



**CORAZON GOLD CORP.**

**Management Discussion & Analysis**

**June 30, 2012**

**Corazon Gold Corp.**  
**Form 51-102F1**  
**Management Discussion and Analysis**  
**For the Six Month Period Ended June 30, 2012**  
**Dated as at August 27, 2012**

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*The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited consolidated financial statements of the Company for the period ended June 30, 2012 which have been prepared in accordance with IAS 34 of International Financial Reporting Standards (“IFRS”). This Management Discussion and Analysis (“MD&A”) includes certain statements that may be deemed “forward looking statements”. All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information can be found on Sedar at [www.sedar.com](http://www.sedar.com). This MD&A is dated August 27, 2012.*

**DESCRIPTION OF THE CORPORATION**

REMAC ZINC CORP. ACQUISITION OF 0887398 BC LTD. and 0887406 BC LTD.

*On January 14, 2011, ReMac Zinc Corp. (“ReMac”) completed the acquisition of all of the issued and outstanding shares of 0887398 B.C. Ltd. (“0887398”) in exchange for the issuance of an aggregate 23,446,318 common shares of ReMac on the basis of one common share for each common share of 0887398, pursuant to a share exchange agreement dated October 6, 2010 among 0887398, its shareholders, and its subsidiaries 0887406 B.C. Ltd. (“0887406”) and Corazon Exploraciones, S.A. (“Corazon”). 0887398 owned 99.9 % of the issued and outstanding shares of Corazon and 0887406 owned the remaining 0.1% of the issued and outstanding shares of Corazon. In addition, 0887406 agreed to transfer its ownership in Corazon to ReMac pursuant to the terms of a share purchase agreement between ReMac and 0887406. As a result, 0887398 and 0887406 became wholly-owned subsidiaries of ReMac and ReMac holds indirectly 100% of the issued and outstanding shares of Corazon.*

*0887398 and its subsidiary, Corazon were principally engaged in the acquisition, exploration and development of a resource property located in Santo Domingo, Nicaragua. As a result of the share exchange, the former shareholders of 0887398 obtained control of ReMac. Consequently the transaction has been recognized as a reverse asset acquisition in these consolidated financial*

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*statements, with 0887398 being the deemed acquirer of the net assets of ReMac. The consolidated financial statements are a continuation of 0887398 and the net assets and results of operations of ReMac are included in these financial statements from the date of acquisition (January 14, 2011). ReMac changed its name to Corazon Gold Corp. upon completion of the transaction.*

*Pursuant to the agreement, ReMac granted an aggregate 2% net smelter returns royalty to two controlling shareholders of 0887398. This royalty was exclusive of the Santo Domingo property. All outstanding options (109,287 options) of ReMac at the date of the transaction were fully vested and were cancelled for no consideration upon closing.*

*ReMac issued 1,250,000 common shares with an estimated fair value of \$250,000 as a finders' fee and other estimated costs of the transaction (\$54,333) which were all expensed.*

**SANTO DOMINGO PROJECT, Nicaragua**

The Santo Domingo gold project "the Project" is located in the canton of Santo Domingo, in the eastern section of the La Libertad-Santo Domingo mining district, state of Chontales, central Nicaragua. The project totals 650 hectares and is situated 177 kilometres northwest of the major Pacific port and capital city of Managua, Nicaragua. The Project included sub-surface rights, as well as approximately 130 acres of deeded land with surface rights also owned by the Co-Op.

On April 15, 2010 Corazon, entered into a Concession Agreement for the option to acquire a 100% interest in the Santo Domingo concession (the Concession) from Cooperative de Pequeños Mineros de Santo Domingo RL (the "Co-Op") for staged payments totaling USD\$5,500,000. Under the Concession Agreement, Corazon paid an initial USD\$500,000 and was required to make two payments of USD\$2,500,000, the first no later than April 15, 2011 and the second by April 15, 2012. On April 15, 2011 the Company made the first payment of USD\$2,500,000 as required by the Concession Agreement.

