583,868	1,944,574
Cash and cash equivalents - End of Period	\$ 1,843,999	\$ 5,367,880	\$ 1,843,999	\$ 5,367,880
Supplemental Disclosure of Non-Cash Financing and Investing Activities				
Recoverable payment receivable included in mineral properties	\$ -	\$ 218,984	\$ -	\$ 218,984
Amortization included in exploration and evaluation assets	\$ 6,117	\$ 5,168	\$ 12,158	\$ 9,448
Stock based compensation included in exploration and evaluation assets	\$ 10,306	\$ 753,723	\$ 19,192	\$ 929,815
Exploration and evaluation costs included in accounts payable	\$ 38,598	\$ 126,663	\$ 38,598	\$ 126,663

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

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

1. Nature of Operations and Liquidity Risk

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, British Columbia, Canada. The Company's common shares are listed on the TSX Venture Exchange (TSX.V: CXB) in Canada.

Calibre Mining Corp. and its subsidiaries (collectively referred to as the "Company" or "Calibre") are principally engaged in the acquisition, exploration and development of mineral properties located in Nicaragua. Liquidity risk is the risk that the Company will be unable to meet its obligations as they become due. 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.

2. Basis of Presentation and Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted from these unaudited consolidated financial statements for the three and six months ended June 30, 2013.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2012.

These condensed interim consolidated financial statements have been prepared under the historical cost basis except for financial instruments classified as available-for-sale which are stated at their fair value (marketable securities).

The Board of Directors authorized the issuance of these financial statements on August 27, 2013.

3. Significant Accounting Policies

These condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2012. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included.

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2012, except as noted below:

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

3. Significant Accounting Policies – continued

a) Changes in functional currency

During the six months ended June 30, 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 change described in Note 5a) with regards to the Borosi Project. As a result, all translation of goods and services in a foreign currency is re-measured to the functional currency of the Nicaraguan subsidiary with gains and losses recorded in the condensed consolidated interim statement of loss.

Effective January 1, 2013, items included in the financial statements of each of the group's entities are measured using the functional currency. The functional currency of Calibre Mining Corp. (the parent company) continues to be the Canadian Dollar, while the functional currency of its wholly owned subsidiary, CXB Nicaragua S.A., in Nicaragua, is the US Dollar. The presentation currency of the consolidated financial statements continues to be the Canadian Dollar.

b) Newly adopted accounting standards

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

- (i) IAS 1, "*Presentation of Financial Statements*", was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income 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*". Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out a previously controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, 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. 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.

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

3. Significant Accounting Policies – continued

b) Newly adopted accounting standards – 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 other entities and the effects of those interests on its financial position, financial performance and cash flows.
- (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, by not changing how fair value is used but how it is measured.

c) 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 June 30, 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 is required to be applied for accounting periods beginning on or after January 1, 2015 with early adoption permitted.

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 North and 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.

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

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 additional 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. Exploration and Evaluation Assets

	Six Months Ended June 30, 2013	Year Ended December 31, 2012
<u>Borosi, Nicaragua (Note 5a)</u>		
Cost, beginning of period	\$ 12,791,037	\$ 9,739,305
Administration and maintenance	132,633	298,870
Amortization	12,158	21,333
Assaying	132,560	369,886
Camp and field supplies	41,458	140,068
Drilling and related	19,619	346,510
Effect of foreign currency translation	456,478	-
Geological consulting	13,742	253,464
Logistics and communications	135,974	305,448
Professional fees	3,530	23,594
Property maintenance	323,762	778,511
Salary and wages	488,167	1,197,264
Stock-based compensation	19,192	971,680
Travel	46,803	119,758
Recovery of costs	(212,360)	(1,774,654)
Total expenses during the period	1,613,716	3,051,732
Cost, end of period	14,404,753	12,791,037
<u>Point Leamington, Canada (Note 5b)</u>		
Cost, beginning of period	-	-
Administration and maintenance	-	21,033
Write off of exploration and evaluation assets	-	(21,033)
Cost, end of period	-	-
Total Exploration and Evaluation Assets	\$ 14,404,753	\$ 12,791,037

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

5. Exploration and Evaluation Assets – continued

a) Borosi, Nicaragua, Central America

In July 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 and totalling over 785 km². 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 our 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 km²) (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.

On April 24, 2013, the Company signed a letter agreement (the “Letter 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 3 years. The Letter Agreement also confirms the desire by both Calibre and B2Gold to enter into a definitive Joint Venture Agreement (“JV Agreement”) with respect to the B2Gold Option Property. Upon entering into the JV Agreement, the original option agreement with B2Gold and Calibre discussed above will terminate and be superseded by terms of the JV Agreement. The Company and B2Gold are currently negotiating the terms of the JV Agreement.

- (ii) Calibre continues to control a 100% interest in 463 km² 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 km². 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 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 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.

b) Point Leamington, Newfoundland, Canada

The Company owns 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 Raystar Capital Inc. 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, Raystar 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 Raystar at any time after closing for \$1,000,000. Raystar is considered a related party to the Company as there is an officer and directors in common. Closing of the Transaction remains subject to regulatory approvals. During the six months ended June 30, 2013, the Company charged to operations certain costs associated with project review totalling \$60,017 (three months ended June 30, 2013 - \$40,071).

