



*(An Exploration Stage Company)*

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

**December 31, 2010 and 2009**  
(Expressed in Canadian Dollars)



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# Calibre Mining Corp.

(An Exploration Stage Company)

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

For the Year Ended December 31, 2010

(Expressed in Canadian Dollars)



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### 1.1 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, 2010 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, 2010 and 2009.

These Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, Cybele Resources Inc. ("Cybele") and Calibre Mining Ltd. (incorporated in the United States of America in 2008 until wind up in 2010). Cybele was incorporated under the laws of British Columbia in 2005 and owns 100% of Calibre Mining (Australia) Pty. Ltd. (an Australian company incorporated in 2005).

During the year ended December 31, 2009, the Company purchased a 100% interest in Yamana Nicaragua Limited. Yamana Nicaragua Ltd. is a holding company incorporated in 2006, in Belize, which owns 100% of Yamana Nicaragua, S.A. (a Nicaraguan company incorporated in 2006), which has been subsequently renamed to CXB Nicaragua, S.A.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars (unless otherwise indicated). The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company, including the most recent Company filings, can be located on the Company's website, [www.calibremining.com](http://www.calibremining.com), or on the SEDAR website, [www.sedar.com](http://www.sedar.com).

This MD&A reflects information available as at April 18, 2011.

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

#### Business overview

The Company was 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 global precious and base metals assets and mineral properties. The Company's common shares are listed in Canada on the TSX Venture Exchange under the trading symbol CXB.

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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 North East 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 and copper mineralization associated with intrusion related deposits.

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, 2010, the Company recorded a net loss of \$1,676,713 or \$0.01 per share, as compared to a net loss of \$2,695,791 or \$0.03 per share for the year ended December 31, 2009. During the year ended December 31, 2009, the Company disposed of its interest in its Trundle, Australia property for gross proceeds of \$207,275, resulting in a loss on disposal of \$920,601. In addition, the Company wrote off costs totalling \$364,296 relating to certain claims located in Point Leamington, Canada.

As at December 31, 2010, the Company had total assets of \$11,620,772 compared to \$12,579,046 as at December 31, 2009. The significant majority of these assets for both periods are the carrying values of the Company's cash and its mineral property costs.

As at December 31, 2010, the Company had working capital of \$641,127 compared to working capital of \$2,142,956 as at December 31, 2009. The Company's working capital as at December 31, 2010 includes cash of \$661,698 (2009 - \$1,737,271). The decrease in both working capital and cash is attributed to the Company's activities at Borosi and general and administrative expenses incurred during 2010. The Company did not complete any financings during the year ended December 31, 2010.

As at December 31, 2010, the total carrying value of the Company's mineral property costs was \$10,472,972 compared to \$9,823,584 as at December 31, 2009. 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 Inc. (discussed below) and also includes an amount of \$322,808 related to future income taxes incurred in 2010.

During the years ended December 31, 2009 and 2008, the Company sold its option interest in the Trundle Australia Project, and returned the titles of the Cargo, Australia and Trend, USA Projects to the original owners. As a result, the Company no longer maintains any interest in any properties in either Australia or the USA, nor does the Company have any significant assets or liabilities or operations in either of these countries. With the acquisition of the Borosi Project in 2009, the Company's current focus is on the exploration of these concessions in Nicaragua and on maintaining the mining lease at Point Leamington in good standing.

During the year ended December 31, 2010, through to the date of this report, the Company carried out the following exploration activities:

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### Borosi, Nicaragua, Central America

On July 21, 2009, the Company acquired a 100% equity interest in Yamana Nicaragua, S.A. ("Yamana Nicaragua") from Yamana Gold Inc. Yamana Nicaragua owns an undivided 100% interest in the Borosi Gold – Copper Project ("Borosi Project"), consisting of approximately 70,976 hectares of six mineral and five exploitation concessions, located in the North Atlantic Autonomous Region of Nicaragua, Central America, approximately 230 kilometres northeast of Managua, Nicaragua.

In consideration, the Company issued 12 million common shares with a total fair value of \$2.16 million and paid \$4.42 million in cash. In addition, if within five years from closing, and upon the Company incurring cumulative exploration expenditures aggregating at least \$5 million, and upon completion and acceptance of a National Instrument ("NI") 43-101 Measured and Indicated resource within the originally acquired Borosi Project boundary, the Company will pay a bonus of \$5.00 per gold equivalent ounce, to a maximum total payment of \$3.5 million (700,000 gold equivalent ounces) ("Bonus Payment"). This Bonus Payment will be payable in cash or common shares, at the sole option of the Company. The Company also issued 5 million warrants exercisable at \$0.50 per share, and 5 million warrants exercisable at \$1.00 per share (collectively the "Bonus Warrants"). The Bonus Warrants expire on July 21, 2014 and are only exercisable if the Company delineates at least 2.5 million NI 43-101 compliant ounces of gold equivalent in Measured and Indicated resource categories. The existence of an NI 43-101 compliant Measured and Indicated resource is not determinable at this time, and management is not able to determine with any accuracy if such a resource will be identified in the exploration of the project, as a result no liability has been accrued for the Bonus Payment and a \$Nil value has been assigned to the Bonus Warrants at the purchase date and as at December 31, 2010. The amount, if any, of the Bonus Payment will be revisited in future periods and is dependent upon the results of the completion of a NI 43-101 compliant study on Borosi, within 5 years of the date of closing of the Borosi acquisition. In addition, the fair value of the Bonus Warrants will be re-measured in each subsequent reporting period until the outcome of any NI 43-101 study is determined, or the expiry of the Bonus Warrants. This may result in additional value being attributable to the Bonus Warrants in subsequent periods. Any future amounts assigned to the Bonus Payment or the Bonus Warrants may be material.

