



CYGNUS GOLD

ANNUAL REPORT 2017



02 CYGNUS WAS FORTUNATE TO ATTRACT SUPPORT FROM A NUMBER OF MAJOR INDUSTRY SHAREHOLDERS.



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04 CHAIRMAN'S STATEMENT

Dear shareholders,

It is with great pleasure that we present Cygnus Gold Limited's first Annual Report as an ASX listed company.

Last year was a very busy year for Cygnus. Led by Managing Director James Merrillees, we progressed from an early stage exploration entity all the way through the initial public offering process to a point where we successfully listed on 15 January 2018.

It was pleasing to see the strong support for the Cygnus story, culminating in the Company comfortably achieving its maximum \$6 million subscription goal.

It is a testament to the organisational skills of the management team that Cygnus collared its first diamond drill hole on the same morning as official quotation on the ASX was achieved – a great milestone.

Speaking of milestones, I believe it is worth highlighting some of the many achievements the company made in 2017;

-
- Consolidated a significant tenement holding for gold exploration in Western Australia
 - Attracted cornerstone investment from Resource Capital Funds, Southern Cross Capital and Gold Road Resources Limited
 - Recruited a management team to undertake both the corporate and technical management processes
 - Arranged land access for exploration on the Stanley Project area
 - Arranged permitting for the proposed drilling and exploration programs
 - Entered into two earn-in agreements with Gold Road
 - Undertook all pre-IPO work necessary to obtain official quotation on the ASX
 - Successfully applied for WA Government co-funding for diamond drilling at Bottleneck.
-

05 CHAIRMAN'S STATEMENT

Turning to our gold exploration assets, our tenements in the Wheatbelt region of Western Australia have been selected following application of extensive geoscientific work by our talented team. We believe the Wheatbelt is an under-explored area for gold, and the earn-in agreements executed with Gold Road are a strong endorsement of that belief.

Located within a comfortable three to four hours' drive from Perth, Cygnus' primary targets are shallow, and in many cases, have either had previous drill success - with high-grade gold results achieved in previous drilling - or they demonstrate strong geochemical gold targets.

In parallel with the above achievements, and as we progressed from start-up in late 2016 and throughout 2017, Cygnus was fortunate to attract support from a number of major industry shareholders. This commenced with Resource Capital Funds, becoming our founding cornerstone shareholder. That support was backed-up through investment by Southern Cross Capital and then subsequently consolidated by Gold Road Resources Limited becoming not only a cornerstone investor, but also an exploration partner via two earn-in agreements. The early and ongoing support and encouragement of these respected resource industry groups is greatly appreciated by the board and management.

Speaking of the board, I would like to thank our directors - comprising James Merrillees, geoscientists Dr Amanda Buckingham and Dr Oliver Kreuzer (both founders) and rounded out by the highly experienced mining executive Simon Jackson. The board has experience from early stage exploration, right through to mine development and operations and I look forward to the opportunity of utilising all of those skills as we progress. In the short term, there are a number of exciting programs planned for 2018, including drilling of the Bottleneck target on the 100 per cent owned Stanley tenement, and advancing exploration work with Gold Road on our JV tenements.

I take this opportunity to thank all our shareholders – large and small – for the tremendous support shown to us throughout 2017 and to also thank the many stakeholders who have assisted Cygnus over the last 12 months.



Michael Bohm
Non-executive Chairman

06 DIRECTORS' REPORT

The directors present their report, together with the financial statements for the year ended 31 December 2017 for Cygnus Gold Limited (Cygnus or the Company). Comparative information is for the period ended from incorporation to 31 December 2016.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report (unless otherwise stated) are as follows:

Mr Michael Bohm - Non-executive Chairman Director since September 2016

Mr Bohm is a qualified mining professional with significant corporate and operations experience. He has had extensive minerals industry experience in Australia, South East Asia, Africa, Chile, Canada and Europe. A graduate of WA School of Mines, Michael has worked as a mining engineer, mine manager, study manager, project manager, project director and managing director and has been directly involved in a number of mine developments

in the gold, nickel and diamond sectors. Mr Bohm currently serves as a Director and Chair of a number of ASX listed companies and sits on their Audit & Risk and Remuneration Committees. Prior to this, he held directorships at Argyle Diamonds Mines, Sally Malay Mining Limited and Ashton Mining of Canada.

