CALIBRE
MINING CORP.
TSX.V-CXB

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2011

(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 Balance Sheets

(Expressed in Canadian Dollars – Unaudited)

	Note		June 30, 2011		December 31, 2010		January 1, 2010
ASSETS					(Note 10)		(Note 10)
Current							
Cash and cash equivalents		$	808,943	$	661,698	$	1,737,271
Receivables			159,898		123,928		360,423
Marketable securities	4		-		-		246,015
Prepaid deposits and advances			86,176		67,437		105,959
			1,055,017		853,063		2,449,668
Non-current							
Property and equipment	5		243,026		294,737		305,794
Exploration and evaluation assets	6		9,145,472		8,448,732		8,114,519
		$	10,443,515	$	9,596,532	$	10,869,981
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities							
Trade and other payables		$	419,434	$	211,936	$	306,712
Shareholders' equity							
Share capital	7		26,285,720		24,716,220		24,644,537
Contributed surplus			8,734,867		8,609,711		8,000,033
Accumulated other comprehensive income			-		-		38,740
Accumulated deficit			(24,996,506)		(23,941,335)		(22,120,041)
			10,024,081		9,384,596		10,563,269
		$	10,443,515	$	9,596,532	$	10,869,981

Going concern – Note 1

Commitments – Note 9

On behalf of the Board:

"Douglas B. Forster" Director *"Edward Farrauto"* Director

Calibre Mining Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars – Unaudited)

	Common Shares										
	Number		Amount		Contributed Surplus		Accumulated other comprehensive income		Accumulated deficit		Total
Balance – January 1, 2010	122,005,082	$	24,644,537	$	8,000,033	$	38,740	$	(22,120,041)	$	10,563,269
Issuance of common shares:											
- on exercise of warrants	448,336		52,968		(5,801)		-		-		47,167
- on exercise of options	62,500		18,715		(9,340)		-		-		9,375
Stock based compensation	-		-		188,750		-		-		188,750
Net loss for the period	-		-		-		-		(891,666)		(891,666)
Other comprehensive loss	-		-		-		(25,956)		-		(25,956)
Balance – June 30, 2010	122,515,918		24,716,220		8,173,642		12,784		(23,011,707)		9,890,939
Stock based compensation	-		-		436,069		-		-		436,069
Net loss for the period	-		-		-		-		(929,628)		(929,628)
Other comprehensive loss	-		-		-		(12,784)		-		(12,784)
Balance – December 31, 2010	122,515,918		24,716,220		8,609,711		-		(23,941,335)		9,384,596
Issuance of common shares:											
- on exercise of warrants	9,325,000		1,535,210		(136,460)		-		-		1,398,750
- on exercise of options	125,000		34,290		(15,540)		-		-		18,750
Stock based compensation	-		-		277,156		-		-		277,156
Net loss for the period	-		-		-		-		(1,055,171)		(1,055,171)
Balance – June 30, 2011	131,965,918	$	26,285,720	$	8,734,867	$	-	$	(24,996,506)	$	10,024,081

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

Calibre Mining Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

	Note	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
			(Note 10)		(Note 10)
Expenses					
Amortization		$ 7,849	$ 10,863	$ 15,530	$ 20,802
Audit and accounting fees		10,000	32,613	22,689	52,863
Bank charges and interest		750	1,033	1,310	2,203
Consulting fees		58,385	109,500	86,552	199,500
Insurance		9,099	10,486	18,198	20,277
Legal fees		7,558	14,138	9,416	28,103
Marketing		6,423	3,150	14,481	5,056
Office, postage and printing		14,361	16,838	29,218	29,544
Rent		27,935	28,273	58,144	58,582
Salaries and wages		333,177	116,132	455,488	218,517
Share based compensation	7c	71,575	41,306	243,386	163,977
Shareholder relations		3,814	3,376	9,386	4,539
Telephone and utilities		1,219	1,380	1,820	1,929
Trade shows and conferences		19,470	51,539	38,176	61,666
Transfer agent and regulatory fees		1,439	2,193	9,551	10,498
Travel		1,552	4,462	6,167	13,930
		(574,606)	(447,282)	(1,019,512)	(891,986)
Other Income (Expenses)					
Foreign exchange gain (loss)		(17,267)	3,081	(30,073)	5,513
Loss on disposal of assets		(8,178)	(5,193)	(8,178)	(5,193)
Interest income		1,816	-	2,592	-
		(23,629)	(2,112)	(35,659)	320
Net Loss for the Period		(598,235)	(449,394)	(1,055,171)	(891,666)
Unrealized loss on marketable securities	4	-	(9,555)	-	(25,956)
Net Comprehensive Loss for the Period		$ (598,235)	$ (458,949)	$ (1,055,171)	$ (917,622)
Net Loss per Share - Basic and Diluted		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted Average Shares Outstanding		131,928,418	122,498,557	130,190,780	122,368,386