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

As at December 31, 2010, B2Gold had fulfilled their minimum year one commitment obligation.

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

### Inferred resource at Borosi concessions

In February 2011, the Company announced that Wardrop, a Tetra Tech Company ("Wardrop") completed a review at the 100% owned Cerro Aeropuerto and La Luna deposits and calculated a National Instrument 43-101 ("NI 43-101") compliant, inferred resource (Table 1) totalling 835,450 ounces of gold and 4,288,070 ounces of silver (903,000 ounces of gold equivalent).

**Table 1 Calibre Mining Corp. Global Inferred Resource (using a 0.6 g/t AuEq<sup>1,3</sup> cutoff grade)<sup>2</sup>**

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

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

<sup>2</sup> Mineral resources that are not mineral reserves do not have economic viability

<sup>3</sup> Metallurgical recoveries and net smelter returns are assumed to be 100%

The 100% owned Cerro Aeropuerto deposit is 500 metres directly south and on strike of the past producing La Luz (Cerro Potosi) Mine in Siuna, Nicaragua. The La Luz Mine, also owned 100% by Calibre is a gold skarn system that based on production records and historical (non-NI 43-101 compliant) resource, contained 3.09 million ounces of gold<sup>1</sup>. The Cerro Aeropuerto resource was calculated using data from 2,937 metres of HQ drill core from 9 holes over a 500 metre strike length. Further exploration on the Cerro Aeropuerto deposit will focus along strike towards the past producing La Luz Mine as well as along parallel mineralized structures identified during the 2008 drill program, but not incorporated into this resource calculation. The Cerro Aeropuerto gold-silver deposit remains open for resource expansion along strike and to depth.

The 100% owned La Luna deposit is 8½ kilometres directly southeast of the Company's 100% owned Riscos de Oro low sulphidation epithermal vein system. The La Luna resource was calculated using data from 2,159 metres of HQ drill core from 11 holes and 280 metres of surface trenching over a 1½ kilometre strike length. The deposit is separated into northern and southern zones that are separated by 350 metres of offset. Further exploration of the La Luna deposit will focus along the southern strike extent of the deposit, as well as on trenching and diamond drill testing of an inferred dilation zone between the north and south zones. The La Luna gold-silver deposit remains open for resource expansion along strike and to depth.

<sup>1</sup> The La Luz Mine produced 2.27 million ounces of gold from 1912 to 1968. A historical resource of 820,000 ounces of gold was calculated by Rosario Mining in 1974 (Lehman et al 1982).

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### Riscos de Oro

During 2010, the Company completed its initial drill program at Riscos. The final set of results are highlighted by the highest grade gold and silver assays intercepted to date by the Company. The Company's initial drill program at Riscos included the following findings: 4.23 g/t Au and 384.86 g/t Ag (11.63 g/t Au Eq.) over 8.53 metres (DDH RD10-009); 9.04 g/t Au and 30.02 g/t Ag (9.62 g/t Au Eq.) over 4.14 metres (DDH RD10-005); and 8.81 g/t Au and 55.74 g/t Ag (9.88 g/t Au Eq.) over 3.4 metres (DDH RD10-003). The mineralization is characterised by banded sulphosalts hosted within low sulphidation epithermal banded quartz veins and quartz vein breccias. The initial program also successfully expanded the high grade gold and silver low sulphidation epithermal mineralization to a depth of 200 metres below historic open pit and underground workings.

In February 2011, the Company commenced a planned 2,500 metre phase II drilling program at its 100% owned Riscos de Oro project. The Company has executed a drill contract with Rodio Swissboring of Nicaragua to conduct the program. Drilling on the project is currently on-going, assays and results will be compiled and reviewed once received from the program.

### Acquisitions of additional concessions at Borosi

In January 2011, the Company increased its land position at the Borosi concessions to over 867 square kilometres with the addition of the Asa and Pis Pis concessions. The concessions cover a 25 by 10 kilometre area of limestone and calcareous sediments that have been intruded by granitic rocks. The whole area was subsequently overlain by rhyolite and andesite volcanic. The concessions cover the inferred south west extensions of the producing Bonanza low-sulphidation gold-silver camp and the northern extensions of the historic Siuna gold skarn camp.