The Company completed geologic mapping and sampling, trenching and two phases of drilling, the first ever performed on the 6 km<sup>2</sup> Santo Domingo concession. Drill testing of the numerous veins identified in the mapping and trenching program began on February 6, 2011 and concluded on March 29, 2012. During this time, a total 7,450 metres of HQ core was drilled in 47 holes. Hole depths ranged from 59.80 to 367.65 metres with an average depth of 158.51 metres. Drill targets spanned the entire district and were selected on the basis of surface assays, vein strength (width & length), structural setting and surface production history by local miners.

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The vein/shear targets were encountered in 46 of the 47 holes, although in several of the holes, all or part of the vein had been exploited by surface mining leaving either a void or backfill in the drill intercept. A review of the results, shown in Table 1 below, reveals that 4 of the vein intercepts exceeded a grade thickness (grade in grams of gold per tonne multiplied by thickness of intercept in meters - GT) of 20 with the highest GT being 25.78 (4.80 metres of 5.37 g/t Au), however step out drilling adjacent to these intercepts could not confirm continuity along strike. Deeper (>100m below surface) tests of the veins revealed diminishing widths and gold grades. Corazon followed a rigorous QA/QC program consisting of inserting blanks every tenth sample and certified standards every 25<sup>th</sup> sample; the results for the QA/AC program were satisfactory, and no “red flag” issues were identified related to sample handling, preparation or analysis.

Based on the drilling results obtained, and their implications of the project’s limited economic potential, the Company ceased exploration of the Santo Domingo project and elected not to make the USD\$2,500,000 payment required on April 15, 2012 in order to acquire the concession. The option payments and the capitalized expenses as of December 31, 2011 of \$6,133,926 were written off as well as the expenses related to the project as of June 30, 2012 of \$784,621 have been written off.

**ReMac Zinc Project, BC, Canada**

Prior to consolidation with Corazon, the Company’s previous business consisted of the exploration of its zinc project in British Columbia. A geological evaluation of the drilling results was completed and a new digital database of these drill results combined with all historical drill program data has been completed. The Company’s management has elected not to expend further funds on the development of the zinc project at this time. All resource property expenditures to December 31, 2011 were impaired and the Company did not incur any resource expenditure on the property for the six months ended June 30, 2012.

**La Ranchera Project, Nicaragua**

In February 2012, Nicaragua’s Ministry of Energy and Mines (MEM) granted the Company three 25-year exploration and exploitation concessions. The Concession La Ranchera totals 28.21 square kilometres and is adjacent to Caza Gold Corp.'s large high-sulphidation epithermal gold project in central Nicaragua. Corazon is developing an exploration program for the property and will monitor the progress of Caza and several adjacent concessions. No conclusive exploration work has been conducted to date.

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**SDL Project, Nicaragua**

Corazon has two additional concessions in the Santo Domingo-La Libertad mining district. The concessions encompass 126 square kilometres of mineral rights along the east-northeast strike projection of the veins and structures, which constitute the La Libertad-Santo Domingo mining districts. The two concessions, Pijibay and Pilatos, are considered prospective for hosting gold and silver mineralization due to similarities in geology and structural features that continue from the main La Libertad-Santo Domingo district, 10 to 15 kilometres to the southwest. These structural components consist of northeast-trending regional structures, and a series of north-south aerial photo and satellite lineaments that intersect with the northeast trend within Corazon's SDL concessions. These features control mineralization in both B2Gold's Cerro Quiroz concession, immediately to the west of Corazon's two new concessions, and also on B2Gold's La Libertad concession, which hosts the La Libertad mine where B2 is developing the Jabali vein for production.

Corazon has begun preliminary exploration over this new concession area. This work has led to the identification of a felsic intrusive centre flanked by silicification and extensive siliceous sinter (paleo-hot-spring) deposits. Reconnaissance traverses over the area have identified a broad zone of subangular to rounded surficial vein material that is suspected to be sourced from bedrock on Corazon's concession and is highly anomalous in gold and silver. In total, 30 samples were collected, which returned assay values ranging from insignificant mineralization to up to 35.6 grams per tonne gold and 224 g/t silver. A second phase exploration plan is currently being developed.