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

Calibre Mining Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		(Note 10)		(Note 10)
Operating Activities				
Net loss for the period	$ (598,235)	$ (449,394)	$ (1,055,171)	$ (891,666)
Items not affecting cash:				
Amortization	7,849	10,863	15,530	20,802
Stock-based compensation	71,575	41,306	243,386	163,977
Write off of disposal of assets	8,178	-	8,178	-
Net changes in non-cash working capital:				
Receivables	(35,186)	(11,133)	(46,128)	(8,472)
Accounts payable and accrued liabilities	234,602	(20,300)	218,906	(137,813)
Prepaid expenses	111,812	18,959	(18,739)	(29,267)
	(199,405)	(409,699)	(634,038)	(882,439)
Investing Activities				
Purchases of equipment	(9,591)	(2,282)	(10,355)	(35,790)
Proceeds on disposal of equipment	30,857	11,013	30,857	11,013
Exploration and evaluation expenditures, net	(178,899)	(12,105)	(656,718)	132,827
	(157,633)	(3,374)	(636,216)	108,050
Financing Activities				
Proceeds from share issuances	18,750	9,375	1,417,500	56,542
Net Increase (Decrease) in Cash and cash equivalents	(338,288)	(403,698)	147,245	(717,847)
Cash and cash equivalents - Beginning of Period	1,147,231	1,423,122	661,698	1,737,271
Cash and cash equivalents - End of Period	$ 808,943	$ 1,019,424	$ 808,943	$ 1,019,424
Supplemental Disclosure of Non-Cash Financing and Investing Activities				
Recoverable payment receivable included in mineral properties	$ 95,078	$ 801,863	$ 95,078	$ 801,863
Amortization included in exploration and evaluation assets	$ 3,878	$ 2,913	$ 7,502	$ 7,721
Stock based compensation included in exploration and evaluation assets	$ 11,177	$ 9,639	$ 33,770	$ 24,773
Exploration and evaluation costs included in accounts payable	$ 121,955	$ 726,144	$ 121,955	$ 726,144

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

1. Nature of Operations and Going Concern

Calibre Mining Corp. (the "Company") *(an Exploration Stage Company)* is incorporated under the laws of British Columbia, Canada and maintains its corporate head office in Vancouver, 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 and Canada. The recovery of the Company's investment in resource properties and the attainment of profitable operations is 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 unaudited interim consolidated 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 adverse conditions cast significant doubt on the validity of this assumption.

The Company has a history of losses and no operating revenue and had an accumulated deficit of $24,996,506 as at June 30, 2011. The ability of the Company to carry out its planned business objectives is dependent on the ability to raise adequate financing from lenders, shareholders, and other investors (Notes 7d and 12), by generating operating profitability and positive cash flow, and/or by optioning its mineral properties for cash and/or expenditure commitments (Note 6a and 12). There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or capability to achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities.

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 classification used. Such adjustments may be material.

2. Basis of Preparation and Statement of Compliance

In 2010, the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") was revised to incorporate International Financial Reporting Standards ("IFRS"), and required publicly accountable enterprises to apply such standards for financial years beginning on or after January 1, 2011.

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" ("IAS 34") and IFRS 1, "*First-time Adoption of IFRS*" ("IFRS 1"). Subject to certain transition elections described in Note 10, the Company has consistently applied the same accounting policies used to prepare its opening IFRS statement of financial position as at January 1, 2010 (the "Transition Date") throughout all periods presented, as if these policies have always been in effect. Note 10 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010.

The accounting policies applied in these interim financial statements are based on IFRS as issued by the International Standards Board ("IASB") and the IFRS Interpretations Committee, all issued and effective as at August 29, 2011 the date the Board of Directors authorized the issuance of these interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including transition adjustment recognized on change-over to IFRS, which were prepared in accordance with Canadian GAAP.

These interim financial statements do not include all of the information required for full annual financial statements. Therefore, these interim financial statements should be read in conjunction with the Company's annual financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian "GAAP") for the year ended December 31, 2010.

3. Significant Accounting Policies

The accounting policies adopted by the Company on transition to IFRS are set out below and, subject to certain transition elections as disclosed in Note 10, the Company has consistently applied these accounting policies throughout all periods presented in these interim financial statements, as if these policies had always been in effect.

a) Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. 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.