### Bonanza – H1 Concession

During 2010, the Company delineated several sets of gold-bearing quartz veins extending northeast for 2½ kilometres from the southern concession boundary, over a 2½ km. by 2 km. area at the 100% owned Bonanza H1 concession in Nicaragua, through a combination of mapping, prospecting, soil sampling and trenching. Highlights of the trenching work include 4.7 metres grading 7.3 gram per tonne ("g/t") gold in Trench BTR10-18 and 10.9 metres grading 1.35 g/t gold in Trench BTR10-29. Results from these trenches confirm that mineralization extends at least 600 metres on strike of what is inferred to be the northeast extension of the Washington vein, part of the Panama group of low sulphidation gold veins, currently being mined by Hemco Nicaragua, SA. The Company is reviewing the results and considering potential diamond drill targets that will test the depth and strike continuity of the system.

### Areas subject to option agreement with B2Gold

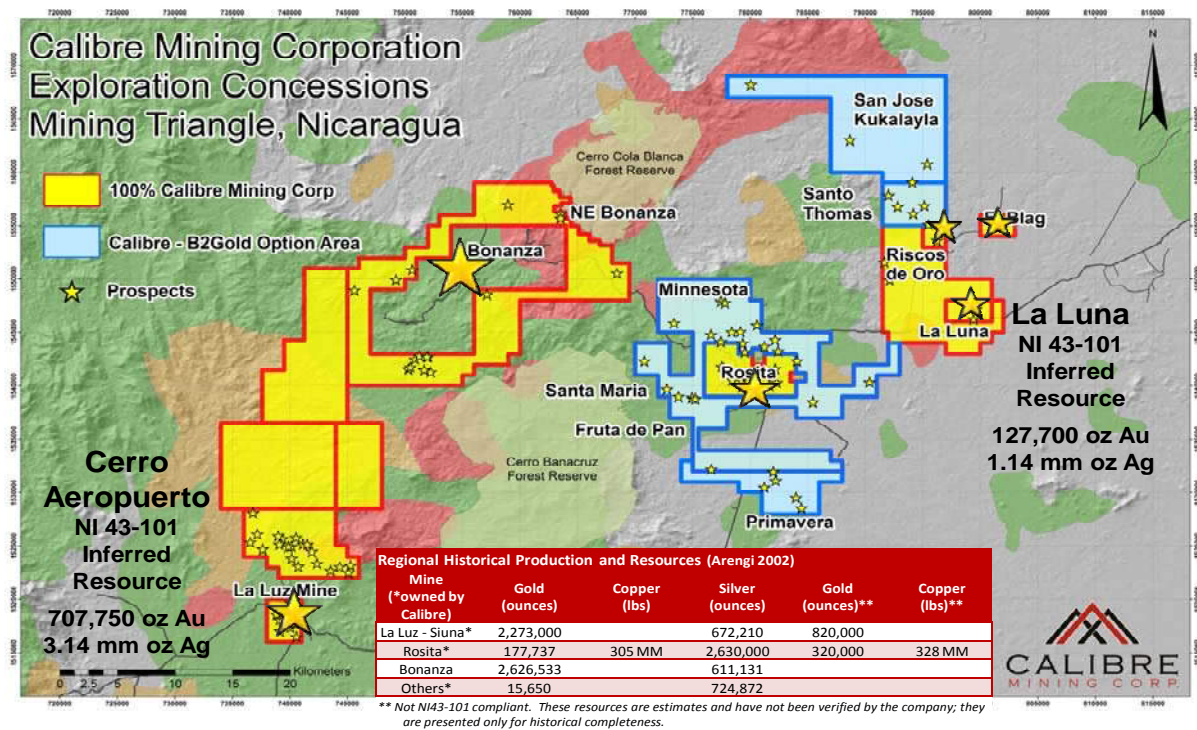
Upon completion of an initial field work program at Santa Maria in the Borosi camp, the Company discovered a high grade gold vein system over a 600 metre strike length with grab and composite chip panel samples grading up to 64.1 g/t gold and 109 g/t silver. The program consisted of reconnaissance geologic mapping over a 9 square kilometre area, a 4 line-kilometre soil sampling survey and 37 rock chip and grab samples. Mapping has outlined a 2 kilometre long, north striking, vein system hosted in andesite volcanics. Soil sampling results over a portion of this area outlined an open ended, 800 metre by 40 metre coincident gold and copper in soil anomaly (with results up to 828 ppb Au and 710 ppm Cu). Multiple rock chip and grab samples coincident with the soil anomaly returned values of over 9 g/t Au from quartz veins and andesite tuffs.

In addition to the above, the Company continues a systematic program of sampling, mapping and soil surveying at Minnesota, Fruta de Pan, Santo Thomas, Primavera, and Santa Maria, as well as other regional areas subject to the agreement with B2Gold. Results are being compiled and reviewed for consideration in future programs in consultation with B2Gold.

