



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**PERIOD ENDED SEPTEMBER 30, 2016**

**(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

---

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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



**CORAZON GOLD CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

For the	Three month period ended September 30, 2016	Three month period ended September 30, 2015	Nine month period ended September 30, 2016	Nine month period ended September 30, 2015
<b>EXPENSES</b>				
Consulting	\$ 36,250	\$ 21,063	\$ 91,250	\$ 63,038
Office	7,622	5,964	22,229	14,038
Professional fees	10,501	5,853	26,207	33,161
Regulatory and filing	5,204	(1,495)	15,981	13,225
Share-based compensation	551,427	-	551,427	-
	(611,004)	(31,385)	(707,094)	(123,462)
<b>EXPENSES</b>				
Foreign exchange	(378)	(5,687)	7,474	(9,596)
Write-off accounts payable	1,417	-	4,217	-
	(609,965)	(37,072)	(695,403)	(133,058)
<b>Loss for the period</b>				
	(609,965)	(37,072)	(695,403)	(133,058)
<b>OTHER COMPREHENSIVE LOSS</b>				
Exchange differences on translating foreign operations	-	(4,756)	3,871	(8,038)
	-	(4,756)	3,871	(8,038)
<b>Comprehensive loss for the period</b>	\$ (609,965)	\$ (41,828)	\$ (691,532)	\$ (141,096)
<b>Basic and diluted loss per common share</b>	\$ (0.04)	\$ (0.00)	\$ (0.06)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	14,521,770	11,118,778	12,501,776	10,445,425

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**CORAZON GOLD CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

(Unaudited)

---

For the period ended September 30	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (695,403)	\$ (133,058)
Changes in non-cash working capital items:		
Receivables, deposits and prepaid expenses	(4,528)	10,324
Accounts payable and accrued liabilities	(123,280)	51,316
Share-based payments	551,427	
Net cash used in operating activities	<u>(271,784)</u>	<u>(71,418)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from share issuances	781,375	250,040
Share issuance costs	(22,209)	(14,918)
Proceeds from warrants exercise	685,931	-
Net cash provided by (used in) investing activities	<u>1,445,097</u>	<u>235,122</u>
<b>Change in cash during the period</b>	1,173,313	163,704
<b>Effect of exchange rates on cash holdings in foreign operations</b>	4,936	(10,497)
<b>Cash, beginning of period</b>	<u>225,159</u>	<u>77,594</u>
<b>Cash and cash, end of period</b>	<u>\$ 1,403,408</u>	<u>\$ 230,801</u>

---

There were no significant non-cash transactions during nine months periods ended September 30, 2016 and 2015

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**CORAZON GOLD CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital			Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount	Reserves			
<b>Balance, December 31, 2014</b>	10,103,169	\$ 17,984,622	\$ 2,349,151	\$ 68,198	\$ (20,558,497)	\$ (156,526)
Private placements	1,316,000	250,040	-	-	-	250,040
Share issuance costs - cash	-	(14,918)	-	-	-	(14,918)
Share issuance costs - warrants	-	(8,415)	8,415	-	-	-
Other comprehensive loss	-	-	-	(8,038)	-	(8,038)
Loss for the period	-	-	-	-	(133,058)	(133,058)
<b>Balance, September 30, 2015</b>	11,419,169	18,211,329	2,357,566	60,160	(20,691,555)	(62,500)
Share issuance costs - cash	-	(6,000)	-	-	-	(6,000)
Share issuance costs - warrants	-	(4,736)	4,736	-	-	-
Other comprehensive loss	-	-	-	(2,049)	-	(2,049)
Loss for the period	-	-	-	-	(52,361)	(52,361)
<b>Balance, December 31, 2015</b>	11,419,169	18,200,593	2,362,302	58,111	(20,743,916)	(122,910)
Private placements	3,906,875	781,375	-	-	-	781,375
Share issuance costs - cash	-	(22,209)	-	-	-	(22,209)
Share issuance costs - warrants	-	(3,699)	3,699	-	-	-
Share-based payments	-	-	551,427	-	-	551,427
Warrants exercise	8,574,132	685,931	-	-	-	685,931
Other comprehensive loss	-	-	-	3,871	-	3,871
Loss for the period	-	-	-	-	(695,403)	(695,403)
<b>Balance, September 30, 2016</b>	23,900,176	\$ 19,641,991	\$ 2,917,428	\$ 61,982	\$ (21,439,319)	\$ (1,182,082)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# CORAZON GOLD CORP.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Corazon Gold Corp. (the "Company"), was incorporated on April 20, 2005, under the laws of the province of Alberta, Canada and its principal activity is the acquisition and exploration of mineral properties in Canada, United States of America and Nicaragua. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "CGW".

The Company's head office, registered and records office is 488 - 1090 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3V7.

These consolidated condense interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

### 2. BASIS OF PREPARATION

#### Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

#### Basis of Consolidation and Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned *
ReMac Zinc Development Corp. ("RMZD")	Canada	100%
0887398 B.C. Ltd.	Canada	100%
0887406 B.C. Ltd.	Canada	100%
Corazon Exploraciones, S.A.	Nicaragua	100%
ICN Resources Ltd	Canada	100%
Esmeralda Gold Inc.	USA	100%
Eureka Gold Inc.	USA	100%
Washoe Gold Inc.	USA	100%

## **CORAZON GOLD CORP.**

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

---

## **2. BASIS OF PREPARATION (cont'd...)**

### **Use of Estimates and Judgments**

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

#### *Critical accounting estimates*

- i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.
- ii. The valuation of shares issued in non-cash transactions are generally based on the value of goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

#### *Critical accounting judgments*

- i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project.
- ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

### **New standards, interpretations and amendments adopted**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015. There were no new standards and interpretations effective as of January 1, 2016 that would be applicable to the Company.