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 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 consolidated statement of loss.

d) Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost is comprised of the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future costs of dismantling and removing the asset.

Furniture and equipment, structures and vehicles are being amortized over the estimated useful life of the assets using the declining balance method at rates of 5% to 30% per annum, as appropriate. Leasehold improvements are amortized on a straight-line basis over the term of the lease. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

e) Exploration and Evaluation Assets

Once a license to explore an area has been secured or an option agreement is signed and binding, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation costs. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized exploration costs at least annually. In the case of undeveloped projects, there may be no defined resources or reserves to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are reclassified to construction-in-progress within property, plant and equipment.

3. Significant Accounting Policies – *continued*

f) Reserve Estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *"Standards for Disclosure of Mineral Projects"* (NI 43-101). Reserves are used in the calculation of depreciation and amortization, impairment assessment, assessment of life of mine stripping ratios and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

g) Impairment of Long-Term Assets

The carrying value of long-term assets is 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 net earnings.

Exploration and evaluation costs and development 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 net 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.

h) Loss Per Share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The dilutive loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

i) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases payments are recognized as an expense as they are incurred.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

3. Significant Accounting Policies – *continued*

j) 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 an amount based on fair market value. 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; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

k) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. 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.

l) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

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.

3. Significant Accounting Policies – *continued*

m) Foreign Currency Translation

The Company finances its operations primarily in Canadian dollars. The functional currency for each entity is the currency of the primary economic environment Calibre Mining Corp., the parent entity, operates in. The functional currency of the Company is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

The Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for amortization which is translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

At the entity level, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the exchange rates in effect at the date of the transaction. Income and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange differences are charged or credited to the statement of loss in the period in which they arise.

n) Significant Accounting Judgments, Estimates and Acquisitions

The preparation of these interim financial statements in accordance with IFRS requires the Company to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The Company evaluates its estimates on an 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 revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Significant areas of estimation uncertainty considered by management in preparing the interim financial statements are as follows:

Carrying value of property and equipment

Property and equipment is depreciated on a declining balance and straight-line basis and is subject to management's estimate of useful life and salvage value and therefore the impact on the consolidated financial statements of future periods could be material.

Stock-based compensation

Compensation costs accrued for long-term stock-based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Contingencies

Contingencies, by their nature, are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgment including assessing whether a present obligation exists and providing, a reliable estimate of the amount of cash outflow required to settle the obligation. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

3. Significant Accounting Policies – *continued*

n) Significant Accounting Judgments, Estimates and Acquisitions – continued

Exploration and expenditure assets

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

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

Financial instruments

The estimated fair values of financial assets and liabilities, by their nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty.

o) Financial Instruments

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

- Financial assets and liabilities at fair value through profit and loss ("FVTPL")

  A financial asset or liability is classified in this category is acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

  Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains or losses in the period in which they arise.

- Held to maturity ("HTM")

  These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss.

3. Significant Accounting Policies – *continued*

o) Financial Instruments – continued

- 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 a provision for impairment. The Company classifies cash and cash equivalents and receivables as loans and equipment.

- 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 at amortized cost

  Financial liabilities at amortized cost includes trade and other payables. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method.

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

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.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Significant Accounting Policies – *continued*

p) New standards and interpretations not yet adopted

i) IFRS 9, "*Financial Instruments*"

In November 2009, the IASB issued IFRS 9 which addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39, "*Financial Instruments: Recognition and Measurement*".

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Application of IFRS 9 is mandatory for annual periods beginning n or after January 1, 2013. The Company is currently evaluating the impact that the application of this new standard may have on the presentation of its financial position and results of operations.

ii) IAS 32, *"Financial Instruments: Presentation – Amendment regarding Classification of Rights Issues"*

This amendment addresses the accounting for rights issues including rights, options and warrants that are denominated in a currency other than the functional currency of the issuer. In particular, rights, options or warrants to acquire a fixed number of the Company's own equity instruments for a fixed number of any currency other than the Company's functional currency, would be equity instruments, provided that the Company offers the rights pro-rata to all of its existing owners of the same class in its own non-derivative equity instrument. This amendment is effective for annual periods beginning on or after February 1, 2011. The Company does not currently have any rights, options or warrants issued that would be subject to this amendment and therefore, no impact is expected.

iii) Other IFRS pronouncements – not yet in effect

Certain new standards, interpretations, amendments and improvements to existing standards are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these condensed consolidated interim financial statements:

- IFRS 10, *Consolidated Financial Statements*, builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
- IFRS 11, *Joint Arrangements*, establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
- IFRS 12, *Disclosure of Interest in Other Entities*, provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off-balance sheet entities;
- IFRS 13, *Fair Value Measurement*, defines fair value and requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards;
- IAS 27, *Separate Financial Statements*, revised the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements;
- IAS 28, *Investments in Associate and Joint Ventures*, revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associated joint ventures.