The Santa Maria, Minnesota, Fruta de Pan, Primavera, and Santo Thomas prospects are subject to an option agreement with B2Gold, whereby Calibre is acting as operator and B2Gold may earn up to a 51% interest in specific concessions within the Borosi area by funding CDN\$ 8 million in expenditures over a 5 year period.

The following map outlines the Borosi concession metal endowment in its entirety, as well as outlining areas owned 100% by the Company and areas subject to the agreement with B2Gold. The map also outlines the significant prospects under current review by the Company:

## BOROSI CONCESSION METAL ENDOWMENT



SLIDE 8 CALIBRE MINING CORP.

### Point Leamington, Newfoundland, Canada

The Company continues to own and keep in good standing the 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 ("NSR"), which is held by a third party.



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During the years ended December 31, 2009 and 2008, the Company dropped all the claims surrounding the mining lease. As a result, during the year ended December 31, 2009, the Company wrote off acquisition and exploration expenditures totalling \$364,296 associated with costs incurred in evaluating these claims dropped.

### Trundle, New South Wales, Australia

On August 27, 2009, the Company completed the sale of its interest in the Trundle Property to Clancy Exploration Limited ("Clancy"), a publicly traded company in Australia (ASX: CLY). As consideration, the Company received 1,750,000 common shares of Clancy, approximately 2.7% of their issued and outstanding common shares. The shares are in escrow for 12 months from the date of settlement and while in escrow cannot be sold by the Company. The fair value of the shares received was \$207,275. As a result, the Company recorded a loss on disposal of the Trundle mineral property of \$920,601 during the year ended December 31, 2009 (net of proceeds received).

During the year ended December 31, 2010, the Company sold all 1,750,000 common shares of Clancy for total proceeds of \$139,966. As a result, the Company has recorded a loss on sale of investment of \$67,309 in 2010.

### Market trends

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

<b>Average Prices for the Period Shown</b>	
	<b>Gold (US\$/per oz.)<sup>1</sup></b>
Year Ended December 31, 2010	\$1,225
Year Ended December 31, 2009	\$972
Year Ended December 31, 2008	\$872
Year Ended December 31, 2007	\$695
Year Ended December 31, 2006	\$603

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

In addition, the Company incurs costs in Canadian and U.S. dollars and the Nicaraguan Cordoba (the Company does not have any current operations in Australia and therefore has limited risk in fluctuations over the Australian dollar exchange rates). Fluctuations 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:

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	Average Prices for the Period Shown <sup>3</sup>	
	US Dollar	Nicaraguan Cordoba
Year Ended December 31, 2010	\$0.97060	C\$20.36370
Year Ended December 31, 2009	\$0.88029	C\$17.98597
Year Ended December 31, 2008	\$0.94410	C\$18.62870
Year Ended December 31, 2007	\$0.93565	C\$17.71496
Year Ended December 31, 2006	\$0.88206	C\$15.91877

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

### 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 years presented in the Company's Financial Statements. For further information regarding geographical data including assets based on location, please refer to Note 11 of audited consolidated financial statements for the years ended December 31, 2010 and 2009.

### 1.3 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, 2010, 2009 and 2008:

	December 31, 2010	December 31, 2009	December 31, 2008
Total revenues	\$Nil	\$Nil	\$Nil
Loss before discontinued operations and extraordinary items	\$1,676,713	\$2,695,791	\$5,031,406
Basic and diluted loss per share before discontinued operations and extraordinary items	\$0.01	\$0.03	\$0.10
Net loss for the year	\$1,676,713	\$2,695,791	\$5,031,406
Basic and diluted loss per share for the year	\$0.01	\$0.03	\$0.10
Total assets	\$11,620,772	\$12,579,046	\$3,842,518
Total long-term financial liabilities	\$Nil	\$Nil	\$Nil
Cash dividends declared	\$Nil	\$Nil	\$Nil

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## 1.4 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 annual audited Financial Statements and related notes.

Year ended December 31, 2010 compared to year ended December 31, 2009

The Company's general and administrative costs were higher in 2010, totalling \$1,609,724 compared to \$1,343,237 in 2009. The key factors related to the increase can be summarized as follows:

