CALIBRE MINING CORP.

TSX.V-CXB

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2014

(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, 2014		December 31, 2013
ASSETS					
Current					
Cash and cash equivalents		$	1,107,433	$	1,111,846
Receivables			12,663		14,030
Marketable securities	5		18,000		356,000
Prepaid deposits and advances			32,181		49,580
			1,170,277		1,531,456
Non-current					
Property and equipment			307,418		321,227
Exploration and evaluation assets	6		15,556,196		15,208,774
		$	17,033,891	$	17,061,457
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables		$	66,388	$	116,754
Advance for exploration work	6		347,959		-
			414,347		116,754
Shareholders' equity					
Share capital	7		34,309,042		34,309,042
Contributed surplus			12,501,971		12,409,209
Foreign currency translation reserve			583,884		562,886
Accumulated other comprehensive income			12,000		(80,000)
Accumulated deficit			(30,787,353)		(30,256,434)
			16,619,544		16,944,703
		$	17,033,891	$	17,061,457

Going Concern – Note 1

Subsequent Events – Note 10

On behalf of the Board:

"Douglas B. Forster" Director

"Edward Farrauto" Director

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)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Expenses				
Amortization	$ 2,240	$ 2,957	$ 4,481	$ 5,914
Audit and accounting fees	18,095	17,579	33,787	32,560
Bank charges and interest	448	441	693	788
Consulting fees	28,500	97,833	57,000	206,083
Director fees	-	-	-	5,000
Insurance	9,156	9,156	18,312	18,312
Legal fees	8,049	15,634	9,457	17,541
Marketing	677	467	1,723	2,183
Office, postage and printing	5,505	3,137	8,327	20,451
Rent	23,263	22,959	47,261	45,804
Salaries and wages	33,036	53,348	67,370	122,323
Share based compensation *(Note 7c & 7d)*	92,762	314,206	92,762	414,481
Shareholder relations	4,626	10,104	4,906	10,781
Telephone and utilities	478	947	1,248	1,743
Trade shows and conferences	-	-	1,672	20,806
Transfer agent and regulatory fees	4,897	3,976	11,927	7,709
Travel	3,726	118	7,596	5,473
	(235,458)	(552,862)	(368,522)	(937,952)
Other Income (Expenses)				
Foreign exchange gain (loss)	1,054	222,484	1,754	302,378
Other expenses *(Note 6b)*	-	(40,071)	-	(60,017)
Loss on disposal of marketable securities	-	-	(169,940)	-
Interest income	1,888	6,329	5,789	14,956
	2,942	188,742	(162,397)	257,317
Net Loss for the Period	(232,516)	(364,120)	(530,919)	(680,635)
Foreign exchange translation effect	(404,255)	113,229	20,998	168,579
Unrealized gain (loss) on marketable securities	(6,000)	(12,000)	12,000	(12,000)
Adjustment on sale of marketable securities	-	-	80,000	-
Net Comprehensive Loss for the Period	$ (642,771)	$ (262,891)	$ (417,921)	$ (524,056)
Net Loss per Share - Basic and Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted Average Shares Outstanding	187,910,918	187,910,918	187,910,918	187,910,918

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 Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Contributed surplus	Foreign currency translation reserve	Available-for-sale financial assets	Accumulated deficit	Total
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 7c)*	-	-	233,539	-	-	-	233,539
Warrant amendment *(Note 7d)*	-	-	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
Balance – December 31, 2013	187,910,918	$ 34,309,042	$ 12,409,209	$ 562,886	$ (80,000)	$ (30,256,434)	$ 16,944,703
Warrant amendment *(Note 7d)*	-	-	92,762	-	-	-	92,762
Translation adjustment	-	-	-	20,998	-	-	20,998
Other comprehensive income	-	-	-	-	92,000	-	92,000
Net loss for the period	-	-	-	-	-	(530,919)	(530,919)
Balance – June 30, 2014	187,910,918	$ 34,309,042	$ 12,501,971	$ 583,884	$ 12,000	$ (30,787,353)	$ 16,619,544

