



## **HALF YEAR REPORT**

**FOR THE FINANCIAL PERIOD ENDED  
31 DECEMBER 2016**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Corazon Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## **CORPORATE DIRECTORY**

### **NON-EXECUTIVE CHAIRMAN**

Clive Jones

### **EXECUTIVE MANAGING DIRECTOR**

Brett Smith

### **NON-EXECUTIVE DIRECTORS**

Adrian Byass

Jonathan Downes

### **COMPANY SECRETARY**

Robert Orr

### **PRINCIPAL & REGISTERED OFFICE**

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Advanced Share Registry Services

2/150 Stirling Highway

NEDLANDS WA 6009

Telephone: (08) 9389 8033

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### **SECURITIES EXCHANGE LISTINGS**

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: CZN

### **BANKERS**

National Australia Bank Limited

50 St Georges Terrace

PERTH WA 6000

### **WEBSITE**

[www.corazon.com.au](http://www.corazon.com.au)

## DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Corazon Mining Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of the half-year ended 31 December 2016.

### 1. DIRECTORS

The names of Directors who held office during or since the end of the half-year are:-

Clive Jones	Non-Executive Chairman
Brett Smith	Executive Managing Director
Adrian Byass	Non-Executive Director
Jonathan Downes	Non-Executive Director

Directors have held office for the entire period and to the date of this report unless otherwise stated.

### 2. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the half-year has been exploration and evaluation of the Consolidated Entity's ground holdings.

### 3. RESULT OF OPERATIONS

The loss after tax for the half-year ended 31 December 2016 was \$1,853,340 (2015: \$440,761).

### 4. REVIEW OF OPERATIONS

Corazon's activities during the December 2016 half year were split between its consolidated Lynn Lake Nickel-Copper Sulphide Project ("Lynn Lake Project") in the Manitoba region of Canada, and the recently acquired Mt Gilmore Copper-Cobalt-Gold Project ("Mt Gilmore Project"), located in north-eastern New South Wales, which includes the advanced, drill-defined, high-grade Cobalt Ridge prospect.

Post-half year, following successful exploration programs in Australia and Canada, the Company completed a Share Purchase Plan ("SPP") to raise approximately \$3 million to primarily fund exploration at its Lynn Lake and Mt Gilmore projects. The strong demand for the SPP allowed the offer to be closed early, reflecting the significant market interest in Corazon's activities, in particular the Phase 2 drill program at the Fraser Lake Complex ("FLC"), within the Lynn Lake Project.

In late July 2016, the Company announced the completion of detailed interpretation and analysis of Induced Polarisation ("IP") and Resistivity ground geophysical surveys on the FLC, which identified 20 high priority targets within the survey area. The highly encouraging results identified numerous anomalies with similar IP characteristics to known mineralisation within the Lynn Lake Mining Centre, situated just 5km to the north.

Corazon's belief has been and remains that these anomalies are representative of nickel-copper-cobalt sulphide mineralisation and that the FLC has the potential to host a mineralised system similar to Lynn Lake, historically one of Canada's most prolific nickel producing areas. The FLC intrusion is twice the size of the Lynn Lake host intrusion, and the area containing priority IP targets within the FLC is larger than the mine area at Lynn Lake.

## DIRECTOR'S REPORT (cont)

The FLC is one of the most dominant mafic/ultramafic intrusions in the Lynn Lake area and exhibits all the right chemical and physical characteristics to host magmatic sulphides. IP anomalism within the FLC is open to the west, towards what is interpreted to be the “feeder zone” to the intrusive complex. The existence of a feeder zone may present the possibility for a “Voisey’s Bay” style setting for mineralisation (in addition to the Lynn Lake style).

Corazon followed up the geophysical results with a soil sampling program which was completed over the IP anomalies (ASX announcement 26<sup>th</sup> October 2016). Results indicated anomalous values of nickel and copper correlating to defined geophysical trends and targets, and showed a strong correlation between nickel and copper, supporting evidence for a magmatic sulphide source for these metals.

Post half-year end, Corazon announced plans to commence a maiden drill program at the FLC (ASX announcement 23<sup>rd</sup> January 2017), comprising approximately 1,500 metres of core drilling over its highest priority geophysical anomalies (ASX announcement 9<sup>th</sup> January 2017). Results were encouraging, with the intersection of massive sulphide validating Corazon’s exploration and targeting model and further confirming FLC’s potential to host significant nickel-copper sulphide deposits.

