

CORAZON

M I N I N G L I M I T E D

AND ITS CONTROLLED ENTITIES
(ABN 87 112 898 825)

ANNUAL REPORT

for the financial year ended 30 June 2018

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Clive Jones

EXECUTIVE MANAGING DIRECTOR

Brett Smith

NON-EXECUTIVE DIRECTORS

Jonathan Downes

Mark Qui

COMPANY SECRETARY

Robert Orr

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Australian Securities Exchange
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CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to present you with Corazon Mining Limited's Annual Report for the year ending 30 June 2018. Corazon's team has worked industriously at advancing two quality projects that have the potential to supply strategic metals to what is forecast to be a major growth sector - the rechargeable battery industry.

This year, again, we have seen the market's recognition of the prospectivity of Corazon's exploration assets through a heavily oversubscribed \$3.4 million Placement, as well as the strategic investment of \$1.8 million by Hanking Australia Pty Ltd, a specialist resources investment vehicle. The strong demand for the Placement and strategic investment were clear reflections of the strong market interest in Corazon's projects, in particular the Cobalt Ridge Deposit - providing an endorsement from the market of cobalt's value and its anticipated bright future.

Throughout the year Corazon advanced its highly prospective Mt Gilmore Project in New South Wales – host to the advanced, drill-defined Cobalt Ridge Deposit, a unique cobalt dominant sulphide target. Post year-end, following the discovery of multiple new cobalt prospects identified within the wider project area, Corazon commenced a new phase of exploration at Mt Gilmore. This was closely followed by the announcement of initial high grade drilling results.

Since acquisition in mid-2016, Corazon has worked towards defining Mt Gilmore's potential to host substantial cobalt sulphide deposits. The Company's exploration activity and results underpin the belief that Mt Gilmore is prospective for hosting multiple cobalt-dominant sulphide deposits with the potential to supply a quality cobalt product, suitable for use in lithium-ion batteries and the emerging rechargeable battery sector.

During the year Corazon also further progressed its Lynn Lake Nickel-Copper-Cobalt Mining Centre in Canada, completing its latest phase of drilling at the Fraser Lake Complex, located just five kilometers south of Lynn Lake, as well as initiating an upgrade of Lynn Lake's JORC Resource estimations.

The resource studies are a large undertaking and include more than four key deposit areas and numerous mineralised zones. This work is required before any future mining studies can be completed and is a direct result of the Company's improvements and changes to the inherited drill hole database made since acquisition of the main mining centre in 2015. The price of nickel has risen strongly in the past 12 months and the forecast demand outlook is similarly positive – both factors which add weight to the potential economic viability of mining in the future at Lynn Lake.

The continued focus on exploration at both Mt Gilmore and Lynn Lake provide Corazon with strong exploration opportunities and the potential to deliver significant value-appreciation for shareholders. Cobalt is a major focus for the Company and, following the recent success at Mt Gilmore in identifying multiple new cobalt discoveries and, for the first time, the inclusion of cobalt in Resource Estimates at Lynn Lake, the Company's cobalt metal endowment is expected to grow rapidly.

On behalf of Corazon's Board and team, I thank you for your continued support of the Company's strategy of aggressive exploration at Lynn Lake and Mt Gilmore. Corazon's team looks forward to further progressing the Company's projects with a view towards the potential recommencement of mining activities at Lynn Lake and making significant cobalt discoveries at Mt Gilmore.

Sincerely,



Clive Jones
Chairman

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 financial year ended 30 June 2018.

1. Directors

The names of Directors in office at any time during or since the end of the year are:

Clive Jones	Non-Executive Chairman
Brett Smith	Executive Managing Director
Adrian Byass	Non-Executive Director (resigned 23 November 2017)
Jonathan Downes	Non-Executive Director
Mark Qiu	Non-Executive Director (appointed 18 August 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Company Secretary

Mr Robert Orr, CA holds the position of Company Secretary. Mr Orr is a Chartered Accountant who has acted as Chief Financial Officer and Company Secretary for a number of ASX listed companies. He has over 20 years' experience in public practice and commerce, during which he has worked extensively in the resource industry and has experience in capital markets, project development, contract negotiation and mining operations.

3. Operating Results

The consolidated loss of the Consolidated Entity after providing for income tax and eliminating inter-company interests amounted to \$2,065,987 (2017: \$6,278,073)

4. Principal Activities and Significant Changes in Nature of Activities

The principal activity of the Consolidated Entity during the financial year has been exploration for nickel, cobalt, copper and gold and development of mining activities. There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

5. Dividends Paid or Recommended

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. Likely Developments and Expected Results of Operations

The Consolidated Entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

DIRECTOR'S REPORT (cont)

7. Review of Operations

Corazon Mining Limited (ASX: CZN) (**Company** or **Corazon**) is an Australian based company exploring and developing the Mt Gilmore Cobalt-Copper-Gold Project in Australia, and the Lynn Lake Nickel-Copper-Cobalt Sulphide Project in Canada.

Mt Gilmore Cobalt-Copper-Gold Project, NSW - Australia

The Mt Gilmore Cobalt-Copper-Gold Project (**Mt Gilmore**) (Figure 1) is located 35 kilometres from the major centre of Grafton in northeastern New South Wales, and is host to the Cobalt Ridge Deposit (**Cobalt Ridge**) – a unique high-grade cobalt dominant sulphide deposit.

Corazon owns a 51% interest in the Mt Gilmore Project, with the exclusive right to earn up to an 80% interest. Since acquisition in mid-2016, the Company has worked towards understanding and defining Mt Gilmore's potential to host substantial cobalt sulphide deposits. Exceptional results from the Company's exploration activities support the belief that Mt Gilmore is prospective for multiple cobalt-dominant sulphide deposits, with the potential to supply a quality cobalt product suitable for use in lithium-ion batteries and the emerging rechargeable battery sector.



Figure 1: Mt Gilmore Project location map

Lynn Lake Nickel-Copper-Sulphide Project, Manitoba - Canada

Lynn Lake is a historically significant mining centre located in the province of Manitoba, Canada (Figure 2), that was mined continuously for 24 years prior to closure in 1976. In 2015, Corazon consolidated the Lynn Lake Nickel-Copper-Cobalt Mining Centre (**Lynn Lake**) under the ownership of one company for the first time since mine closure and in doing so created a substantial nickel-copper-cobalt asset with large remnant resources, extensive drill defined mineralisation and exciting exploration potential.

DIRECTOR'S REPORT (cont)

The strategy at Lynn Lake is to position the project as a development opportunity for when the nickel metal prices improve. This work remains in progress and includes the digital capture of historical drilling and mining databases, resource estimations and processing/engineering studies.

As with the Company's Mt Gilmore Project in Australia, cobalt is also a metal of interest at Lynn Lake, having been historically mined as a strategic war-time metal for more than 24 years. With the cobalt metal prices increasing due to supply risks and the speculation of increased demand driven by the rechargeable battery sector, cobalt is potentially a valuable metal credit - along with nickel and copper – and as such, for the first time, will be included in resource estimations for Lynn Lake.

The potential exploration upside at Lynn Lake is very exciting. This view is supported by the discovery in recent times of additional sulphide deposits within the mining centre. Corazon itself has discovered a high-grade nickel-copper-cobalt sulphide deposit at depth below the EL Mine and more recently identified a large nickel-copper-cobalt magmatic sulphide system just five kilometres south of the mining centre, at the Fraser Lake Complex.

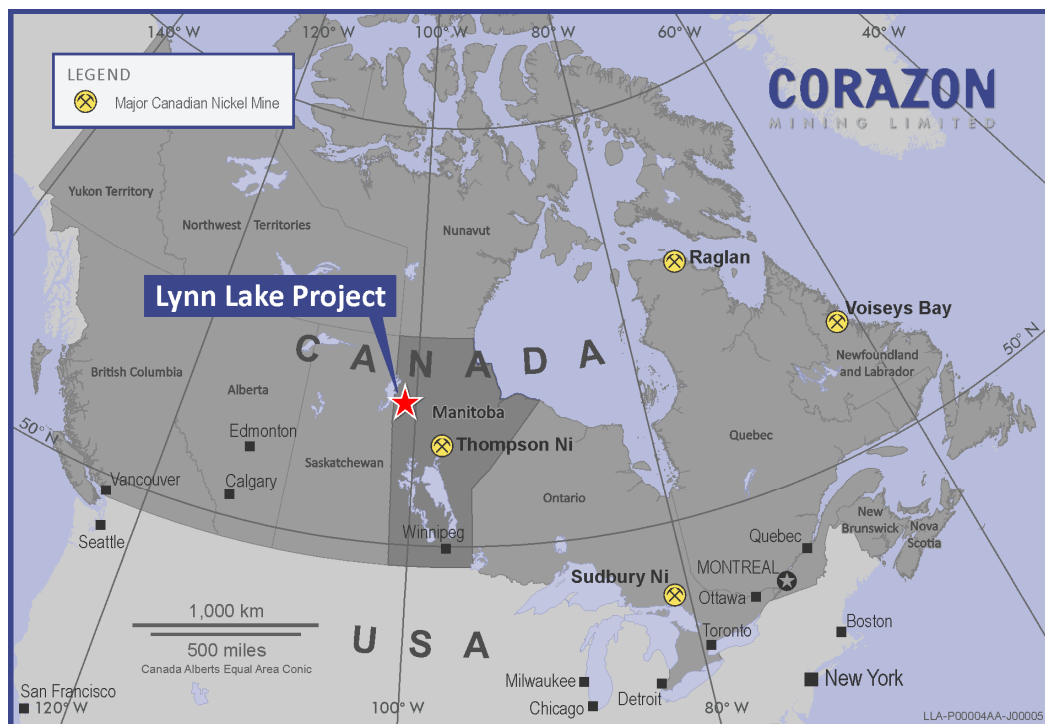


Figure 2: Lynn Lake Project location map

EXPLORATION ACTIVITIES

Mt Gilmore Cobalt-Copper-Gold Project, NSW - Australia

The Company's exploration activities at Mt Gilmore have a number of objectives, including:

- Defining the potential of the Cobalt Ridge Deposit and immediate area to host the foundations of a mining operation;
- Characterising the mineralisation at Cobalt Ridge and determining processes required to deliver a saleable product; and
- Identifying the potential of the greater Mt Gilmore Project to host high-quality cobalt-copper-gold sulphide deposits, in addition to Cobalt Ridge.

DIRECTOR'S REPORT (cont)

The Company's exploration results underpin its belief that Mt Gilmore is prospective for hosting multiple rare cobalt-dominant sulphide deposits, with the potential to supply a quality cobalt product suitable for use in lithium-ion batteries and the emerging rechargeable battery sector.

Cobalt Ridge Drilling

Drilling programs were completed at Cobalt Ridge in 2017 (August-September) and 2018 (July – in progress). This work has validated historical mining and exploration results and confirmed the presence of multiple zones of cobalt-copper-gold sulphide mineralisation over a strike length of at least 300 metres. The mineralisation remains open along strike and at depth.

The Company's 2017 drilling included 18 holes for 3,189m (2,426m of RC and 763m of core), predominantly testing the Main Cobalt Lode at Cobalt Ridge. Best results returned included **5m @ 0.53 % Co, 0.16 % Cu, 0.08 g/t Au** from 224 m, within a broader zone of **42m @ 0.11% Co** (ASX announcement 17 January 2018).

The Company's 2018 drilling program remains in progress at the time of writing. Results to date have included a high-grade intercept of; **5m @ 2.14% Co, 0.33 % Cu, 0.42 g/t Au** from 57 m within a broader intersection of **27 metres @ 0.47% Co** (ASX announcement 27 August 2018).

Cobalt Ridge Metallurgical Testwork

Several phases of metallurgical test work have been completed on the drill samples from the Main Lode at Cobalt Ridge. The combination of high grade concentrates and very high recoveries delivered in this testwork provides Corazon with the opportunity to potentially either produce a high-value bulk concentrate for direct sale, or to develop an in-house down-stream processing plant.

Corazon has produced high-grade concentrates from simple flotation processing, with solvent extraction following standard pressure oxidation (**POX**), to deliver separate high-quality cobalt (Figure 3) and copper sulphates. Gold is captured separately from the POX residue.

