

Consolidated Financial Statements  
(Expressed in Canadian dollars)

**0887398 B.C. LTD.**  
(An Exploration Stage Company)

Period from February 26, 2010 to September 30, 2010

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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 have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

# 0887398 B.C. LTD

(An Exploration Stage Company)

Consolidated Balance Sheet  
(Expressed in Canadian dollars)  
(unaudited- Prepared by Management)  
September 30, 2010

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## Assets

Current assets:

Cash and cash equivalents	\$	73,578
Receivables, deposits and prepaids		13,175
		<hr/>
		86,753

Equipment (note 4)		65,277
Resource property (note 5)		943,670

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\$ 1,095,700

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## Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$	280,915
Promissory notes (note 6)		101,777
		<hr/>
		382,692

Shareholders' equity:

Share capital (note 7)		1,046,948
Deficit		(333,940)
		<hr/>
		713,008

Nature and continuance of operations (note 1)  
Commitments (notes 5 and 8)  
Subsequent events (notes 5 and 11)

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\$ 1,095,700

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See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

“Patrick Brauckmann”

Director

# 0887398 B.C. LTD

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Consolidated Statement of Operations, Comprehensive Loss and Deficit  
(Expressed in Canadian dollars)  
(Unaudited- Prepared by Management)

	Three month period ended September 30, 2010	Period from February 26, 2010 to September 30, 2010
Administrative costs:		
Audit and accounting fees	\$ 30,000	\$ 30,000
Consulting fees	49,818	80,247
Corporate development	7,195	13,935
Depreciation	3,354	3,354
Legal fees and expenses	59,296	97,689
Office	5,264	8,202
Property examination costs	-	23,152
Regulatory fees	450	654
Salaries and benefits	2,770	2,770
Travel and accommodation	18,202	62,232
	176,349	322,235
Other expense (income):		
Foreign exchange loss (gain)	(14,322)	11,705
Loss and comprehensive loss for the period, being deficit at end of period	\$ 162,027	\$ 333,940
Loss per share - basic and diluted	\$ (0.008)	\$ (0.016)
Weighted average shares outstanding basic and diluted	21,451,858	20,611,662

See accompanying notes to consolidated financial statements.

# 0887398 B.C. LTD

(An Exploration Stage Company)

Consolidated Statement of Cash Flows  
(Expressed in Canadian dollars)  
(Unaudited- Prepared by Management)

	Three month period ended September 30, 2010	Period from February 26, 2010 to September 30, 2010
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (162,026)	\$ (333,940)
Items not involving cash:		
Depreciation	3,354	3,354
Changes in non-cash operating working capital:		
Receivables, deposits and prepaids	(11,267)	(13,175)
Accounts payable and accrued liabilities	17,933	294,751
	<u>(152,006)</u>	<u>(49,010)</u>
Financing:		
Proceeds from share issue	503,112	1,033,112
Proceeds from issuance of promissory notes	-	101,777
	<u>503,112</u>	<u>1,134,889</u>
Investments:		
Acquisition of property and equipment	(68,631)	(68,631)
Resource property expenditures	(299,873)	(943,670)
	<u>(368,504)</u>	<u>(1,012,301)</u>
Increase (decrease) in cash and cash equivalents	\$ (17,398)	\$ 73,578
Foreign exchange gain (loss) on cash and cash equivalents held in foreign currency	(4,227)	-
Cash and cash equivalents, beginning	95,203	-
Cash and cash equivalents, ending	<u>\$ 73,578</u>	<u>\$ 73,578</u>
Supplemental schedule of non-cash financing and investing activities:		
Issue of common shares to settle accounts payable		\$ 13,836

See accompanying notes to consolidated financial statements.

# 0887398 B.C. LTD

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Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars)  
(Unaudited- Prepared by Management)

Period from February 26, 2010 to September 30, 2010

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## 1. Basis of presentation and nature and continuance of operations:

0887398 B.C. Ltd. (the "Company") and its subsidiary, Corazon Exploraciones, S.A. ("Corazon") a private company, which is incorporated in Nicaragua, have been principally engaged in the acquisition, exploration and development of a resource property located in Santo Domingo, Nicaragua.