Drilling intersected massive sulphide which is, on the basis of visual observation, indicative of the high-grade nickel-copper mineralisation within the Lynn Lake Mining Centre. Initial drilling results at FLC have proven that the main target, highlighted by an IP chargeability anomaly, represents a classic, large Lynn Lake type mineralised magmatic system - an anomaly defined over an area of 600 by 150 metres, which remains open to the southwest with a potential strike of at least 1.5 km.

Results from two holes testing this target, FLC-2017-002 (depth 607m) and FLC-2017-003 (depth 520m and continuing) showed they are mineralised for their entire lengths. All holes drilled intersected extensive sulphide mineralisation, dominated by pyrrhotite (iron sulphide), with chalcopyrite (copper) and pentlandite (nickel), typical of the Lynn Lake style of mineralisation, visually observed and validated with a hand-held XRF.

The Company completed a downhole electro-magnetic (DHEM) geophysical survey over its FLC drilling (ASX announcement 13<sup>th</sup> February 2017), and results from the survey of drill hole FLC-2017-002 indicated the presence of an off-hole, high CT (conductivity thickness) conductor with a strong response of more than 5,000 siemens, located 120 metres to the north-northeast of the hole. Anomalous conductivity starts at about 340 metres below surface and extends down to at least 480 metres. Late channel responses indicate very high CT values in excess of 10,000 siemens.

A possible second conductive body was also observed at a shallower depth of about 250 metres down hole. The DHEM data for this feature is in the process of analysis and interpretation. Based on the strength of the conductive anomalies, their interpreted depth, and the depth of massive sulphide intersected in drilling, the Company commenced a ground EM survey designed to cover the full extent of the targeted high-chargeability anomaly, attempting to better define potential massive magmatic sulphides at depth within this feature.

Following the completion of Corazon’s initial phase of drilling at the FLC, the Company is now undertaking planning and targeting for Phase 2 Drilling, which will commence in March 2017 (ASX announcement 3<sup>rd</sup> March 2017). All assay results from Phase 1 are on track to be received by the end of March 2017 and further detail on Phase 2 drill targets will be provided in due course.

During the half-year the Company also enjoyed the results of its exploration activities at its Mt Gilmore Copper-Cobalt-Gold Project (“Mt Gilmore Project”) in New South Wales. Following completion of its due diligence in early July 2016, Corazon proceeded with the agreement with Providence Gold and Minerals Pty Ltd to earn up to 80% of the Mt Gilmore Project. Corazon presently retains 51% equity in the Mt Gilmore Project.

## **DIRECTOR'S REPORT (cont)**

The due diligence process included an extremely encouraging reconnaissance site visit of the Mt Gilmore Project area by Corazon. The site visit highlighted that cobalt mineralisation at the key Cobalt Ridge Prospect is open ended, extending under cover to the east and west towards the granite contact – significantly increasing the total defined strike length potential.

Cobalt is a metal of growing strategic importance due to its requirement for use in lithium-ion batteries and the emerging re-chargeable battery sector. At current cobalt metal prices of around US\$30,000 per tonne, the grades intersected in the drilling at Cobalt Ridge represent potentially significant in-ground value for both the broad zones and discrete high grade zones of cobalt mineralisation.

Other prospects within the project area, including the Iron Mountain and Hassan's Creek prospects, initially identified as copper-gold targets, also appear to host strong cobalt mineralisation (ASX announcement, 21 June 2016), which, in the Company's view, significantly adds to the Mt Gilmore Project's cobalt potential.

In August 2016, the Company announced plans for its maiden drill program at Mt Gilmore; the drill program commenced on 18<sup>th</sup> October 2016, with a focus on the advanced, high cobalt grade Cobalt Ridge prospect which is open along strike and at depth.

The drill program was designed to confirm the continuity, position and extent of the cobalt-copper-gold mineralisation within the Cobalt Ridge prospect area, identified from previous drilling. The previously identified cobalt mineralisation is considered high-grade; with preceding individual 1 metre drill results including grades up to 3.38% cobalt, 3.18% copper and 4.92 g/t gold.

Corazon's drill program was successful in intersecting extensive sulphide mineralisation, and the Company announced the completion of its first phase of drilling on 9<sup>th</sup> November 2016, and all assay results were announced on 14<sup>th</sup> December 2016. Corazon's exploration results the presence of multiple zones of sulphide mineralisation over a strike length of at least 300 metres, which remains open along strike and at depth.