The mineralisation at Cobalt Ridge has several beneficial characteristics. A key advantage for the processing is the sulphide mineralisation at Cobalt Ridge, which allows for a smaller sulphide/metal concentrate to be produced prior to down-stream processing. This would likely significantly reduce the capital and operating costs of a down-stream plant, compared to having to process a bulk feed.

Down-stream testwork focused on the use of POX as the method for cobalt and copper extraction. POX was identified as the preferred process route due to its potentially lower cost, processing adaptability for variable mineralisation, and its capacity to deliver environmentally stable and controlled waste products.

The POX testwork achieved excellent results, with up to 98.91% cobalt and 96.70% copper extraction. The solution from the POX underwent precipitation testing in order to assess metal removal, with solvent extraction testing being completed using conventional organics.

All testwork has been managed by internationally recognised metallurgical consultants, METS Engineering and independently carried out at ALS Metallurgy in Balcatta, Western Australia.

DIRECTOR'S REPORT (cont)



Figure 3: High quality Cobalt Sulphate produced from the Cobalt Ridge Main Lode mineralisation

Regional Exploration – Mt Gilmore

Corazon has defined the prospective 18 kilometre “Mt Gilmore trend” (Figure 4) which hosts more than 25 historic workings, including significant shafts, adits and drives with high-grade copper and gold mineralisation (rock chips up to grades of 26.8% Cu and 9.2 g/t Au) in addition to the cobalt mineralisation.

Two major geophysical surveys were undertaken by the Company and included a detailed 3D Induced Polarisation survey over Cobalt Ridge and a detailed aeromagnetic survey over a large portion of the wider Mt Gilmore Project area. Both surveys are being used for targeting drilling and regional exploration activities including mapping, soil geochemical and rock chip sampling.

DIRECTOR'S REPORT (cont)

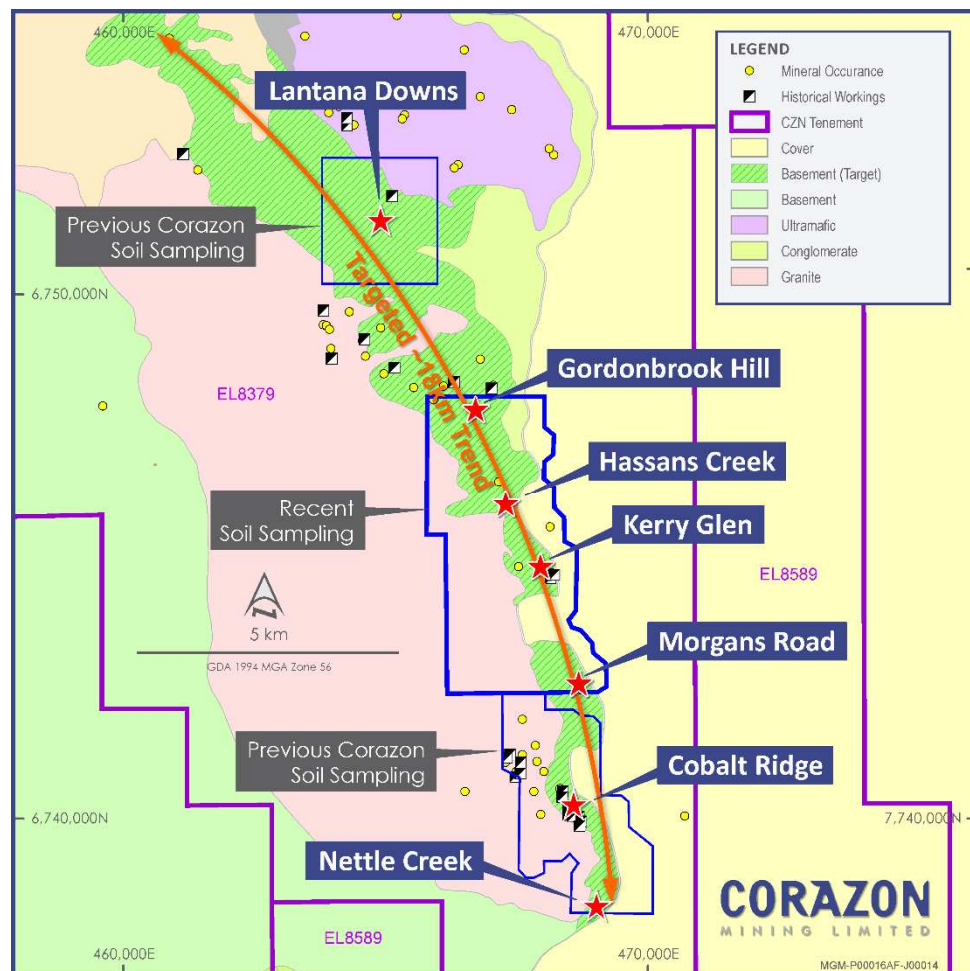


Figure 4 –Regional geological interpretation map showing Mt Gilmore trend, soil sampling areas and cobalt-copper-gold prospect locations.

Although mapping indicates extensive hydrothermal alteration and copper-gold mineralisation at surface, very little modern exploration has been undertaken at the Mt Gilmore. Aside from small-scale historic mines, previous exploration has predominantly been restricted to general prospecting/ mapping and rock-chip/ grab sampling.

Corazon is currently undertaking a geochemical soil sampling program (on an initial 200 metres by 200 metres pattern) of approximately 3,000 samples over a strike of more than 18 kilometres, along the trend hosting Cobalt Ridge. It is designed to systematically test favourable basement lithologies for cobalt, copper and gold mineralisation along strike from Cobalt Ridge.

The soil sampling program has been highly successful, to date resulting in the discovery of numerous high-tenor cobalt-copper-gold anomalies, within a contiguous 10 kilometre strike around Cobalt Ridge (ASX announcement 4 July 2018), plus three high tenor anomalies at the Lantana Downs prospect, located 12 kilometres to the north of Cobalt Ridge (ASX announcement 26 April 2018).

These anomalies provide the discovery potential for multiple Cobalt Ridge 'lookalike' deposits, which would significantly expand Mt Gilmore's cobalt-copper-gold sulphide endowment.

The results of this phase of exploration have far exceeded the Company's expectations, already identifying several new prospects. The tenor of these cobalt anomalies are on par with the outcropping

DIRECTOR'S REPORT (cont)

Cobalt Ridge Deposit and identify the target corridor at Mt Gilmore as having a strong multi-element correlation (that includes cobalt, copper, gold, antimony, molybdenum, tellurium, bismuth, indium and tin). It is evident that a large regional scale hydrothermal event has resulted in the cobalt sulphide mineralisation, which gives rise to the potential for the discovery of mineral deposits in addition to the Cobalt Ridge cobalt-copper-gold deposit.

Lynn Lake Nickel-Copper-Sulphide Project, Manitoba - Canada

Exploration activities completed and underway at Lynn Lake are focused on two main objectives:

- Upgrading the quality of the technical exploration and mining data for the main Mining Centre at Lynn Lake such that this information can be used for the purposes of mining and development studies;
- Identifying and testing priority exploration targets within the Lynn Lake Project – in particular the Fraser Lake Complex (FLC), five kilometres southwest of the Lynn Lake Mining Centre.

The Company's activities at Lynn Lake underpin its belief that Lynn Lake is a potential development opportunity that may become increasingly attractive as the nickel metal price increases. In addition to this, the region is an exciting exploration play, with modern exploration techniques already proving successful in identifying additional areas of sulphide mineralisation.

Lynn Lake Resource Update

Since consolidation of the Lynn Lake Project in 2015, Corazon has made substantial additions and corrections to the inherited drill hole database. This work has included holes testing mineral deposits incorporated within the 2015 JORC Indicated and Inferred Mineral Resource Estimate. As such, an update of the Resource is required, prior to any future mining studies being completed on the Project.

Independent experts are currently assessing and interpreting all available historical drill hole and mining data at the Lynn Lake Mining Centre for inclusion in the new, updated Resource Estimation. Given the large, essential amount of historical data to be incorporated in the new Lynn Lake Resource (which will include cobalt for the first time) it is anticipated the new Resource Estimate will be released in the current September quarter of 2018.

Cobalt Focus to Add Value to Lynn Lake Resource Work

Throughout Lynn Lake's extensive mining history, cobalt was captured along with nickel and copper via simple standard flotation processing. Despite being a valued metal credit, cobalt was never systematically reported in historical drill assays, processing reconciliations or resource estimates and mining studies.

At its current metal price, cobalt represents a valuable credit not previously assessed in mining studies at Lynn Lake. Recent assessment of historical work will, for the very first time, enable the inclusion of cobalt in Resource Estimations.

Research studies completed by the Company's chief consultant and expert, Dr. Larry Hulbert, in the late-1980s and mid-1990s for the Geological Survey of Canada have finger-printed the Lynn Lake deposits for major elements, trace elements, rare-earth, platinum group elements and gold.

Statistically, there is a unique linear relationship between nickel and cobalt for each of the deposits tested within Lynn Lake, with the cobalt grade of orebodies mined varying between 0.024% and 0.100%. This relationship enables the accurate estimation of cobalt from the nickel assays and will allow for cobalt to be included in resource estimates.

DIRECTOR'S REPORT (cont)

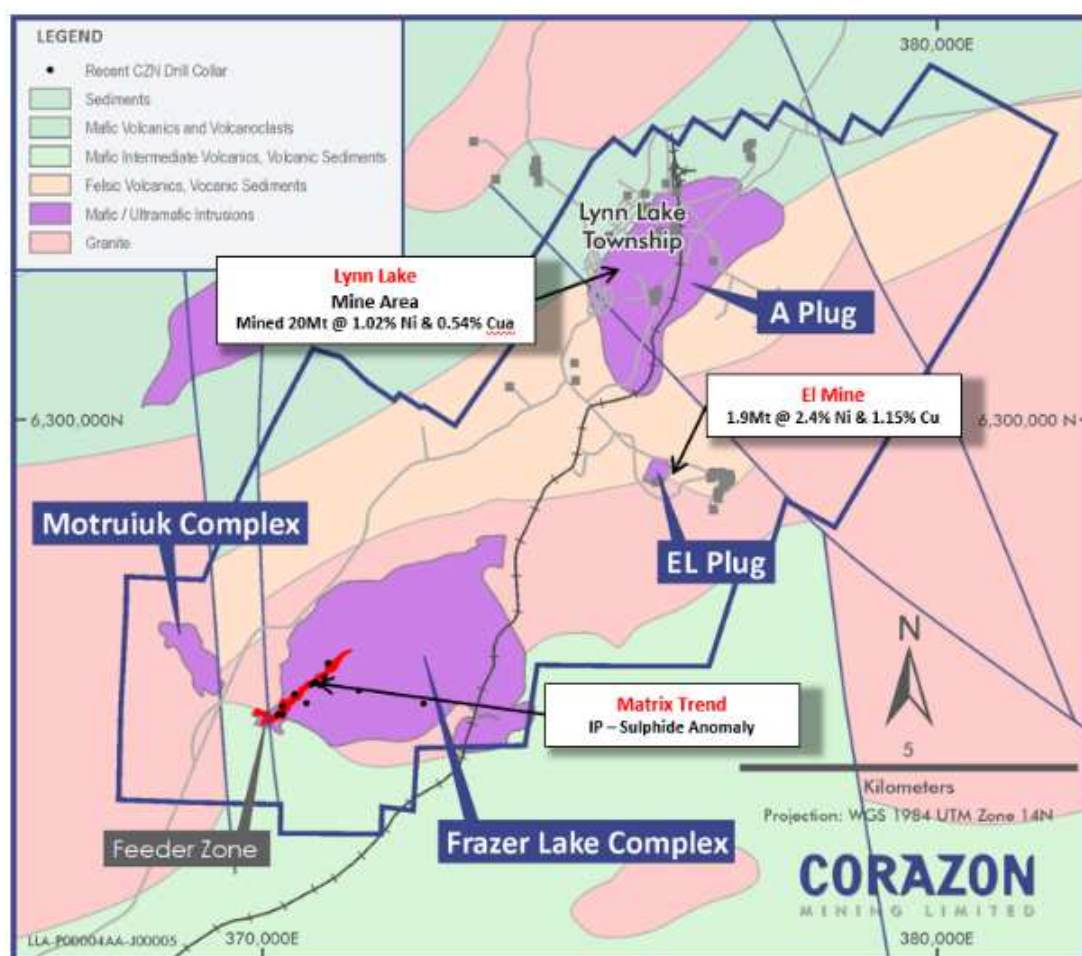


Figure 5 – Lynn Lake Project Interpreted Geology, mine and prospect locations. Datum UTM Zone 14 (NAD83)

Lynn Lake Exploration Activities

The long history of mining and exploration in the Lynn Lake area has provided Corazon with an extensive dataset of quality information. This data is being used to generate targets in the on-going exploration for new nickel-copper-cobalt deposits.

