



HALF YEAR REPORT

**FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2014**

CONTENTS

Corporate Directory	1
Directors' Report	2
1. Directors	2
2. Principal Activities	2
3. Result of Operations	2
4. Review of Operations	2
5. Significant Changes in the State of Affairs	5
6. Auditor's Declaration	5
Auditor's Independence Declaration	6
Independent Auditors' Review Report	7
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Cash Flows	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Notes to the Financial Statements	13
1. Statement Of Significant Accounting Policies	13
2. Segment Information	17
3. Other Revenue	18
4. Intangible Asset	18
5. Exploration Expenditure	19
6. Issued Capital	19
7. Fair Value Measurement	19
8. Contingent Liabilities	20
9. Events Subsequent to Reporting Date	20
10. Dividends	20
11. Commitments	20
12. Key Management Personnel	21
Director's Declaration	22

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Corazon Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Clive Jones

EXECUTIVE MANAGING DIRECTOR

Brett Smith

NON-EXECUTIVE DIRECTORS

Adrian Byass

Jonathan Downes

COMPANY SECRETARY

Robert Orr

PRINCIPAL & REGISTERED OFFICE

Level 1, 350 Hay Street

SUBIACO WA 6008

Telephone: (08) 6142 6366

Facsimile: (08) 6210 1872

AUDITORS

PKF Mack

Level 4, 35 Havelock Street

WEST PERTH WA 6005

Telephone: (08) 9322 2798

Facsimile: (08) 9481 2019

SHARE REGISTER

Advanced Share Registry Services

2/150 Stirling Highway

NEDLANDS WA 6009

Telephone: (08) 9389 8033

Facsimile: (08) 9389 7871

SECURITIES EXCHANGE LISTINGS

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: CZN

BANKERS

National Australia Bank Limited

50 St Georges Terrace

PERTH WA 6000

WEBSITE

www.corazon.com.au

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Corazon Mining Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of the half-year ended 31 December 2014.

1. DIRECTORS

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

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

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

2. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the half-year has been exploration for nickel and gold and the development of nickel and copper, gold mining activities.

3. RESULT OF OPERATIONS

The loss after tax for the half-year ended 31 December 2014 was \$681,459 (2013: \$2,303,585).

4. REVIEW OF OPERATIONS

Corazon's focus during the December 2014 half year was to develop and grow its Canadian nickel assets, with the goal of adding value to its existing assets and future activities in the Lynn Lake mining region of Manitoba, Canada.

Bolstered by an appreciating nickel price, in November 2014 Corazon announced it had finalised the acquisition terms for the Victory Nickel Project ("Victory Project" or "the Project") in the Lynn Lake Nickel-Copper Field, in the central Canadian province of Manitoba. Under the agreement, Corazon will acquire the Victory Project from Victory Nickel Inc. (TSX:NI) ("Victory"). The Victory Project is located immediately adjacent to Corazon's Lynn Lake Nickel Project, and the acquisition will consolidate the Lynn Lake Nickel-Copper Field for the first time since its closure in 1976.

Corazon's consolidation of the Lynn Lake field will provide a significant nickel-copper asset. The Company believes bringing the two nickel projects together improves the economics of any potential mining operation and provides benefit in scale and possible mine life, enhancing the opportunity to take advantage of an appreciating nickel metal price.

Corazon and Victory executed a Binding Term Sheet and subsequently entered into full form Purchase Agreements. Parties are currently waiting for the granting by the Government of the mineral rights title transfer to Corazon before settling the transaction. In anticipation of completing the acquisition, Corazon has commenced updating the resources for the region to JORC 2012. These resources will form the basis of new mining and processing studies for the Lynn Lake operation.

DIRECTOR'S REPORT (cont)

The Victory Project has a Canadian (NI 43-101) Measured, Indicated and Inferred Resource totalling 17Mt @ 0.66% Ni and 0.33% Cu, for the deposits closest to Corazon's EL Deposit.

Table 1: Summary - A Plug NI 43-101 Resource¹
 N, O & G Deposits, Lynn Lake, February 2010

Deposit	COG Ni% Eq ²	Tonnes ³	Tons	Grade			Contained Metal	
				Ni%	Cu%	Ni% Eq ²	Tonnes Ni	Tonnes Cu
Measured, Indicated & Inferred Resource Categories								
N, O, G	0.4	28,098,866	30,973,698	0.55	0.29	0.70	155,770	82,832
N, O, G	0.6	16,984,288	18,721,973	0.66	0.33	0.83	111,427	56,897

Table 1 Notes: While this foreign resource is not reported in compliance with the JORC Code, it is the Company's opinion (and the opinion of the Competent Person for this document), that the data quality and validation criteria, as well as the resource methodology and check procedures, are reliable and consistent with criteria as defined by JORC 2012.