In total, 15 RC drill holes were completed at Cobalt Ridge and three RC holes at the Iron Mountain target, for 2086 metres. Core drilling included three tails (extensions on RC holes) for a total of 261.1 metres.

RC drilling assay results validated the Company's assessment of Cobalt Ridge as a unique, high-grade cobalt-dominant deposit with the potential to deliver valuable, discrete high-grade zones of cobalt, within broader moderate grade mineralisation.

Post half-year, the Company announced that preliminary metallurgical test work completed on samples from the Mount Gilmore Project had delivered excellent results (ASX announcement 7<sup>th</sup> March 2017).

Simple flotation testing (carried out by ALS metallurgy in Perth, under the supervision of METS Engineering) yielded a recovery of 92.2% for cobalt, 89% for copper and 75.5% for gold, in a total concentrate with 11.1% mass recovery.

Test work was conducted on a representative sample composited from RC chips from the Company's Q4 2016 drilling program. The composite sample contained 0.84% cobalt, 0.21% copper and 0.47 g/t gold. These first-pass results suggest excellent potential for the production of a concentrate for hydrometallurgical processing, and the Company expects that will be improved upon with optimisation.

## DIRECTOR'S REPORT (cont)

### **Competent Persons Statement**

*The information in this report that relates to Exploration Results and Targets is based on information compiled by Mr Brett Smith, B.Sc Hons (Geol), Member AusIMM, Member AIG and an employee of Corazon Mining Limited. Mr Smith has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Smith consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

*The information in this report that relates to the Processing and Metallurgy for the Mount Gilmore project is based on and fairly represents information and supporting documentation compiled by Damian Connelly who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of METS Engineering (METS). Damian Connelly has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Damian Connelly consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Canadian geologist Dr Larry Hulbert has been engaged by Corazon to manage the collation of past exploration information and the definition of new targets at Lynn Lake. Dr Hulbert has extensive knowledge of the Lynn Lake district and over 40 years' experience in Ni-Cu-PGM exploration and research. Dr Hulbert is one of North America's foremost experts on magmatic sulphide deposits and would qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".*

*Dr. Hulbert has authored numerous professional papers, was the recipient of the Barlow Medal from CIM in 1993, a Robinson Distinguished Lecturer for the Geological and Mineralogical Association of Canada for 2001-2002, and in 2003 received the Earth Sciences Sector Merit Award from Natural Resources Canada.*

### **CORPORATE ACTIVITIES**

On 4 July 2016, the Company announced the satisfactory results of the due diligence investigation undertaken by the Company into the Mt Gilmore Project. The satisfaction of this acquisition agreement condition rendered the agreement unconditional allowing the Company to proceed with the first earn-in period to acquire 51% of the Project.

On the same date, the Company issued 25,000,000 shares to the Vendors of the Mt Gilmore Cobalt-Copper-Gold Project as consideration for the project as per the acquisition agreement.

On 28 July 2016, the Company held a General Meeting of Shareholders. All resolutions put to the meeting were unanimously passed by a show of hands.

On 29 July 2016 the Company announced the placement of 96,409,140 shares with sophisticated professional investors. The shares were valued at \$0.0055 per share and raised \$530,250 for Company exploration programs and operational expenses.

On the same date the Company also announced the issue of 20,000,000 share options as payment for corporate services pertaining to the above capital raising. The share options had a total aggregate value of \$157,600.

On 10 October 2016 the Company announced the lapse of 7,500,000 share options with an exercise price of \$0.10 per share.

## **DIRECTOR'S REPORT (cont)**

On 28 October 2016 the Company announced a further placement of 161,538,462 shares with sophisticated professional investors. The shares were valued at \$0.013 per share and raised \$2,100,000 largely to fund the expansion of the exploration program at the Mt Gilmore Project.

On 1 December 2016 the Company announced the issue of 3,410,840 shares to key management personnel in lieu of cash-based salary. This strategy was implemented in order to conserve cash reserves for operational expenditure. The shares had an issue price of \$0.016 per share with the total aggregate value being \$54,573.

On 25 November 2016, Corazon held its Annual General Meeting of Shareholders (AGM). All resolutions put to the meeting were unanimously passed by a show of hands.

### **5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

### **6. AUDITOR'S DECLARATION**

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2016.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors.

