



(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)



April 25, 2016

Independent Auditor's Report

To the Shareholders of Calibre Mining Corp.

We have audited the accompanying consolidated financial statements of Calibre Mining Corp. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Calibre Mining Corp. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Balance Sheets

As at December 31

(Expressed in Canadian Dollars)

	Note	2015	2014
ASSETS			
Current			
Cash and cash equivalents		\$ 863,279	\$ 2,751,579
Receivables	8(b), (d)	170,458	41,650
Marketable securities	6	2,715	12,000
Prepaid deposits and advances		94,820	42,070
		1,131,272	2,847,299
Non-current			
Property and equipment	7	338,324	313,414
Exploration and evaluation assets	8	20,592,925	17,007,868
		\$ 22,062,521	\$ 20,168,581
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		\$ 348,267	\$ 323,560
Shareholders' equity			
Share capital		36,422,223	36,422,223
Contributed surplus		13,983,563	13,384,562
Foreign currency translation reserve		4,012,801	1,603,135
Accumulated other comprehensive income		(8,371)	2,000
Accumulated deficit		(32,695,962)	(31,566,899)
		21,714,254	19,845,021
		\$ 22,062,521	\$ 20,168,581

Commitments – Note 11

Subsequent Events – Note 14

On behalf of the Board:

“Douglas B. Forster”

Director

“Edward Farrauto”

Director

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

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Income (Loss)

For The Years Ended December 31

(Expressed in Canadian Dollars)

	2015	2014
Expenses		
Amortization	\$ 3,843	\$ 9,350
Audit and accounting fees	54,167	62,982
Bank charges and interest	1,887	1,747
Consulting fees	181,650	174,190
Insurance	35,418	35,013
Legal fees	13,558	11,310
Marketing	13,241	9,937
Office, postage and printing	31,124	19,652
Rent	99,685	96,107
Salaries and wages	211,082	151,106
Share based compensation (Note 9(d))	567,364	569,700
Shareholder relations	5,741	10,929
Telephone and utilities	1,480	2,923
Trade shows and conferences	45,856	39,651
Transfer agent and regulatory fees	15,502	23,142
Travel	31,559	19,947
	<u>(1,313,157)</u>	<u>(1,237,686)</u>
Other Income (Expenses)		
Foreign exchange gain	36,312	7,135
Other income (Notes 8(b), (d))	154,373	82,365
Loss on disposal of marketable securities (Note 6)	-	(169,940)
Loss on disposal of equipment	(10,665)	(4,439)
Interest income	4,073	12,100
	<u>184,093</u>	<u>(72,779)</u>
Loss for the Year	(1,129,064)	(1,310,465)
Other Comprehensive Loss		
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation	2,409,666	1,040,249
Unrealized gain (loss) on marketable securities (Note 6)	(10,371)	2,000
Transfer from AOCI upon disposal of marketable securities	-	80,000
	<u>2,399,295</u>	<u>1,122,249</u>
Comprehensive Income (Loss) for the Year	\$ 1,270,231	\$ (188,216)
Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.01)
Weighted Average Shares Outstanding	222,910,918	199,147,182

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

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Common Shares		Contributed Surplus	Foreign Currency Translation Reserve	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Number	Amount					
Balance – December 31, 2013	187,910,918	\$ 34,309,042	\$ 12,409,209	\$ 562,886	\$ (80,000)	\$ (30,256,434)	\$ 16,944,703
Issuance of common shares:							
• on private placement	25,000,000	1,520,419	465,142	-	-	-	1,985,561
• on exercise of warrants	10,000,000	592,762	(92,762)	-	-	-	500,000
Warrant amendment	-	-	92,762	-	-	-	92,762
Stock based compensation	-	-	510,211	-	-	-	510,211
Other comprehensive income	-	-	-	-	82,000	-	82,000
Translation adjustment	-	-	-	1,040,249	-	-	1,040,249
Loss for the year	-	-	-	-	-	(1,310,465)	(1,310,465)
Balance – December 31, 2014	222,910,918	\$ 36,422,223	\$ 13,384,562	\$ 1,603,135	\$ 2,000	\$ (31,566,899)	\$ 19,845,021
Stock based compensation	-	-	599,001	-	-	-	599,001
Other comprehensive loss	-	-	-	-	(10,371)	-	(10,371)
Translation adjustment	-	-	-	2,409,666	-	-	2,409,666
Loss for the year	-	-	-	-	-	(1,129,064)	(1,129,064)
Balance – December 31, 2015	222,910,918	\$ 36,422,223	\$ 13,983,563	\$ 4,012,801	\$ (8,371)	\$ (32,695,962)	\$ 21,714,253