Corazon's exploration activities at Lynn Lake this year have focused on the Frazer Lake Complex (FLC) (Figure 5) located just five kilometres southwest of the Mining Centre, where Corazon recently discovered a very large magmatic sulphide system. The FLC has physical and chemical characteristics that suggest it is prospective for hosting Lynn Lake-style magmatic nickel-copper-cobalt deposits. The FLC intrusion is twice the size of the Lynn Lake host intrusion, and the area containing the priority geophysical anomaly within the FLC is larger than the mine area at Lynn Lake.

Corazon has systematically explored the FLC since December 2016 and is of the view that it has the potential to host significant nickel-copper-cobalt sulphide deposits. Corazon's activities at the FLC have included drilling, ground geophysics, downhole geophysics and geochemistry.

The "Matrix Trend" (Figure 5) within the FLC is a high-chargeability Induced Polarisation anomaly generated from extensive magmatic sulphide mineralisation. Drilling of this feature has identified widespread disseminated to heavy net-textured sulphide mineralisation, exhibiting a dominant horizontal flow fabric, from surface and throughout tested depths in excess of 600 metres.

DIRECTOR'S REPORT (cont)

Drilling within the Matrix Trend shows multiple pulses of sulphide-rich magma has been injected into the FLC. The nickel-copper-cobalt mineralisation within the Matrix Trend is significant in that it identifies a long-lived, multi-phase, well mineralised magmatic system with the potential to develop high-grade sulphide deposits.

Exploration completed to date has enabled a clearer understanding of the magmatic history of the intrusion, which is being used to vector towards higher-grade, more massive accumulations of sulphide mineralisation. This work will help in planning the next steps to advance the project in the year ahead.

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.

DIRECTOR'S REPORT (cont)

CORPORATE ACTIVITIES

On 18 August 2017, Dr Mark Qiu of Hanking Australia Investments Pty Ltd was appointed to the Company's Board of Directors.

On 22 August 2017 the Company issued 139,856,665 fully paid ordinary shares at an issue price of \$0.014. The share issue was comprised of:

- an issue of 120,000,000 shares to *Hanking Australia Investments Pty Ltd* under a Subscription Agreement for a \$1,680,000 investment in the Company;
- an issue of 7,356,665 to sophisticated investors to raise \$102,993; and
- an issue of 12,500,000 shares to *Providence Gold and Minerals Pty Ltd* pursuant to the Company's Earn-in Agreement with Providence in respect of the Mt Gilmore Project. Under this Agreement, the Company has the exclusive right to earn up to an 80% interest in the Project. The shares had a total valuation of \$150,000.

On the same date, the Company also issued 85,000,000 options to Hanking Australia Investments Pty Ltd pursuant to their investment in the Company. The options were issued with an exercise price of \$0.03 and an expiry of 22 August 2019.

On 23 November 2017, the Company held its Annual General Meeting of Shareholders (AGM). All resolutions put to the meeting were unanimously passed by a show of hands.

On the same date Mr Adrian Byass resigned from the Board of Directors.

On 31 January 2018 the Company announced the placement of 226,000,000 fully paid ordinary shares with sophisticated professional investors. The shares were valued at \$0.015 per share and raised \$3,390,000 for Company exploration programs and working capital purposes.

8. Discussion and Analysis of Operations and the Financial Position

The net assets of the Consolidated Entity increased from \$2,133,760 at 30 June 2017 to \$5,186,204 at 30 June 2018.

As at 30 June 2018, the Consolidated Entity had \$2,377,040 (2017: \$1,354,430) cash on hand. The Consolidated Entity may require further funding during the 2019 financial year in order to meet both day-to-day obligations as they fall due and progress its exploration projects. The Directors anticipate that future financing for exploration and mining activities will be secured in a reasonable timeframe and accordingly the directors consider it appropriate to prepare the financial statements on a going concern basis.

The Consolidated Entity continues to ensure that administration and overhead costs are kept to a minimum through sharing office, administration and accounting costs. The Consolidated Entity continually reviews the overhead associated with fees, consultants, corporate compliance and maintaining the listed entity and seeks to keep these costs to a minimum without compromising the entities commitment to appropriate corporate governance principles.

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

The Consolidated Entity has three main exploration projects those being the Lynn Lake Project, the Victory Project both in Manitoba Canada and the Mt Gilmore Project in NSW Australia. In the consolidated financial statements, the Company's Victory Project and Mt Gilmore Projects are accounted for as an *Exploration asset* due to the Company's ownership of it. However the Lynn Lake is accounted for as *Intangible assets and is impaired*, due to the project being a staged option to acquire a project.

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis. Exploration and evaluation assets are only recognised if:

- The Company has 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 interest or alternatively by their sale.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. All exploration projects have been reviewed at 30 June 2018. Accordingly, the Consolidated Entity recorded an aggregate exploration expense of \$1,160,952 (2017: \$4,160,565) in the statement of profit or loss and other comprehensive income. Each project is individually discussed below:

Victory Project

During the financial year, the Company assessed the carrying value of its exploration expenditure on the Victory Project and considered it to be a reflection of fair value on the basis of the facts and circumstances notably the exploration activity completed by the Company in the period. The Company has also completed further work collating historical information to define new targets on the Victory Project.

Lynn Lake Project

The Lynn Lake Project is presently a staged option to acquire the project with no current full legal right to the project. Accordingly, the Consolidated Entity recorded an individual exploration expense of \$1,149,484 (2017: \$3,503,131) for the Lynn Lake Project in the statement of profit or loss and other comprehensive income.

An intangible asset which is not ready for use is required to be tested for impairment annually. The Consolidated Entity has performed the impairment test and considered it is appropriate that the Lynn Lake Project, also be impaired as at 30 June 2018. Accordingly the Consolidated Entity has recorded impairment expense of \$205,952 (2017: \$250,441).

Mt Gilmore Project

During the financial year, the Company assessed the carrying value of its exploration expenditure on the Mt Gilmore Project and considered it to be a reflection of fair value on the basis of the facts and circumstances notably the continued exploration expenditure and activities relating to the second farm-in period in order to secure a further 29% interest in the project.

DIRECTOR'S REPORT (cont)

9. Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Entity other than those disclosed in the Review of Operations.

10. After Reporting Date Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

11. Future Developments, Prospects and Business Strategies

The Consolidated Entity will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

12. Environmental Issues

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

DIRECTOR'S REPORT (cont)

13. Information on Directors

Mr Clive Jones	— <i>Non-Executive Chairman</i>
Qualifications	— B App Sc (Geol)
Experience	— Mr Jones has been involved in the minerals industry for over 30 years and has worked on the exploration and development of a range of commodities both in Australia and overseas and has a history of corporate and technical successes. Aside from his role as Chairman of the Company Mr Jones is currently joint Managing Director of Cazaly Resources Ltd and a Director of Bannerman Resources Ltd. These companies are currently listed on the Australian Securities Exchange.
Interest in Shares and Options	— 4,235,330 fully paid ordinary shares 5,000,000 options exercisable at \$0.035 expiring 31 March 2020
Length of Service	— From 10 February 2005 to present
Directorships held in other listed entities in the last three years	— Bannerman Resources Ltd from 12 January 2007 to present Cazaly Resources Ltd from 15 September 2003 to present Unity Mining Ltd from 10 January 2013 to 1 June 2016
Mr Brett Smith	— <i>Executive Managing Director</i>
Qualifications	— BSc Hons, MAusIMM, MAIG, MAICD
Experience	— Mr Smith has been involved in the mining and exploration industry for over 30 years as a geologist, manager and director of publicly listed companies. Mr Smith is currently a Director of the ASX companies Battery Minerals Limited and Pacific Bauxite Limited and has acquired broad industry experience in exploration and development.
Interest in Shares and Options	— 7,107,131 fully paid ordinary shares 10,000,000 options exercisable at \$0.035 expiring 31 March 2020
Length of Service	— From 1 July 2010 to present
Directorships held in other listed entities in the last three years	— Battery Minerals Limited (formerly known as Metals of Africa Ltd) from 1 August 2012 to present Pacific Bauxite Limited (formerly known as Iron Mountain Mining Limited) 7 May 2014 to present Cauldron Energy Ltd from June 2009 to 23 June 2015

DIRECTOR'S REPORT (cont)

Mr Jonathan Downes

Qualifications

Experience

- **Non-Executive Director**
- B Sc Geol, MAIG
- Mr Downes has over 15 years' experience in the minerals industry and has worked in various geological and corporate capacities. Mr Downes has experience in nickel, gold and base metals and has been intimately involved with numerous private and public capital raisings. Mr Downes was a founding director of Hibernia Gold (now Moly Mines Ltd) and Siberia Mining Corporation Ltd. Mr Downes is currently Managing Director of Ironbark Zinc Ltd.

Interest in Shares and Options

- 9,357,370 fully paid ordinary shares
7,000,000 options exercisable at \$0.035 expiring 31 March 2020

Length of Service

- From 10 April 2006 to present

Directorships held in other listed entities in the last three years

- Ironbark Zinc Ltd from 18 April 2006 to present
Sabre Resources Ltd from 14 December 2007 to 7 December 2016
Galena Mining Limited from 7 September 2017 to present

Mr Adrian Byass

Qualifications

Experience

- **Non-Executive Director** (*resigned 23 November 2017*)
- B Sc Hon (Geol), B Econ, FSEG, MAIG
- Mr Byass has over 15 years' experience in the mining and minerals industry. This experience has principally been gained through mining, resource estimation, and mine development roles for several gold and nickel mining and exploration companies. Due to his experience in resource estimation and professional association membership, Mr Byass is a competent person for reporting to the ASX for certain minerals. Mr. Byass has also gained experience in corporate finance and financial modelling during his employment with publicly listed mining companies. Mr Byass was a founder of Siberia Mining Corporation Ltd and Hibernia Gold (now Moly Mines Ltd). Mr Byass is currently Non-Executive Director of Ferto Limited and Executive Director of Infinity Lithium Corporation Limited.

Interest in Shares and Options

- 11,154,512 fully paid Ordinary Shares (at time of resignation)
5,000,000 options exercisable at \$0.035 expiring 31 March 2020 (at time of resignation)

Length of Service

- From 3 September 2009 to 23 November 2017

Directorships held in other listed entities in the last three years

- Infinity Lithium Corporation Limited from 17 June 2010 to present
Ferto Limited from 4 September 2013 to present
Ironbark Zinc Ltd from 18 April 2006 to 10 November 2015

DIRECTOR'S REPORT (cont)

Dr. Mark Qiu	— Non-Executive Director (appointed 18 August 2017)
Qualifications	— PhD Economic Geology
Experience	— Dr. Mark Yumin Qiu has a PhD in Economic Geology from the University of Western Australia and has a strong track record in project generation and development in the resources industry. Dr. Qiu was previously General Manager, Project Generation and Acquisition and Head of Exploration and Business Development at Sino Gold. In this role Dr. Qiu played a key role in the development of the business, from its formation to its \$100 million IPO on ASX in 2002 and its \$2.5 billion sale to Eldorado Gold Corporation in 2009. At Sino Gold, he led the team that discovered the White Mountain gold deposit and brought it into production within four years. Most recently in 2013, Dr Qiu led the acquisition of the Southern Cross Operations at Marvel Loch in WA. After its successful exploration and development into production in 2015, the Project was sold for \$330 million in February 2017.
Interest in Shares and Options	— 1,269,300 fully paid ordinary shares
Length of Service	18 August 2017 to present
Directorships held in other listed entities in the last three years	Primary Gold Limited from 31 March 2014 to present China Hanking Holdings Limited (HKEX: 03788) from February 2012 to present

14. Remuneration Report (audited)

This report details the nature and amount of remuneration for each key management person of Corazon Mining Limited.