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)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Operating Activities				
Net loss for the period	$ (232,516)	$ (364,120)	$ (530,919)	$ (680,635)
Items not affecting cash:				
Amortization	2,240	2,957	4,481	5,914
Stock-based compensation	92,762	314,206	92,762	414,481
Loss on sale of marketable securities	-	-	169,940	-
Unrealized foreign exchange gain	-	(222,484)	-	(302,378)
Net changes in non-cash working capital:				
Receivables	7,968	42,591	1,367	(20,290)
Accounts payable and accrued liabilities	7,402	(29,260)	5,901	(12,194)
Prepaid expenses	454	7,507	17,399	17,453
	(121,690)	(248,603)	(239,069)	(577,649)
Investing Activities				
Proceeds from sale of marketable securities	-	-	260,060	-
Advance for exploration work	347,959	-	347,959	-
Exploration and evaluation expenditures, net	182,444	(332,447)	(373,363)	(1,162,220)
	530,403	(332,447)	234,656	(1,162,220)
Financing Activities				
Proceeds from share issuances	-	-	-	-
Net Increase (Decrease) in Cash and cash equivalents	408,713	(581,050)	(4,413)	(1,739,869)
Cash and cash equivalents - Beginning of Period	698,720	2,425,049	1,111,846	3,583,868
Cash and cash equivalents - End of Period	$ 1,107,433	$ 1,843,999	$ 1,107,433	$ 1,843,999
Supplemental Disclosure of Non-Cash Financing and Investing Activities				
Recoverable payment receivable included in mineral properties	$ -	$ -	$ -	$ -
Amortization included in exploration and evaluation assets	$ 5,249	$ 6,117	$ 10,889	$ 12,158
Stock based compensation included in exploration and evaluation assets	$ -	$ 10,306	$ -	$ 19,192
Exploration and evaluation costs included in accounts payable	$ 17,688	$ 38,598	$ 17,688	$ 38,598

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

1. Nature of Operations and Going Concern

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

The Company engages principally in the acquisition, advancement and development of precious and base metal assets and mineral properties in Nicaragua. The recovery of the Company's investment in resource properties and the attainment of profitable operations are dependent upon the discovery and development of economic precious and base metal reserves and the ability to arrange sufficient financing to bring these reserves into production. The ultimate outcome of these matters cannot presently be determined.

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

The Company has a history of losses and no operating revenue and reported an accumulated deficit of $30,787,353 as at June 30, 2014 (December 31, 2013 - $30,256,434). The ability of the Company to carry out its planned business objectives is dependent upon management's ability to raise adequate financing from lenders, shareholders, and other investors, realize marketable securities, and/or by optioning its mineral properties for cash and/or expenditure commitments. During the six months ended June 30, 2014, the Company reduced staffing levels, salaries and consulting fees, in addition, the Company sold certain marketable securities as described in Note 5 and as discussed in Note 6 entered into an option agreement with a third party over a portion of the concessions in Nicaragua. There can be no assurances that the Company will be successful in these initiatives. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities.

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

2. Basis of Preparation and Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2013, except as noted below. These condensed interim consolidated financial statements were approved by the Board of Directors on August 26, 2014.

3. Significant Accounting Policies

New standards, amendments and interpretations adopted by the Company for the first time on January 1, 2014

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The following new standards applicable to the Company were adopted in these condensed interim consolidated financial statements effective January 1, 2014:

a) International Accounting Standards 36, *Impairment of Assets* ("IAS 36") was amended in May 2013 to make small changes to the disclosures required by IAS 36 when an impairment loss is recognized or reversed. The amendments require the disclosure of the recoverable amount of an asset or cash generating unit ("CGU") at the time an impairment loss has been recognized or reversed and detailed disclosure of how the associated fair value less costs of disposal has been determined. The amendments are effective for accounting periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

b) International Financial Reporting Interpretations Committee 21, *Levies* ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of International Accounting Standards 12, *Income Taxes*. IFRIC is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee and are mandatory for future periods only and as such have not been applied to these condensed interim consolidated financial statements. The Company has no plans for early adoption of the following pronouncement.

a) IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39: *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 (tentative). The Company is currently evaluating the impact of IFRS 9 on its financial statements, if any.