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

Calibre Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

Years Ended December 31

(Expressed in Canadian Dollars)

	Note	2015	2014
Operating Activities			
Loss for the year		\$ (1,129,064)	\$ (1,310,465)
Items not affecting cash:			
Amortization		3,843	9,350
Loss on disposal of equipment		10,665	4,439
Stock-based compensation		567,364	569,700
Loss on disposal of marketable securities		-	169,940
Cash items reclassified to investing activities		(4,073)	(12,100)
Net changes in non-cash working capital:			
Receivables		11,822	(1,266)
Trade and other payables		68,111	7,162
Prepaid deposits and advances		(52,749)	7,510
Decrease in Cash and Cash Equivalents from Operating		(524,081)	(555,730)
Investing Activities			
Purchases of property and equipment		(7,307)	(2,847)
Proceeds from sale of marketable securities		-	260,060
Interest income		4,073	12,100
Cash received from option partners		2,663,443	1,830,712
Exploration and evaluation expenditures		(4,024,428)	(2,390,123)
Decrease in Cash and Cash Equivalents from Investing		(1,364,219)	(290,098)
Financing Activities			
Proceeds from share issuances – net of transaction costs		-	2,485,561
Increase in Cash and Cash Equivalents from Financing		-	2,485,561
Net (Decrease) Increase in Cash and Cash Equivalents		(1,888,300)	1,639,733
Cash and cash equivalents - Beginning of Year		2,751,579	1,111,846
Cash and cash equivalents - End of Year		\$ 863,279	\$ 2,751,579
Supplemental Disclosure of Non-Cash Investing Activities			
Reimbursement of exploration and evaluation costs included in receivables		\$ 140,630	\$ 26,354
Amortization included in exploration and evaluation assets		\$ 23,342	\$ 23,677
Stock-based compensation included in exploration and evaluation assets		\$ 31,637	\$ 33,272
Exploration and evaluation costs included in accounts payable		\$ 230,195	\$ 273,599

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

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

1. Nature of Operations and Liquidity Risk

Calibre Mining Corp. (an Exploration Stage Company) is incorporated under the laws of British Columbia, Canada and maintains its corporate head office at Suite 1680, 200 Burrard St., Vancouver, British Columbia, Canada. The Company's common shares are listed on the TSX Venture Exchange (TSX.V: CXB) in Canada.

Calibre Mining Corp. and its subsidiaries (collectively referred to as the "Company") are principally engaged in the acquisition, exploration and development of mineral properties located in Nicaragua. Liquidity risk is the risk that the Company will be unable to meet its obligations as they become due. As the Company is in the exploration stage, no mineral producing revenue has been generated to date. The ability of the Company to meet its obligations and continue the exploration and development of its mineral properties is dependent upon its ability to continue to raise adequate financing. Historically, operating capital and exploration requirements have been funded primarily from equity financing, joint ventures disposition of mineral properties and investments. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Company's exploration program may be tailored accordingly.

Subsequent to year-end, the Company completed a private placement for 30,000,000 units of the Company's common shares at a price of \$0.10 per Unit for gross proceeds of \$3,000,000 (Note 14(b)).

2. Basis of Preparation and Statement of Compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost method except for available for sale financial assets (marketable securities) which are stated at fair value. The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses, which are further discussed in Note 3. The Board of Directors authorized the issuance of these financial statements on April 25, 2016.

3. Significant Accounting Policies

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

a) *Principles of Consolidation*

These financial statements incorporate the financial statements of the Company and its subsidiaries. The financial statements include the accounts of the Company's wholly-owned 100% interest in Yamana Nicaragua Ltd. Yamana Nicaragua Ltd. is a holding company incorporated in 2006, in Belize, which owns 100% of CXB Nicaragua S.A. (formerly known as Yamana Nicaragua S.A. – incorporated in Nicaragua in 2006).

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

b) *Cash and Cash Equivalents*

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

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – continued

c) Marketable Securities

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

d) Property and Equipment

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

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

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

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

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

e) Loss Per Share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. Unexercised stock options and warrants have not been included in the computation of diluted loss per share as their effect would be anti-dilutive.

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – continued

f) *Exploration and Evaluation Assets*

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

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

g) *Impairment of Long-Term Assets*

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

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

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

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

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

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – *continued*

h) Share Capital

The Company records proceeds from share issuances net of issue costs. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue. The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, whereby, the fair value of the common shares is based on the market close on the date the units are issued. The fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

i) Share-based Payments

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

j) Provision for Closure and Reclamation

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

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

k) Current and Deferred Income Tax

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

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

Calibre Mining Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – continued

k) Current and Deferred Income Tax – continued

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

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

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

l) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of the Company and each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the functional currency) as follows:

Calibre Mining Corp.	Canadian Dollars
Yamana Nicaragua Ltd.	United States Dollars
CXB Nicaragua, S.A.	United States Dollars

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

Transactions and balances

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

Subsidiaries

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

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

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

Calibre Mining Corp.