- Amortization expense decreased in 2010 to \$40,563, from \$51,581 in 2009. The decrease is a result of the Company not purchasing any significant corporate and administrative property and equipment in 2010 and prior years.
- Audit and accounting fees decreased to \$86,667 from \$186,190 in 2009. The decrease relates to the initial audit and regulatory requirements on acquisition of Yamana Nicaragua Ltd., which occurred in 2009. In addition, during the year ended December 31, 2009, the Company also performed its initial analysis and consultation on transition to International Financial Reporting Standards resulting in higher expenses in that year. Costs in 2010, include wind up costs associated with winding up the US subsidiary.
- Consulting fees increased in 2010 to \$263,972 from \$54,024 in 2009. During the year ended December 31, 2010, the Company engaged Asty Capital AG of Zurich ("Asty"), Switzerland to act as its capital markets advisor and assist the Company with corporate development in Europe. The contract with Asty expired effective July 31, 2010. In addition, the Company engaged certain investor relation consultants beginning in 2010.
- Foreign exchange gain in 2010 was \$173,747, compared to a gain in the prior year of \$149,097. The operations of the Company are impacted by the fluctuations in the US Dollar and Nicaraguan Cordoba against the Canadian dollar. Significant fluctuations in foreign exchange rates in countries where the Company operates are difficult to predict and could have a significant variance on the Company's future operations. In both 2010 and 2009, the significant majority of the foreign exchange gain related to an unrealized foreign exchange gains on future income taxes (\$135,687 in 2010 and \$116,241 in 2009).
- Insurance decreased in 2010 to \$38,765 from \$44,258 in the prior year. The decrease is attributable an overall decrease in insurance premiums in the industry as a whole from the prior year.
- Legal fees decreased in 2010 to \$34,638 from \$43,496 in 2009. Legal fees are primarily attributable to fees incurred as a result of regulatory and other legal requirements while maintaining our status as a publicly traded company in Canada and will vary between years accordingly. During December 31, 2009, the Company experienced an overall increase in the level of regulatory and legal activity with the acquisition of the Borosi Project in Nicaragua and the number of private placements entered into during the year.
- Office and rent expenses decreased to \$175,514 in 2010 from \$192,366 in 2009. The costs for each of the periods reflect the Company's rental premises in Canada and associated office supplies, postage and printing costs incurred. The decrease relates to less corporate computer, IT, and software maintenance costs in 2010 compared to the prior year.

- The cash component of salaries and wages increased in 2010 to \$447,613 from \$383,712 in 2009. Prior to the acquisition of Borosi concessions in Nicaragua, the Company decreased corporate head office staff significantly in early 2009. In the latter half of 2009 and for the entire 2010, the Company re-hired various head office staff to recommence general and corporate activity.

The non-cash component of salaries and wages consists of stock-based compensation of \$546,964 in 2010 compared to \$327,735 in 2009. 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 years ended December 31, 2010 and 2009, the Company issued a number of options to employees, directors and consultants of the Company which resulted in an increase in 2010 stock based compensation expense as the fair value of the options are expensed over their vesting period.

- During the year ended December 31, 2010, marketing, trade shows and conferences decreased slightly to \$77,369 from \$79,568 in 2009. The Company remained committed to attending various trade shows during 2010 and 2009 both in Canada and abroad.
- Transfer agent and regulatory fees increased in 2010 to \$25,068 from \$15,242 in 2009. The increase relates to regulatory fees related to adjustments made during the year to the Company's stock option plan.
- Travel decreased in 2010 to \$31,014 from \$90,911 in 2009. During the years ended December 31, 2009, expenditures consisted of travel abroad for administrative and executive management review of existing projects and project development, which was significantly decreased in 2010 as a result of the purchase of the Borosi property in Nicaragua.

The Company's other losses decreased for the year ended December 31, 2010, totalling a loss of \$66,989 compared to a loss of \$1,352,554 for the same period in 2009. The key factors related to the decrease in loss are as follows:

- In 2009, the Company reviewed a number of different projects and incurred \$68,596 in due diligence and property investigations prior to its acquisition of the Borosi concessions. There were no such costs incurred in 2010.
- During the year ended December 31, 2009, the Company wrote off \$364,296, related to claims no longer being pursued at Point Leamington, Canada. The Company incurred no such write off in 2010.
- During 2009, the Company completed the sale of its interest in the Trundle Property to Clancy Exploration Limited. As consideration, the Company received 1,750,000 common shares of Clancy with a fair value of \$207,275. As a result, the Company wrote off exploration costs incurred at Trundle totalling \$1,127,876, resulting in an overall loss on disposal of \$920,601. During 2010, the Company sold all the common shares of Clancy for a loss of \$67,309.



## 1.5 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 2010	September 2010	June 2010	March 2010
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Loss before discontinued operations and extraordinary items	\$354,674	\$464,681	\$490,374	\$366,984
Basic and diluted loss per share before discontinued operations and extraordinary items	\$0.00	\$0.00	\$0.00	\$0.00
Net loss for the period	\$354,674	\$464,681	\$490,374	\$366,984
Basic and diluted loss per share for the period	\$0.00	\$0.00	\$0.00	\$0.00
	December 2009	September 2009	June 2009	March 2009
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Loss before discontinued operations and extraordinary items	\$707,398	\$416,762	\$257,776	\$1,313,855
Basic and diluted loss per share before discontinued operations and extraordinary items	\$0.01	\$0.00	\$0.01	\$0.03
Net loss for the period	\$707,398	\$416,762	\$257,776	\$1,313,855
Basic and diluted loss per share for the period	\$0.01	\$0.00	\$0.01	\$0.03

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

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

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## 1.6 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 for the years ended December 31, 2010 and 2009, the Company has no other long-term debt, capital lease obligations, operating leases or any other long-term obligations.