Corazon was incorporated on February 26, 2010. On August 9, 2010, 0887398 B.C. Ltd. was incorporated by the shareholders of Corazon and issued 20,000,000 common shares in the Company in exchange for 99.9% of the outstanding common shares of Corazon held by the same shareholders. The transaction has been accounted for and these financial statements have been prepared under the continuity of interests method whereby these financial statements have been prepared from and include the results of Corazon from Corazon's date of incorporation on February 26, 2010.

Subsequent to year-end, on January 14, 2011, ReMac Zinc Corp. ("ReMac") completed the acquisition of all of the issued and outstanding shares of the Company 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 the Company, pursuant to a share exchange agreement dated October 6, 2010 among the Company, its shareholders, and its subsidiaries. As a result of the transaction, the Company and its subsidiaries became wholly-owned subsidiaries of ReMac.

The Company has not yet determined whether its resource properties contain mineral reserves that are economically recoverable. The Company's future operations and the underlying value and recoverability of the amounts shown for resource properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its resource properties and on future profitable production or proceeds from the disposition of the resource properties.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to a going-concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has recorded losses of \$333,917 and has a working capital deficiency of \$295,939 as at September 30, 2010.

The Company's ability to continue operations is contingent on its ability to obtain financing. Subsequent to year-end, the Company completed the acquisition described in note 13(a) to access certain funding and public financing opportunities. During the year ended December 31, 2011, the Company, through its parent company ReMac, raised gross cash proceeds from financing transactions of \$13,572,580 and had cash and cash equivalents of \$5,390,658 as of December 31, 2011. Management continues to seek additional equity financing; however, there is no assurance that such financing will be available to the Company on acceptable terms, or at all.

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## 2. Significant accounting policies:

(a) Principles of consolidation and presentation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company transactions and balances have been eliminated. These consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in and should be read in conjunction with the Company's December 31, 2010 consolidated financial statements.

(b) Management's estimates:

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and valuation of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Areas requiring the use of management's judgement include evaluating the carrying value and recoverability of the resource property. The use of such judgement includes, but is not limited to, the estimation of future resource prices and operating and reclamation costs. Actual results could differ and such estimates may be subject to change in the future.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturity dates of three months or less from the date of purchase.

(d) Equipment:

Equipment is recorded at cost. The Company provides for amortization of its office equipment and computer equipment and software on a 30% declining balance.

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## 2. Significant accounting policies (continued):

### (e) Resource properties:

The Company is in the process of exploring its resource property and has not yet determined whether this property contains gold reserves that are economically recoverable.

Resource property acquisition, exploration and development costs, including costs relating to the exploration program's field office, are capitalized until the property to which they relate is placed into production, sold, abandoned or the exploration rights lapse. Once commercial production has commenced, these accumulated costs will be amortized to operations by unit-of-production depletion based on proven and probable reserves. If the resource property is abandoned or the mineral deposit proves to be uneconomical or it is determined otherwise that its carrying value cannot be supported by future production or sale, then previously capitalized costs are written down and charged against operations in the year of abandonment or in the year such determination of impairment is made.

### (f) Loss per share:

Basic earnings (loss) per share are computed by dividing income (loss) available to common shareholders by the weighted average number of shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Basic and diluted loss per share is the same, when the effect of the exercise of outstanding options would be anti-dilutive.

### (g) Future income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward. The resulting future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be recovered or settled. The effect on future income tax assets and liabilities or a change in tax rates is recognized in income in the period in which the change in tax rate is enacted or substantively enacted. Future income tax assets are evaluated and, if realization is not considered 'more likely than not', a valuation allowance is provided.



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## 2. Significant accounting policies (continued):

### (h) Asset retirement obligation:

The Company recognizes statutory, contractual or other obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to be carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for accretion. Any capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has no asset retirement obligations at September 30, 2010.

### (i) Foreign currency translation:

The reporting and functional currency of the Company is the Canadian dollar.

As the Company's Nicaragua subsidiary is dependent on funding from its parent, it is viewed as an integrated foreign subsidiary. The temporal method of translating the foreign subsidiary accounts has been adopted. Under this method, monetary assets and liabilities of the subsidiary that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the period. Exchange gains and losses arising on translation are included in the statement of operations.