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Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – continued

m) Critical Accounting Judgments and Estimates

The preparation of these financial statements in accordance with IFRS requires the Company to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, and expenses, and the related disclosure of contingent assets and liabilities. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

Impairment of exploration and evaluation assets

The Company is required to review the carrying value of its exploration and evaluation properties for potential impairment when impairment indicators exist. Impairment exists when the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds their estimated fair value is charged to the statement of loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices to potential reserves.

n) Financial Instruments

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

- Loans and receivables

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

- Available for sale ("AFS")

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

- Financial Liabilities – other financial liabilities

This category includes trade and other payables which are initially measured at fair value and subsequently recognized at amortized cost.

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

Calibre Mining Corp.

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Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

3. Significant Accounting Policies – continued

n) Financial Instruments – continued

Impairment of Financial Assets

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

o) 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 consolidated financial statements. The Company has no plans for early adoption of the following pronouncement.

- In May 2014, the IASB issued amendments to IAS 16: *Property, Plant, and Equipment* and IAS 38: *Intangibles*, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements.
- In July 2014, the IASB issued IFRS 9, *Financial Instruments* (“IFRS 9”). The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the standard, replaces earlier versions of IFRS 9 and substantially completes the IASB’s project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single mode that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flows characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

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Notes to the Consolidated Financial Statements

For The Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

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.

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

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

5. Financial Instruments

Fair Value and Hierarchy

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value is measured within a "fair value hierarchy" which has the following levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Fair values of assets and liabilities approximate amounts at which these items could be exchanged in transactions between knowledgeable parties. Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The calculation of estimated fair value is based on market conditions at the specific point in time and in the respective geographic locations and may not be reflective of future fair values.

Marketable securities are recorded at fair value and are measured using Level 1. Receivables, deposits and advances and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

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5. Financial Instruments – *continued*

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full as they become due (see Note 1). The Company manages liquidity risk through the management of its capital structure, as outlined in Note 4 of these financial statements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities, and cash flows. The Company's cash and cash equivalents are held as cash deposits which are available on demand to fund the Company's short-term financial obligations. Trade and other payables are due within the current operating period. See Note 1 for additional information.

Credit risk

Credit risk arises from the possibility that a counterparty may experience financial difficulty and be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company limits exposure to credit risk by maintaining the significant majority of its cash with a large chartered Canadian banking institution. The significant majority of receivables are from its joint venture partners and relate to project expenditures in Nicaragua incurred during 2015 (described in Note 8). The remaining credit risk in receivables is considered low by management as they consist primarily of amounts owing from government authorities in relation to the refund of goods and services taxes in Canada applying to inputs for qualified expenditures.

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian dollar and other foreign currencies, especially the United States dollar. The Company monitors commodity prices to determine the appropriate course of action to be taken. However, as the Company has not developed commercial mineral interests, it is not exposed to significant commodity price risk at this time.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises primarily from the interest received on its cash balances. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Based on cash balances held at December 31, 2015, the effect of a one basis point increase or decrease in interest rates on net loss is not considered significant. The Company's other financial assets and liabilities are not subject to interest rate risk, as they do not bear interest.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar (Note 3(I)). The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the Nicaraguan Cordoba ("COR") and the US dollar ("USD"). The Company does not enter into any foreign exchange contracts to mitigate these risks. Based on management's analysis, the effect on these instruments held at December 31, 2015 of a five percent increase or decrease in foreign exchange rates on net loss is not considered significant.

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6. Marketable Securities

	2015		2014	
	Common Shares	Fair Value	Common Shares	Fair Value
Rosita Mining Corporation (TSX-V: RST)	181,000	\$ 2,715	-	\$ -
Alder Resources Ltd. (delisted)	-	-	800,000	12,000
	181,000	\$ 2,715	800,000	\$ 12,000

During the year ending December 31, 2015, Alder Resources Ltd. ("Alder") was acquired by Midlands Minerals Corporation which resulted to a new corporation being formed, Rosita Mining Corporation ("Rosita"). This transaction resulted to the 800,000 common shares previously issued by Alder to the Company being converted into 144,800 common shares of Rosita. In accordance with an option agreement with Alder, the Company received a total of 36,200 common shares of Rosita with a fair value of \$1,086. The total fair value of the 181,000 Rosita common shares as at December 31, 2015 was \$2,715 (2014 - \$12,000). The decrease in the fair value of the common shares was adjusted through AOCI resulting in a charge of \$10,371 (2014 - (\$2,000)) during 2015.