As at December 31, 2010, the Company had working capital of \$641,127 compared to working capital of \$2,142,956 as at December 31, 2009. The Company's working capital as at December 31, 2010 includes cash of \$661,698 (2009 - \$1,737,271). The decrease in both working capital and cash is attributed to the Company's activities at Borosi and general and administrative expenses incurred during 2010. The Company did not complete any financings during the year ended December 31, 2010.

During 2009, the Company completed a number of brokered and non-brokered private placements. The details on these financings are disclosed in Note 8 a) of the Financial Statements. Subsequent to December 31, 2010, the Company also issued a total of 9,325,000 common shares on exercise of warrants for gross proceeds of \$1,398,750.

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

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.

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## 1.7 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.

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As at April 18, 2011, the Company has approximately 73 million stock options and warrants outstanding which, if exercised, would bring a further \$19.85 million to the Company's treasury upon exercise.

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### **1.8 Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

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### **1.9 Transactions with Related Parties**

The following is a summary of the related party transactions that occurred throughout each of the two years ended December 31:

	<b>2010</b>	2009
Accounting fees paid to a director and former officer	<b>\$ 60,000</b>	\$ 60,000
Legal fees paid to a law firm associated with a former officer	<b>\$ 2,325</b>	\$ 177,640

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During the year ended December 31, 2009, the legal fees paid to a law firm associated with an officer of the Company, were paid as a result of the Company's acquisition of Yamana Nicaragua Ltd. (Note 6a), as a result of the various private placements organized by the Company in 2009, and also general corporate and securities related counsel.

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#### **1.10 Fourth Quarter**

##### *Fourth quarter ended December 31, 2010 compared to fourth quarter ended December 31, 2009*

During the fourth quarter of 2010, the Company incurred a net loss of \$354,674 compared to a net loss of \$707,398 for the three months ended December 31, 2009.

The following items outline the key differences between the fourth quarter of 2010 compared to the same period for 2009:

- Professional fees, including audit, accounting and legal fees were considerably higher in the fourth quarter of 2009 compared to 2010, as a result of the various regulatory and audit – related requirements on acquisition of the wholly-owned subsidiary in Nicaragua.
  - During the fourth quarter of 2009, the Company incurred more expenses for the marketing and trade shows as a result of the recently acquired property in Borosi.
  - In the fourth quarter of 2009, the Company also recorded a further write-off of Point Leamington based on claims that were no longer being pursued in the amount of \$214,797. There was no such write off in 2010.
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### 1.11 Proposed Transactions

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

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### 1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in Note 2 of the audited Financial Statements for the year ended December 31, 2010. The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. These estimates include:

- the carrying values of mineral properties;
- the carrying values of property, plant and equipment;
- rates of amortization of property, plant and equipment;
- the valuation allowances for future income taxes;
- the valuation of consideration on the acquisition of Yamana Nicaragua, S.A., including valuation of the contingent Bonus Payment and Bonus Warrants (discussed above in Section 1.2: *Business Overview and Overall Performance: Borosi, Nicaragua, Central America*); and
- the valuation of stock-based compensation.

Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows. Factors that could potentially affect these estimates include risks inherent in mineral exploration and development, changes in government policy and changes in foreign exchange rates.

Management has assessed the carrying value of its assets, and other than write-downs to certain mineral property interests and some abandoned property and equipment, does not believe the remaining assets have suffered any impairment. Management assesses the exploration results on its exploration projects and determines whether results to date warrant further exploration. If results do not indicate potential for a property, the deferred exploration costs are written off.

In connection with the purchase of Yamana Nicaragua, S.A., the Company agreed to certain contingent Bonus Payments and Bonus Warrants discussed above in Section 1.2: *Business Overview and Overall Performance: Borosi, Nicaragua, Central America*, which will only be payable and exercisable upon the completion and acceptance of specifically defined and outlined NI 43-101 Measured and Indicated resource. The existence of any NI 43-101 compliant Measured and Indicated resource is not determinable at this time, and management is not able to determine with any accuracy if such a resource will be identified in the exploration of the project, as a result no liability has been accrued for the Bonus Payment and a \$Nil value has been assigned to the Bonus Warrants at the purchase date. The amount, if any, of the Bonus Payment will be revisited in future periods and is dependent upon the results of the completion of a NI 43-101 compliant study on Borosi, within 5 years of the date of closing of the Borosi acquisition. In addition, the fair value of the Bonus Warrants will be re-measured in each subsequent reporting period until the outcome of any NI 43-101 study is determined, or the expiry of the Bonus Warrants. This may result in additional value being attributable to the Bonus Warrants in subsequent periods. Any future amounts assigned to the Bonus Payment or the Bonus Warrants may be material.