4. Capital Management

The Company's objectives when managing capital are:

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

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

4. Capital Management – *continued*

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

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

5. Marketable Securities

As at June 30, 2014 and December 31, 2013, the Company owns a total of 600,000 common shares of Alder Resources Ltd. ("Alder") earned in connection with an option agreement with Alder, described in Note 6. The total fair value of the 600,000 Alder shares as at June 30, 2014 is $18,000 (December 31, 2013 - $6,000). The increase in the fair value of the Alder common shares has been adjusted through AOCI, resulting in a charge of $12,000 to AOCI during the six months ended June 30, 2014.

As at December 31, 2013, the Company owned 1,000,000 common shares from Newmarket Gold Inc. ("Newmarket") with a fair value of $350,000. The shares were received in connection with the sale of Point Leamington as described in Note 6(b). During the six months ended June 30, 2014, the Company sold all 1,000,000 common shares of Newmarket for cash proceeds of $260,060. As a result of this sale, the Company wrote off the fair value of the Newmarket shares at December 31, 2013 ($350,000) and reclassified $80,000 from AOCI to loss on sale of marketable securities resulting in a net loss of $169,940 on the sale.

6. Exploration and Evaluation Assets

a) Borosi, Nicaragua, Central America

On July 21, 2009, the Company completed the acquisition of a 100% interest in the Borosi Gold – Silver – Copper Project (the "Borosi Project"), consisting of a number of contiguous mining and exploration concessions located in the North Atlantic Autonomous Region of Nicaragua, Central America.

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

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

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

6. Exploration and Evaluation Assets – *continued*

a) Borosi, Nicaragua, Central America – continued

(ii) Calibre controls an undivided 100% interest in 253 km^2 of mineral concessions within the Borosi Project, which includes the Siuna District that hosts the Cerro Aeropuerto Mineral Resource consisting of an NI 43-101 inferred mineral resource at a 0.6 g/t AuEq cutoff of 6 milion tonnes grading 3.64 g/t gold and 16.16 g/t silver containing 707,750 ozs gold and 3.1 million ozs silver. The Siuna District also includes high priority targets at the La Luz Mine, Cerro Potosi and Montes de Oro.

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

(iv) During the six months ended June 30, 2014, the Company executed an option agreement with IAMGOLD Corporation ("IAMGOLD") whereby IAMGOLD can earn a 51% interest ("First Option") and subsequently an additional 19% interest ("Second Option") (for a total of 70%) in the Eastern Borosi Project ("Eastern"), which consists of 176 km^2 within the Borosi Concessions, Northeast Nicaragua. A summary of the terms are as follows:

- IAMGOLD can earn a 51% interest in the Eastern concessions by expending US $5 million in exploration on Eastern over a three year period, with a minimum US $1.5 million year one commitment;

- IAMGOLD will make cash payments to Calibre totalling US $450,000, with US $150,000 due at signing (received) and US $150,000 on each of the next two anniversary dates of the option agreement;

- Calibre will act as project operator in the first year or a longer period should the parties agree, with IAMGOLD having the right to take over operatorship following the first anniversary;

- Once IAMGOLD earns its initial 51% interest, IAMGOLD will have the option to earn an additional 19% interest over the subsequent three year period by spending an additional US $5 million on Eastern and making staged cash payments of an additional US $450,000 in three annual payments;

- Once IAMGOLD exercises its Second Option, or elects not to enter into the Second Option, the parties will formalize a joint venture to advance the project further. At such time of formalizing the joint venture, the parties agree to enter into an industry standard agreement to govern the joint venture when formed. At any time subsequent to formalizing the joint venture, should either party elect not to participate in a future planned work program, a standard straight-line dilution formula will apply and should a party be diluted to 10%, the party's direct joint venture interest will be converted to a 10% net profits interest on Eastern.