During the year ended December 31, 2014, the Company received a total of 200,000 common shares of Alder with a fair value of \$4,000 at the time of receipt. The total fair value of the 800,000 Alder common shares held as at December 31, 2014 was \$12,000. The increase in the fair value of the Alder common shares was adjusted through AOCI resulting in a charge of \$2,000 during 2014.

During the year ended December 31, 2014, the Company sold all 1,000,000 common shares of Newmarket Gold Inc., a company with directors and officers in common, for cash proceeds of \$260,060. As a result of this sale, the Company reclassified \$80,000 from AOCI to loss on sale of marketable securities resulting in a net loss of \$169,940 in 2014.

7. Property and Equipment

	Computer Equipment and Software	Furniture and Equipment	Buildings and Structures	Leasehold Improvements	Total
Cost, Dec. 31, 2013	\$ 151,824	\$ 145,594	\$ 286,516	\$ 6,010	\$ 589,944
Additions	2,050	797	-	-	2,847
Disposals	(47,973)	(2,629)	-	-	(50,602)
Foreign currency translation	678	8,383	27,649	-	36,710
Cost, Dec. 31, 2014	\$ 106,579	\$ 152,145	\$ 314,165	\$ 6,010	\$ 578,899
Additions	-	-	7,307	-	7,307
Disposals	(2,615)	(53,442)	-	(6,010)	(62,067)
Foreign currency translation	1,585	19,598	65,432	-	86,615
Cost, Dec. 31, 2015	\$ 105,549	\$ 118,301	\$ 386,903	\$ -	\$ 610,755
Acc. depreciation, Dec. 31, 2013	133,139	87,007	45,423	3,148	268,717
Charge for the year	6,113	11,661	12,137	1,145	31,056
Disposals	(44,377)	(1,786)	-	-	(46,163)
Foreign currency translation	522	4,958	6,395	-	11,875
Acc. depreciation, Dec. 31, 2014	\$ 95,397	\$ 101,840	\$ 63,955	\$ 4,293	\$ 265,485

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7. Property and Equipment – continued

Charge for the year	3,600	10,681	14,223	286	28,791
Disposals	(2,006)	(47,405)	-	(4,579)	(53,990)
Foreign currency translation	1,284	12,517	18,344	-	32,145
Acc. depreciation, Dec. 31, 2015	\$ 98,274	\$ 77,634	\$ 96,522	\$ -	\$ 272,431
Net book value, Dec. 31, 2014	\$ 11,182	\$ 50,305	\$ 250,210	\$ 1,717	\$ 313,414
Net book value, Dec. 31, 2015	\$ 7,274	\$ 40,667	\$ 290,381	\$ -	\$ 338,324

8. Exploration and Evaluation Assets

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

a) B2Gold Joint Venture

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 (the “B2Gold Option Property”). Pursuant to the agreement, in 2013, B2Gold completed \$8 million of expenditures on the B2Gold Option Property and earned a 51% interest, with Calibre retaining a 49% interest over the 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 by April 2016. During the year ending December 31, 2015, the term of the further earn-in agreement was extended an additional 24 months to April 24, 2018.

b) IAMGOLD Option Agreement

During 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”). 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 by May 26, 2017, with a minimum US \$1.5 million year one commitment (first year expenditure commitment has been completed); and
- 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, being May 2015 (received) and May 2016;
- 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;

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8. Exploration and Evaluation Assets – *continued*

- 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. 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 (both completed), all other future payments are at the discretion of IAMGOLD.

During the year ending December 31, 2015, the Company recorded a total of \$123,378 (2014 - \$82,365) in management fees related to acting as operator on the IAMGOLD option property. Included in receivables is an amount receivable from IAMGOLD of \$75,349 (2014 - \$nil) in relation to the December cash call (received subsequent to year-end).

c) Rosita Mining Option Agreement

The Company is a party to an option agreement with Rosita Mining Corporation ("Rosita") (Note 6), formerly Alder Resources Ltd., whereby Rosita can earn a 65% interest in an area known as the Rosita D concession, located within the Company's 100%-owned Borosi Project. Under the terms of the option agreement, Rosita 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 181,000 common shares of Rosita over a 4 year period ending in October 2015. Rosita acted as the project operator for all work conducted on the Rosita D concession during the option period.