Each standard is effective for annual periods beginning on or after January 1, 2013. The Company has not yet begun the process of assessing the impact of these new standards.

(Expressed in Canadian Dollars - Unaudited)

4. Marketable Securities

In 2009, the Company sold its interest in the Trundle Property in Australia to Clancy Exploration Limited ("Clancy"), a publicly traded company in Australia (ASX: CLY). As consideration, the Company received 1,750,000 common shares of Clancy. The fair value of the shares received at that time was $207,275 (December 31, 2009 - $246,015). In December 2010, the Company sold its entire position in Clancy for total proceeds of $139,966. As at June 30, 2010, the fair value of the Clancy shares was $220,059. The decrease in fair value from December 31, 2009 to June 30, 2010 resulted in a charge to other comprehensive loss of $25,956 for the six months ended June 30, 2010.

5. Property and Equipment

	Computer Equipment and Software	Furniture and Equipment	Vehicles	Buildings and Structures	Leasehold Improvements	Total
Cost, Jan. 1, 2010	$ 150,052	$ 141,955	$ 87,406	$ 99,717	$ 14,385	$ 493,515
Additions for the period	1,031	9,827	19,800	30,701	-	61,359
Disposals for the period	(5,935)	-	(18,530)	-	-	(24,465)
Cost, Dec. 31, 2010	145,148	151,782	88,676	130,418	14,385	530,409
Additions for the period	-	4,124	-	4,571	1,660	10,355
Disposals for the period	-	(48,376)	(48,947)	-	(14,385)	(111,708)
Cost, Jun. 30, 2011	145,148	107,530	39,729	134,989	1,660	429,056
Acc. depreciation, Jan. 1, 2010	83,475	62,201	22,356	10,098	9,591	187,721
Charge for the period	19,748	17,736	8,803	5,248	3,197	54,732
Disposals for the period	(4,824)	-	(1,957)	-	-	(6,781)
Acc. depreciation, Dec. 31, 2010	98,399	79,937	29,202	15,346	12,788	235,672
Charge for the period	7,700	6,500	4,675	2,560	1,597	23,032
Disposals for the period	-	(29,642)	(28,647)	-	(14,385)	(72,674)
Acc. depreciation, Jun. 30, 2011	$ 106,099	$ 56,795	$ 5,230	$ 17,906	$ -	$ 186,031
Net book value, Jan. 1, 2010	$ 66,577	$ 79,754	$ 65,050	$ 89,619	$ 4,794	$ 305,794
Net book value, Dec. 31, 2010	$ 46,749	$ 71,845	$ 59,474	$ 115,072	$ 1,597	$ 294,737
Net book value, Jun. 30, 2011	$ 39,049	$ 50,735	$ 34,499	$ 117,083	$ 1,660	$ 243,026

(Expressed in Canadian Dollars - Unaudited)

6. Exploration and Evaluation Assets

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
Borosi, Nicaragua *(Note 6a)*		
Cost, beginning of period	$ 7,197,831	$ 6,884,651
Administration and maintenance	103,129	95,869
Amortization	7,502	14,169
Assaying	174,430	286,590
Camp and field supplies	43,676	69,380
Drilling and related	287,709	710,002
Geological consulting	103,574	301,214
Logistics and communications	85,200	175,484
Professional fees	8,196	18,328
Property maintenance	244,285	471,448
Salary and wages	373,053	780,734
Stock-based compensation	33,770	88,057
Travel	38,313	84,655
Recovery of costs	(806,097)	(2,782,750)
Total expenses during the period	696,740	313,180
Cost, end of period	7,894,571	7,197,831
Point Leamington, Canada *(Note 6b)*		
Cost, beginning of period	1,250,901	1,229,868
Administration and maintenance	-	21,033
Cost, end of period	$ 1,250,901	$ 1,250,901
Total Exploration and Evaluation Assets	$ 9,145,472	$ 8,448,732

a) Borosi, Nicaragua, Central America

On July 21, 2009, the Company completed the acquisition of a 100% equity interest in Yamana (Nicaragua) Ltd. ("Yamana Nicaragua"). Yamana Nicaragua's wholly owned subsidiary owns an undivided 100% interest in the Borosi Gold – Copper Project (the "Borosi Project"), consisting of a number of contiguous mining and exploration concessions located in the North Atlantic Autonomous Region of Nicaragua, Central America.