**Rio Coco Project, Nicaragua** In April 2012, Nicaragua's Ministry of Energy and Mines (MEM) and the Autonomous Region of the Northern Atlantic (RAAN) granted Corazon three contiguous, 25-year exploration and exploitation concessions located in northern Nicaragua, along the Rio Coco River. The three contiguous concessions, named Arcosa, Azul and Calcedonia, encompass 300 square kilometres of mineral rights, and each concession is home to considerable historic small-scale placer and hard-rock gold mining. The three concessions cover a regional play exploring for breccia-hosted gold-zinc-copper deposits similar to that found historically at Coco Mina, located two kilometres to the south of the new Arcosa concession, the westernmost of Corazon's new concessions. The Coco Mina deposit was explored and partially developed by Rosario Resources and Fresnillo in the mid-1970s. The geological environment hosting this deposit is believed to extend northerly into the recently granted concessions where widespread artisanal gold mines are present. Corazon has begun a first phase exploration program that includes a widespread stream-sediment survey, and reconnaissance

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traverses over areas of known gold mineralization. Satellite maps have been acquired and a construction of a topographic survey of the concessions is currently underway.

**Buckeye Project, Colorado, USA**

Corazon has signed a letter agreement for an option to acquire a group of mineral claims known as the Buckeye Property in Colorado. The Buckeye Property currently comprises 2,368 acres of mineral rights within a 62,916 acres Area of Influence (AOI) which is surrounded by the Leadville, London, Kokomo, Climax, St. Kevin – Sugar Loaf and Gilman Mining districts in Central Colorado. The property is controlled and owned by the Buckeye Partnership, Leonard J. Karr and Robert J. Johansing (who is the Company's Exploration Manager). A USD \$50,000 deposit was paid upon signing of the letter agreement with the Buckeye partners. Corazon expects to complete the terms of the option agreement no later than December 31st, 2012. Fieldwork, consisting of mapping and sampling, began on June 10th along the Arkansas River Valley. A well defined E-W trending vein swarm and associated phyllic alteration of the Minturn Formation were identified in the southeast corner of the claim block; this is an undrilled area. Fieldwork will continue into September, 2012 as part of the phase one exploration program for Buckeye.

**ICN Loan and Arrangement Agreement**

***Loan***

On July 18, 2012 the Company and ICN Resources Ltd ("ICN") entered into a loan agreement whereby the Company loaned \$500,000 to ICN. On August 2, 2012, the Exchange approved this loan and it has the following conditions: the loan matures on the earlier of (i) 45 days after the ICN Shareholders Meeting, if the shareholders of ICN do not approve the Transaction described below and (ii) November 15, 2012. The loan bears interest at 10% per annum, calculated monthly and payable at maturity. The loan is secured by the assets of ICN, and of ICN's three US subsidiaries. The proceeds of the loan will be used by ICN for the payment of annual land claim assessment fees and other outstanding payables.

***Arrangement Agreement***

On August 10, 2012 the company signed a definitive arrangement agreement with ICN Resources Ltd. ("ICN") in which the Company will acquire all of the outstanding shares of ICN.

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In connection with the this transaction, 097474 B.C. Ltd., a wholly-owned subsidiary of Corazon (“**Subco**”), will amalgamate with ICN, the amalgamated company will become a wholly-owned subsidiary of Corazon, and Corazon will issue securities of Corazon to the former security holders of ICN. The Corazon securities are expected to be issued on a one for one basis (subject to adjustment as provided for in the Arrangement Agreement), such that Corazon is expected to issue an aggregate of 51,665,740 common shares and 2,896,061 warrants to the security holders of ICN. Any warrants issued by Corazon are expected to have the same terms as the currently outstanding ICN warrants.

ICN’s major asset is its mineral properties which are located in Nevada, USA

The Transaction is expected to close during the month of October and is subject to the satisfaction or waiver of the conditions set out in the Arrangement Agreement, including receipt of court approval, the approval of the TSX Venture Exchange and the approval of ICN shareholders, which is to be sought at a general and special meeting of such shareholders to be scheduled prior to mid October, 2012.

The Arrangement Agreement includes a commitment by the parties not to solicit alternative transactions, and ICN has agreed to pay a termination fee of \$150,000 to Corazon under certain circumstances. In addition, Corazon has the right to match any unsolicited competing offer which may be made. A full copy of the Arrangement Agreement will be filed by each of Corazon and ICN under their respective profiles on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, a detailed description of the Arrangement Agreement will be included in the management information circular which will be mailed to ICN shareholders in advance of the proposed ICN Shareholders Meeting.