The agreement with IAMGOLD is an option agreement and with the exception of the initial payment to Calibre of US $150,000 and the initial commitment on project expenditures totalling US $1.5 million, all other future payments are at the discretion of IAMGOLD. As a result of entering into this option agreement, the Company paid total finder's fees of US $82,500 to a third party.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets – *continued*

As at June 30, 2014, IAMGOLD advanced the Company a total of $347,959 for future exploration on the project in Nicaragua. The Company has recorded the amount of the advance as a current liability and expects to utilize this advance on project expenditures by the third quarter of 2014.

The following outlines the expenditures during the six months ended June 30, 2014 and 2013 and for the year ended December 31, 2013 on the Borosi Project:

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Year Ended December 31, 2013
Borosi, Nicaragua			
Cost, beginning of period	$ 15,208,774	$ 12,791,037	$ 12,791,037
Administration and maintenance	117,154	132,633	176,070
Amortization	10,889	12,158	24,864
Assaying	-	132,560	136,479
Camp and field supplies	8,873	41,458	59,735
Drilling and related	1,080	19,619	23,229
Foreign currency translation	33,347	456,478	511,087
Geological consulting	-	13,742	15,038
Logistics and communications	32,054	135,974	204,241
Professional fees	10,915	3,530	20,693
Property maintenance	321,291	323,762	718,403
Salary and wages	205,745	488,167	862,442
Stock-based compensation	-	19,192	21,690
Travel	25,546	46,803	79,150
Recovery of costs and option payments	(419,472)	(212,360)	(435,384)
Total expenses during the period	347,422	1,613,716	2,417,737
Cost, end of period	$ 15,556,196	$ 14,404,753	$ 15,208,774

b) Point Leamington, Newfoundland, Canada

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

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

In October 2013, the Company and Newmarket received final regulatory approval for the completion of the sale of the Point Leamington Project. As a result, in October 2013, Calibre received the full cash payment of $250,000 and 1,000,000 common shares of Newmarket (with a fair market value of $430,000 at the time of receipt) and the title of Point Leamington was transferred to Newmarket. With the exception of maintaining a 0.5% net smelter return royalty (discussed above), Calibre no longer retains any ownership interest in the Point Leamington Project as at December 31, 2013 or June 30, 2014.

(Expressed in Canadian Dollars)

7. 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 a number of common shares for issuance pursuant to the exercise of stock options. On May 26, 2010, the shareholders of the Company approved the number of common shares reserved for issuance under the Plan at 18,000,000. 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.

During the six months ended June 30, 2014, there were no options granted, exercised, expired, or forfeited. As at June 30, 2014, stock options exercisable and outstanding are as follows:

	Options Outstanding and Exercisable	
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
$0.15	14,350,000	1.45
$0.19	500,000	2.96
$0.20	100,000	0.59
	14,950,000	1.49

c) Stock-based compensation

There were no options granted during the six months ended June 30, 2014. 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 option terms remained the same. The total additional fair value of the option modifications was calculated to be $59,516 on the modification date, which was 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: a risk-free interest rate of 1.10%; an expected option life of 3.75 years, an expected stock volatility of 101% and an expected dividend yield of Nil.

The Company amortizes the total fair value of options granted over a graded vesting schedule. Consequently, the total compensation expense recognized for the six months ended June 30, 2014 for options granted during the prior periods was $Nil (2013 - $233,539). Of the total compensation recorded, $Nil (2013 - $214,347) was charged to operations expense and $Nil (2013 - $19,192) was capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

7. Share Capital – *continued*

d) Warrants

During the six months ended June 30, 2014, the Company amended the terms of 10 million common share purchase warrants (the "Warrants") of the Company held by B2Gold. The Warrants were originally issued to B2Gold 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, with each Warrant entitling B2Gold to purchase an additional common share of the Company until May 2, 2013 at an exercise price of $0.50. The Warrants were previously amended in May 2013, by extending the term by one additional year from May 2, 2013 to May 2, 2014 and by reducing the exercise price from $0.50 to $0.10. Pursuant to the amendments, the term of the Warrants will be further extended by three months from May 2, 2014 to August 2, 2014 (the "Amended Expiry Date") and the exercise price will be further reduced from $0.10 to $0.05. If during the term of the amended Warrants, the closing price of the Company's common shares on the TSX Venture Exchange exceeds $0.0625 during a period of 10 consecutive trading days, 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 will remain unchanged.