During the year ending December 31, 2015, Rosita earned the 65% interest in the Rosita D concession by spending \$4 million over 4 years and issuing 181,000 common shares of Rosita to the Company. With the earn in process complete, a joint venture will now be formed with the Company and Rosita with each being responsible for their pro-rata share of all subsequent project expenditures.

d) Centerra Option Agreement

On September 8, 2015, the Company signed an option agreement with Centerra Gold Inc. ("Centerra") whereby Centerra can earn a 51% interest and subsequently an additional 19% for a total of 70% interest in the La Luz Gold-Silver Project (the "La Luz Project") located within the Borosi Concessions, Northeast Nicaragua. The La Luz Project includes the past producing La Luz Gold-Silver Mine and the Cerro Aeropuerto Project. Additionally, Calibre has granted Centerra the Right of First Refusal ("ROFR") on the Company's 100% owned 24,134 hectare Montes de Oro Project, located approximately three kilometres from the La Luz Project.

A summary of the significant terms are as follows:

- La Luz First Option: To earn a 51% interest in the La Luz Project, Centerra must spend \$3.0 million in exploration on the property from signing to December 31, 2017;
- A commitment to commence a drilling program in 2015 (completed);
- La Luz Second Option: Once vested at 51%, Centerra can elect to earn an additional 19% in the La Luz Project for a total of 70% by spending a further \$4.0 million in exploration on the Project over a subsequent two year term; and

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8. Exploration and Evaluation Assets – continued

- Calibre has granted a ROFR to Centerra for an option/joint venture on Calibre's 100% owned Montes de Oro Project for so long as Centerra continues to fund the La Luz Project under the First Option or to such a time that Centerra earns a 70% interest of the La Luz Project.

During the year ending December 31, 2015, the Company recorded a total of \$30,995 (2014 - \$nil) in management fees related to acting as operator on the La Luz Project. Included in receivables is an amount receivable from Centerra of \$65,281 (2014 - \$nil) in relation to the December cash call (received subsequent to year-end).

e) Calibre's 100% Owned Northern Siuna District

Calibre controls an undivided 100% interest in certain properties located in the northern Siuna District. The project area is north of the historic La Luz mine situated in the town of Siuna.

The following table outlines the expenditures at Borosi during the years ended December 31, 2015 and 2014:

	Option Property to B2Gold	Option Property to Rosita	Option Property to IAMGOLD	Option Property to Centerra	Calibre 100% Owned Property	Total
Cost, December 31, 2014	\$ 4,470,066	\$ 455,095	\$ 6,016,493	\$ -	\$ 6,066,215	\$ 17,007,868
Administration and maintenance	-	-	100,941	50,470	100,941	252,352
Amortization	-	-	9,337	4,668	9,337	23,342
Assaying	-	-	111,390	19,316	101,500	232,206
Camp and field supplies	-	-	57,337	1,607	2,345	61,288
Drilling and related	-	-	952,014	130,294	174,655	1,256,963
Foreign exchange	615,643	62,678	828,626	31,155	804,319	2,342,421
Geological consulting	-	-	-	45,881	60,825	106,706
Logistics and communications	-	-	115,418	35,305	31,227	181,950
Professional fees	-	-	-	8,352	810	9,163
Property maintenance	389,043	32,738	198,758	-	305,243	925,782
Salary and wages	-	-	345,470	122,295	392,477	860,243
Stock – based compensation	-	-	12,705	4,498	14,434	31,637
Travel	-	-	18,064	3,670	83,343	105,077
Recovery of costs	(389,043)	(33,824)	(1,928,087)	(453,119)	-	(2,804,073)
Total expenditures during the year	615,643	61,592	821,974	4,392	2,081,455	3,585,056
Cost, December 31, 2015	\$ 5,085,709	\$ 516,688	\$ 6,838,467	\$ 4,392	\$ 8,147,670	\$ 20,592,925

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8. Exploration and Evaluation Assets – continued

	Option Property to B2Gold	Option Property to Rosita	Option Property to IAMGOLD	Calibre 100% Owned Property	Total
Cost, December 31, 2013	\$ 4,087,241	\$ 417,497	\$ 5,439,043	\$ 5,264,993	\$ 15,208,774
Administration and maintenance	120,268	12,523	65,675	94,461	292,927
Amortization	9,721	1,012	5,308	7,635	23,676
Assaying	-	-	55,488	18,496	73,984
Camp and field supplies	-	-	41,775	-	41,775
Drilling and related	-	-	674,579	-	674,579
Foreign exchange	248,760	25,326	334,819	337,586	946,491
Geological consulting	-	-	32,085	10,695	42,780
Logistics and communications	-	-	108,095	36,032	144,127
Professional fees	6,787	707	3,706	5,330	16,530
Property maintenance	441,266	30,889	138,263	125,025	735,443
Salary and wages	-	-	410,085	136,695	546,780
Stock – based compensation	-	-	24,954	8,318	33,272
Travel	-	-	62,848	20,949	83,797
Recovery of costs	(443,977)	(32,859)	(1,380,230)	-	(1,857,066)
Total expenditures during the year	382,825	37,598	577,450	801,222	1,799,095
Cost, December 31, 2014	\$ 4,470,066	\$ 455,095	\$ 6,016,493	\$ 6,066,215	\$ 17,007,868