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

6. Share Capital

a) *Authorized*

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

b) *Stock options*

The Company has a stock option plan (the "Plan"), whereby the Company has reserved 18,000,000 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.

During the three months ended June 30, 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 modifications was calculated to be \$59,516 on the modification date, which is being amortized over the remaining vesting terms of the related options. The fair value of the stock options used to calculate the option modifications were 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

A summary of the status of the Company's stock options as at June 30, 2012 and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, as at December 31, 2012	16,105,000	\$ 0.25
Forfeited or cancelled options	(355,000)	0.15
Options cancelled on re-pricing	(4,475,000)	0.49
Options re-issued on re-pricing	4,475,000	0.15
Outstanding, as at June 30, 2013	15,750,000	\$ 0.15
Exercisable, as at June 30, 2013	14,543,750	\$ 0.15

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

6. Share Capital – continued

b) Stock options – continued

As at June 30, 2013, stock options exercisable and outstanding are as follows:

Exercise Price	Options Outstanding		Options Exercisable	
	Number	Weighted Average Remaining Contractual Life (yrs.)	Number	Weighted Average Remaining Contractual Life (yrs.)
\$0.15	15,150,000	2.44	14,068,750	2.36
\$0.19	500,000	3.96	375,000	3.96
\$0.20	100,000	1.59	100,000	1.59
	15,750,000	2.49	14,543,750	2.39

c) Stock-based compensation

The Company amortizes the total fair value of options granted over the option vesting schedule. Consequently, the total compensation expense recognized for options granted during the six months ended June 30, 2013 or prior periods, and including the fair value associated with the amended options discussed in Note 6b), was \$233,539 (2012 - \$1,266,920). Of the total compensation recorded, \$214,347 (2012 - \$1,090,607) was charged to operations expense and \$19,192 (2012 - \$176,313) was capitalized to exploration and evaluation assets.

There were no new options granted during the six months ended June 30, 2013. The fair value of the options granted during the six months ended June 30, 2012 has been estimated at the date of grant using the following Black-Scholes option pricing assumptions:

	June 30, 2013	June 30, 2012
Weighted average risk-free interest rate	N/A	1.24%
Weighted average expected option life	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 six months ended June 30, 2012 was \$0.41.

d) Warrants

In conjunction with the Letter Agreement with B2Gold (discussed above), 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 are 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").

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

6. Share Capital – continued

d) Warrants – continued

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 37th 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 three and six months ended June 30, 2013. The fair value of the modified warrants was calculated using the Black-Scholes option-pricing model with the following assumptions:

Weighted average risk-free interest rate	0.97%
Weighted average expected option life	1 year
Weighted average expected volatility	101%
Weighted average expected dividend yield	Nil

A summary of the status of the Company's outstanding warrants as at June 30, 2013 and changes during the six months then ended:

	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	20,000,000	\$ 0.75
Warrants cancelled on amendments	(10,000,000)	0.50
Warrants re-issued on amendments	10,000,000	0.10
Outstanding, ending of period	20,000,000	\$ 0.18

As at June 30, 2013, the Company had the following warrants outstanding and exercisable:

Warrants Outstanding		
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
\$0.10	10,000,000	0.84
\$0.25	10,000,000	1.06
	20,000,000	0.95

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

7. Related Party Transactions

a) Key management personnel and compensation

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:

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Short-term benefits ⁽ⁱ⁾	\$ 112,500	\$ 85,417
Share-based payments ⁽ⁱⁱ⁾	\$ 27,268	\$ 1,305,225
Director fees paid	\$ 5,000	\$ -
Consulting and advisory fees to key personnel	\$ 153,333	\$ 65,000
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 did not receive any termination benefits for any of the periods presented.

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

(i) The Company has management employee and consulting 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 or consultant's annual compensation. The aggregate annual compensation for senior executive employees or consultants of the Company is \$415,000.

(ii) 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. Effective April 1, 2013, Featherstone Capital Inc. agreed to a reduced monthly retainer of \$5,000 per month.

(iii) 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. Effective April 1, 2013, the consultant agreed to a reduced monthly retainer of \$2,500 per month.

(iv) 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. Effective April 1, 2013, the consultant agreed to a reduced monthly retainer of \$10,000 per month.

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the three and six months ended June 30, 2013 and 2012

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

As at June 30, 2013			
	Canada	Nicaragua	Total
Cash	\$ 1,836,964	\$ 7,035	\$ 1,843,999
Other current assets	97,525	42,238	139,763
Property and equipment	39,357	304,800	344,157
Exploration and evaluation assets	-	14,404,753	14,404,753
Total assets	\$ 1,973,846	\$ 14,758,826	\$ 16,732,672
Total liabilities	\$ 53,855	\$ 37,514	\$ 91,369

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 three and six months ended June 30:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Canada	\$ (586,603)	\$ (516,209)	\$ (983,012)	\$ (1,642,575)
Nicaragua	222,483	(20,344)	302,377	(51,548)
Net Loss for the Period	\$ (364,120)	\$ (536,553)	\$ (680,635)	\$ (1,694,123)