Over the past three years, Mr Bohm has also held directorships with the following ASX listed companies:

| OTHER CURRENT DIRECTORSHIPS | COMMENCED | CEASED |
|-----------------------------|------------------|--------|
| Perseus Mining Limited | 15 October 2009 | - |
| Mincor Resources Limited | 1 January 2017 | - |
| Ramelius Resources Limited | 29 November 2012 | - |

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

| | | |
|--------------------------|---------------|-----------------|
| Tawana Resources Limited | 1 August 2015 | 21 October 2016 |
| Berkut Minerals Limited | 1 July 2016 | 30 June 2017 |

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Mr James Merrillees – Managing Director

Appointed 17 November 2017

Mr Merrillees is a professional geologist with more than 20 years’ global experience in minerals exploration and development. He has wide experience leading teams exploring and evaluating precious and base metals throughout Australia, Europe, South America, Asia and Africa. After 12 years with BHP, Mr Merrillees worked in technical and corporate roles for both ASX listed and private gold and base metals explorers and producers. He has extensive experience in exploring Archean and Proterozoic mineral systems and has been involved in the discovery of greenfields nickel, uranium and iron ore deposits in Scandinavia, and bauxite and gold in West Africa. He is a member of the AusIMM and holds Bachelor of Science (Geology) and Bachelor of Commerce (Accounting and Finance) degrees and a Graduate Diploma in Applied Finance.

Over the past three years, Mr Merrillees has not held any directorships with an ASX listed company.

Mr Simon Jackson – Non-executive Director

Appointed 17 November 2017

Mr Jackson is a Chartered Accountant with 25 years’ experience in the gold industry. He is currently the CEO and MD of ASX listed Brazilian focussed gold producer Beadell Resources Limited. Prior to this, Mr Jackson was a founding shareholder and President & CEO of the TSXV listed Orca Gold Inc, a junior exploration company with multiple gold discoveries in Sudan. From 1999 to 2010 he was an integral part of the senior management team at Red Back Mining Inc, which grew from a small West Perth based junior to a TSX listed intermediate producer that was taken over by Kinross Gold Corp in 2010. Mr Jackson’s career includes corporate transactions and equity financings involving assets in Australia, Africa, Asia and South America. Over the past three years, Mr Jackson has also held directorships with the following ASX listed companies:

| OTHER CURRENT DIRECTORSHIPS | COMMENCED | CEASED |
|-----------------------------|------------------|--------|
| Beadell Resources Limited | 10 November 2013 | - |
| Orca Gold Inc | 4 April 2013 | - |
| Sarama Resources Limited | 11 March 2011 | - |

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

| | | |
|----------------------------|-----------------|-----------------|
| Cardinal Resources Limited | 31 August 2015 | 12 October 2017 |
| RB Energy Inc. | 31 January 2014 | 2 April 2015 |

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Dr Oliver Kreuzer – Non-executive Director Director since April 2016

Dr Kreuzer is a Registered Professional Geoscientist (MAIG RPGeo) with a broad skill set in structural, generative and corporate geology honed during a 18+ year career in applied research and mineral exploration across a wide range of gold, base metals and uranium projects in Australia, Africa, North America, Europe and Asia. His work directly contributed to new company floats (ASX:AUC, ASX:RGU), company transforming project acquisitions (ASX:AWV) and new discoveries. Dr Kreuzer's passion lies in the application of superior geoscience to exploration targeting and shortening the time frame to discovery.