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**Capitalized exploration expenses for the six months ended June 30, 2012 and 2011**

	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Exploration</b>				
Assay and laboratory	\$ 418	\$ 19,104	\$ 4,348	\$ 38,525
Consultants	101,796	47,207	202,285	121,904
Development	32,820	55,185	96,570	90,124
Drilling	125,887	319,185	268,445	319,185
General expenses	160,667	98,575	162,934	166,532
Salaries	90,009	138,804	153,549	242,498
Surveying and mapping	37,817	1,271	42,296	3,171
Travel	11,721	21,491	29,793	30,530
<b>Total exploration Costs</b>	<b>\$ 561,135</b>	<b>\$ 700,821</b>	<b>\$ 960,220</b>	<b>\$ 1,012,468</b>

Exploration and evaluation expenses related to the Santo Domingo project as of June 30, 2012 have been written off as a component of the impairment of mineral properties during this period. The exploration and evaluation expenses as of June 30, 2011 were written off as a component of the impairment of mineral properties in December 31, 2011.

**SELECTED FINANCIAL INFORMATION**

For the six month period ended June 30, 2012 and June 30, 2011

	June 30, 2012	June 30, 2011 (Amended) (1)
<b>Financial results</b>		
Total revenue	\$Nil	\$Nil
Loss for the period	\$2,132,456	\$1,519,062
Basic and diluted (income) loss per share	\$0.03	\$0.03
Impairment of mineral property	\$784,261	\$Nil
<b>Balance sheet data</b>		
	June 30, 2012	December 30, 2011
Current assets	\$3,768,513	\$5,989,418
Non-current assets	\$678,626	\$270,377
Total assets	\$4,447,139	\$6,259,795
Current liabilities	\$251,281	\$280,434
Shareholders' equity	\$4,195,858	\$5,979,361



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***Correction of Comparative numbers for 2011***

In order to reflect the 2011 year end adjustments and corrections, the 2011 comparative numbers have been adjusted accordingly. These corrections include accruing interest on term deposits of approximately \$15,000 and corrections to stock based compensation calculations resulting in a reduction of compensation expense of \$111,802 and capitalizing compensation costs of approximately \$80,000 to mineral properties. The Company made an adjustment to reverse the gain recognized on the reverse asset transaction (note 2) of approximately \$160,000 which was recognized in error.

***Correction on Balance sheet items – June 30, 2011***

	As reported	Adjustment	Adjusted balance
Receivables, deposits and prepaid expenses	\$ 207,604	\$ 14,491	\$ 222,095
Mineral properties	4,552,616	80,932	4,633,548
Total Assets	\$ 12,822,993	\$ 95,423	\$ 12,918,416
Share capital	\$ 13,803,163	\$ 172,908	\$ 13,976,071
Share based payment reserve	1,147,714	(111,802)	1,035,912
Deficit	\$ (2,034,769)	\$ 34,769	\$ (2,000,452)

***Correction to Consolidated Statement of Comprehensive loss – June 30, 2011***

	As reported	Adjustment	Adjusted balance
Statements of operation 2011 - six month period			
Share-based payments	\$ 919,608	\$ 192,734	\$ 1,112,343
Interest income	-	14,491	14,491
Reversed gain on RTO	160,829	(160,829)	-
Net loss for the six month period ended June 30, 2011	\$ (1,565,458)	\$ (46,397)	\$ (1,519,062)

	As reported	Adjustment	Adjusted balance for comparative purposes
Statements of operation 2011 - three month period			
Share-based payments	\$ 402,712	\$ (96,367)	\$ 306,345
Interest income	-	14,491	14,491
Reversed gain on RTO	160,829	-	160,829
Net loss for the three month period ended June 30, 2011	\$ (676,266)	\$ 110,858	\$ (565,408)

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**RESULTS OF OPERATIONS**

Corazon is a mineral exploration company which has elected under International Financial Reporting Standards to capitalize exploration and evaluation expenditures. Corporate and administration expenses, as well as any exploration expenditures incurred prior to obtaining the legal right to explore, are charged to the statement of earnings when incurred. The exploration properties acquired by the Company are still in the early exploration and development stage. No revenues have been reported for the period ended June 30, 2012 or for the period June 30, 2011.