Previous operators of the Lynn Lake Project had a preference for reporting resources at a bottom cut-off grade (COG) of 0.4%NiEq². Corazon has reported the interim resource at the EL Deposit at 0.6%NiEq (JORC 2004 Resource – announced 13th October 2010). For the purposes of clarity, the resources at both COG's have been reported in this table.

1. This resource estimate is a foreign resource estimate and is not reported in accordance with the JORC Code. Insufficient work by the competent person has been undertaken on the foreign resource estimate to classify in accordance with the JORC Code and it is uncertain that, following evaluation and/or further exploration work, the foreign resource estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

2. Nickel equivalent grades 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 has reported minimum recoveries above 85% for all metals, typically greater than 90% for Ni, Cu, Co.

Ni Eq = (((Cu%*2*22.04622)+(Ni%*7.22*22.04622))/7.22)/20 where Ni = 7.22 \$US/lb Cu = 2.00 \$US/lb.

3. The original NI 43-101 resource used Canadian imperial measurements. For the purposes of this announcement, 1 Ton (US Short) = 0.90718474 Tonnes (metric). Further information in relation to the resource can be found in the ASX announcement dated 5 November 2014.

Desk-top resource and mining studies on the Lynn Lake Project have commenced. Corazon is looking to up-grade the existing JORC 2004 resource for the EL Deposit, the NI 43-101 resource for the Victory Project and potentially other drill defined mineralisation to JORC 2012 resource status. These resources will form the basis of additional mining and processing work.

The Lynn Lake Nickel-Copper Project continues to represent a significant development opportunity for Corazon, and the Company remains focused on its goal of recommencing mining operations at Lynn Lake.

The key target within the Lynn Lake project area is the EL Deposit, historically the highest grade deposit at Lynn Lake, producing 1.9Mt at 2.5% nickel and 1.15% copper, has significant drill defined mineralisation from surface, surrounding the historical mine. Corazon's 2010 discovery of a high-grade sulphide breccia at depth below the EL Mine confirmed the prospectivity of the Lynn Lake project area

Desk-top resource and mining studies on the Lynn Lake Project commenced during the half year period and Corazon is looking to up-grade the existing JORC 2004 resource for the EL Deposit, the NI 43-101

DIRECTOR'S REPORT (cont)

resource for the Victory Project and potentially other drill defined mineralisation to JORC 2012 resource status. These resources will form the basis of additional mining and processing work.

Corazon will fund this work at Lynn Lake from existing cash reserves (\$1.3 million in the bank). The Company has also made application for a Government funded expenditure rebate of approximately \$1 million. These funds are subject to review and approval, which should be finalised early in 2015.

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 is an employee of Corazon Mining Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2012).

With regards to the "foreign estimates of mineralisation" defined by the NI 43-101 resource presented for Lynn Lake, Mr Smith concludes that the information provided in this document complies with ASX Listing Rule 5.12 and is an accurate representation of the data and studies available for the resource. Mr Smith consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

Some of the information contained in this announcement is historic data that was prepared and first disclosed under the JORC 2004 edition. It has not been updated since to comply with the JORC Code 2012 edition on the basis that the information has not materially changed since it was last reported.

CORPORATE ACTIVITIES

On 28 November 2014, Corazon held its Annual General Meeting of Shareholders (AGM). All resolutions put to the meeting were unanimously passed by a show of hands.

On 19 December 2014, the Contract for the Company's acquisition of the Victory Nickel Project from Victory Nickel Inc. ("the Vendor") was finalised. The Victory project is located immediately adjacent to the Company's Lynn Lake Nickel Project, and contains the main nickel resources in that area.