Management has made significant assumptions and estimates in determining the fair market value of stock based compensation granted to employees and non-employees and the value attributed to various warrants and broker warrants issued on financings. These estimates have an effect on the stock based compensation expense recognized and the contributed surplus and share capital balances on the Company's balance sheet. Management has made estimates of the life of stock options and warrants, the expected volatility and expected dividend yields that could materially affect the fair market value of these types of securities. The estimates were chosen after reviewing the historical life of the Company's options and analyzing share price history to determine volatility.

### 1.13 Change in Accounting Policies including Initial Adoption

The accounting policies followed by the Company are set out in Note 2 to the audited Financial Statements for the year ended December 31, 2010 and have been consistently followed in the preparation of these Financial Statements as compared to prior years.

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting in the future are summarized below:

#### International Financial Report Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian GAAP for publicly-accountable, profit-oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010.

The Company's IFRS conversion is carried out in three phases: high-level impact assessment, detailed evaluation, and implementation and review. The Company has completed its initial high-level impact assessment to identify key areas that may be affected by the conversion. A detailed evaluation between specific differences between IFRS and Canadian GAAP, and how that impacts the Company's implementation will occur during 2010 and into the first quarter of 2011.

The following table provides a summary of the changeover plan, the key elements involved and the status of these tasks:

Key Element	Description
Accounting policies	<p>Management has performed an initial review of its accounting policies and the impact of adopting IFRS. During 2010, the Company intends to perform a more comprehensive review of its accounting policies and requirements of IFRS, especially, with respect to:</p> <ul style="list-style-type: none"> <li>• Exploration and evaluation expenditures;</li> <li>• Property, plant and equipment;</li> <li>• Stock-based compensation;</li> <li>• Functional currency;</li> <li>• Contingent liabilities;</li> <li>• Impairment of long-lived assets;</li> <li>• Future income taxes; and</li> </ul>

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	<ul style="list-style-type: none"> <li>• Various financial statement disclosures</li> </ul> <p>The detailed evaluation of these and other policies is ongoing and will be completed for the first half of 2011. The Company expects to be able to quantify these differences in the first quarter of 2011. The transition from Canadian GAAP to IFRS may materially affect reported financial position and results of operations. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated.</p>
Information technology and data systems	The initial review of the Company's information and data systems suggest that they are sufficient and no significant changes will be required to either capture information required or report under IFRS.
Internal control over financial reporting	The final impact of the Company's internal control over financial reporting will not be able to be fully assess until the final accounting policies under IFRS are determined. Notwithstanding, given the Company's stage of development, the Company does not consider that the adoption of IFRS will have a significant impact on the Company's internal control over financial reporting.
Disclosure controls and procedures	Due to the Company's stage of development, the Company does not believe it will require significant revisions to its control environment for changes in processes and controls as a result of the transition to IFRS.
Financial reporting expertise	<p>The Company has performed an initial assessment of the financial expertise required to adopt IFRS and considers that it has sufficient in-house resources to review the requirements of IFRS, and assess any required adjustments to the opening balance sheet under IFRS. However, the situation will be monitored on an on-going basis, and management will consider hiring additional IFRS expertise on a consulting basis as needed.</p> <p>The Company has provided additional training to staff during the 2010 calendar year on IFRS and its requirements and will continue to do so in the first half of 2011. The Company also intends to consult on a frequent basis with its auditors to ensure its assessments on the adoption of IFRS are accurate.</p>
Business activities	<p>As the Company's final IFRS accounting policies are developed and adopted, the Company will consider their impact on all material agreements prior to adoption.</p> <p>Updates on the progress of the conversion process have been provided to the Company's audit committee and disclosed in the Company's MD&amp;A on a quarterly basis throughout 2010 and into 2011.</p>

The following provides a summary of some potential changes to accounting policies in key areas based on current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies under the adoption of IFRS.

- The International Accounting Standards Board ("IASB") has still not made a definitive determination as to whether exploration and evaluation costs should be capitalized or expensed. IFRS 6 allows companies to choose a policy that capitalizes these costs. The policy must be disclosed in the notes to the financial statements. The Company expects to continue capitalizing its exploration and evaluation costs in a manner consistent with its current accounting policy.
- IFRS and Canadian GAAP contain the same basic principles for property, plant, and equipment; however, there are some differences. Specifically, IFRS requires property, plant and equipment to be measured at cost in accordance with IFRS, breaking down material items into components and amortizing each one separately. In addition, unlike Canadian GAAP, IFRS permits property, plant and equipment to be measured at fair value or amortized cost. The Company's initial analysis is that no further componentization was necessary in property, plant, and equipment. The Company will continue to reflect its property, plant and equipment at amortized cost.
- Under IFRS, a provision is to be recognized when (a) there is a present obligation as a result of a past transaction or event; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation. The threshold for recognition of a provision under Canadian GAAP is higher than under IFRS. Therefore, it is possible that some contingent liabilities which would not have been recognized under Canadian GAAP may meet the criteria for recognition as a provision under IFRS.
- The method of accounting for income taxes under IFRS is similar to Canadian GAAP, but one of the exemptions under IFRS may have a significant impact on the Company's financial reporting. Under current IFRS guidelines, the recognition of future income tax ("FIT") assets or liabilities that arise from the initial recognition of assets or liabilities that do not impact profit or loss and other than in a business combination is prohibited. The Company's FIT liability balance is almost exclusively due to the difference between the carrying value and the tax value for the properties that the Company acquired as a result of an acquisition of assets, not a business combination. As a result, the exemption under IFRS would apply and would eliminate the majority of the Company's FIT liability balance recognized under Canadian GAAP. It would also decrease the carrying value of mineral properties by a similar amount because when the FIT liability was recognized, the carrying values of the related mineral properties were grossed up by the same amount. The IASB has recently issued an exposure draft suggesting changes to its income tax standard. The exposure draft has received a significant number of comments and it is uncertain what changes, if any, will be made before the Company's adoption date.