In consideration, the Company issued 12 million common shares and paid $4.42 million in cash. In addition, if within five years from closing, and upon the Company incurring cumulative exploration expenditures aggregating at least $5 million, and upon completion and acceptance of a National Instrument ("NI") 43-101 Measured and Indicated resource within the existing Borosi Project boundary, the Company will pay a bonus of $5.00 per gold equivalent ounce, to a maximum total payment of $3.5 million (700,000 gold equivalent ounces) ('Bonus Payment"). This Bonus Payment will be payable in cash or common shares, at the sole option of the Company. The Company also issued 5 million warrants exercisable at $0.50 per share, and 5 million warrants exercisable at $1.00 per share (collectively the "Bonus Warrants"). The Bonus Warrants expire on July 21, 2014 and are only exercisable if the Company delineates at least 2.5 million NI 43-101 compliant ounces of gold equivalent in Measured and Indicated resource categories.

6. Exploration and Evaluation Assets – *continued*

a) Borosi, Nicaragua, Central America – continued

The existence of an NI 43-101 compliant Measured and Indicated resource is not determinable at this time, and management is not able to determine with any accuracy if such a resource will be identified in the exploration of the project, as a result no liability has been accrued for the Bonus Payment and no value has been assigned to the Bonus Warrants at the purchase date.

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

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

As at June 30, 2011, a total of $3,935,847 has been recovered and/or receivable from B2Gold in connection with the exploration and evaluation at Borosi in connection with the joint venture agreement described above. As at June 30, 2011, $95,078 (December 31, 2010 - $105,236) of the above amount was included in accounts receivable and received subsequent to the period end).

b) Point Leamington, Newfoundland, Canada

The Company continues to own and keep in good standing a 100% interest in the Point Leamington mining lease in Newfoundland, Canada, originally acquired in 2004. The mining lease is subject to a 2% net smelter return royalty, which is held by a third party.

7. Share Capital

a) Authorized

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

(Expressed in Canadian Dollars - Unaudited)

7. Share Capital – *continued*

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 an amendment to the Plan that increased the number of common shares reserved for issuance under the Plan from 9,620,000 to 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. 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 June 30, 2011 and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	14,050,000	$ 0.20
Granted	2,025,000	0.17
Exercised	(125,000)	0.15
Forfeited	(125,000)	0.15
Outstanding, end of period	15,825,000	$ 0.19
Exercisable, end of period	11,218,750	$ 0.21

During the six months ended June 30, 2011, the Company granted a total of 2,025,000 stock options to consultants. Of the options granted: 500,000 are exercisable at $0.20 per share, expire on March 2, 2016 and vest 50% immediately and 50% on a successful closing of a business development transaction subject to the terms of the underlying agreement with the consultant; 250,000 are exercisable at $0.20 per share, expire June 13, 2012, and vested immediately at grant date; the remaining 1,275,000 are exercisable at $0.15 per share, expire June 30, 2016, and vest 25% immediately and 25% at each six month interval after the date of grant until fully vested.

The weighted-average fair value of options granted during the six months ended June 30, 2011 was $0.12.

As at June 30, 2011, stock options exercisable and outstanding are as follows:

	Options Outstanding		Options Exercisable	
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)	Number	Weighted Average Remaining Contractual Life (yrs.)
$0.15	12,975,000	3.87	8,643,750	3.61
$0.20	850,000	3.46	575,000	2.92
$0.44	1,500,000	0.69	1,500,000	0.69
$0.60	500,000	0.95	500,000	1.95
	15,825,000	3.45	11,218,750	3.06

(Expressed in Canadian Dollars - Unaudited)

7. Share Capital – *continued*

c) Stock-based compensation

The Company amortizes the total fair value of options granted over the option vesting schedule. Consequently, the total compensation expense recognized for options granted during the six months ended June 30, 2011 or prior periods was $277,156 (2010 - $188,750). Of the total compensation recorded, $243,386 (2010 - $163,977) was charged to operations expense and $33,770 (2010 - $24,773) was capitalized to exploration and evaluation assets.