Names and positions held by Consolidated and Parent Entity key management personnel in office at any time during the financial year are:

Key Management Personnel	Position
Clive Jones	Non-Executive Chairman
Brett Smith	Executive Managing Director
Adrian Byass	Non-Executive Director (resigned 23 November 2017)
Jonathan Downes	Non-Executive Director
Mark Qui	Non-Executive Director (appointed 18 August 2017)
Robert Orr	Company Secretary

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Corazon Mining Limited's key management personnel, comprising the directors of the Company, for the financial year ended 30 June 2018. Disclosures required under AASB 124 *Related Party Disclosures* have been transferred from the financial report and have been audited. The additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 have not been audited.

DIRECTOR'S REPORT (cont)

Remuneration policy

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Consolidated Entity is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience) and their package may include superannuation, fringe benefits, options and performance incentives.
- The Board reviews key management personnel packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors.

The Board's remuneration policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also invited to participate in employee option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black-Scholes option pricing model.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the Employee Incentive Scheme ('EIS').

Performance-based remuneration

The Company is an exploration entity and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board does not endorse the use of bonus payments for directors and senior executives at this point in time. Performance incentives will be issued in the event that the entity moves from an exploration to a producing entity, and key performance indicators such as growth and profits will be used as measurements for assessing Board performance.

Company performance, shareholder wealth and Director and Executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives by the issue of options to some directors and key executives to encourage the alignment of personal and shareholder interests.

Key terms of employment contracts

DIRECTOR'S REPORT (cont)

- The contracts for service between the Company and its directors are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.
- The employment contract states a three month resignation notice period. The Company may terminate an employment contract without cause by providing three months' written notice or making payment in lieu of notice based on the individual's annual salary component.

Names and positions held of Consolidated and Parent Entity key management personnel in office at any time during the financial year are:

2018

Company Key Management Personnel	Position held as at 30 June 2018 and any change during the year	Contract details	Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance (Salary/fees/superannuation)		Total
			Non-Salary cash-based incentives	Shares/ Units	Options/ Rights	Cash-based	Shares/ Units	
			%	%	%	%	%	
Clive Jones	Non-Executive Chairman	No fixed term.	-	-	-	100	-	100
Brett Smith	Executive Managing Director	No fixed term. 3 months notice required to terminate.	-	-	-	100	-	100
Adrian Byass	Non-Executive Director	No fixed term.	-	-	-	100	-	100
Jonathan Downes	Non-Executive Director	No fixed term.	-	-	-	100	-	100
Mark Qui	Non-Executive Director	No fixed term.	-	-	-	100	-	100
Robert Orr	Company Secretary	No fixed term	-	-	-	100	-	100

DIRECTOR'S REPORT (cont)
2017

Company Key Management Personnel	Position held as at 30 June 2017 and any change during the year	Contract details	Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance (Salary/fees/superannuation)		Total
			Non-Salary cash-based incentives	Shares/ Units	Options/ Rights	Cash-based	Shares/ Units	
			%	%	%	%	%	
Clive Jones	Non-Executive Chairman	No fixed term.	-	-	68	28	4	100
Brett Smith	Executive Managing Director	No fixed term. 3 months notice required to terminate.	-	-	50	47	3	100
Adrian Byass	Non-Executive Director	No fixed term.	-	-	72	24	4	100
Jonathan Downes	Non-Executive Director	No fixed term.	-	-	77	20	3	100
Robert Orr	Company Secretary	No fixed term	-	-	55	45	-	100

This report details the nature and amount of remuneration for each key management person of Corazon Mining Limited, and for the executives receiving the highest remuneration.

Key Management Personnel Remuneration

Key Management Personnel	Short Term Employee Benefits	Post-Employment Benefits	Share Based Payments	Share Based Payments	Total
	Cash and salary	Superannuation	Non-Performance (a)	Performance (b)	
	\$	\$	\$	\$	\$
2018					
Clive Jones	52,504	-	-	-	52,504
Adrian Byass	16,000	-	-	-	16,000
Brett Smith	229,350	-	-	-	229,350
Jonathan Downes	40,639	3,861	-	-	44,500
Mark Qui	39,070	-	-	-	39,070
Robert Orr	54,610	-	-	-	54,610
	432,173	3,861	-	-	436,034

DIRECTOR'S REPORT (cont)

Key Management Personnel	Short Term Employee Benefits Cash and salary	Post-Employment Benefits Superannuation	Share Based Payments Non-Performance (a)	Share Based Payments Performance (b)	Total
	\$	\$	\$	\$	\$
2017					
Clive Jones	43,756	-	6,251	104,600	154,607
Adrian Byass	35,000	-	5,000	104,600	144,600
Brett Smith	197,648	-	10,402	209,200	417,250
Jonathan Downes	35,000	3,325	5,792	146,440	190,557
Robert Orr	51,600	-	-	62,760	114,360
	<u>363,004</u>	<u>3,325</u>	<u>27,445</u>	<u>627,600</u>	<u>1,021,374</u>

Performance income as a proportion of total income

No bonuses were paid to Executive or Non-Executive Directors during the year.

Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including the personally related parties, is set out below:

2018	Balance 1.7.2017	Granted as Compensation	Options Exercised	Options Expired	Net Change Other	Balance 30.06.2018	Total Vested and Exercisable
					(b)	(a)	
Clive Jones	5,000,000	-	-	-	-	5,000,000	5,000,000
Brett Smith	10,000,000	-	-	-	-	10,000,000	10,000,000
Adrian Byass	5,000,000	-	-	-	(5,000,000)	-	-
Jonathan Downes	7,000,000	-	-	-	-	7,000,000	7,000,000
Mark Qui	-	-	-	-	-	-	-
Robert Orr	3,000,000	-	-	-	-	3,000,000	3,000,000
	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>25,000,000</u>	<u>25,000,000</u>

(a) The options are exercisable at \$0.035 and have an expiry of 31 March 2020.

(b) Balance on 23 November 2017 when Mr Adrian Byass resigned from the Board.

DIRECTOR'S REPORT (cont)

Share holdings

The number of shares in the company held during the financial year by each director and other member of key management personnel of the Consolidated Entity including their personally related parties is set out below:

2018	Balance 1.7.2017	Received as Compensation	Options Exercised	Net Change Other (a)	Balance on Resignation / Appointment (b)	Balance 30.6.2018
Clive Jones	4,235,330	-	-	-	-	4,235,330
Brett Smith	7,107,131	-	-	-	-	7,107,131
Adrian Byass	11,154,512	-	-	-	(11,154,512)	-
Jonathan Downes	9,357,370	-	-	-	-	9,357,370
Mark Qui	-	-	-	-	1,269,300	1,269,300
Robert Orr	1,843,940	-	-	-	-	1,843,940
	33,698,283	-	-	-	(9,885,212)	23,813,071

a) Net Change Other refers to shares purchased or sold during the financial year.

b) On 18 August 2017 Mr Mark Qui was appointed to the Board of Directors and on 23 November 2017 Mr Adrian Byass resigned from the Board.

End of Remuneration report

15. Meetings of Directors

During the financial year, seven meetings of directors were held. Attendances by each director during the year was as follows:

Directors' Meetings

	Number Eligible to Attend	Number attended
Clive Jones	7	7
Brett Smith	7	7
Adrian Byass	4	4
Jonathan Downes	7	7
Mark Qiu	5	4

16. Indemnifying Officers

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$8,000 (2017: \$8,000) and extends to cover the following Directors and officers:-

- Clive Jones
- Brett Smith
- Jonathan Downes
- Adrian Byass
- Mark Qiu
- Robert Orr

DIRECTOR'S REPORT (cont)

17. Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

18. Options

At the date of this report, the unissued ordinary shares of Corazon Mining Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
28/07/2016	29/07/2019	\$0.015	20,000,000
31/03/2017	31/03/2020	\$0.035	40,000,000
22/08/2017	22/08/2019	\$0.03	85,000,000
			145,000,000

19. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

20. Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and the objectivity of the auditor; and
- the nature of the services provided to not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid out to PKF Mack Chartered Accountants for non-audit services provided during the year ended 30 June 2018:

Taxation compliance service	\$3,900 (2017: \$4,600)
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DIRECTOR'S REPORT (cont)

21. Officers of the company who are former partners of PKF Mack

There are no officers of the company who are former partners of PKF Mack.

22. Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 25 of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.



Brett Smith
Executive Managing Director
Dated this 14 day of September 2018

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

In relation to our audit of the financial report of Corazon Mining Limited for the year ended 30 June 2018, 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

14 SEPTEMBER 2018
WEST PERTH,
WESTERN AUSTRALIA

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
Other revenue	2	2,378	1,918
Administrative expense		(72,560)	(65,508)
Compliance and regulatory expense		(185,279)	(192,116)
Consultancy expense		(151,070)	(112,672)
Depreciation and amortisation expense		(4,884)	(4,585)
Directors fees		(194,083)	(171,617)
Employee benefits expense		(12,894)	(7,987)
Equity compensation payments	3	-	(836,800)
Exploration expense	3,13	(1,160,952)	(4,160,565)
Fair value movements on available for sale financial assets	3	(1,000)	1,000
Finance costs		(2,149)	4,909
Impairment of intangible asset	3,11	(205,952)	(650,441)
Insurance expense		(25,078)	(18,898)
Loss on extinguishment of financial liability		-	(17,055)
Occupancy expense		(34,468)	(33,264)
Travel expenses		(17,996)	(14,392)
Profit/(loss) for the year from continuing operations		(2,065,987)	(6,278,073)
Income tax expenses	4	-	-
Profit/(loss) for the year		(2,065,987)	(6,278,073)
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Net changes in fair value of available for sale financial assets		-	-
Other comprehensive profit/(loss) (net of tax)		-	-
Total comprehensive profit/(loss) for the year		(2,065,987)	(6,278,073)
Basic and diluted profit/(loss) per share for continuing and discontinuing operations (cents per share)	5	(0.19)	(0.81)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	6	2,377,040	1,354,430
Trade and other receivables	7	79,706	18,960
Other assets	8	25,718	15,009
TOTAL CURRENT ASSETS		<u>2,482,464</u>	<u>1,388,399</u>
NON-CURRENT ASSETS			
Other assets	8	59,000	55,000
Financial assets	9	2,503	3,503
Intangible asset	11	-	-
Plant and equipment	12	33,086	18,729
Exploration and evaluation expenditure	13	3,149,997	1,299,566
TOTAL NON-CURRENT ASSETS		<u>3,244,586</u>	<u>1,376,797</u>
TOTAL ASSETS		<u>5,727,050</u>	<u>2,765,197</u>
CURRENT LIABILITIES			
Trade and other payables	14	540,846	631,437
TOTAL CURRENT LIABILITIES		<u>540,846</u>	<u>631,437</u>
TOTAL LIABILITIES		<u>540,846</u>	<u>631,437</u>
NET ASSETS		<u>5,186,204</u>	<u>2,133,760</u>
EQUITY			
Issued capital	15	37,890,941	32,772,510
Reserves	16	1,298,150	1,298,150
Accumulated losses		(34,002,887)	(31,936,900)
TOTAL EQUITY		<u>5,186,204</u>	<u>2,133,760</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Issued Capital	Share Based Payments Reserve	Contingent Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	27,177,696	138,111	303,750	(25,796,938)	1,822,619
Profit/(loss) for the year	-	-	-	(6,278,073)	(6,278,073)
<i>Other comprehensive income</i>	-	-	-	-	-
Total other comprehensive income	-	-	-	(6,278,073)	(6,278,073)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of share capital	5,641,054	-	-	-	5,641,054
Acquisition of interest in Mt Gilmore Project	250,000	-	-	-	250,000
Transaction costs on share issue	(367,868)	-	-	-	(367,868)
Lapse of options on expiry	-	(138,111)	-	138,111	-
Share based payment	71,628	994,400	-	-	1,066,028
Total transactions with owners	5,594,814	856,289	-	138,111	6,589,214
Balance at 30 June 2017	32,772,510	994,400	303,750	(31,936,900)	2,133,760
Profit/(loss) for the year	-	-	-	(2,065,987)	(2,065,986)
<i>Other comprehensive income</i>	-	-	-	-	-
Total other comprehensive loss	-	-	-	(2,065,987)	(2,065,986)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of share capital	5,172,993	-	-	-	5,172,993
Acquisition of further interest in Mt Gilmore Project	150,000	-	-	-	150,000
Transaction costs on share issue	(204,562)	-	-	-	(204,562)
Total transactions with owners	5,118,431	-	-	-	5,118,431
Balance at 30 June 2018	37,890,941	994,400	303,750	(34,002,887)	5,186,204

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		2,380	1,918
Payment for administration and corporate costs		(562,964)	(398,640)
Payments for environmental bonds		(4,000)	(20,000)
Payments for exploration and evaluation		(2,985,288)	(4,187,941)
Payments for staff costs		(171,482)	(141,117)
Net cash generated from/(used in) operating activities	20	(3,721,354)	(4,745,780)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets		(205,952)	(250,441)
Payments for plant and equipment		(18,515)	(4,180)
Net cash generated from/(used in) investing activities		(224,467)	(254,621)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,172,993	5,645,216
Payment for costs of capital raising		(204,562)	(241,641)
Net cash generated from financing activities		4,968,431	5,403,575
Net increase/(decrease) in cash and cash equivalents held		1,022,610	403,174
Cash and cash equivalents at beginning of financial year		1,354,430	951,256
Cash and cash equivalents at end of financial year	6	2,377,040	1,354,430

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Corazon Mining Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of Directors on 14 September 2018. The Directors have the power to amend and reissue the financial statements.