Over the past three years, Dr Kreuzer has not held any directorships with an ASX listed company.

Dr Amanda Buckingham – Non-executive Director Director since April 2016

Dr Buckingham has been involved full-time in mineral exploration for over 20 years. Dr Buckingham founded and remains a major shareholder and director of companies in the United States, Australia and Singapore and has been fundamental to their high profitability. Dr Buckingham founded Fathom Geophysics in 2007, an industry leading geophysical group that has developed worlds-best technology for targeting under cover and significantly increasing the chance of discovery.

Dr Buckingham's early career was at major mining companies such as Rio Tinto and several listed juniors. She has wide-ranging exploration experience in North and Sub-Saharan Africa, North and South America, South East and Central Asia, Russia and Europe. Dr Buckingham is a research fellow at the University of Western Australia and a founder of Cygnus.

Over the past three years, Dr Buckingham has not held any directorships with an ASX listed company.

Mr Alan Cleland – Non-executive Director Resigned 17 November 2017

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INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares (direct and indirect) of Cygnus Gold Limited were:

| NAME | NUMBER OF ORDINARY SHARES |
|----------------------|---------------------------|
| Mr Michael Bohm | 3,170,001 |
| Mr James Merrillees | 150,000 |
| Mr Simon Jackson | 303,334 |
| Dr Oliver Kreuzer | 1,883,334 |
| Dr Amanda Buckingham | 2,333,334 |

There are no options on issue at the date of this report.

COMPANY SECRETARY

Mr Michael Naylor

Mr Naylor has 21 years' experience in corporate advisory and public company management since commencing his career and qualifying as a Chartered Accountant with Ernst & Young. He has been involved in the financial management of mineral and resource focused public companies serving on the board and in the executive management team focusing on advancing and developing mineral resource assets and business development.

OPERATING RESULTS

The loss of the Company for the year ended 31 December 2017 after providing for income tax amounted to \$784,721 (2016: \$81,504).