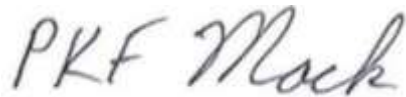


Brett Smith  
Managing Director  
Dated this day 13 March 2017



**AUDITOR'S INDEPENDENCE DECLARATION****TO THE DIRECTORS OF CORAZON MINING LIMITED**

In relation to our review of the financial report of Corazon Mining Limited for the half year ended 31 December 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**PKF MACK**

**SHANE CROSS**  
**PARTNER**

**13 MARCH 2017**  
**WEST PERTH,**  
**WESTERN AUSTRALIA**

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF**  
**CORAZON MINING LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Corazon Mining Limited (the Company) and controlled entities (consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2016, or during the half year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of Corazon Mining Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

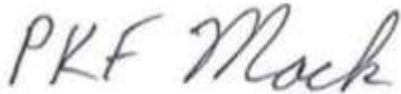
**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the Company a written Auditor's Independence Declaration.

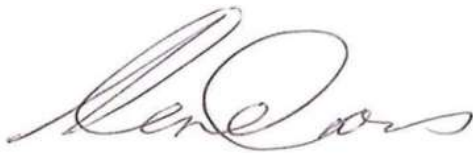
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Corazon Mining Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



PKF MACK



SHANE CROSS  
PARTNER

13 MARCH 2017  
WEST PERTH,  
WESTERN AUSTRALIA

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
for the half year ended 31 December 2016**

	Note	31-Dec-16 \$	31-Dec-15 \$
<b>Revenue</b>			
Other revenue	3	1,139	14,815
<b>Expenses</b>			
Administrative expense		(22,664)	(31,425)
Compliance and regulatory expense		(95,741)	(64,920)
Consultancy expense		(36,359)	(44,535)
Depreciation and amortisation expense		(2,058)	(2,278)
Directors fees		(85,809)	(90,911)
Employee benefits expense		(5,398)	(7,721)
Exploration expense		(1,180,104)	(74,748)
Fair value movements on available for sale financial assets		2,000	-
Finance costs		(1,231)	(1,697)
Impairment of intangible asset		(400,210)	(111,396)
Insurance expense		(9,285)	(11,766)
Occupancy expense		(11,700)	(22,809)
Realised gain on sale of financial asset		-	36,494
Travel expense		(5,920)	(27,864)
		<hr/>	<hr/>
Loss for the period before income tax expense		(1,853,340)	(440,761)
Income tax benefit/(expense)		-	-
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(1,853,340)</b>	<b>(440,761)</b>
<b>Other comprehensive income/(loss), net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available for sale financial asset		-	-
		<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>		<b>(1,853,340)</b>	<b>(440,761)</b>
		<hr/>	<hr/>
<b>Loss per share</b>			
Basic and diluted loss per share (cents) calculated on loss for continuing and discontinuing operations for the period		(0.27)	(0.10)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2016**

	<b>Note</b>	<b>31-Dec-16</b>	<b>30-Jun-16</b>
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,988,897	951,256
Trade and other receivables		75,449	21,509
Other assets		8,244	9,529
<b>TOTAL CURRENT ASSETS</b>		<b>2,072,590</b>	<b>982,294</b>
<b>NON-CURRENT ASSETS</b>			
Other assets		45,000	35,000
Financial assets		4,503	2,503
Plant and equipment		21,256	19,134
Intangible assets	4	-	-
Exploration and evaluation expenditure	5	1,038,697	971,828
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,109,456</b>	<b>1,028,465</b>
<b>TOTAL ASSETS</b>		<b>3,182,046</b>	<b>2,010,759</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		477,946	188,140
<b>TOTAL CURRENT LIABILITIES</b>		<b>477,946</b>	<b>188,140</b>
<b>TOTAL LIABILITIES</b>		<b>477,946</b>	<b>188,140</b>
<b>NET ASSETS</b>		<b>2,704,100</b>	<b>1,822,619</b>
<b>EQUITY</b>			
Issued capital	6	29,754,917	27,177,696
Reserves		461,350	441,861
Accumulated losses		(27,512,167)	(25,796,938)
<b>TOTAL EQUITY</b>		<b>2,704,100</b>	<b>1,822,619</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the half year ended 31 December 2016**