This financial report includes the consolidated financial statements and notes of Corazon Mining Limited ('the Company') and controlled entities ('Consolidated Entity' or 'Group').

Corazon Mining Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

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.

Impact of new standards and interpretations issued but not yet adopted

There are no new standards that have been issued since the start of the current financial year that have been applied by the Consolidated Entity. The 30 June 2017 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 30 June 2018.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) issued by the Australian Accounting Standard Board (AASB) and the *Corporations Act 2001* as appropriate for for-profit oriented entities. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB).

Basis of Measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

a. 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 on-going 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 using an appropriate valuation model. Refer to note 9 for further details.

(ii) Impairment of exploration and evaluation assets and investments in and loans to subsidiaries

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

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. Refer to note 13 for further details.

(iii) 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. Refer to note 4 for further details.

(iv) Classification of investments

The Group 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, unless they are impaired, of which any accumulated losses are reclassified to the statement of comprehensive income for the current year. Refer to note 9 for further details.

(v) Intangible assets

As the ownership in the Lynn Lake Project is an option to acquire and considered to be an intangible asset, exploration and evaluation expenditure has been expensed in the statement of comprehensive income until such time that the Company converts its option to an ownership interest. Refer to note 11 for further details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

(vi) *Fair value measurement hierarchy*

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

b. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Corazon Mining Limited ("Corazon") as at 30 June 2018 and the results of all controlled entities for the year then ended. Corazon Mining Limited and its controlled entities together are referred to in this financial report as the "Consolidated Entity" or "Group".

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All controlled entities have a June financial year.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

A list of controlled entities is contained in Note 10 to the financial statements.

c. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Consolidated Entity re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

d. Exploration and Evaluation Assets

Exploration and evaluation expenditure and earn-in expenditure, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of interest are current and either:

- The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- Activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

An impairment exists when the carrying amount of capitalised exploration and evaluation expenditure relating to an area of interest exceeds its recoverable amount. The asset is then written down to its recoverable amount. Any impairment losses are recognised in the statement of profit and loss and other comprehensive income.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment and depreciated over the life of the mine.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Where applicable, such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

e. Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised either in the statement of profit or loss and other comprehensive income or revaluation reserves in the period in which the impairment arises.

(ii) Exploration and Evaluation Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

(iii) Non-financial Assets other than Exploration and Evaluation Assets

The carrying amounts of the Consolidated Entity's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

f. Income Tax

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on either accounting profit or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax Consolidation

Corazon Mining Limited and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under tax consolidation legislation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

g. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

h. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	30-40%
Office furniture and equipment	18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings

i. Financial Instruments

The Consolidated Entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

- (i) *Financial assets at fair value through profit or loss*
This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.
- (ii) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated Entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.
- (iii) *Available-for-sale financial assets*
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade-date being the date on which the Consolidated Entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale investments revaluation reserve are recognised in equity in the "available for sale revaluation reserve". When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Consolidated Entity establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing methods refined to reflect the issuer's specific circumstances.

The Consolidated Entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments are not reversed through the statement of profit or loss and other comprehensive income.

j. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

k. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

I. Employee Benefits

a. *Wages, salaries and annual leave*

Liabilities for wages, salaries and annual leave expected to be settled within one year of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

b. *Employee benefits payable later than one year*

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

c. *Superannuation*

Contributions are made by the Consolidated Entity to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

d. *Employee benefit on costs*

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

e. *Equity settled compensation*

Equity-settled and cash-settled share-based compensation benefits are at times provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

n. Revenue and Other Income

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured.

Interest revenue is recognised as it accrues. Dividend revenue is recognised when the right to receive a dividend has been established.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

p. Trade and Other Receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Collectability of receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when some doubt as to collection exists.

q. Earnings per share (EPS)

Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Consolidated Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

r. Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

s. Investments

Interests in listed and unlisted securities are initially brought to account at cost.

Controlled entities are accounted for in the consolidated financial statements as set out in note 1(b).

Other securities are included at fair value at reporting date. Unrealised gains/losses on securities held for short-term investment are accounted for as set out in Note 1(i.) (i) financial

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

assets at fair value through profit or loss. Unrealised gains/losses on securities held for long term investment are accounted for as set out in Note 1(i.) (ii) and (iii) available for sale financial assets.

t. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

u. Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

v. Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent entity is disclosed in Note 29.

w. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

x. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

y. Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2018. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

z. Going concern basis

These financial statements have been prepared on a 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. As at 30 June 2018 the Group had net assets of \$5,186,204 (2017: \$2,133,760) and \$2,377,040 (2017: \$1,354,430) in cash and cash equivalents. The Group recorded a loss of \$2,065,987 (2017: loss \$6,278,073) and had a net working capital surplus of \$1,941,618 (2017: \$756,962).

The ability of the Company to continue to pay its debts as and when they fall due is dependent on the Company successfully raising additional share capital and ultimately developing its mineral properties.

The directors believe it is appropriate to prepare these financial statements on a going concern basis because:

- The directors have appropriate plans to raise additional funds as and when required. In light of the Company's current exploration projects, the directors believe that the additional capital can be raised in the market; and
- The directors have an appropriate plan to contain certain operating and exploration expenditure if required funding is not available.

These financial statements have been prepared on the basis that the Company can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of its assets and settlement of its liabilities can occur in the ordinary course of business.

In the event that the Group is unable to satisfy future funding requirements, a material uncertainty would arise that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may be required to realise its assets at amounts different from those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

	2018 \$	2017 \$
2. OTHER REVENUE		
<u>Operating activities</u>		
Interest received	<u>2,378</u>	<u>1,918</u>
 3. EXPENSES		
<i>Profit / (losses) for the year are arrived at after charging the following expenses:</i>		
Impairment of intangible asset	205,952	650,441
Equity-settled compensation payment	-	836,800
Exploration expenses	1,160,952	4,160,565
Fair value movements on available-for-sale financial assets	1,000	(1,000)
Superannuation expenses	3,861	4,117
Employee benefit expense (excluding superannuation)	9,033	3,870

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

4. INCOME TAX EXPENSE	2018	2017
	\$	\$
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 27.5% (2017: 27.5%)	(568,146)	(1,726,470)
Add:		
Tax effect of:		
—Accrued income	-	-
—Other non-allowable items	-	229,917
—Impairment expense	56,912	178,871
—Capital losses realised	-	-
—Foreign tax losses not recognised	320,212	967,804
—Property, plant and equipment	896	845
—Provisions and accruals	2,451	-
—Exploration expenditure	-	180,794
—Revenue losses not recognised	709,752	453,619
	<u>1,090,223</u>	<u>2,011,850</u>
Less:		
Tax effect of:		
Unrealised foreign exchange	-	-
Exploration capitalised	486,085	245,381
-Capital raising costs	35,991	38,390
-Unrealised gain on investment	-	-
-Provisions and accruals	-	1,609
	<u>522,076</u>	<u>285,380</u>
Income tax expense/(benefit)	-	-
The applicable average weighted tax rates are as follows:	0%	0%
c. The following deferred tax balances have not been recognised:		
Deferred Tax Assets at 27.5% (2017:27.5%):		
Carry forward revenue losses	4,716,629	4,006,878
Foreign tax losses	3,188,260	2,868,048
Impairment of investments	56,912	178,871
Capital raising costs	83,548	63,284
Capital losses	167,514	167,514
Unrealised foreign exchange loss	-	13
Provisions and accruals	4,417	1,966
	<u>8,217,280</u>	<u>7,286,574</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

The tax benefits of the above Deferred Tax Assets will only be obtained if:
 The Company derives future assessable income of a nature and an amount sufficient to enable the benefits to be utilised; and
 The Company continues to comply with the conditions for deductibility conditions imposed by the law; and
 No change in income tax legislation adversely affects the Company in utilising the benefits.

	2018	2017
	\$	\$
Deferred tax liabilities at 27.5% (2017: 27.5%):		
Fair value of investments	138	413
Exploration expenditure	550,672	64,587
Property, plant and equipment	447	1,538
Accrued income	216	217
	<u>551,473</u>	<u>66,755</u>

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Assets have not been recognised.

5. PROFIT/(LOSS) PER SHARE	2018	2017
	\$	\$
a. Profit/(loss) from continuing operations used in the calculation of basic and diluted EPS	<u>(2,065,987)</u>	<u>(6,278,073)</u>
b. Weighted average number of ordinary shares outstanding during the year used in calculating the basic and dilutive EPS	1,112,435,662	779,827,757

There are 145,000,000 share options excluded from the calculation of diluted earnings per share (that could potentially dilute basic earnings per share in the future) because they are anti-dilutive for each of the years presented.

6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	2,377,040	1,354,430
Short-term bank deposits	-	-
	<u>2,377,040</u>	<u>1,354,430</u>

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flow is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>2,377,040</u>	<u>1,354,430</u>
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7. TRADE AND OTHER RECEIVABLES

CURRENT		
GST receivable	78,476	17,727
Interest receivable	443	789
Other receivables	787	444
	<u>79,706</u>	<u>18,960</u>

Refer to note 23 Financial Risk Management for further details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

8. OTHER ASSETS	2018	2017
	\$	\$
CURRENT		
Prepayments	25,718	15,009
	<u>25,718</u>	<u>15,009</u>
NON-CURRENT		
Environmental bonds	24,000	20,000
Term deposit for credit card	35,000	35,000
	<u>59,000</u>	<u>55,000</u>

The effective interest rate on the credit card term deposit was 2.40% (2017: 2.40%). This term deposit has a maturity of a year.

Refer to note 23 Financial Risk Management for further details.

9. FINANCIAL ASSETS

NON-CURRENT		
Available-for-sale financial assets	2,503	3,503
	<u>2,503</u>	<u>3,503</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	3,503	2,503
Additions	-	-
Disposals	-	-
Revaluation increments/(decrements)	<u>(1,000)</u>	<u>1,000</u>
Closing fair value	<u>2,503</u>	<u>3,503</u>

Available-for-sale financial assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The Consolidated Entity's exposure to credit, market and liquidity risk related to financial assets is disclosed in Note 23.

10. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)*	
		2018	2017
Subsidiaries of Corazon Mining Ltd:			
Resource Investment Group Pty Ltd	Australia	100	100
Manitoba Nickel Pty Ltd	Australia	100	100
Manitoba Nickel Inc	Canada	100	100
Mt Gilmore Resources Pty Ltd	Australia	100	100

* Percentage of voting power is in proportion to ownership

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

11. INTANGIBLE ASSET

	2018 \$	2017 \$
Balance at the beginning of the year	-	-
Option payments	205,952	650,441
Impairment of intangible asset	(205,952)	(650,441)
Balance at the end of the year	<u>-</u>	<u>-</u>

LYNN LAKE PROJECT

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

The only asset of the acquired subsidiary is an option to acquire an exploration tenement. 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*. The project was impairment tested and an individual impairment expense of \$205,952 was recorded against the project.