The fair value of the options granted during the six months ended June 30, 2011 and 2010 has been estimated at the date of grant using the following Black-Scholes option pricing assumptions:

	June 30, 2011	June 30, 2010
Weighted average risk-free interest rate	2.60 %	2.09 %
Weighted average expected option life	4.5 years	3 years
Weighted average expected stock volatility	122%	167%
Weighted average expected dividend yield	Nil	Nil

c) Warrants

A summary of the status of the Company's outstanding warrants as at June 30, 2011 and changes during the six months then ended:

	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	67,924,843	$ 0.27
Exercised	(9,325,000)	0.15
Outstanding, ending of period	58,599,843	$ 0.29

During the six months ended June 30, 2011, holders exercised 9,325,000 warrants for gross proceeds of $1,398,750. In connection with these exercises, the Company reclassified the fair value of these warrants previously recorded in the amount of $136,460 from contributed surplus to share capital. As at June 30, 2011, warrants exercisable and outstanding are as follows:

	Warrants Outstanding		Warrants Exercisable	
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)	Number	Weighted Average Remaining Contractual Life (yrs.)
$0.15	456,000	0.48	456,000	0.48
$0.20	48,143,843	0.08	48,143,843	0.08
$0.50	5,000,000	3.06	-	-
$1.00	5,000,000	3.06	-	-
	58,599,843	0.59	48,599,843	0.08

(Expressed in Canadian Dollars - Unaudited)

8. Related Party Transactions

a) Related party expenses and balances

The following is a summary of the related party transactions that occurred throughout the six months ended June 30, 2011 and 2010:

	2011	2010
Accounting fees paid to a director and former chief financial officer	$ 30,000	$ 30,000
Legal fees paid to a law firm associated with a former corporate secretary	$ -	$ 2,300

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

b) Key management personnel compensation

Key management of the Company are directors and officers and their remuneration includes the following:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Short-term benefits (i)	$ 225,000	$ 205,000
Share-based payments (ii)	$ -	$ -
Termination benefits (iii)	$ 217,809	$ -

(i) Short-term benefits include salaries and wages.

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

(III) Key management personnel paid termination benefits, or long-term benefits owed during the periods ended June 30, 2011 and 2010.

c) Key management commitments

The Company has management employee agreements in place with terms ranging up to three years. The Company may terminate these agreements for any reason (other than by the expiry of the term) with a lump sum payment equal to the key employee's remaining compensation under the agreement, which at June 30, 2011 is approximately $187,500.

9. Commitments

The Company has minimum annual lease commitments for its office premise expiring September 2016. The following schedule details the Company's minimum commitments not discussed elsewhere in these interim consolidated financial statements:

Remainder of 2011	$ 52,000
2012	88,000
2013	89,000
2014	89,000
2015	93,000
Thereafter	70,000
	$ 481,000

10. Adoption of International Financial Reporting Standards

a) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS consolidated statement of financial position as at January 1, 2010, the Company's "Transition Date":

- To apply IFRS 2, *"Share-based Payments"*, only to equity instruments that were issued after November 7, 2002 and that had not vested by the Transition Date;
- To apply IFRS 3, *"Business Combinations"*, prospectively from the Transition Date; and

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly estimates used in the preparation of the Company's opening IFRS consolidated financial position as at the Transaction Date are consistent with those of that were made under Canadian GAAP.

b) Share based payments

IFRS 2, "*Share-based payments*", requires the use of the attribution method for the grant of options which have vesting provisions. Stock options with vesting features must be accounted for using the graded vesting method which would give rise to an accelerated compensation expense. The Company has been using the straight-line method for the vesting of stock options which is acceptable under Canadian GAAP. IFRS 2 does not include the straight-line method as an alternative attribution method for stock options.

c) Future income tax ("FIT")

Under IFRS guidelines, the recognition of an FIT asset or liability that arises from the initial recognition of assets and liabilities that do not impact profit or loss other than in a business combination is prohibited. The Company's FIT liability under Canadian GAAP is due to the difference between the carrying value and the tax value of the properties that the Company acquired as a result of an acquisition of assets, not a business combination.

As a result, the Company's FIT liability balance (and related foreign exchange component) is eliminated under IFRS. The decrease in FIT liability results in a decrease in the carrying value of mineral properties by a similar amount (net of foreign exchange gain or loss).

d) Reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in these notes to the condensed consolidated interim financial statements for the following schedules and statements:

- Consolidated Balance Sheet reconciliations as at January 1, 2010; June 30, 2010; and December 31, 2010; and
- Consolidated Statements of Loss and Comprehensive Loss for the year ended December 31, 2010, for the three and six months ended June 30, 2010.

A reconciliation of the consolidated statements of cash flows has not been provided as there are no changes to total operating, financing, and investing cash flows in the transition to IFRS.