### **New standards yet adopted**

IFRS 9 Financial Instruments (Revised) was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 Financial instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.



**CORAZON GOLD CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

**3. SHARE CAPITAL AND RESERVES**

## a) Authorized share capital

Unlimited number of common and preferred shares without par value.

## b) Issued share capital

During the period ended September 30, 2016, the Company:

Issued 8,754,132 common shares from the exercise of share purchase warrants at \$0.08 per warrant for gross proceeds of \$685,931.

Completed a private placement by issuing 3,906,875 Units for \$0.20 per unit for gross proceeds of \$781,375. Each unit consisted of one common share and one half share purchase warrant with each share purchase warrant exercisable at \$0.40 for two years from date of issuance. In connection with the private placement, the Company paid cash share issuance costs of \$22,209 and issued 23,100 finder's warrants exercisable at \$0.40 per warrant expiring in two years. The finder's warrants were valued at \$3,699 using the Black Scholes option pricing model assuming a risk-free rate of 0.66%, an expected volatility of 142%, an expected life of 2 year and an expected dividend and forfeiture rate of nil.

During the period ended September 30, 2015, the Company completed a private placement by issuing 1,316,000 Units for \$0.19 per unit for gross proceeds of \$250,040. Each unit consisted of one common share and one half share purchase warrant with each share purchase warrant exercisable at \$0.40 until July 21, 2017. In connection with the private placement, the Company paid cash share issuance costs of \$14,918 and issued 78,520 finder's warrants exercisable at \$0.19 per warrant expiring in one year.

## c) Stock options and warrants

The Company has adopted an incentive share option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable share options.

Share purchase warrants and stock option transactions are summarized as follows:

	Stock options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2014	-	\$ -	8,574,132	\$ 0.08
Granted	-	-	736,520	0.38
Balance, December 31, 2015	-	\$ -	9,310,652	\$ 0.10
Exercised	-	-	(8,574,132)	0.08
Expired	-	-	(78,520)	0.19
Granted	2,390,017	0.27	-	-
Balance, September 30, 2016	2,390,017	\$ 0.27	658,000	\$ 0.40

**CORAZON GOLD CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

**3. SHARE CAPITAL AND RESERVES (cont'd...)**

## c) Stock options and warrants

The weighted average fair value of options granted during the period was \$0.23 per option (2015 - \$Nil). Total share-based payments recognized in the statement of shareholders' equity for the period ended September 30, 2016 was \$551,427 (2015 - \$Nil) for incentive options granted and was recognized in the statement of loss and comprehensive loss.

As at September 30, 2016, stock options were outstanding as follows:

	Number outstanding	Number exercisable	Exercise price	Expiry date	Weighted average contractual life (years)
<b>Stock Options</b>	2,390,017	2,390,017	\$ 0.27	September 21, 2021	5.00
	2,390,017	2,390,017			

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2016	2015
Risk-free interest rate	0.66%	-
Expected life of option	5 years	-
Expected annualized volatility	142%	-
Expected dividend rate	Nil	Nil

As at September 30, 2016, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
<b>Share Purchase Warrants</b>	658,000	\$ 0.40	July 17, 2017
	658,000		

**4. RELATED PARTY TRANSACTIONS**

The condensed consolidated interim financial statements include the financial statements of Corazon Gold Corp. and its 100% owned subsidiaries.

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer, and Directors of the Company. The remuneration of the key management personnel is as follows:

- Paid or accrued consulting fees of \$32,560 for the former CEO of the Company (2015 - \$36,000);
- Paid or accrued consulting fees of \$10,000 for the CFO of the Company (2015 - \$5,975);
- Paid or accrued consulting fees of \$25,000 for the CEO and director of the Company (2015 - \$Nil); and
- Paid or accrued consulting fees of \$5,000 for a director and VP of Corporate Development of the Company (2015 - \$Nil).

## **CORAZON GOLD CORP.**

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

---

#### **4. RELATED PARTY TRANSACTIONS (cont'd...)**

During the period ended September 30, 2016, the Company expensed \$459,138 (2015 - \$Nil) in share-based payments to key management personnel and their related companies.

The amount of \$5,391 (2015 - \$85,340) is due to related parties. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

#### **5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the consolidated statement of financial position. Cash, and marketable securities, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

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

##### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This includes a GST receivable of \$2,217 from the government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal.

##### ***Liquidity risk***

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

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

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

## **CORAZON GOLD CORP.**

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

---

#### **5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

##### ***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### **a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash is minimal.

##### **b) Foreign currency risk**

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US Dollars (USD). Based on management's knowledge and experience of the financial markets, the Company believes that 10% fluctuation in the USD against the Canadian dollar would affect net loss for the period by approximately \$10,000.

##### **c) Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

##### ***Capital management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral exploration concessions, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity (deficit).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

#### **6. SEGMENTED INFORMATION**

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.