The terms of the acquisition include:

1. The issuance of 40 million Corazon shares as consideration on settlement. Settlement is due to occur in March 2015.
2. The Vendor to retain a 1.5% net smelter royalty on production from the Victory project area. Corazon has the right to purchase 1% of the 1.5% royalty for AUD\$1M.
3. Over the five years following execution of the Contract, Corazon is required to spend an aggregate amount of AUD\$3.5M on exploration and resource development. In the event that the Company fails to meet this expenditure requirement:
 - The difference between AUD\$3.5M expenditure requirement and what is actually spent, must be paid to the Vendor in cash or shares; or
 - The project is returned to Vendor.
4. Within 30 days of the re-commencement of ore processing at Lynn Lake, Corazon must provide the Vendor with a payment of AUD\$1M (cash and/or Company securities equivalent).

On 1 December 2014 Corazon announced that 5,000,000 options with an exercise price of \$0.20 cents per option expired.

DIRECTOR'S REPORT (cont)

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

6. AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2014.

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

On behalf of the Directors.

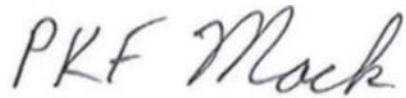


Brett Smith
Managing Director
Dated this day 6 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF CORAZON MINING LIMITED

In relation to our review of the financial report of Corazon Mining Limited for the half year ended 31 December 2014, 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

6 MARCH 2015
WEST PERTH,
WESTERN AUSTRALIA

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au

PKF Mack | ABN 74 254 453 660

4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia

PO Box 609 | West Perth | Western Australia 6872 | Australia

PKF Mack is a member of the PKF International Limited network of legally independent member firms. PKF Mack is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF Mack does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF
CORAZON MINING LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Corazon Mining Limited (the Company) and controlled entities (consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2014, or during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of Corazon Mining Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au

PKF Mack | ABN 74 254 453 660

4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia

PO Box 609 | West Perth | Western Australia 6872 | Australia

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



PKF MACK



SHANE CROSS
PARTNER

6 MARCH 2015
WEST PERTH,
WESTERN AUSTRALIA

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the half year ended 31 December 2014**

	Note	31-Dec-14 \$	31-Dec-13 \$
Revenue			
Other revenue	3	24,491	133,850
Expenses			
Administrative expense		(29,139)	(44,940)
Compliance and regulatory expense		(83,063)	(85,255)
Consultancy expense		(33,369)	(91,170)
Depreciation and amortisation expense		(2,615)	(3,380)
Directors fees		(90,891)	(90,891)
Employee benefits expense		(9,151)	(11,735)
Exploration expense		(217,734)	(1,931,188)
Fair value movements on available for sale financial assets		(43,531)	14,301
Finance costs		(2,737)	(902)
Impairment of intangible asset		(154,785)	(135,840)
Insurance expense		(6,152)	(15,499)
Occupancy expense		(24,012)	(27,761)
Realised loss on sale of financial asset		(1,600)	-
Travel expense		(7,171)	(12,467)
		<u>(681,459)</u>	<u>(2,302,877)</u>
Loss for the period before income tax expense		(681,459)	(2,302,877)
Income tax benefit/(expense)		-	-
		<u>(681,459)</u>	<u>(2,302,877)</u>
Loss for the period from continuing operations		(681,459)	(2,302,877)
Discontinuing operations			
Loss for the period from discontinuing operations		-	(708)
		<u>(681,459)</u>	<u>(2,303,585)</u>
Loss for the period		(681,459)	(2,303,585)
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available for sale financial asset		-	-
		<u>(681,459)</u>	<u>(2,303,585)</u>
Total comprehensive loss for the period		(681,459)	(2,303,585)
Loss per share			
Basic and diluted loss per share (cents) calculated on loss for continuing and discontinuing operations for the period		(0.17)	(0.67)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	31-Dec-14 \$	30-Jun-14 \$
CURRENT ASSETS			
Cash and cash equivalents		1,331,188	2,162,603
Trade and other receivables		17,166	29,682
Other assets		4,896	11,048
		<u>1,353,250</u>	<u>2,203,333</u>
TOTAL CURRENT ASSETS		<u>1,353,250</u>	<u>2,203,333</u>
NON-CURRENT ASSETS			
Other assets		35,000	35,000
Financial assets		44,296	89,427
Plant and equipment		26,617	27,057
Exploration and evaluation expenditure	5	200,379	-
		<u>306,292</u>	<u>151,484</u>
TOTAL NON-CURRENT ASSETS		<u>306,292</u>	<u>151,484</u>
TOTAL ASSETS		<u>1,659,542</u>	<u>2,354,817</u>
CURRENT LIABILITIES			
Trade and other payables		275,008	288,824
		<u>275,008</u>	<u>288,824</u>
TOTAL CURRENT LIABILITIES		<u>275,008</u>	<u>288,824</u>
TOTAL LIABILITIES		<u>275,008</u>	<u>288,824</u>
NET ASSETS		<u>1,384,534</u>	<u>2,065,993</u>
EQUITY			
Issued capital	6	26,539,318	26,539,318
Reserves		849,696	999,696
Accumulated losses		(26,004,480)	(25,473,021)
		<u>1,384,534</u>	<u>2,065,993</u>
TOTAL EQUITY		<u>1,384,534</u>	<u>2,065,993</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 31 December 2014