### (j) Financial instruments:

The Company is required to designate its financial instruments into one of the following five categories: held-for-trading: available-for-sale: held-to-maturity: loans and receivables: and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held-for-trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. When available-for-sale assets are sold or an impairment write-down is required, the accumulated fair value adjustments recognized in equity are included in the statement of operations. All other financial instruments are subsequently measured at amortized cost.

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## 2. Significant accounting policies (continued):

### (k) Recently issued accounting pronouncements:

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company is currently a private company, proposed transactions (see note 12(a)) has resulted in the Company being legally owned by a public entity.

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, these sections are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These Standards will be applicable to the Company for annual and interim accounting periods beginning on January 1, 2011.

## 3. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, deposits, accounts payable and accrued liabilities, and promissory notes. The estimated fair values of cash and cash equivalents, deposits, accounts payable and accrued liabilities, and promissory notes, approximate their respective carrying values due to their short-term to maturity.

The Company has designated its financial instruments as follows:

- Cash and cash equivalents are classified as "held for trading".
- Amounts receivable and deposits are classified as "loans and receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- Accounts payable and accrued liabilities and promissory notes are classified as "other financial liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

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### 3. Financial instruments:

(a) The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook Section 3862, *Financial Instruments - Disclosures*:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The following table summarizes the Company's financial instruments at September 30, 2010, and shows the level within the fair value hierarchy in which they have been classified (for financial instruments measured at fair value):

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	Fair value hierarchy level	September 2010
Financial assets		
Held for trading		
Cash and cash equivalents	Level 1	\$ 73,578

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(b) Management of financial risk:

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Company is currently in the process of developing a risk management process. The Company's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration program, and limit the exposure to credit and market risks.

The type of risk exposure and the way in which such exposures are managed are as follows:

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### 3. Financial instrument (continued):

#### (b) Management of financial risk (continued):

##### (i) Credit risk:

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The carrying value of these financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk as at September 30, 2010.

##### (ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and ensures there is sufficient capital to meet short term business requirements. As at September 30, 2010, the Company had cash of \$73,578 to settle current liabilities of \$382,692. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms, and the promissory notes payable are due on demand. The Company completed the acquisition described in note 12(a) to access certain funding and public financial opportunities.

##### (iii) Market risk:

The significant market risks to which the Company is exposed are foreign currency risk:

##### *Foreign currency risk*

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in Nicaragua, some of the transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risk.

The Company's exploration expenditures are predominately in US dollars and the Nicaragua Cordoba and equity raised is predominately in Canadian dollars. The fluctuation of the US dollar and the Nicaraguan Cordoba in relation to the Canadian dollar will consequently impact the loss of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any foreign currency contracts to hedge possible currency risks at this time.

At September 30, 2010, the Company is exposed to currency risk through the following financial liabilities denominated in US dollars:

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### 3. Financial instrument (continued):

(b) Management of financial risk (continued):

(iii) Market risk (continued):

*Foreign currency risk (continued)*

	USD
Accounts payable	\$ 77,771
Promissory note	24,578
	<u>\$ 102,349</u>

A 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease of approximately \$10,235 in the Company's net earnings (loss). No financial assets or liabilities were denominated in Cordoba as at September 30, 2010.

### 4. Equipment:

Details are as follows:

September 30, 2010	Cost	Accumulated amortization	Net book value
Automotive Equipment	\$61,905	\$2,988	\$58,917
Computer Equipment	4,162	314	3,848
Office Equipment	2,564	52	2,512
	<u>\$68,631</u>	<u>\$3,354</u>	<u>\$65,277</u>

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## 5. Resource property:

Santo Domingo property:

On April 15, 2010, Corazon entered into a Concession Agreement which provides the option to acquire a 100% interest in the Santo Domingo concession (the Concession) from the Cooperativa de Pequeños Mineros de Santo Domingo RL (the Co-op) for USD\$5,500,000. Under the Concession Agreement, Corazon paid an initial USD\$500,000 on April 15, 2010, and is required to make two payments of USD\$2,500,000, the first no later than April 15, 2011 (paid) and the second by April 15, 2012, respectively, to complete the acquisition of a 100% interest in the Concession. The Concession lies in the canton of Santo Domingo, in the eastern section of the La Libertad-Santo Domingo mining district, state of Chontales, central Nicaragua. The Concession totals 650 hectares and is situated 177 kilometres northwest of the major Pacific port and capital city of Managua, Nicaragua. The main focus of the project will be the exploration for gold.