(Expressed in Canadian Dollars - Unaudited)

10. Adoption of International Financial Reporting Standards – *continued*

As at		December 31, 2010			June 30, 2010			January 1, 2010		
	Note	Canadian GAAP	Adjustments	IFRS	Canadian GAAP	Adjustments	IFRS	Canadian GAAP	Adjustments	IFRS
Assets										
Current										
Cash and cash equivalents		$ 661,698	$ -	$ 661,698	$ 1,019,424	$ -	$ 1,019,424	$ 1,737,271	$ -	$ 1,737,271
Receivables		123,928	-	123,928	823,759	-	823,759	360,423	-	360,423
Marketable securities		-	-	-	220,059	-	220,059	246,015	-	246,015
Prepaid deposits and advances		67,437	-	67,437	135,226	-	135,226	105,959	-	105,959
		853,063	-	853,063	2,198,468	-	2,198,468	2,449,668	-	2,449,668
Non-current										
Property and equipment		294,737	-	294,737	295,583	-	295,583	305,794	-	305,794
Exploration and evaluation assets	**10 b & c**	10,472,972	(2,024,240)	8,448,732	9,391,013	(1,205,508)	8,185,505	9,823,584	(1,709,065)	8,114,519
		$ 11,620,772	$ (2,024,240)	$ 9,596,532	$ 11,885,064	$ (1,205,508)	$ 10,679,556	$ 12,579,046	$ (1,709,065)	$ 10,869,981
Liabilities and Shareholders' Equity										
Current liabilities										
Trade and other payables		$ 211,936	$ -	$ 211,936	$ 788,617	$ -	$ 788,617	$ 306,712	$ -	$ 306,712
Non-current										
Future income taxes	**10 c**	1,770,639	(1,770,639)	-	1,068,058	(1,068,058)	-	1,602,614	(1,602,614)	-
Shareholders' equity										
Share capital		24,716,220	-	24,716,220	24,716,220	-	24,716,220	24,644,537	-	24,644,537
Contributed surplus	**10 b**	8,499,153	110,558	8,609,711	8,057,207	116,435	8,173,642	7,886,906	113,127	8,000,033
AOCI		-	-	-	12,784	-	12,784	38,740	-	38,740
Accumulated deficit		(23,577,176)	(364,159)	(23,941,335)	(22,757,822)	(253,885)	(23,011,707)	(21,900,463)	(219,578)	(22,120,041)
		9,638,197	(253,601)	9,384,596	10,028,389	(137,450)	9,890,939	10,669,720	(106,451)	10,563,269
		$ 11,620,772	$ (2,024,240)	$ 9,596,532	$ 11,885,064	$ (1,205,508)	$ 10,679,556	$ 12,579,046	$ (1,709,065)	$ 10,869,981

(Expressed in Canadian Dollars - Unaudited)