9. Share Capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

b) Private Placements

During the year ended December 31, 2014, the Company closed a private placement for gross proceeds of \$2,000,000. The private placement consisted of the Company issuing 25,000,000 units at a price of \$0.08 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at an exercise price of \$0.15 per share until September 22, 2016 (Note 14). No finder's fee was paid in connection with this private placement. The Company incurred \$14,439 in transaction fees related to the private placement. The allocation of fair value of the warrants issued in connection with this private placement was \$465,142, with the corresponding charge to contributed surplus using the relative fair value approach. The fair value of the warrants was determined using the Black-Scholes pricing model with a risk-free rate of 1.14%, volatility factor of 131% and an expected life of the warrants of two years.

In addition to the above, during the year ended December 31, 2014, 10,000,000 warrants were exercised to purchase the same number of the Company's common shares for total proceeds of \$500,000 (see Note 9e) for further details). In conjunction with this exercise, the Company transferred the fair value of these warrants totalling, \$92,762, from contributed surplus to share capital.

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9. Share Capital – continued

c) Stock options

The Company has a stock option plan (the “Plan”), whereby the Company has reserved a number of common shares for issuance pursuant to the exercise of stock options. On May 22, 2013, the shareholders of the Company approved the number of common shares reserved for issuance under the Plan at 25,000,000. 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. Any options granted under the Plan shall vest based on a periodic vesting schedule as determined by the Compensation Committee. In general, options have been granted to vest 25% immediately and 25% at each six month interval after the date of grant until fully vested.

A summary of the status of the Company’s stock options as at December 31, 2015 and 2014 and changes during those years is presented below:

Exercise price	January 1, 2015	Granted	Expired	December 31, 2015	Expiry date	Remaining contractual life in years	Number of options vested
\$0.20	100,000	-	(100,000)	-	February 1, 2015	-	-
\$0.15	5,000,000	-	(5,000,000)	-	September 15, 2015	-	-
\$0.15	1,000,000	-	-	1,000,000	June 30, 2016	0.50	1,000,000
\$0.15	500,000	-	-	500,000	July 1, 2016	0.50	500,000
\$0.15	250,000	-	-	250,000	September 14, 2016	0.71	250,000
\$0.15	4,150,000	-	-	4,150,000	January 25, 2017	1.07	4,150,000
\$0.19	500,000	-	-	500,000	June 15, 2017	1.46	500,000
\$0.10	1,900,000	-	-	1,900,000	July 15, 2019	3.54	1,425,000
\$0.12	500,000	-	-	500,000	September 23, 2019	3.73	375,000
\$0.16	6,750,000	-	-	6,750,000	October 9, 2019	3.78	4,937,500
\$0.14	500,000	-	-	500,000	December 1, 2019	3.92	375,000
\$0.10	-	2,525,000	-	2,525,000	August 27, 2020	4.66	631,250
	21,150,000	2,525,000	(5,100,000)	18,575,000			14,143,750
	\$0.15	\$0.10	\$0.15	\$0.14	Weighted average exercise price		

Exercise price	January 1, 2014	Granted	Expired	December 31, 2014	Expiry date	Remaining contractual life in years	Number of options vested
\$0.15	3,400,000	-	(3,400,000)	-	August 9, 2014	-	-
\$0.20	100,000	-	-	100,000	February 1, 2015	0.09	100,000
\$0.15	5,150,000	-	-	5,150,000	September 15, 2015	0.71	5,150,000
\$0.15	1,000,000	-	-	1,000,000	June 30, 2016	0.50	1,000,000
\$0.15	25,000	-	(25,000)	-	June 30, 2015	0.50	-
\$0.15	500,000	-	-	500,000	July 1, 2016	0.50	500,000
\$0.15	250,000	-	-	250,000	September 14, 2016	1.71	250,000
\$0.15	4,175,000	-	(25,000)	4,150,000	January 25, 2017	2.07	4,150,000
\$0.19	500,000	-	-	500,000	June 15, 2017	2.46	500,000
\$0.10	-	1,900,000	-	1,900,000	July 15, 2019	4.54	475,000
\$0.12	-	500,000	-	500,000	September 23, 2019	4.73	125,000
\$0.16	-	6,750,000	-	6,750,000	October 9, 2019	4.78	1,687,500
\$0.14	-	500,000	-	500,000	December 1, 2019	4.92	125,000
	14,950,000	9,650,000	(3,450,000)	21,150,000			14,062,500
	\$0.15	\$0.15	\$0.15	\$0.15	Weighted average exercise price		