As a result of the warrant modifications to the warrants in 2014 and 2013, the Company recognized a one-time expense to share-based compensation expense of $92,762 during the three and six months ended June 30, 2014 (2013 - $200,134). The fair value of the modified warrants was calculated using the Black-Scholes option-pricing model with the following assumptions:

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Weighted average risk-free interest rate	0.95%	0.97%
Weighted average expected option life	0.26 years	1 year
Weighted average expected volatility	154%	101%
Weighted average expected dividend yield	Nil	Nil

A summary of the status of the Company's outstanding warrants as at June 30, 2014 and changes during the six months then ended:

	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	20,000,000	$ 0.18
Warrants cancelled on amendments	(10,000,000)	(0.10)
Warrants re-issued on amendments	10,000,000	0.05
Outstanding, ending of period	20,000,000	$ 0.15

As at June 30, 2014, the Company had the following warrants outstanding and exercisable:

Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
$0.05	10,000,000	0.09
$0.25	10,000,000	0.06
	20,000,000	0.07

(Expressed in Canadian Dollars)

8. Related Party Transactions

Key management personnel

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

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Short-term benefits (i)	$ 60,000	$ 112,500
Share-based payments (ii)	$ -	$ 27,268
Director fees paid	$ -	$ 5,000
Consulting and advisory fees to key persons	$ 54,000	$ 153,333

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

(ii) Share-based payments are the fair value of options granted to key management personnel and consultants as at the grant date. There was no such payments for each of the periods presented.

(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.

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

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

9. Segmented Information

The Company currently operates in one reportable operating segment, being the acquisition, exploration, and development of natural resource properties, which is conducted principally in Central America (Nicaragua). The Company is in the exploration stage and, accordingly, has no reportable segment revenues for any of the periods presented in these financial statements. The following geographic data includes assets based on location:

As at June 30, 2014

	Canada	Nicaragua	Total
Cash	$ 1,033,805	$ 73,628	$ 1,107,433
Other current assets	45,214	17,630	62,844
Property and equipment	28,962	278,456	307,418
Exploration and evaluation assets	-	15,556,196	15,556,196
Total assets	$ 1,107,981	$ 15,925,910	$ 17,033,891
Total liabilities	$ 396,659	$ 17,688	$ 414,347

(Expressed in Canadian Dollars)

9. Segmented Information – *continued*

As at December 31, 2013

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

The following geographic data denotes net losses (gains) based on their country of origin for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Canada	$ (232,836)	$ (586,603)	$ (531,939)	$ (983,012)
Nicaragua	320	222,483	1,020	302,377
Net Loss for the Period	$ (232,516)	$ (364,120)	$ (530,919)	$ (680,635)

10. Subsequent Events

a) Subsequent to June 30, 2014, the Company granted a total of 1,900,000 stock options at a price of $0.10 per share for a period of five years to various employees, officers, consultants, and directors of the Company. The options were granted under the Company's stock option plan and include vesting provisions. Also, a total of 3,400,000 stock options granted to directors and consultants expired unexercised on August 7, 2014.

b) Subsequent to June 30, 2014, B2Gold Corp. exercised 10,000,000 common share purchase warrants at an exercise price of $0.05 per share, which provided the Company with gross proceeds of $500,000.

c) Subsequent to June 30, 2014, 10,000,000 outstanding share purchase warrants with an exercise price of $0.25 expired unexercised and have since been cancelled.