	31-Dec-14 \$	31-Dec-13 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	25,220	26,707
Payments to suppliers and employees	(484,826)	(412,543)
Payments for exploration and evaluation	(214,848)	(2,195,816)
Proceeds from exploration grants	-	110,000
	<u> </u>	<u> </u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(674,454)</u>	<u>(2,471,652)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed assets	(2,176)	-
Payments for exploration prospects	(154,785)	-
	<u> </u>	<u> </u>
NET CASH FROM INVESTING ACTIVITIES	<u>(156,961)</u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	3,000,000
Payment for costs of issue of shares	-	(204,543)
	<u> </u>	<u> </u>
NET CASH FROM FINANCING ACTIVITIES	<u> </u>	<u>2,795,457</u>
Net increase/(decrease) in cash and cash equivalents	(831,415)	323,805
Cash and cash equivalents at the beginning of the reporting period	2,162,603	1,796,422
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the reporting period	<u><u>1,331,188</u></u>	<u><u>2,120,227</u></u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 December 2014

	Issued Capital	Share Based Payment Reserves	Other Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	26,539,318	695,946	303,750	(25,473,021)	2,065,993
Loss for the period	-	-	-	(681,459)	(681,459)
Total comprehensive income for the period	-	-	-	(681,459)	(681,459)
<i>Transactions with owners, recorded directly in equity</i>					
Lapse of option on expiry	-	(150,000)	-	150,000	-
Total transactions with owners	-	(150,000)	-	150,000	-
Balance at 31 December 2014	26,539,318	545,946	303,750	(26,004,480)	1,384,534
Balance at 1 July 2013	23,731,103	1,307,225	303,750	(23,921,565)	1,420,513
Loss for the period	-	-	-	(2,303,585)	(2,303,585)
Total comprehensive income for the period	-	-	-	(2,303,585)	(2,303,585)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of share capital	3,150,869	-	-	-	3,150,869
Transaction costs of share issue	(342,654)	-	-	-	(342,654)
Lapse of option on expiry	-	(282,740)	-	282,740	-
Share based payment	-	138,111	-	-	138,111
Total transactions with owners	2,808,215	(144,629)	-	282,740	2,946,326
Balance at 31 December 2013	26,539,318	1,162,596	303,750	(25,942,410)	2,063,254

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS for the half year ended 31 December 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

Corazon Mining Limited (the Company) is a public company, limited by shares, domiciled and incorporated in Australia and listed on the Australian Securities Exchange. The consolidated half-year financial report of the Company for the six months ended 31 December 2014, comprise the Company and its subsidiaries (the "Consolidated Entity" or "Group").

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

The half-year consolidated financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Corazon Mining Limited and its controlled entities during the half-year reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

These consolidated half year financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 6 March 2015.

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New, revised or amending Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS for the half year ended 31 December 2014 (cont)

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The Consolidated Entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The Consolidated Entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the Entity or its Parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

New standards and interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the annual financial statements of the Group but are not yet effective. This assumes the following have not been adopted in preparation of the financial statements at the reporting date.

<u>AASB No.</u>	<u>Title</u>	<u>Application date of standard</u>	<u>Issue date</u>
AASB 9	Financial Instruments	1-Jan-18	Dec-10
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments Part C - Financial Instruments	Part C - 1 January 2015	Dec-13
AASB 2014-1	Amendments to Australian Accounting Standards Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments	Part D - 1 January 2016 Part E - 1 January 2018	Jun-14
AASB 2014-3	Amendments to Australian Accounting Standard – Accounting for Acquisition of Interest in Joint Operations	1-Jan-16	Aug-14
AASB 2014-4	Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1-Jan-16	Aug-14

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS
for the half year ended 31 December 2014 (cont)**