The Consolidated Entity has spent approximately \$12.48 million on exploration and evaluation at the Lynn Lake Project. On 9 August 2012, the Consolidated Entity renegotiated the terms of its option to acquire the Lynn Lake Project. The renegotiated option agreement extended the option period from 20 October 2012 to 20 October 2015 and acknowledges that the existing earn in obligation has been satisfied. On 29 July 2015, the Company further renegotiated the terms of its option to acquire 100% equity in project, securing significantly 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 \$100,000 until the full amount of the CAD1,000,000 has been paid (final payment due on or before 20 April 2020). The other change of significance is that the deferred consideration of CAD750,000 is now payable on the 'commencement of commercial mining' refer to note 17 for details.

12. PLANT AND EQUIPMENT

Plant and equipment:

At cost	153,003	133,761
Accumulated depreciation	(120,184)	(115,358)
	<u>32,819</u>	<u>18,403</u>
Office furniture and equipment		
At cost	2,713	2,713
Accumulated depreciation	(2,446)	(2,387)
	<u>267</u>	<u>326</u>
Total Plant and Equipment	<u><u>33,086</u></u>	<u><u>18,729</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Reconciliation	Plant and Equipment \$	Office Furniture and Equipment \$	Total \$
Balance at 1 July 2016	18,737	397	19,134
Additions	4,180	-	4,180
Depreciation expense	(4,514)	(71)	(4,585)
Balance at 30 June 2017	18,403	326	18,729
Additions	19,241	-	19,241
Depreciation expense	(4,825)	(59)	(4,884)
Balance at 30 June 2018	32,819	267	33,086

2018
\$

2017
\$

13. EXPLORATION AND EVALUATION EXPENDITURE

Exploration project expenditure	1,147,552	1,064,704
Exploration earn-in expenditure	2,002,445	234,862
Total exploration expenditure	3,149,997	1,299,566
Movement in carrying value:		
Brought forward	1,299,566	971,828
Exploration project expenditure	1,243,800	3,603,108
Exploration earn-in expenditure	1,517,583	885,195
Exploration tenement acquisition costs (a)	250,000	-
Impairment of exploration expenditure	(1,160,952)	(4,160,565)
At reporting date	3,149,997	1,299,566

Victory Project

The Victory Project is located immediately adjacent to the Company's Lynn Lake Project, and contains the main nickel resources in that area.

Mt Gilmore Project

The Mt Gilmore Project is an advanced, high-grade cobalt-copper-gold sulphide deposit, located 35km from the major centre of Grafton in north-eastern New South Wales.

The Company has been working towards fulfilling the conditional terms of its second earn-in agreement with the Vendors, in order to secure a further 29% interest (total interest 80%) in the Project.

During the financial year the Company satisfied the first two terms of the agreement, which included completing a \$2 million exploration spend on the project and also providing shares to the value of \$150,000 to the Vendors of the project.

As the Company has now satisfied the exploration spend requirement of the second earn-in at the Companies discretion it can pay the Vendors a final consideration of \$250,000 (a) in cash or shares, at which time the transfer of the additional 29% interest in the project is enacted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

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 interest or alternatively by their sale.

14. TRADE AND OTHER PAYABLES	2018	2017
	\$	\$
CURRENT		
Trade payables	159,993	341,600
Sundry payables and accrued expenses (a)	380,853	289,837
	<u>540,846</u>	<u>631,437</u>

- (a) This amount includes a \$250,000 liability which relates to the second Mt Gilmore Project earn in agreement to acquire an additional 29% interest in the Project. The \$250,000 liability is the final acquisition consideration payable to the Vendors of the project in order to fulfil the remaining terms of the agreement and secure the interest. The liability can be paid in cash or shares and is payable at the Companies discretion.

Refer to note 23 Financial Risk Management for further details.

15. ISSUED CAPITAL	2018	2017
	\$	\$
1,265,283,317 (2017: 899,426,652) fully paid ordinary shares	40,299,354	34,976,360
Less: Capital raising costs	(2,408,413)	(2,203,850)
	<u>37,890,941</u>	<u>32,772,510</u>

a. Ordinary shares	2018	2017
	No.	No.
At the beginning of reporting year	899,426,652	527,045,233
Shares issued during the year		
— Placements (i)	353,356,665	343,970,579
— Consideration for acquisition of projects (ii)	12,500,000	25,000,000
— Employee compensation (iii)	-	3,410,840
At reporting date	<u>1,265,283,317</u>	<u>899,426,652</u>

	2018	2017
	\$	\$
At the beginning of reporting year	32,772,510	27,177,696
Shares issued during the year		
- Placements (i)	5,172,993	5,641,054
- Consideration for acquisition of projects (ii)	150,000	250,000
- Employee compensation	-	71,628
Less: capital raising costs	(204,562)	(367,868)
At reporting date	<u>37,890,941</u>	<u>32,772,510</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

a) Ordinary shares

(i) Placements

On 22 August 2017 the Company placed 127,356,665 fully paid ordinary shares at an issue price of \$0.014 with sophisticated investors. The share issue was comprised of:

- an issue of 120,000,000 shares to *Hanking Australia Investments Pty Ltd* under a Subscription Agreement for a \$1,680,000 investment in the Company;
- and an issue of 7,356,665 fully paid ordinary shares to various other sophisticated investors to raise a further \$102,993

On 31 January 2018 the Company announced the placement of 226,000,000 fully paid ordinary shares with sophisticated professional investors. The shares were valued at \$0.015 per share and raised \$3,390,000 for Company exploration programs and working capital purposes.

(ii) Consideration for acquisition of projects

On 22 August 2017 the Company issued 12,500,000 fully paid ordinary shares to *Providence Gold and Minerals Pty Ltd* pursuant to the Company's Earn-in Agreement with Providence in respect of the Mt Gilmore Project. Under this Agreement, the Company has the exclusive right to earn up to an 80% interest in the Project.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. These fully paid ordinary have no par value.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b) Options

On 22 August 2017, the Company also issued 85,000,000 options to Hanking Australia Investments Pty Ltd pursuant to their investment in the Company. The options were issued with an exercise price of \$0.03 and an expiry of 22 August 2019. This allotment had a financial valuation of NIL.

For information relating to the Corazon Mining Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 9 Share-based Payments.

c) Capital Management

The Directors' primary objective is to maintain a capital structure that ensures the lowest cost of capital to the Group. At reporting date the Group has no external borrowings. The Directors are confident that the Company will raise capital through the issue of additional shares when and as required. The Group is not subject to any externally imposed capital requirements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

16. RESERVES

<u>2018</u>	Share based payment reserve \$	Contingent reserve \$	Total
<i>Reserves at beginning of financial year</i>	994,400	303,750	1,298,150
Employee share option plan issue	-	-	-
Consultants share option issue	-	-	-
Lapse of options on expiry	-	-	-
<i>Reserves at end of financial year</i>	<u>994,400</u>	<u>303,750</u>	<u>1,298,150</u>

<u>2017</u>	Share based payment reserve \$	Contingent reserve \$	Total
<i>Reserves at beginning of financial year</i>	138,111	303,750	441,861
Employee share option plan issue	836,800	-	836,800
Consultants share option issue	157,600	-	157,600
Lapse of options on expiry	(138,111)	-	(138,111)
<i>Reserves at end of financial year</i>	<u>994,400</u>	<u>303,750</u>	<u>1,298,150</u>

The *share based payment reserve* records items recognised as expenses on valuation of employee share and consultants' options.

The *contingent reserve* is used to record the contingent consideration that relates to the issue of a further 4,500,000 shares in Corazon on the completion of acquisition of the title to the Lynn Lake Project in accordance with the terms of the Lynn Lake option agreement

17. CAPITAL 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 2020). 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

As at reporting date, the Company has spent \$1,147,552 on exploration and evaluation at the Victory Project with a balance due of \$2,352,448 on the committed spend (total \$3,500,000).

	2018	2017
	\$	\$
Commitment		
— Not longer than one year	700,000	700,000
— Longer than one year and not longer than 5 year	1,652,448	1,735,297
Total	<u>2,352,448</u>	<u>2,435,297</u>

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 2020). 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 30 June 2018, the Company has spent approximately \$12.48 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.

	2018	2017
	\$	\$
Commitment:		
— Not longer than one year	205,106	200,380
— Longer than one year and not longer than 5 year	974,254	1,152,185
Total	<u>1,179,360</u>	<u>1,352,565</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".

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

On 23 June 2017 the Company formalised the transfer of 51% interest in the project by satisfying the terms and conditions of the first farm-in-agreement.

The Company is currently working towards fulfilling the conditional terms of the second farm-in agreement in order to acquire a further 29% interest (total interest 80%) in the Project. The Company have satisfied the first two conditions being:

- Paying \$150,000 in cash or shares to the Vendor upon completing a minimum spend of \$500,000 on the Project; and
- Completing an exploration spend of \$2 million on the Project.

The Company at its discretion is now able to perform the final condition of the contract, that being the payment of \$250,000 in cash or shares to the Vendors. This amount is accrued at 30 June 2018, refer note 14.

Apart from the final acquisition consideration referred to above, the Company has no further contractual financial commitment to the Project other than to maintain the project in good standing. The Company continues to sole fund the project and the Vendor has a free carry period on the project through to the decision to mine.

	2018 \$	2017 \$
Commitment:		
— Not longer than one year	-	-
— Longer than one year and not longer than 5 year	-	1,557,533
Total	<u>-</u>	<u>1,557,533</u>

18. OPERATING SEGMENTS

Identification of reportable segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

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.

	Canada \$	Australia \$	Unallocated \$	Total \$
30 June 2018				
Revenue	-	-	2,378	2,378
Total segment revenue	-	-	2,378	2,378
Segment net operating profit/(loss) after tax	(1,368,642)	-	(697,345)	(2,065,987)
Interest revenue	-	-	2,378	2,378
Exploration expense	(1,160,952)	-	-	(1,160,952)
Depreciation	(1,739)	-	(3,145)	(4,884)
Intangible asset impairment	(205,952)	-	(205,952)	(205,952)
Segment assets	1,157,435	2,026,445	2,543,170	5,727,050
Segment liabilities	(20,593)	(107,302)	(412,951)	(540,846)
	Canada \$	Australia \$	Unallocated \$	Total \$
30 June 2017				
Revenue	-	-	1,918	1,918
Total segment revenue	-	-	1,918	1,918
Segment net operating profit/(loss) after tax	(3,755,617)	(1,057,434)	(1,465,022)	(6,278,073)
Interest revenue	-	-	1,918	1,918
Exploration expense	(3,503,131)	(657,434)	-	(4,160,565)
Depreciation	(2,044)	-	(2,541)	(4,585)
Intangible asset impairment	(250,441)	(400,000)	-	(650,441)
Segment assets	1,076,325	254,862	1,434,010	2,765,197
Segment liabilities	(444,071)	(58,668)	(128,698)	(631,437)

Segment analysis by geographical region

	Non-current assets	
	2018	2017
Canada	1,157,435	1,076,325
Australia	2,087,151	300,472
	<u>3,244,586</u>	<u>1,376,797</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

19. SHARE BASED PAYMENTS
SHARE OPTIONS ISSUED

Options are issued to key management personnel as part of their compensation under the Company's Employee Share Option Plan. The options issued may be subject to performance criteria and are issued to key management personnel of Corazon Mining Limited to increase goal congruence between key management personnel and shareholders.

Number and weighted average exercise prices of share options

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued under Share Based Payment Scheme during the year:

	2018		2017	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Issue to employees and key personnel				
Outstanding at the beginning of the year	40,000,000	\$0.035	-	-
Granted	-	-	40,000,000	\$0.035
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	40,000,000	\$0.035	40,000,000	\$0.035
Exercisable at year-end	40,000,000	\$0.035	40,000,000	\$0.035
Issue to consultants				
Outstanding at the beginning of the year	20,000,000	0.015	7,500,000	0.10
Granted	-	-	20,000,000	0.015
Exercised	-	-	-	-
Expired	-	-	(7,500,000)	0.10
Outstanding at year-end	20,000,000	0.015	20,000,000	0.015
Exercisable at year-end	20,000,000	0.015	20,000,000	0.015

No compensation options were exercised or forfeited during the year ended 30 June 2018.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise Price \$	Fair value at grant date \$
i) Consultants	7,500,000	8/11/2013	10/10/2016	0.10	0.018
ii) Consultants	20,000,000	29/07/2016	29/07/2019	0.15	0.0079
iii) Staff and key personnel	40,000,000	31/03/2017	31/03/2020	0.035	0.021

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

Inputs into the model	Series (i)	Series (ii)	Series (iii)
Grant date share price	\$0.02	\$0.009	\$0.026
Exercise price	\$0.10	\$0.015	\$0.035
Expected volatility	242%	95.77%	157%
Option life	3 years	3 years	3 years
Risk-free interest rate	2.905%	1.48%	1.89%

The options outstanding at 30 June 2018 had a weighted average exercise price of \$0.03 (2017: \$0.03) and a weighted average remaining contractual life of 1.53 years (2017: 2.58 years). The options were valued using a Black and Scholes option pricing model.