	31-Dec-16 \$	31-Dec-15 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	1,557	15,543
Payments for administration and corporate expenses	(237,087)	(246,573)
Payments for exploration and evaluation expenses	(1,052,314)	(74,346)
Payments for environmental bonds	(10,000)	-
Payments for staff expenses	(63,372)	(98,132)
	<u>(1,361,216)</u>	<u>(403,508)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of financial assets	-	55,952
Payments for fixed assets	(4,180)	-
Payments for exploration prospects	-	(410,547)
	<u>(4,180)</u>	<u>(354,595)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	2,634,411	-
Payment for costs of share issue	(231,374)	-
	<u>2,403,037</u>	<u>-</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
Net increase/(decrease) in cash and cash equivalents	1,037,641	(758,103)
Cash and cash equivalents at the beginning of the reporting period	951,256	1,816,876
	<u>1,988,897</u>	<u>1,058,773</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the half year ended 31 December 2016**

	Issued Capital	Share Based Payment Reserves	Other Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>27,177,696</b>	<b>138,111</b>	<b>303,750</b>	<b>(25,796,938)</b>	<b>1,822,619</b>
Loss for the period	-	-	-	(1,853,340)	(1,853,340)
Total comprehensive income for the period	-	-	-	(1,853,340)	(1,853,340)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of share capital	2,934,823	-	-	-	2,934,823
Issued of share options	-	157,600	-	-	157,600
Costs of issuing capital	(357,602)	-	-	-	(357,602)
Lapse of options	-	(138,111)	-	138,111	-
Total transactions with owners	2,577,221	19,489	-	138,111	2,734,821
<b>Balance at 31 December 2016</b>	<b>29,754,917</b>	<b>157,600</b>	<b>303,750</b>	<b>(27,512,167)</b>	<b>2,704,100</b>
<b>Balance at 1 July 2015</b>	<b>26,739,318</b>	<b>545,946</b>	<b>303,750</b>	<b>(25,235,966)</b>	<b>2,353,048</b>
Loss for the period	-	-	-	(440,761)	(440,761)
Total comprehensive income for the period	-	-	-	(440,761)	(440,761)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of share capital	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>26,739,318</b>	<b>545,946</b>	<b>303,750</b>	<b>(25,676,727)</b>	<b>1,912,287</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## **CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half year ended 31 December 2016**

### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of Compliance**

Corazon Mining Limited (the Company) is a public company, limited by shares, domiciled and incorporated in Australia and listed on the Australian Securities Exchange. The consolidated half-year financial report of the Company for the six months ended 31 December 2016, comprise the Company and its subsidiaries (the "Consolidated Entity" or "Group").

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year consolidated financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Corazon Mining Limited and its controlled entities during the half-year reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

These consolidated half year financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 13 March 2017.

#### **Basis of preparation**

The half-year consolidated financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The presentation and functional currency is Australian Dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2016. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to their operations and mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity and are consistent with those of the previous financial years and corresponding interim reporting period.



**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS  
for the half year ended 31 December 2016 (cont)**Impact of new standards and interpretations issued but not yet adopted

There are no new standards that have been issued since 30 June 2016 that have been applied by the Consolidated Entity. The 30 June 2016 annual report disclosed that the Consolidated Entity anticipated no new material impacts arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

**Going Concern Basis**

The financial statements have been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss after tax of \$1,853,340 for the period ended 31 December 2016 (31 December 2015: \$440,761). As at 31 December 2016 the Consolidated Entity had net assets of \$2,704,100 (30 June 2016: \$1,822,619) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2016 the Consolidated Entity had \$1,988,897 (30 June 2016: \$951,256) in cash and cash equivalents.

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future. Should the Consolidated Entity be unable to raise additional funds, there is a material uncertainty which may cast significant doubt over the Consolidated Entity ability to continue as a going concern. As at 31 December 2016 there has been no adjustment in the financial report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the Consolidated Entity be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the Consolidated Entity not continue as a going concern.

**Significant accounting estimates, judgments and assumptions**

The preparation of financial statements requires management to make judgments and estimates relating to the carrying amounts of certain assets and liabilities. Actual results may differ from the estimates made. Estimates and assumptions are reviewed on an ongoing basis.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next accounting period are:

*(i) Share based payment transactions*

The Consolidated Entity measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using an appropriate valuation model.