<u>AASB No.</u>	<u>Title</u>	<u>Application date of standard</u>	<u>Issue date</u>
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1-Jan-17	Dec-14
AASB 2014-7 AASB 2014-8	Amendments to Australian Accounting Standard Arising From AASB 9	1-Jan-18	Dec-14
AASB 2014-9	Amendments to Australian Accounting Standard - Equity Method in Separate Financial Statements	1-Jan-16	Jan-15
AASB 2014-10	Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1-Jan-16	Jan-15
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1-Jan-16	Jan-15
AASB 14	Regulatory Deferral Account	1-Jan-16	Jun-14
AASB 15	Revenues from Contracts with Customers	1-Jan-17	Dec-14

Going Concern Basis

The financial statements have been prepared on the going concern basis. As at 31 December 2014 the Consolidated Entity had net assets of \$1,384,534 (30 June 2014: \$2,065,993) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2014 the Consolidated Entity had \$1,331,188 (30 June 2014: \$2,162,603) in cash and cash equivalents.

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future. As at 31 December 2014 there has been no adjustment in the financial report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the Consolidated Entity be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the Consolidated Entity not continue as a going concern.

Significant accounting estimates, judgments and assumptions

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

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

- (i) *Share based payment transactions*
The Consolidated Entity measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using an appropriate valuation model.
- (ii) *Income tax expenses*
Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS
for the half year ended 31 December 2014 (cont)**

they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

(iii) Impairment of exploration and evaluation assets

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

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

The key areas of judgement and estimation include:

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

(iv) Classification of investments

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

(v) Intangible assets

Intangible assets represent the cost of acquisition of an option to acquire the Lynn Lake Nickel Project. In accordance with AASB136 *Impairment of assets*, an intangible asset which is not ready for use shall be tested for impairment annually. The Company has performed the impairment test and considered it is appropriate that the option should be impaired as at 31 December 2014.

CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS
for the half year ended 31 December 2014 (cont)

2. SEGMENT INFORMATION

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. 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.

	Australia	Canada	Unallocated	Total
	\$	\$	\$	\$
For the period ended 31 December 2014				
Revenue	-	-	24,491	24,491
Total segment revenue	-	-	24,491	24,491
Segment net operating profit after tax	(80,569)	(293,372)	(307,518)	(681,459)
Interest revenue	-	-	24,491	24,491
Depreciation	-	(1,422)	(1,193)	(2,615)
As at 31 December 2014				
Segment assets	-	217,863	1,441,679	1,659,542
Segment Liabilities	-	(200,000)	(75,008)	(275,008)

	Australia	Canada	Unallocated	Total
	\$	\$	\$	\$
For the period ended 31 December 2013				
Revenue	110,000	-	23,850	133,850
Total segment revenue	110,000	-	23,850	133,850
Segment net operating profit after tax	(1,566,177)	(255,011)	(482,397)	(2,303,585)
Interest revenue	-	-	23,850	23,850
Depreciation	-	(1,672)	(1,708)	(3,380)
As at 31 December 2013				
Segment assets	-	-	2,409,499	2,409,499
Segment Liabilities	232,659	-	113,586	346,245

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

CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS
for the half year ended 31 December 2014 (cont)

	31 December 2014 \$	31 December 2013 \$
3. OTHER REVENUE		
<u>Operating activities</u>		
Interest received	24,491	23,850
Other revenue – exploration grant	-	110,000
Total Other Revenue	24,491	133,850

4. INTANGIBLE ASSET

	31 December 2014 \$	30 June 2014 \$
Balance at the beginning of the period	-	-
Option payments	154,785	135,840
Impairment of intangible asset	(154,785)	(135,840)
Balance at the end of the period	-	-

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 sulphide project (Project) in Manitoba Canada, held by Manitoba Nickel Pty Ltd.

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

The Consolidated Entity has spent approximately \$6.6 million on exploration and evaluation at Lynn Lake Project. On 9 August 2012, the Consolidated Entity renegotiated the terms of its option to acquire 100% equity in 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, refer note 11 for details.

BEAUCAGE LAKE GOLD PROJECT

In September 2012, the Consolidated Entity entered into an option agreement to acquire a 100% interest in the Beaucage Lake Gold (Project) in Manitoba Canada, which will be held in the Consolidated Entity's subsidiary Manitoba Nickel Pty Ltd (Manitoba) which also holds the Lynn Lake Project.