ORDINARY SHARES ISSUED

During the previous financial year in an effort to reduce Company cash expenditure it is agreed that key personnel would be paid a portion of their cash-based remuneration in Company shares. This policy was discontinued during the financial period and no further equity-based compensation was issued.

The value of each share based payment issued to key personnel (approved by shareholders at the Annual General Meeting held on 25 November 2016) is as follows:

	2018	2017
Key Management Personnel	\$	\$
Clive Jones	-	6,251
Adrian Byass	-	5,000
Brett Smith	-	10,402
Jonathan Downes	-	5,792
	<u>-</u>	<u>27,445</u>
	2018	2017
	\$	\$

20. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Net Profit/(Loss)

Profit/(Loss) after income tax	(2,065,987)	(6,278,073)
Non-cash flows in profit		
Depreciation	4,884	4,585
Equity compensation payments	-	836,800
Impairment of available-for-sale financial assets	1,000	(1,000)
Loss on extinguishment of financial liability	-	17,055
Impairment of intangible asset	205,952	650,441

Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries

(Increase)/decrease in receivables and prepayments	(71,456)	(7,092)
(Increase)/decrease in other assets	(4,000)	(20,000)
(Increase)/decrease in exploration and evaluation expenditure	(1,700,431)	(327,738)
Increase/(decrease) in trade and other payables	(91,316)	379,242
Cashflow from operations	<u>(3,721,354)</u>	<u>(4,745,780)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

Please refer to Note 19 Share based payments for information relating to non-cash investing and finance activities.

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The names of Directors and officers in office at any time during or since the end of the year are:

Clive Jones	Non-Executive Chairman
Brett Smith	Executive Managing Director
Adrian Byass	Non-Executive Director
Jonathan Downes	Non-Executive Director
Mark Qiu	Non-Executive Director
Robert Orr	Company Secretary

Key management personnel compensation

	2018	2017
	\$	\$
The key management personnel compensation comprised:		
Short term employment benefits	432,173	363,004
Post-employment benefits	3,861	3,325
Share based payments – short term employment benefits	-	27,445
Share based payments – performance based remuneration	-	627,600
	<u>436,034</u>	<u>1,021,374</u>

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

22. AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for services provided by PKF Mack, the auditor of the Group:

	2018	2017
	\$	\$
Audit or review of financial statements	41,230	27,898
Preparation of tax return	<u>3,900</u>	<u>4,600</u>
Total remuneration	<u>45,130</u>	<u>32,498</u>

23. FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Consolidated Entity's financial instruments consist mainly of deposits with banks, local money market instruments, equity investments, accounts receivable and payable.

i. Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity.

ii. Treasury Risk Management

The Board of Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

23. FINANCIAL RISK MANAGEMENT

The Board's overall risk management strategy seeks to assist the Consolidated Entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of credit risk policies and future cash flow requirements.

iii. Financial Risk Exposures and Management

The main risks the Consolidated Entity is exposed to through its financial instruments are liquidity risk, market risk, credit risk and price risk.

(a) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity currently does not have major funding in place. However, the Consolidated Entity continuously monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk. Surplus funds are generally only invested in short term bank deposits.

Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Directors are confident that the Company will raise capital through the issue of additional shares when and as required.

The decision on how the Consolidated Entity will raise future capital will depend on market conditions existing at that time.

(b) Market Risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(c) Credit risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, other receivables and available-for-sale financial assets. Receivable balances are monitored on an on-going basis with the result that the Consolidated Entity's exposure to bad debts is not significant. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Consolidated Entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)

(d) *Equity Price risk*

The Group is exposed to equity securities price risk from investments held that are classified on the statement of financial position as available for sale. Material investments are managed on an individual basis and all buy and sell decisions are approved by the Board.

The Consolidated Entity holds the following financial instruments:

	2018	2017
	\$	\$
Financial Assets:		
Cash and cash equivalents	2,377,040	1,354,430
Receivables	79,706	18,960
Other assets	59,000	55,000
Investments	2,503	3,503
Total Financial Assets	<u>2,518,249</u>	<u>1,431,893</u>
Financial Liabilities:		
Trade and sundry payables	540,846	631,437
Total Financial Liabilities	<u>540,846</u>	<u>631,437</u>

Trade and sundry payables are expected to be paid as followed:

Less than 1 month	540,846	631,437
Greater than 1 year	-	-
	<u>540,846</u>	<u>631,437</u>

iv. Fair value of financial instruments

The following tables details the Group's fair values of financial instruments categorized by the following level:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Inputs for asset or liability that are not based on observable market data (Unobservable inputs)

2018	Level 1	Level 2	Level 3	Total
Assets	\$	\$	\$	\$
Ordinary shares	2,503	-	-	2,503
Total assets	<u>2,503</u>	<u>-</u>	<u>-</u>	<u>2,503</u>

2017	Level 1	Level 2	Level 3	Total
Assets	\$	\$	\$	\$
Ordinary shares	3,503	-	-	3,503
Total assets	<u>3,503</u>	<u>-</u>	<u>-</u>	<u>3,503</u>

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

v. Fair value of receivables

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.

vi. Sensitivity Analysis

Interest Rate Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

Interest Rate Sensitivity Analysis

	2018	2017
	\$	\$
Monetary items exposed to interest rate fluctuations at reporting date		
Cash and cash equivalents	2,377,040	1,354,430
Other assets	59,000	55,000
	<u>2,436,040</u>	<u>1,409,430</u>

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Change in loss

Increase in interest rate by 1% (100 basis points)	17,661	10,073
Decrease in interest rate by 1% (100 basis points)	(17,661)	(10,073)

Change in equity

Increase in interest rate by 1% (100 basis points)	17,661	10,073
Decrease in interest rate by 1% (100 basis points)	(17,661)	(10,073)

Price Risk Sensitivity Analysis

The majority of the Group's investments are publicly traded and are included in the ASX. The table below summarises the impact of increases/decreases of this index on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that equity indexes had increased/decreased by 10% (2017: 10%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	2018	2017
	\$000	\$000
Change in profit		
Increase in All Ordinaries Index by 10%	181	254
Decrease in All Ordinaries Index by 10%	(181)	(254)
Change in equity		
Increase in All Ordinaries Index 10%	181	254
Decrease in All Ordinaries Index by 10%	(181)	(254)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

24. RELATED PARTY DISCLOSURES

- i. The ultimate parent entity in the Group is Corazon Mining Limited.
- ii. No amounts in addition to those disclosed in the Remuneration Report in the Directors' Report were paid or payable to Directors of the Company at the end of the year.
- iii. There were no loans to key management personnel at the end of the year.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Related entity receivables/payables

Payables

The Company is charged by a related party for shared office and salary expenses. Ironbark Zinc Limited is considered related due to Jonathan Downes directorship in the entity.

Ironbark Zinc Limited ("Ironbark")

The total charged for the financial year ended 30 June 2018 was \$33,274 (2017: \$31,410). At reporting date the balance for outstanding payables owed to Ironbark was \$2,549.

25. CONTINGENT ASSETS AND LIABILITIES

The Consolidated Entity is unaware of any contingent assets or liabilities that may have a material impact on the Company's financial position.

26. EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

27. DIVIDENDS

There were no dividends paid or declared during the financial year.

28. SIGNIFICANT NON CASH TRANSACTIONS

There was one significant non-cash transactions during the financial year which was the issue of shares for the acquisition of the 50% interest in the Mt Gilmore Project (refer to note 15).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 June 2018 (cont)**

	2018 \$	2017 \$
29. PARENT ENTITY DISCLOSURES		
Financial position		
Assets		
Current assets	2,433,490	1,343,769
Non-current assets	3,693,891	2,471,757
Total assets	<u>6,127,381</u>	<u>3,815,526</u>
Liabilities		
Current liabilities	540,846	631,436
Non-current liabilities	-	-
Total liabilities	<u>540,846</u>	<u>631,436</u>
Net assets	<u>5,586,535</u>	<u>3,184,090</u>
Equity		
Issued capital	37,890,941	32,772,510
Option reserves	994,400	994,400
Contingent reserves	303,750	303,750
Accumulated losses	<u>(33,602,556)</u>	<u>(30,886,570)</u>
Total equity	<u>5,586,535</u>	<u>3,184,090</u>
Financial performance		
Profit/(loss) for the year	(2,715,986)	(5,227,743)
Other comprehensive income/(loss)	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)	<u>(2,715,986)</u>	<u>(5,227,743)</u>

Commitments

The commitments of the Parent Entity are consistent with that of the Consolidated Entity (refer to note 17).

Contingent assets, contingent liabilities and guarantees

The contingent assets, contingent liabilities and guarantees of the Parent Entity are consistent with that of the Consolidated Entity (refer to note 25).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following: Investment in subsidiaries are accounted for at cost, less any impairment in the parent entity

30. COMPANY DETAILS

The registered office and principal place of business of the Company is:

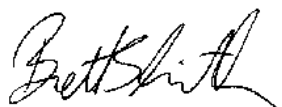
Level 1
329 Hay Street
SUBIACO WA 6008
Australia

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, notes and additional disclosures included in the Directors' Report and designated as audited, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and Consolidated Group; and
 - c. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards;
 - c. the financial statements and notes for the financial year give a true and fair view; and
 - d. any other matters that are prescribed by regulations for the purposes of Section 295A(2) in relation to the financial statements and notes for the financial year are satisfied.
3. 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 Board of Directors.



Brett Smith
Executive Managing Director

Dated this 14 day of September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CORAZON MINING LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Corazon Mining Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Corazon Mining Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Material Uncertainty related to going concern

Without modifying our opinion, we draw attention to Note 1(z) in the financial report, which indicated that the consolidated entity incurred a net loss after tax of \$2,065,987 during the year ended 30 June 2018 (2017: loss of \$6,278,073). The consolidated entity will be reliant on future capital raisings to continue as a going concern. This, along with other matters as set forth in Note 1(z), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Carrying value of capitalised exploration expenditure

Why significant

As at 30 June 2018 the carrying value of exploration and evaluation assets was \$3,149,997 (2017: \$1,299,566), as disclosed in Note 13. This represents 55% of the total assets of the consolidated entity.

The consolidated entity's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 1a (ii) and 1d. Significant judgement is required:

- in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and
- in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the consolidated entity's accounting policy. In particular:
 - whether the particular areas of interest meet the recognition conditions for an asset; and
 - which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Conducting a detailed review of management's assessment of impairment trigger events prepared in accordance with AASB 6 including:
 - assessing whether the rights to tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
 - holding discussions with the directors and management as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and
 - obtaining and assessing evidence of the consolidated entity's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;
- considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;
- testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the consolidated entity's accounting policy; and
- assessing the appropriateness of the related disclosures in Notes 1a (ii), 1d and 13.

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Letter, Director's Report, Additional Information for Listed Public Companies and Corporate Governance Statement. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report


Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Corazon Mining Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**PKF MACK**

SHANE CROSS
PARTNER

14 SEPTEMBER 2018
WEST PERTH, WA

ADDITIONAL INFORMATION FOR LISTED COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

Ordinary share capital

1,265,283,327 fully paid shares are held by 2,541 individual shareholders.

There were no shareholdings held in less than marketable parcels.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

145,000,000 unquoted options are held by 11 individual option holders.

Options do not carrying a right to vote.