*(ii) Income tax expenses*

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

*(iii) Impairment of exploration and evaluation assets*

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

## CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS

### for the half year ended 31 December 2016 (cont)

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

(iv) *Classification of investments*

The Consolidated Entity has decided to classify investments in listed securities as available for sale. These securities are accounted for at fair value. Any increments or decrements in their value at year end are charged or credited to the revaluation reserves.

(v) *Intangible assets*

Intangible assets represent the cost of acquisition of an option to acquire the Lynn Lake Nickel Project and similarly acquisition costs related to the earn-in agreement for the Mount Gilmore Project. In accordance with AASB136 *Impairment of assets*, an intangible asset which is not ready for use shall be tested for impairment annually. The Company has performed the impairment tests and considered it appropriate that both intangible assets should be impaired as at 31 December 2016.

## 2. SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) to make decisions about resources to be allocated to the segments and assess their performance. Operating segments are identified by Management based on the mineral resource and exploration activities in Australia and Canada. Discrete financial information about each project is reported to the chief operating decision maker on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate. The Consolidated Entity has two reportable segments based on the geographical areas of the mineral resource and exploration activities in Australia and Canada. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

For the period ended 31 December 2016	Australia	Canada	Unallocated	Total
Revenue	\$	\$	\$	\$
<b>Total segment revenue</b>				
<b>Segment net operating loss after tax</b>	-	-	1,139	1,139
	-	-	1,139	1,139
	(907,434)	(673,908)	(271,998)	(1,853,340)
Interest revenue	-	-	1,139	1,139
Depreciation	-	(1,028)	(1,030)	(2,058)
Exploration expenditure	(657,434)	(522,669)	-	(1,180,104)
Intangible asset impairment	(250,000)	(150,210)	-	(400,210)
<b>As at 31 December 2016</b>				
<b>Segment assets</b>	10,000	1,046,954	2,125,092	3,182,046
<b>Segment Liabilities</b>	(51,632)	(363,571)	(62,743)	(477,946)

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS**  
**for the half year ended 31 December 2016 (cont)**

	<b>Australia</b>	<b>Canada</b>	<b>Unallocated</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>For the period ended 31 December 2015</b>				
Revenue	-	-	14,815	14,815
<b>Total segment revenue</b>	-	-	14,815	14,815
<b>Segment net operating profit after tax</b>	-	(187,353)	(253,408)	(440,761)
Interest revenue	-	-	14,815	14,815
Depreciation	-	(1,209)	(1,069)	(2,278)
Exploration expenditure	-	(74,748)	-	(74,748)
Intangible asset impairment	-	(111,396)	-	(111,396)
<b>As at 30 June 2016</b>				
Segment assets	976,899	-	1,033,860	2,010,759
Segment Liabilities	(38,852)	-	(149,288)	(188,140)

The accounting policies of the reportable segment are the same as the Group accounting policies.

### 3. OTHER REVENUE

Operating activities

	31 December 2016 \$	31 December 2015 \$
Interest received	1,139	14,815
<b>Total Other Revenue</b>	1,139	14,815

### 4. INTANGIBLE ASSET

	31 December 2016 \$	30 June 2016 \$
Balance at the beginning of the period		-
Option payments on Lynn Lake Project	150,210	162,437
Earn-in consideration for Mt Gilmore Project	250,000	-
Impairment of intangible asset	(400,210)	(162,437)
<b>Balance at the end of the period</b>	-	-

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS  
for the half year ended 31 December 2016 (cont)**

**LYNN LAKE PROJECT**

In July 2010, the Consolidated Entity entered into an option agreement to acquire a 100% interest in the Lynn Lake nickel copper sulphide project (Project) in Manitoba Canada, held by Manitoba Nickel Pty Ltd.

The only asset of the acquired subsidiary is an option to acquire an exploration tenement. Therefore, the acquisition is in substance an acquisition of an option to a project. Accordingly, in the consolidated financial statements, such transaction is accounted for in accordance with AASB138, *Intangible assets*.

Under the terms of the contract the Company are required to make half-yearly consideration payments of \$100,000 until the full amount of the CAD1,000,000 has been paid (final payment due on or before 20 April 2019) to acquire the project.

In accordance with AASB136 *Impairment of assets*, an intangible asset which is not ready for use shall be tested for impairment annually. The Company has performed the impairment test and considered it is appropriate that the Lynn Lake Project be impaired as at 31 December 2016.