	<b>Three months June 30, 2012</b>	<b>Three months June 30, 2011</b>	<b>Six months June 30, 2012</b>	<b>Six months June 30, 2011</b>
<b>Administrative expenses</b>				
Audit and accounting fees	\$ 25,640	\$ (33)	\$ 25,640	\$ 3,418
Consulting fees	15,000	15,482	30,000	64,396
Corporate development	180,021	100,489	271,075	162,153
Depreciation	23,389	(3,255)	46,208	12,446
Legal fees and expenses	25,599	27,793	37,218	68,205
Finder fees	-	-	-	250,000
Office	71,817	48,380	119,020	54,750
Property examination costs	294,310	-	345,913	-
Regulatory fees	7,300	50,276	17,166	109,188
Salaries and benefits	104,488	102,892	208,243	117,065
Share-based payments	75,728	306,345	263,239	726,874
Travel and accommodation	13,963	38,741	16,486	38,808
	<b>837,255</b>	<b>687,110</b>	<b>1,380,208</b>	<b>1,607,303</b>
<b>Other expense (income)</b>				
Foreign exchange loss (gain)	3,099	(107,211)	2,235	(73,750)
Other Income	(7,007)	(14,491)	(34,248)	(14,491)
Impairment of mineral properties	269,205	-	784,261	-
	<b>265,297</b>	<b>(121,702)</b>	<b>752,248</b>	<b>(88,241)</b>
<b>Net loss for the period</b>	<b>1,102,552</b>	<b>565,408</b>	<b>2,132,456</b>	<b>1,519,062</b>
<b>Other comprehensive loss (income)</b>				
Exchange differences on translating foreign operations	(18,659)	52,954	(8,494)	118,827
<b>Comprehensive loss for the period</b>	<b>\$ 1,083,893</b>	<b>\$ 618,362</b>	<b>\$ 2,140,950</b>	<b>\$ 1,637,889</b>
<b>Loss per share – basic and diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ 0.04</b>	<b>\$ 0.03</b>

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**Expenses for the six months ended June 30, 2012 compared to the six months ended June 30, 2011**

The Company recorded an operating loss of \$2,132,456 for the period ended June 30, 2012 compared to a loss of (\$1,519,062) period ended June 30, 2011

During the six month period ended June 30, 2012, the net loss is impacted by the recognition of an impairment of mineral properties of \$784,261 during the six-month period ended June 30, 2012 (2011 – nil).

Excluding the impact of the impairment charge the overall operating expenses for the six month ended June 30, 2012 have decreased. Salaries and benefits have increase from \$117,065 to \$208,243 since the company has more full time employees. Share-based payments have decrease from \$726,874 in June 2011 to \$263,239 since most of the options granted during 2011 have vested and most of the shared-based compensation was recognized in 2011.

During the period ended June 30, 2012 the Company paid \$345,913 for examination costs (2011 – nil). \$145,913 was related to Buckeye Project and the other \$200,000 was related to property and community relations prior the acquisition of the concessions in Nicaragua.

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**SELECTED QUARTERLY FINANCIAL RESULTS**

Selected financial information for each of the eight quarters ended June 30, 2012 is as follow:

	June 30 2012	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011	Dec 31 2010	Sept 30 2010
				Amended	Amended	Amended		
<b>Financial results</b>								
Net Revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net loss (income) for the period, (1)	\$1,102,552	\$1,029,904	\$7,241,544	\$482,167	\$565,408	\$953,654	\$158,251	\$176,348
Basic and diluted loss per share	\$0.02	\$0.17	\$0.16	\$0.03	\$0.01	\$0.020	\$0.007	\$0.01
<b>Balance sheet data</b>								
Cash and cash equivalents	\$3,688,494	\$4,443,613	\$5,390,658	\$6,723,255	\$7,957,701	\$4,163,602	\$63,426	\$73,578
Resource properties	\$425,613	\$72,172	-	\$5,833,173	\$4,552,616	\$1,463,669	\$1,190,422	\$939,407
Total assets	\$4,447,139	\$5,389,044	\$6,259,795	\$12,993,836	\$12,822,993	\$5,844,932	\$1,331,503	\$1,088,048
Total liabilities	\$251,281	\$212,130	\$280,434	\$182,666	\$130,164	\$81,447	\$804,524	\$382,692
Shareholders' equity	\$4,195,858	\$5,176,914	\$5,979,361	\$12,811,170	\$12,692,829	\$5,763,485	\$526,979	\$705,356

**Three months ended June 30, 2012**

The Company reported an operating loss for the three months ended June 30, 2012 of \$1,102,552 compared to \$565,408 for the three months ended June 30, 2011.