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9. Share Capital – continued

c) Stock options – continued

During the year ended December 31, 2015, the Company granted 2,525,000 stock options to directors, officers, and employees of the Company. The stock options are at an exercise price of \$0.10 per share and are valid for a period of five years from the date of grant. During the year ended December 31, 2014, the Company granted a total of 9,650,000 stock options to various employees, officers, consultants, and directors of the Company. Details are as follows:

- 1,900,000 options granted have an exercise price of \$0.10;
- 6,750,000 options granted have an exercise price of \$0.16;
- 500,000 options granted have an exercise price of \$0.12; and
- 500,000 options granted have an exercise price of \$0.14.

The options granted during the year ended December 31, 2014 have expiry dates between July 2019 and December 2019. The options were granted under the Company's stock option plan and include vesting provisions similar to those previously granted by the Company.

d) Stock-based compensation

The Company amortizes the total fair value of options granted over a graded vesting schedule. Consequently, the total compensation expense recognized for options that vested during the year was \$599,001 (2014 - \$510,211). Of the total compensation recorded, \$567,364 (2014 - \$569,700) was charged to operations expense and \$31,637 (2014 - \$33,272) was capitalized to exploration and evaluation assets.

The fair value of the options granted during the years ended December 31, 2015 and 2014 have been estimated at the date of grant using the following Black-Scholes option pricing assumptions:

	December 31, 2015	December 31, 2014
Weighted average risk-free interest rate	0.55%	1.33%
Weighted average expected option term	5 years	5 years
Weighted average expected stock volatility	114%	113%
Weighted average expected dividend yield	Nil	Nil

The weighted average fair value of options granted during the year ended December 31, 2015 was \$0.06 (2014 - \$0.11).

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9. Share Capital – continued

e) Warrants

During the year ended December 31, 2015, there were no changes to the number of warrants issued and outstanding. A summary of the status of the Company's outstanding warrants as at December 31, 2015 and 2014 and changes during the years then ended:

	2015		2014	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	12,500,000	\$ 0.15	20,000,000	\$ 0.18
Warrants cancelled on amendments	-	-	(10,000,000)	0.10
Warrants re-issued on amendments	-	-	10,000,000	0.05
Issued	-	-	12,500,000	0.15
Exercised	-	-	(10,000,000)	0.05
Expired	-	-	(10,000,000)	0.25
Outstanding, ending of year	12,500,000	\$ 0.15	12,500,000	\$ 0.15

During the year ended December 31, 2014, B2Gold exercised 10,000,000 warrants at an exercise price of \$0.05 for total proceeds of \$500,000. In addition, 10,000,000 warrants that were originally issued on the acquisition of the Borosi Project, with an exercise price of \$0.25, expired unexercised.

During the year ended December 31, 2014, the Company amended the terms of 10,000,000 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 20,000,000 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 second amendment, the term of the Warrants was further extended by three months from May 2, 2014 to August 2, 2014 and the exercise price was further reduced from \$0.10 to \$0.05. As a result of the warrant modifications to the warrants in 2014, the Company recognized a onetime expense to share-based compensation expense of \$92,762 during the year ended December 31, 2014. The fair value of the modified warrants was calculated using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31, 2014
Weighted average risk-free interest rate	0.95%
Weighted average expected option life	0.26 years
Weighted average expected volatility	154%
Weighted average expected dividend yield	Nil

As at December 31, 2015, the Company had the following warrants outstanding and exercisable:

Exercise Price	Number	Weighted Average
		Remaining Contractual Life (yrs.)
\$0.15	12,500,000	0.73

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10. Related Party Transactions

Key management personnel

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

	Year Ended December 31, 2015	Year Ended December 31, 2014
Short-term benefits ⁽ⁱ⁾	\$ 195,000	\$ 142,000
Share-based payments ⁽ⁱⁱ⁾	\$ 513,771	\$ 416,337
Consulting and advisory fees to key management:		
Sail View Capital Ltd. Director	\$ 30,000	\$ 19,500
Featherstone Capital Ltd. Directors	14,000	24,000
DaSerra Consulting Ltd. Former CFO	52,000	82,000
Pacific Court Capital Corp. CFO /Corporate Secretary	41,250	-
Gladstone Capital Corp. VP – Corp. Development	16,000	-
Quarry Capital Ltd. Director	27,000	15,000
	\$ 180,250	\$ 140,500

⁽ⁱ⁾ Short-term benefits include salaries and benefits paid to the Company's CEO and President.