**MT GILMORE PROJECT**

On 16 June 2016 the Company announced that it had executed an earn-in agreement for exclusive rights to acquire up to 80% of the Mt Gilmore Cobalt-Copper-Gold Project in New South Wales, Australia from private company Providence Gold and Minerals Pty Ltd "the Vendor".

During the interim period the Company fulfilled all the terms of the first stage of the agreement to acquire a 51% interest in the project and is currently proceeding to register as the equitable owner of the project. The terms of the first stage included a consideration cost relating to the issuance of 25,000,000 Company shares to the Vendor, which occurred on the 4 July 2016. The shares were valued at \$0.01 per share with the total aggregate value being \$250,000.

Currently the Company is working towards earning a further 29% interest (totaling 80%) of the project via the second stage of the earn-in agreement. The deferred consideration costs for this stage of the agreement include:

- Paying \$150,000 in cash or shares to the Vendor upon the earlier of the commencement of the third year and the Company spending a minimum of \$500,000 (of the \$2 million commitment) on the Project's exploration expenditure; and
- Paying \$250,000 in cash or shares.

The Company will have the opportunity to extend this earn-in period by one year by paying \$50,000 in cash or shares.

As at the acquisition date the earn-in agreement for the project was considered an Intangible asset in the consolidated financial statements as the 51% interest has yet to be transferred to the Company. The earn-in consideration transactions are accounted for in accordance with AASB138, *Intangible assets*.

In accordance with AASB136 *Impairment of assets*, an intangible asset which is not ready for use shall be tested for impairment. The Company has performed the impairment test and considered it appropriate that the Mt Gilmore Project acquisition costs be impaired as at 31 December 2016.

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS**  
**for the half year ended 31 December 2016 (cont)**

	31 December 2016 \$	30 June 2016 \$
<b>5. EXPLORATION EXPENDITURE</b>		
Balance at the beginning of the period	971,828	-
Exploration expenditure capitalised during the period	1,246,973	971,828
Impairment of exploration expenditure	(1,180,104)	-
Balance at the end of the period	<u>1,038,697</u>	<u>971,828</u>

Exploration expenditure includes expenditure on the Victory Nickel Project.

The value of the exploration expenditure is dependent upon:

- The continuance of the rights to tenure of the areas of interest;
- The results of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of or alternatively by their sale.

	31 December 2016 \$	30 June 2016 \$
<b>6. ISSUED CAPITAL</b>		
(a) Issued and fully paid shares		
Fully paid ordinary shares	31,948,501	29,013,678
Less: capital issue costs net of tax	<u>(2,193,584)</u>	<u>(1,835,982)</u>
	<u>29,754,917</u>	<u>27,177,696</u>

On 4 July 2016 the Company issued 25,000,000 shares at an issue price of \$0.01 as consideration in accordance with the agreement to acquire Mt Gilmore Cobalt-Copper-Gold Project in New South Wales.

On 29 July 2016 the Company issued 96,409,140 shares at an issue price of \$0.0055.

On 31 October 2016 the Company issued 161,538,462 shares at an issue price of \$0.013.

On 1 December 2016 the Company issued 3,410,840 shares to Directors in lieu of cash-based salary at an issue price of \$0.016.

**7. FAIR VALUE MEASUREMENT**

The following table details the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date (level 1).

	31 December 2016 \$	30 June 2016 \$
<u>Assets</u>		
Ordinary shares available-for-sale	<u>4,503</u>	<u>2,503</u>

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS  
for the half year ended 31 December 2016 (cont)**

**8. CONTINGENT LIABILITIES**

There has been no change to contingent liabilities since the last annual reporting date.

**9. EVENTS SUBSEQUENT TO REPORTING DATE**

On 1 March 2017 the Company advised that it completed Share Purchase Plan ("SPP" or "Plan") to raise approximately \$3 million to fund ongoing exploration and working capital requirements.

Other than the above event no matters or circumstances have arisen subsequent to 31 December 2016 that has significantly affected, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

**10. DIVIDENDS**

No dividends have been declared or paid during the half-year ended 31 December 2016.

**11. COMMITMENTS**

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various Governments. These obligations can be reduced by selective relinquishment of exploration tenure or renegotiation.

VICTORY PROJECT

On 1 April 2015, the acquisition of the Victory Project from Victory Nickel Inc. ("the Vendor") was finalised. The Victory Project is located immediately adjacent to the Company's Lynn Lake Project, and contains the main nickel resources in that area.