The increase in the loss during the three months ended June 30, 2012 compared to 2011 is mainly attributed to the impairment of the Santo Domingo project (\$269,205), an increase on property examination costs (\$294,310), as well as the increase in general expenses due to the increase in business activities.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company has no significant revenues and no expectation of revenues in the near term. In order to manage risk, the Company closely monitors its cash requirements and expenditures to maintain sufficient liquidity.

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At June 30, 2012 and December 31, 2011 the Company's working capital and deficit were as follows:

	<b>June 30, 2012</b>	December 31, 2011
Working capital	\$ 3,517,232	\$ 5,708,984
Deficit	<b>(11,856,619)</b>	<b>(9,724,163)</b>

**Three months ended June 30, 2012**

The Company has a working capital of \$3,517,232. Management believes that at this point the Company has enough working capital to meet its current activities over the next twelve months following June 30, 2012.

**BASIS OF PRESENTATION - INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The annual consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These interim consolidated financial statements of the Company comply with IAS 34 of "IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRIC.

On January 14, 2011, the Company acquired all of the outstanding shares of 0887398, a private entity incorporated on February 26, 2010, in a reverse asset acquisition. An explanation of the IFRS adjustments necessary as at December 31, 2010 and for the period from February 26, 2010 to December 31, 2010 related to 0887398 and can be found in note 17 of the December 31, 2011 Audited Financial Statements.

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**CHANGES IN ACCOUNTING STANDARDS NOT YET ADOPTED**

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2012 reporting period. The following standards are assessed not to have any impact on

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the Company's financial statements:

**Accounting standards effective January 1, 2013**

*IAS 1 – Presentation of Financial Statements*

IAS 1 – Presentation of Financial Statements requires an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendments to IAS 1 also require that the tax related to the two separate groups be presented separately.

*IFRS 10 – Consolidated Financial Statements*

IFRS 10 – Consolidated Financial Statements, supersedes SIC 12 – Consolidation – special purpose entities and the requirements relating to consolidated financial statements in IAS 27 – Consolidated and Separate Financial Statements. IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee.

*IFRS 12 – Disclosure of Interests in Other Entities*

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to a variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

*IFRS 13 – Fair Value Measurement*

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the

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measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

**Accounting standards effective January 1, 2015**

*IFRS 9 – Financial instruments*

IFRS 9 was issued in November 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

**RISKS AND UNCERTAINTIES**

Resource exploration is a speculative business and involves a high degree of risk. There is a probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis to further the development of a property. Capital expenditures to support the commercial production stage are also very substantial.

The following sets out the principal risks (non inclusive ) faced by the Company.

Exploration risk. There can be no assurance that economic concentrations of minerals will be determined to exist on the Company's property holdings within existing investors' investment horizons or at all. The failure to establish such economic concentrations could have a material adverse outcome on the Company and its securities. The Company's planned programs and budgets for

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exploration work are subject to revision at any time to take into account results to date. The revision, reduction or curtailment of exploration programs and budgets could have a material adverse outcome on the Company and its securities.

Market risks. The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Commodity price risks. The Company's exploration projects seek gold in Nicaragua. While gold has recently been the subject of significant price increases from levels prevalent earlier in the decade, there can be no assurance that such price levels will continue, or that investors' evaluations, perceptions, beliefs and sentiments will continue to favour these target commodities. An adverse change in these commodities' prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Financing risks. Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly junior mineral exploration companies like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations



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and volatility will not continue to occur.