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- Under Canadian GAAP, mineral property impairment testing is performed using a two-step test. The first step is to determine if there is an impairment loss by using an undiscounted cash flow analysis. If that analysis identifies an impairment loss, the loss is measured as the amount by which carrying value exceeds fair value. The fair value is often based on discounted cash flows. Under IFRS, assets are tested for impairment using a one-step process based on discounted cash flows. IFRS also allows the reversal of impairment charges from previous years if the fair value exceeds the carrying value of long-lived assets.
  - Other IFRS that apply to the Company's operations, but that are not expected to have a significant effect on 2010 financial results, based on the Company's current and expected activities are functional currency, business combinations, share based payments, and decommissioning and retirement obligations.

The implementation and review phase began in the second half of 2010 and is continuing into the first half of 2011. This phase includes implementation of the required changes necessary for IFRS compliance. Final decisions on accounting policy choices and IFRS 1 exemptions will be approved and changes to business processes and internal controls, if any, resulting from policy changes will be implemented. Preparation of an opening IFRS balance sheet and IFRS comparatives for 2010 reporting periods will commence in this phase as well. The Company will monitor changes in IFRS leading up to the January 1, 2011 adoption date, and update its conversion efforts as required.

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#### 1.14 Financial Instruments and Other Instruments

The Company has designated its financial instruments as follows:

- Cash is classified as held-for-trading;
- Receivables are classified as loans and receivables;
- Marketable securities are classified as available-for-sale; and
- Accounts payable and accrued liabilities as other financial liabilities.

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

The following information summarizes the Company's financial and other instruments and discusses their associated risks with the Company's present operations (further information regarding financial instruments can also be reviewed in Note 3 of the Company's Financial Statements for the year ended December 31, 2010).

##### Financial Instruments – Presentation and Disclosures:

###### Fair value

Cash and marketable securities are recorded at fair value and are measured using Level 1 (in accordance with Section 3862 of the CICA Handbook). Receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

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### Liquidity risk

The Company manages liquidity risk through the management of its capital structure, as outlined in Note 4 of the consolidated financial statements and discussed in Section 1.7: *Capital Resources* of this MD&A. Accounts payable and accrued liabilities are due within the current operating period.

### Credit risk

The Company limits exposure to credit risk by maintaining the significant majority of its cash with a large chartered Canadian banking institution. The significant majority of receivables are from B2Gold Corp. and relate to project expenditures in Nicaragua incurred during 2010. 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

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

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. The effect of a one basis point increase or decrease on cash and its impact 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

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 and the US dollar. The Company does not enter into any foreign exchange contracts to mitigate these risks. Based on management's analysis, the effect of a five percent increase or decrease on these instruments to net loss is not considered significant.

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## 1.15 Other MD&A Requirements

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

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

For additional disclosures concerning the Calibre's general and administrative expenses and a breakdown of the resource property costs, please refer to the Company's Consolidated Statements of Loss and Comprehensive Loss and the Consolidated Schedules of Mineral Property Costs contained in its Financial Statements for the years ended December 31, 2010 and 2009 that are available on the Company's website at [www.calibremining.com](http://www.calibremining.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company discusses the activities at each of the projects above in Section 1.2: *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 years ended December 31, 2010 and 2009.

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### 1.15.2 Disclosure of Outstanding Share Data

The following describes the outstanding share data of the Company as at April 18, 2011. For further information and details concerning outstanding share data, options, and warrants, see Notes 8 and 12 and the Consolidated Statements of Changes in Shareholders' Equity, included in the audited Financial Statements for the years ended December 31, 2010 and 2009:

	Number Outstanding
Common shares	122,515,918
Options to purchase common shares	14,550,000
Warrants to purchase common shares	58,599,843

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

Not applicable.

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### 1.15.4 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:

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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.

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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.



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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.

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### 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.

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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.

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**1.15.5 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, 2010. 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, 2010.

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