The terms of the acquisition include a requirement to spend an aggregate amount of AUD\$3.5 million on exploration and resource development in a five year period (concluding on the 19 December 2019). In the event that the Company fails to meet this expenditure requirement:

- The difference between AUD\$3.5 million expenditure requirement and what is actually spent, must be paid to the Vendor in cash or shares; or
- The project is returned to Vendor.

As at 31 December 2016, the Company has spent \$1,038,697 on exploration and evaluation at the Victory Project with a balance due of \$2,461,303 on the committed spend (total \$3,500,000).

	31 December 2016 \$
Payable:	
— Not longer than one year	700,000
— Longer than one year and not longer than 5 year	<u>1,761,303</u>
Total	<u><u>2,461,303</u></u>

## CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS for the half year ended 31 December 2016 (cont)

### LYNN LAKE PROJECT

On 13 July 2010, the Company acquired a subsidiary entity Manitoba Nickel Pty Ltd holder of an option to acquire a 100% interest in the Lynn Lake Project for approximately CAD\$1.75 million in expenditure over four years.

On 29 July 2015, the Company renegotiated the terms of its option to acquire 100% equity in project, securing more favourable terms with regards to the future acquisition of the Lynn Lake Project. Under the terms of the original contract the Company was required to make a cash payment of CAD1,000,000 by 20 October 2015 to acquire the project, this has now been revised to half-yearly payments of CAD100,000 until the full amount of the CAD1,000,000 has been paid (final payment due on or before 20 April 2019). The other change of significance is that the deferred consideration of CAD750,000 is now payable on the 'commencement of commercial mining' as opposed to the original agreement of being payable *on the earliest of either:*

- Defining a JORC compliant resource greater than 30,000 tonnes of nickel metal;
- Completion of a positive feasibility study: or
- The commencement of commercial mining.

As at 31 December 2016, the Company has spent approximately \$8.01 million on exploration and evaluation at the Lynn Lake Project. The renegotiated option agreement acknowledges that the existing earn in obligation has been satisfied. The Company has the discretion to exercise the option to acquire Lynn Lake project on or before 20 April 2020 by paying the balance of the half yearly payments.

	31 December 2016 \$
Payable:	
— Not longer than one year	206,386
— Longer than one year and not longer than 5 year	1,289,913
Total	<u>1,496,299</u>

Subject to Manitoba Co. subsequently completing the acquisition of title to the Lynn Lake Project in accordance with the terms of the Lynn Lake Project Option Agreement, the Company will allot and issue to the original shareholders of Manitoba Nickel a further 4,500,000 Shares.

### MT GILMORE PROJECT

On 16 June 2016 the Company announced that it had executed an agreement for exclusive rights to acquire up to 80% of the Mt Gilmore Cobalt-Copper-Gold Project in New South Wales, Australia from private company Providence Gold and Minerals Pty Ltd "the Vendor", this agreement became unconditional on the 4 July 2016, following the satisfactory due diligence investigation carried out by the Company and the issuance of 25 million Company shares as per the terms of the earn-in agreement.

The Company has fulfilled all the terms of the first earn-in stage and accordingly will proceed to register as the equitable owner of a 51% share in the tenement.

The Company is currently working toward acquiring a further 29% interest of the project (totaling 80%) by satisfying the following terms:

- Completing \$2 million in exploration within three years of the commencement date of the second earn-in period (at reporting date \$360,332 had already been contributed towards this target which also extinguished the Company's committed expenditure for the full year to 31 December 2016 for the project).

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS  
for the half year ended 31 December 2016 (cont)**

- Paying \$150,000 in cash or shares to the Vendor upon the earlier of the commencement of the third year and the Company spending a minimum of \$500,000 on the Project's exploration expenditure.
- Paying \$250,000 in cash or shares upon achieving the previous two conditions.

	31 December 2016
	\$
Payable:	
— Not longer than one year	-
— Longer than one year and not longer than 5 year	2,039,668
Total	<u>2,039,668</u>

**12. KEY MANAGEMENT PERSONNEL**

Remuneration arrangements of key management personnel are disclosed in the annual financial report.



## DIRECTOR'S DECLARATION

The Directors of the Company declare that:-

1. The financial statements and notes, as set out on pages 10 to 22 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and Corporation Regulations 2001; and
  - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to s.303 (5) of the *Corporations Act 2001*.



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Brett Smith  
Managing Director

Dated this day 13 March 2017