Distribution of holders of equity securities

Category (size of holding)

Distribution of holders of equity securities		Number	
Category (size of holding)		Fully paid ordinary shares	Options
1 – 1,000		120	
1,001 – 5,000		113	
5,001 – 10,000		89	
10,001 – 100,000		1,054	
100,001 – and over		1,165	11
		<hr/> 2,541	<hr/> 11

20 Largest Shareholders — Ordinary Shares

A record of the 20 largest shareholders as at 12 September 2018 is as follows:-

Ordinary shareholders

		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	HANKING AUSTRALIA INVESTMENT PTY LTD	146,000,000	11.54
2	CRESCENT NOMINEES LIMITED	105,820,140	8.36
3	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	18,341,825	1.45
4	MR XINHUI GONG	18,030,499	1.42
5	MR MALCOLM JOHN MCCLURE	17,298,795	1.37
6	VERSOWORKS PTY LTD	16,000,000	1.26
7	MR BRANDON HA	14,200,000	1.12
8	TATTERSFIELD SECURITIES LIMITED	13,200,000	1.04
9	CITICORP NOMINEES PTY LIMITED	12,210,169	0.96
10	BUNYIP SUPER INVESTMENTS PTY LTD <BUNYIP SUPER A/C>	11,928,571	0.94
11	MR NIKOLAS BURFOOT	10,000,000	0.79
12	LEXBAND PTY LTD <MACMILLAN SUPER FUND A/C>	10,000,000	0.79
13	MR BENJAMIN LEIGH HARPER	9,990,452	0.79
14	AUSTRALIA ELIM PTY LTD	9,500,000	0.75
15	PROVIDENCE GOLD & MINERALS PTY LTD	9,199,999	0.73
16	MR ALAN GOUGH + MRS KERRY GOUGH <GOUGH FAMILY SUPER A/C>	8,000,000	0.63
17	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	6,750,000	0.53
18	JETOSEA PTY LIMITED	6,700,000	0.53
19	MR ROLAND MICHAEL JOHNSTON <THE JOHNSTON FAMILY A/C>	6,571,429	0.52
20	MR ROBERT DUNN + MR NOEL BRUCE HOSKING <R G D SUPERFUND A/C>	6,500,000	0.51

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (CONT.)
20 Largest Options holders —

Unquoted equity security holdings greater than 20% as at 12 September 2018 is as follows:-

	Number of Options Held	% Held of Options in an unquoted class
Option exercisable at \$0.035, expiring at 31/03/2020		
1. Brett Smith	10,000,000	25%
Option exercisable at \$0.015, expiring at 29/07/2019		
1. Zenix Nominees Pty Ltd	20,000,000	100%
Option exercisable at \$0.03, expiring at 22/08/2019		
1. Hanking Australia Investment Pty Ltd	85,000,000	100%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (CONT.)
Schedule of Interests in Mining Tenements

Project	Mining tenements held	Location of tenements	Beneficial % interest at the end of the year	Change in the year
LYNN LAKE PROJECT				
LYNN LAKE	P7700E	Canada	100% ¹	
LYNN LAKE	P7698E	Canada	100% ¹	
LYNN LAKE	P8370E	Canada	100% ¹	
LYNN LAKE	P7699E	Canada	100% ¹	
LYNN LAKE	P7702E	Canada	100% ¹	
LYNN LAKE	P3163F	Canada	100% ¹	
LYNN LAKE	P3164F	Canada	100% ¹	
LYNN LAKE	P3165F	Canada	100% ¹	
LYNN LAKE	P2291F	Canada	100% ¹	
LYNN LAKE	P3534F	Canada	100% ¹	
LYNN LAKE	MB2482	Canada	100% ¹	
LYNN LAKE	MB3566	Canada	100% ¹	
LYNN LAKE	MB3567	Canada	100% ¹	
LYNN LAKE	P1045F	Canada	100% ¹	
LYNN LAKE	MB3580	Canada	100% ¹	
LYNN LAKE	MB3581	Canada	100% ¹	
LYNN LAKE	MB7346	Canada	100% ¹	
LYNN LAKE	MB7349	Canada	100% ¹	
LYNN LAKE	MB7350	Canada	100% ¹	
LYNN LAKE	MB7025	Canada	100% ¹	
LYNN LAKE	MB7361	Canada	100% ¹	
LYNN LAKE	MB7362	Canada	100% ¹	
LYNN LAKE	MB6364	Canada	100% ¹	
LYNN LAKE	MB5175	Canada	100% ¹	
LYNN LAKE	MB5701	Canada	100% ¹	
LYNN LAKE	MB8734	Canada	100% ¹	
LYNN LAKE	MB8735	Canada	100% ¹	
LYNN LAKE	MB9218	Canada	100% ¹	
LYNN LAKE	MB5399	Canada	100% ¹	
LYNN LAKE	MB6360	Canada	100% ¹	
LYNN LAKE	MB6361	Canada	100% ¹	
LYNN LAKE	MB6362	Canada	100% ¹	
LYNN LAKE	MB6363	Canada	100% ¹	
LYNN LAKE	MB9453	Canada	100% ¹	
LYNN LAKE	MB5672	Canada	100% ¹	
LYNN LAKE	MB5669	Canada	100% ¹	
LYNN LAKE	MB10070	Canada	100% ¹	
LYNN LAKE	MB10071	Canada	100% ¹	
LYNN LAKE	MB10085	Canada	100% ¹	
LYNN LAKE	MB10086	Canada	100% ¹	
LYNN LAKE	MB10382	Canada	100% ¹	

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (CONT.)

LYNN LAKE	MB10383	Canada	100% ¹	
LYNN LAKE	MB10384	Canada	100% ¹	
LYNN LAKE	MB10387	Canada	100% ¹	
LYNN LAKE	MB10388	Canada	100% ¹	
BARRINGTON LAKE PROJECT				
BARRINGTON LAKE	MB9634	Canada	100% ¹	
VICTORY PROJECT				
VICTORY PROJECT	MB11328	Canada	100% ²	100% ²
VICTORY PROJECT	MB11388	Canada	100% ²	100% ²
VICTORY PROJECT	MB11389	Canada	100% ²	100% ²
VICTORY PROJECT	MB11390	Canada	100% ²	100% ²
VICTORY PROJECT	M2228	Canada	100% ²	100% ²
VICTORY PROJECT	M2229	Canada	100% ²	100% ²
VICTORY PROJECT	M2230	Canada	100% ²	100% ²
VICTORY PROJECT	M2232	Canada	100% ²	100% ²
VICTORY PROJECT	M2233	Canada	100% ²	100% ²
VICTORY PROJECT	M2234	Canada	100% ²	100% ²
VICTORY PROJECT	M2248	Canada	100% ²	100% ²
VICTORY PROJECT	M2249	Canada	100% ²	100% ²
VICTORY PROJECT	M2251	Canada	100% ²	100% ²
VICTORY PROJECT	M2252	Canada	100% ²	100% ²
VICTORY PROJECT	M2253	Canada	100% ²	100% ²
VICTORY PROJECT	M2254	Canada	100% ²	100% ²
VICTORY PROJECT	M2255	Canada	100% ²	100% ²
VICTORY PROJECT	M2256	Canada	100% ²	100% ²
VICTORY PROJECT	ML77	Canada	100% ²	100% ²
VICTORY PROJECT	ML90	Canada	100% ²	100% ²
MT GILMORE PROJECT				
MT GILMORE	EL 8379	New South Wales	51%	51%

NOTES:

- Option to acquire up to 100% of Lynn Lake and Barrington Lake Projects; for terms of the agreement, refer to ASX announcement dated 09/08/12.
- Acquired up to 100% of the Victory Project; for terms of the agreement, refer to ASX announcement dated 01/04/15.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (CONT.)
Resource Statement

Corazon released a JORC 2012 compliant Resource Estimate (“Resource”) for the Lynn Lake Nickel-Copper Project (“Project”) on 16 April 2015. This estimation combines and upgrades resources previously reported in both JORC 2004 and NI43-101 (Canadian) reporting standards, as well as incorporating some new areas of mineralisation defined by the previous mining operation. There has been no variation to this resource since its publication

Perth based independent mining consultants Ravensgate have defined an Indicated and Inferred Resource of **9.4Mt @ 0.88% nickel and 0.40% copper, for 83,000 tonnes of contained nickel and 37,800 tonnes of contained copper** (refer below for a break-down of the Resource).

The Resource incorporates the EL, N, O and G nickel-copper sulphide deposits and is the first time a combined resource for the Lynn Lake project area has been defined in-line with Australian reporting standards.

The Resource grade is consistent with the historical grades from the Lynn Lake Mine, which operated for 24 years as a large tonnage-low cost mine, before its closure in 1976.

In defining this Resource, Corazon has utilised higher cut-off nickel grades for reporting the Project’s Resource than those previously published by past Canadian operators. This is in-line with the Company’s focus on determining exploitable resources rather than seeking to identify the total metal content within the project area.

Mineral Resource for the EL, N, O and G deposits at Lynn Lake

Deposit	Lower Cut-off Grade		Tonnes	Grade		Contained Metal	
	NIEQ %	Ni %		Ni %	Cu %	Ni Tonnes	Cu Tonnes
Indicated Resource Category							
EL Upper		0.4	1,120,000	0.77	0.34	8,600	3,800
EL Lower		0.6	676,000	0.83	0.40	5,600	2,700
N	0.8		2,990,000	0.86	0.41	25,700	12,300
O	0.8		2,630,000	0.82	0.37	21,600	9,700
Indicated Sub-Total			7,420,000	0.83	0.38	61,500	28,500
Inferred Resource Category							
EL Upper		0.4	645,000	1.55	0.61	10,000	3,900
EL Lower		0.6	292,000	1.01	0.44	3,000	1,300
N	0.8		710,000	0.79	0.39	5,600	2,800
O	0.8		100,000	0.75	0.36	750	360
G	0.8		240,000	0.94	0.39	2,300	940
Inferred Sub-Total			1,990,000	1.09	0.47	21,600	9,300
Total			9,400,000	0.88	0.40	83,000	37,800

Notes:

Nickel equivalent grades (NIEQ%) are provided as an indicator of value in a multi-metallic deposit. Lynn Lake has a long history as a nickel, copper and cobalt mining camp. It is the Company’s opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered. Past mining of these deposits on average produced a nickel concentrate, consisting of 14% nickel, 1.5% copper and 0.35% cobalt and a copper concentrate having 30% copper and 0.60% nickel. In this circuit, 85% of the nickel, 93% of the copper and 80% of the cobalt were recovered on average. .

NIEQ% = (((Cu%*2*22.04622)+(Ni%*7.22*22.04622))/7.22)/22.04622 based on metal prices of Ni = US\$7.22 /lb
 Cu = US\$2.00 /lb.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (CONT.)

A review of factors was conducted which may affect the Resource Statement. These examined included;

- Sovereign risk
- Commodity prices
- Processing or metallurgical understanding
- Environmental or mineability setting
- Standing of consultants/contractors/technology used in estimation process.
- Any new information or data that materially affects the information included in this report

Summary of governance and controls: The mineral resource for the Lynn Lake Project is reported in accordance with the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. This resource was published by Corazon Mining Limited in an announcement to the Australian Securities Exchange dated 16th April 2015. In accordance with requirements determined by the Australian Securities Exchange and the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”, a checklist for Assessment and Reporting Criteria is presented in that announcement.

The Company is not aware of any new information or data that materially affects the information included in this report, and the Company confirms that, to the best of its knowledge, all material assumptions and technical parameters underpinning the resource estimates in this report continue to apply and have not materially changed.

Disclosure Statements

Competent Persons Statement: The information in this report that relates to Exploration Results and Mineral Resources for the A Plug deposits at the Lynn Lake project is based on information compiled by Mr. Neal Leggo who is a Member of the Australian Institute of Geoscientists. Mr. Leggo at the time of completing this work, was a full time employee of Ravensgate and has sufficient experience that is 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”. Mr. Leggo 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 Exploration Results and Mineral Resources for the EL Plug deposits at the Lynn Lake project is based on information compiled by Mr. Stephen Hyland who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Hyland, at the time of completing this work, was a full time employee of Ravensgate and has sufficient experience that is 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”. Mr. Hyland consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (CONT.)

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CORPORATE GOVERNANCE

Corazon Mining Limited and its controlled entities (“the Consolidated Entity”) are committed to high standards of corporate governance. Policies and procedures which follow the “Principles of Good Corporate Governance and Best Practice Recommendations” 3rd Edition issued by the Australian Securities Exchange (“ASX”) Corporate Governance Council, to the extent they are applicable to the Consolidated Entity, have been adopted. The Companies corporate governance policies and procedures are disclosed on the Company web site at: <http://corazon.com.au/corporate-governance/>