Due to unsatisfactory drill results subsequent to year end, the Company wrote-down the carrying value of the Santo Domingo Concession to nil as of December 31, 2011. The Company elected not to make its April 15, 2012 option payment and notified the operators that it was abandoning the project.

Resource property expenditures to September 30, 2010 are detailed as follows:

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Acquisition payment and related fees and legal expenditures	\$	630,156
Assaying and laboratory		17,374
Consultants		110,810
Development		39,693
General Expenses		37,154
Salaries		38,439
Surveying and mapping		11,108
Travel		27,430
Other		31,506
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Resource property expenditures for the period, being balance end of period	\$	943,670

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## 6. Promissory notes:

The outstanding promissory notes as at September 30, 2010 are repayable on demand without interest, are unsecured and include notes denominated in US dollars of US\$23,866 (CAD\$24,578). As at September 30, 2010, \$26,739 in promissory notes was owed to related parties (note 10).

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## 7. Share capital:

(a) Authorized:

Unlimited number of common shares without par value  
Unlimited number of preferred shares without par value

(b) Common shares issued and outstanding:

	Number of Shares	Amount
Issued:		
Shares issued for cash on incorporation of Corazon	\$ 1,000	\$ 530,000
Elimination of Corazon's shares on shares exchanged pursuant to share purchase agreement	(1,000)	-
Issue of shares of the Company in exchange for 99.9% of the issued and outstanding shares of Corazon	20,000,000	-
Balance, June 30, 2010	\$ 20,000,000	\$ 530,000
Private placement at \$0.15 per share	3,106,318	465,948
Private placement at \$0.15 per share	340,000	51,000
Balance, September 30, 2010	\$ 23,446,318	\$ 1,046,948

On February 26, 2010, Corazon issued 1,000 common shares in exchange for \$530,000.

On August 9, 2010, the Company entered into a share purchase agreement with a shareholder of Corazon whereby the shareholder sold 999 of the 1,000 common shares in the capital of Corazon in exchange for 20,000,000 common shares of the Company.

On August 20, 2010, the Company completed a capital financing of 3,106,318 common shares at a price of \$0.15 per common share for cash proceeds of \$452,112 and \$13,836 for the settlement of accounts payable. No gain or loss occurred on the settlement of the accounts payable.

On September 16, 2010, the Company completed a private placement and issued 340,000 common shares at a price of \$0.15 per common share for gross proceeds of \$51,000.

## 8. Commitment:

On July 1, 2010, the Company entered into a lease agreement for the one year rental of a house and office in the Santo Domingo area for an annual cost of \$6,383.

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## 9. Segmented information:

The Company has one operating segment, which is the exploration and development of resource properties. The Company's principal operations were carried out in Canada and Nicaragua. Details are as follows:

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Assets by geographic area:		
Nicaragua	\$	1,095,723
Canada		-
	\$	1,095,723

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	Three month period ended Sept 30,2010	Period from Feb 26,2010 to Sept 30,2010
Loss by geographic area:		
Nicaragua	\$ 130,226	\$ 302,140
Canada	31,777	31,777
	\$ 162,003	\$ 333,917

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## 10. Related party transactions:

During the period ending September 30, 2010, consulting fees aggregating \$65,000 (USD\$63,000) were charged by the President and Director of the Company.

As at September 30, 2010, a \$26,739 promissory note is due to the spouse of the President and Director of the Company. The note is repayable on demand, non-interest bearing, and unsecured.



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## 11. Subsequent events:

- (a) On January 14, 2011, ReMac Zinc Corp. ("ReMac") completed the acquisition of all of the issued and outstanding shares of the Company. As a result of the transaction, the Company became a wholly-owned subsidiary of ReMac and ReMac holds indirectly 100% of the issued and outstanding shares of Corazon.

Also, as a result of the share exchange, the former shareholders of the Company obtained control of ReMac. Consequently, the transaction has been recognized as a reverse acquisition, with the Company being the deemed acquirer of the net assets of Remac. 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 the Company. 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 of \$54,333 which were all expensed.

- (b) The Company wrote-down the carrying value of the Santo Domingo Concession to nil as of December 31, 2011 (see note 5).