10. Adoption of International Financial Reporting Standards – *continued*

		Year Ended December 31, 2010			Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	Note	Canadian GAAP	Adjustments	IFRS	Canadian GAAP	Adjustments	IFRS	Canadian GAAP	Adjustments	IFRS
Expenses										
Amortization		$ 40,563	$ -	$ 40,563	$ 10,863	$ -	$ 10,863	$ 20,802	$ -	$ 20,802
Audit and accounting fees		86,667	-	86,667	32,613	-	32,613	52,863	-	52,863
Bank charges and interest		3,002	-	3,002	1,033	-	1,033	2,203	-	2,203
Consulting fees		263,972	-	263,972	109,500	-	109,500	199,500	-	199,500
Insurance		38,765	-	38,765	10,486	-	10,486	20,277	-	20,277
Legal fees		34,638	-	34,638	14,138	-	14,138	28,103	-	28,103
Marketing		6,853	-	6,853	3,150	-	3,150	5,056	-	5,056
Office, postage and printing		56,315	-	56,315	16,838	-	16,838	29,544	-	29,544
Rent		119,199	-	119,199	28,273	-	28,273	58,582	-	58,582
Salaries and wages		447,613	-	447,613	116,132	-	116,132	218,517	-	218,517
Share based compensation	10 b	546,964	(10,202)	536,762	59,804	(18,498)	41,306	163,891	86	163,977
Shareholder relations		8,485	-	8,485	3,376	-	3,376	4,539	-	4,539
Telephone and utilities		3,837	-	3,837	1,380	-	1,380	1,929	-	1,929
Trade shows and conferences		70,516	-	70,516	51,539	-	51,539	61,666	-	61,666
Transfer agent and regulatory fees		25,068	-	25,068	2,193	-	2,193	10,498	-	10,498
Travel		31,014	-	31,014	4,462	-	4,462	13,930	-	13,930
		(1,783,471)	10,202	(1,773,269)	(465,780)	18,498	(447,282)	(891,900)	(86)	(891,986)
Other Income (Expenses)										
Foreign exchange gain (loss)	10 c	173,747	(154,783)	18,964	(19,401)	22,482	3,081	39,734	(34,221)	5,513
Loss on disposal of marketable securities		(67,309)	-	(67,309)	-	-	-	-	-	-
Loss on disposal of property and equipment		(5,193)	-	(5,193)	(5,193)	-	(5,193)	(5,193)	-	(5,193)
Interest and other income		5,513	-	5,513	-	-	-	-	-	-
		106,758	(154,783)	(48,025)	(24,594)	22,482	(2,112)	34,541	(34,221)	320
Net Loss for the Period		$ (1,676,713)	$ (144,581)	$ (1,821,294)	$ (490,374)	$ 40,980	$ (449,394)	$ (857,359)	$ (34,307)	$ (891,666)
Unrealized loss on marketable securities		$ -	$ -	$ -	$ (9,555)	$ -	$ (9,555)	$ (25,956)	$ -	$ (25,956)
Net Comprehensive Loss for the Period		$ (1,676,713)	$ (144,581)	$ (1,821,294)	$ (499,929)	$ 40,980	$ (458,949)	$ (883,315)	$ (34,307)	$ (917,622)
Net Loss per Share - Basic and Diluted		$ (0.01)		$ (0.01)	$ (0.00)		$ (0.00)	$ (0.01)		$ (0.01)
Weighted Average Shares Outstanding		122,443,960		122,443,960	122,498,557		122,498,557	122,368,386		122,368,386

(Expressed in Canadian Dollars - Unaudited)

11. Segmented information

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

As at June 30, 2011

	Canada	Nicaragua	Total
Cash	$ 520,110	$ 288,833	$ 808,943
Other current assets	229,494	16,580	246,074
Property and equipment	63,802	179,224	243,026
Mineral properties	1,250,901	7,894,571	9,145,472
Total assets	$ 2,064,307	$ 8,379,208	$ 10,443,515

As at December 31, 2010

	Canada	Nicaragua	Total
Cash	$ 653,589	$ 8,109	$ 661,698
Other current assets	185,201	6,164	191,365
Property and equipment	116,706	178,031	294,737
Mineral properties	1,229,868	7,218,864	8,448,732
Total assets	$ 2,185,364	$ 7,411,168	$ 9,596,532

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Canada	$ 580,969	$ 455,358	$ 1,025,099	$ 881,478
Nicaragua	17,266	(5,964)	30,072	10,188
Other	-	-	-	-
Net Loss for the Period	$ 598,235	$ 449,394	$ 1,055,171	$ 891,666

12. Subsequent Events

a) Effective June 30, 2011, Robert D. Brown stepped down as the Company's President, CEO and Director. Mr. Brown was replaced by Edward Farrauto, CGA as President and CEO. In addition, the Company also engaged Gregory Smith, P. Geo to act as the Company's Vice-President Exploration.

b) On July 16, 2011, a total of 44,310,510 share purchase warrants expired unexercised. The warrants were originally issued in connection with the Company's private placement announced on July 16, 2009 and had an exercise price of $0.20 per common share.

c) Subsequent to June 30, 2011, the Company announced plans to complete a non-brokered private placement financing totalling $3,500,000 by issuing a total of 35,000,000 common shares at a price of $0.10 per share. To date, the Company has closed a total of 20,600,000 common shares for gross proceeds of $2,060,000. A finder's fee may be paid in connection with the completion of the offering of up to 6% of the gross proceeds, payable in cash or the equivalent in common shares. The private placement is subject to approval of the TSX Venture Exchange.

12. Subsequent Events – *continued*

d) In August 2011, the Company executed an option agreement with Alder Resources Ltd. (TSX-V: ALR) ("Alder"), whereby Alder can earn a 65% interest in the 3,356 hectare Rosita D concession located within the Company's 100%-owned Borosi concessions in northeast Nicaragua. Under the terms of the option agreement, Alder can earn a 65% interest in the Rosita D concession by expending a total of $4.0 million on exploration and other work on the Property and by issuing to the Company a total of 1,000,000 common shares of Alder over a 4 year period. Alder will be acting as the project operator for all work conducted on the Property during the option period with the first year exploration commitment being $500,000. 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. The option agreement is subject to a 45 day due diligence period by Alder from the date of execution of the agreement.