Key personnel risks. The Company's exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel, Patrick Brauckmann and Robert Johansing. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

Competition. Significant and increasing competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

Foreign Countries and Regulatory Requirements. Currently, the Company's principal properties are located in Nicaragua. Consequently, the Company is subject to certain risks associated with foreign ownership, including currency fluctuations, inflation, and political risk. Both mineral exploration and mining activities and production activities in foreign countries may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to community rights, restrictions on production, price controls, export controls, restriction of earnings, taxation laws, expropriation of property, environmental legislation, water use, labour standards and workplace safety. The Company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations.

Environmental and Other Regulatory Requirements. The current or future operations of the Company, including development activities and the commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that

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approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or extraction operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties.

To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. Its deficit as of June 30, 2012 was \$11,731,139. The Company is an exploration company. The Company has not yet determined that economic resources exist and/or that commercial development is feasible and/or warranted on any of its properties. Even if the Company commences development of certain of its properties, the Company may continue to incur losses. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

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Uninsurable risks. The Company and its subsidiaries may become subject to liability for pollution, fire, explosion, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

**FINANCIAL INSTRUMENTS**

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$3,688,494	-	-	\$3,688,494
Loans and receivables				
Other receivable	9,566			9,566
Reclamation deposits	5,000	-	-	5,000

Management of Financial Risk:

*The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:*

***Credit risk***

*Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Nicaragua. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables and the loan receivable. This risk is minimal for other receivables*

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as they consist primarily of refundable input taxes. The credit risk associated with loan receivable is viewed as reasonable due to loan being secured by shares having a fair value in excess of the carrying value.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding (see note 1).

All of the contractual maturities of the Company's non-derivative financial liabilities are within one year of the financial statement end date.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Nicaraguan subsidiary is exposed to currency risk as it incurs expenditures that are denominated in the Nicaraguan Cordoba while its functional currency is the United States dollar. The parent company is exposed to currency risk as it holds cash balances that are denominated in United States dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities of the Company that are denominated in US dollars and its subsidiary Corazon that are denominated in Nicaraguan Cordoba:

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	<b>USD</b>	<b>Nicaraguan Cordoba</b>	<b>June 30, 2012</b>
Cash and cash equivalents	88,702	2,496	\$ 91,198
Accounts receivable	6,000	-	6,000
Accounts payable	(2,200)	-	(2,200)
	<b>92,502</b>	<b>2,496</b>	<b>\$ 94,998</b>

Based on the above net exposures, as at June 30, 2012 a 10% change in the US dollar to Canadian dollar exchange rate would impact the Company's net loss by \$9,550. A 10% change in the Nicaraguan Cordoba to Canadian dollar exchange rate would impact the Company's net loss by \$249.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises from the interest rate impact on its cash equivalents and loan receivable. Because the cash equivalents are held on deposit at financial institutions and may be withdrawn at any time, the Company's exposure to interest rate risk is not significant. The fixed interest rate on the loan receivable is estimated to approximate market rates as at December 31, 2011.

***Capital Management***

The Company's objectives when managing capital are to:

- ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of resource properties;
- to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk;
- to maintain investor, creditor and market confidence to sustain future development of the business; and
- to provide returns to shareholders.

The properties in which the Company currently has an interest is in the exploration stage and as such, the Company is dependent on external financing to fund its activities. To undertake planned exploration and other operating activity, during the year ended December 31, 2011, the Company raised gross proceeds \$13,573,580 through private placements (Note 12 of accompanying Financial Statements).

The Company has no external capital requirements or restrictions.

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**OUTSTANDING SHARE DATA**

Common shares, options, warrants and convertible securities outstanding as at the date of this report:

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<b>Security</b>	<b>Common Shares on Exercise</b>
Common Shares	60,496,552
Options	4,700,000

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**CONTRACTUAL OBLIGATIONS**

The Company has entered into a 3 year premises lease for its Vancouver head office which requires the Company to pay US\$71,760, \$74,152, and \$76,544 per year from 2012 to 2014, respectively.

**CRITICAL ACCOUNTING ESTIMATES**

The Company is a venture issuer and is not required to provide critical accounting estimates.

**LEGAL CLAIMS AND CONTINGENT LIABILITIES**

At August 27 2012, there were no material legal claims or contingent liabilities outstanding against the Company.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**OTHER INFORMATION**

Additional information on the Company is available on SEDAR at [www.SEDAR.COM](http://www.SEDAR.COM)