On 7 August 2014 the Board resolved that the continuation of expenditure under the Beaucage Lake Gold option agreement was not warranted and that the Company would withdraw from the Beaucage Lake Gold Project.

In accordance with AASB136 *Impairment of assets*, an intangible asset which is not ready for use shall be tested for impairment annually. The Company has performed the impairment test and considered it is appropriate that the Lynn Lake Project be impaired as at 31 December 2014.

CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS
for the half year ended 31 December 2014 (cont)

	31 December 2014 \$	30 June 2014 \$
5. EXPLORATION EXPENDITURE		
Balance at the beginning of the period	-	-
Acquisition of Victory Nickel Project (a)	200,000	-
Exploration expenditure capitalised during the year	218,113	1,232,628
Impairment of exploration expenditure	(217,734)	(1,232,628)
Balance at the end of the period	<u>200,379</u>	<u>-</u>

(a) On 19 December 2014, the Contract for the Company's acquisition of the Victory Nickel Project from Victory Nickel Inc ("the Vendor") was finalised. The Company will issue 40,000,000 shares to the Vendor late February/early March 2015 as consideration for the acquisition. The shares have an aggregate value of \$200,000 (\$0.05 per share).

Exploration expenditure includes expenditure on the Victory Nickel, Top Up Rise and Lynn Lake Gold Projects.

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.

	31 December 2014 \$	30 June 2014 \$
6. ISSUED CAPITAL		
(a) Issued and fully paid shares		
Fully paid ordinary shares	28,343,928	28,343,928
Less: capital issue costs net of tax	<u>(1,804,610)</u>	<u>(1,804,610)</u>
	<u>26,539,318</u>	<u>26,539,318</u>

7. FAIR VALUE MEASUREMENT

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

	31 December 2014 \$	30 June 2014 \$
<u>Assets</u>		
Ordinary shares available-for-sale	<u>44,296</u>	<u>89,427</u>

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

CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS for the half year ended 31 December 2014 (cont)

8. CONTINGENT LIABILITIES

There has been no change to contingent liabilities since the last annual reporting date, refer to Note 11.

9. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances has arisen subsequent to 31 December 2014 that has significantly affected, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

10. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2014.

11. COMMITMENTS

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

LYNN LAKE NICKEL PROJECT

On 13 July 2010, the Consolidated Entity acquired a subsidiary entity Manitoba Nickel Pty Ltd which holds an option to acquire a 100% interest in the Lynn Lake project for approximately \$3 million in expenditure over 3 years, followed by a \$2 million vendor payment.

On 9 August 2012, the Consolidated Entity renegotiated the terms of its option to acquire 100% equity in project. The option to acquire the project has been extended from 20 October 2012 to 20 October 2015. The Consolidated Entity has to make a payment of CAD\$100,000 per annum for each annual extension. The cash consideration has been reduced from CAD\$2 million to CAD\$1 million, plus CAD\$750,000 deferred consideration to be paid on the earliest of either:

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

As at 31 December 2014, the Consolidated Entity has spent approximately \$6.6 million on exploration and evaluation at Lynn Lake Project. The Company has the discretion to exercise the option to acquire Lynn Lake project by paying \$1 million before 20 October 2015.

Subject to Manitoba Nickel Pty Ltd 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 vendors a further 4,500,000 shares.

Exploration and evaluation expenditure payable in the event option to Lynn Lake is exercised.

- | | |
|---|-------------|
| - Not longer than 12 months | \$1,054,000 |
| - Longer than one year but not longer than five | - |

**CONDENSED NOTES TO THE CONSOLIDATED STATEMENTS
for the half year ended 31 December 2014 (cont)**

VICTORY NICKEL PROJECT

On 19 December 2014, the Contract for the Company's acquisition of the Victory Nickel Project from Victory Nickel Inc ("the Vendor") was finalised.

Over the five years following execution of the Contract, the Company is required to spend an aggregate amount of AUD\$3.5M on exploration and resource development.

Exploration and evaluation expenditure payable:

- Not longer than 12 months	\$723,014
- Longer than one year but not longer than five	\$2,776,986

12. KEY MANAGEMENT PERSONNEL

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

DIRECTOR'S DECLARATION

The Directors of the Company declare that:-

1. The financial statements and notes, as set out on pages 9 to 21 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and Corporation Regulations 2001; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Brett Smith
Managing Director

Dated this day 6 March 2015