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

The Company has an employee agreement in place with provisions which would provide a lump sum payment to its CEO and President on a change of control. The total amount accruing on such a change of control would total \$500,000. Management consulting and advisory agreements are on a month-to-month basis and can be terminated by either party with short notice.

During the year ended December 31, 2015, the Company paid or accrued \$48,024 (2014 - \$nil) in office rent expense to companies with directors and officers in common. The sharing arrangement with Edgewater Exploration Ltd. and Newmarket Gold Inc., which is on a month-to-month basis, was made in order to reduce its administration costs.

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.

11. Commitments

The Company has minimum annual lease commitments totalling \$74,000 for its office premise expiring September 2016. During 2015, the Company agreed to sublease its premises and as such will receive a partial reimbursement of the Company's lease commitments. The Company expects to recover a total of \$60,300 in 2016. The Company is presently sharing office space with a related party on a month-to-month basis (Note 10) and has not entered into any other long term office leasing arrangements.

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12. Deferred Income Taxes

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

	2015	2014
Loss before income taxes	\$ (1,129,064)	\$ (1,310,465)
Effective statutory rate	26.00%	26.01%
Expected income tax recovery	\$ (293,557)	\$ (340,875)
Effect of differences in foreign and future tax rates	-	(138,710)
Items not deductible (not taxable) for tax purposes	464,270	571,705
Effect of foreign exchange	(333,753)	(484,095)
Other	(4,733)	(22,388)
Income tax benefit not recognized	167,773	414,363
	\$ -	\$ -

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

	2015	2014
Deferred income tax assets		
Non-capital loss carry-forwards	\$ 4,352,098	\$ 4,180,901
Unamortized financing costs	3,744	11,902
Exploration and Evaluation assets	1,129,565	1,129,565
Property and equipment	90,688	85,955
Unrecognized deferred income tax assets	\$ 5,576,095	\$ 5,408,323

As at December 31, 2015, the Company has non-capital losses for Canadian tax purposes of approximately \$8,700,000 available to offset against taxable income in future years, which if unutilized, will begin to expire in 2028. The Company also has resource exploration expenditures of approximately \$4,300,000 available to reduce taxable income of future years in Canada, subject to certain restrictions. In addition, the Company has tax losses for Nicaraguan purposes of approximately \$7,000,000 available to offset against taxable income in future years in Nicaragua, which begin to expire in 2016.

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13. Segmented Information

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

As at December 31, 2015			
	Canada	Nicaragua	Total
Cash and cash equivalents	\$ 834,909	\$ 28,370	\$ 863,279
Other current assets	185,930	82,062	267,992
Property and equipment	7,143	331,181	338,324
Exploration and evaluation assets	-	20,592,925	20,592,925
Total assets	\$ 1,027,983	\$ 21,034,538	\$ 22,062,520
Total liabilities	\$ 179,994	\$ 168,272	\$ 348,267

As at December 31, 2014			
	Canada	Nicaragua	Total
Cash and cash equivalents	\$ 2,728,678	\$ 22,901	\$ 2,751,579
Other current assets	81,483	14,237	95,720
Property and equipment	22,501	290,913	313,414
Exploration and evaluation assets	-	17,007,868	17,007,868
Total assets	\$ 2,832,662	\$ 17,335,919	\$ 20,168,581
Total liabilities	\$ 71,024	\$ 252,536	\$ 323,560

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

	2015	2014
Canada	\$ 1,129,064	\$ 1,306,604
Nicaragua	-	3,861
Loss for the year	\$ 1,129,064	\$ 1,310,465

14. Subsequent Events

Subsequent to the year ending December 31, 2015:

- The Company repriced the exercise price of 12,500,000 share purchase warrants from \$0.15 to \$0.10. The warrants were originally issued pursuant to a non-brokered private placement, which closed on September 22, 2014. The warrants expiry date remains September 22, 2016.
- The Company completed a private placement for 30,000,000 units ("Units") of the Company's common shares at a price of \$0.10 per Unit for gross proceeds of \$3,000,000 (the "Private Placement"). Each Unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share for \$0.16 until April 21, 2018. All shares issued pursuant to the Private Placement will be subject to a hold period expiring four months and a day following the date of issue. The Company paid finder's fees in connection with the Private Placement.