REVIEW OF FINANCIAL POSITION

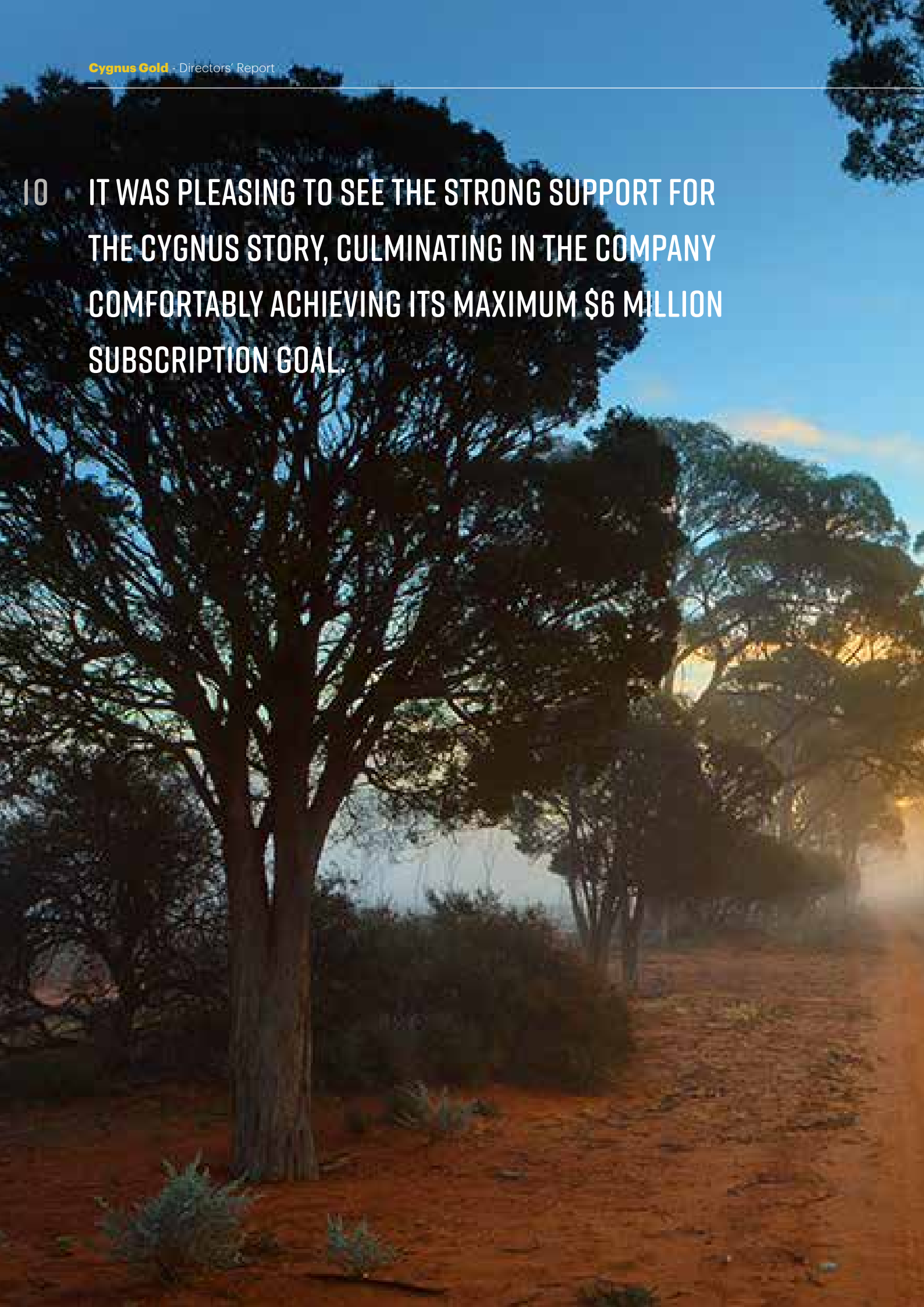
The net assets are \$6,607,517 as at 31 December 2017 (2016: \$869,738).

PRINCIPAL ACTIVITIES

Cygnus is a gold exploration company focused on gold exploration in south west Yilgarn region of Western Australia.

There have been no significant changes in the nature of these activities during the period.

10 IT WAS PLEASING TO SEE THE STRONG SUPPORT FOR THE CYGNUS STORY, CULMINATING IN THE COMPANY COMFORTABLY ACHIEVING ITS MAXIMUM \$6 MILLION SUBSCRIPTION GOAL.



II REVIEW OF OPERATIONS

Overview

Cygnus is targeting the discovery of high grade gold deposits within the Southwest Terrane of Western Australia. The Southwest Terrane is a unit of high metamorphic grade rocks forming part of the well mineralised Yilgarn Craton.

In Western Australia, particularly in the Southwest Terrane, high-grade metamorphosed greenstone sequences have been targeted sporadically for their gold potential with some success at Griffins Find, Katanning and Tampia. However, compared to other parts of the Yilgarn Craton, the intensity of exploration activity is relatively low. Cygnus believes this is partly a result of widespread, post-mineral cover which requires detailed geophysical data to effectively explore.

It was only in February 2016 new, higher resolution geophysical data over the Southwest Yilgarn became publicly available. Using this newly released data Cygnus' team generated maps identifying the greenstone belts across the Southwest Terrane including key structures controlling the location of mineralisation. The areas identified by this approach were subject to detailed screening and the Company subsequently applied for exploration licences over targets that passed this initial screening and were ranked highest for potential to host economic gold deposits.

At 31 December 2017 the Company has assembled a 5,392km² land package, comprising approximately 2,148 km² of Exploration Licences and approximately 3,244 km² of Exploration Licence Applications to explore for gold in this highly prospective region.

12 OVERVIEW

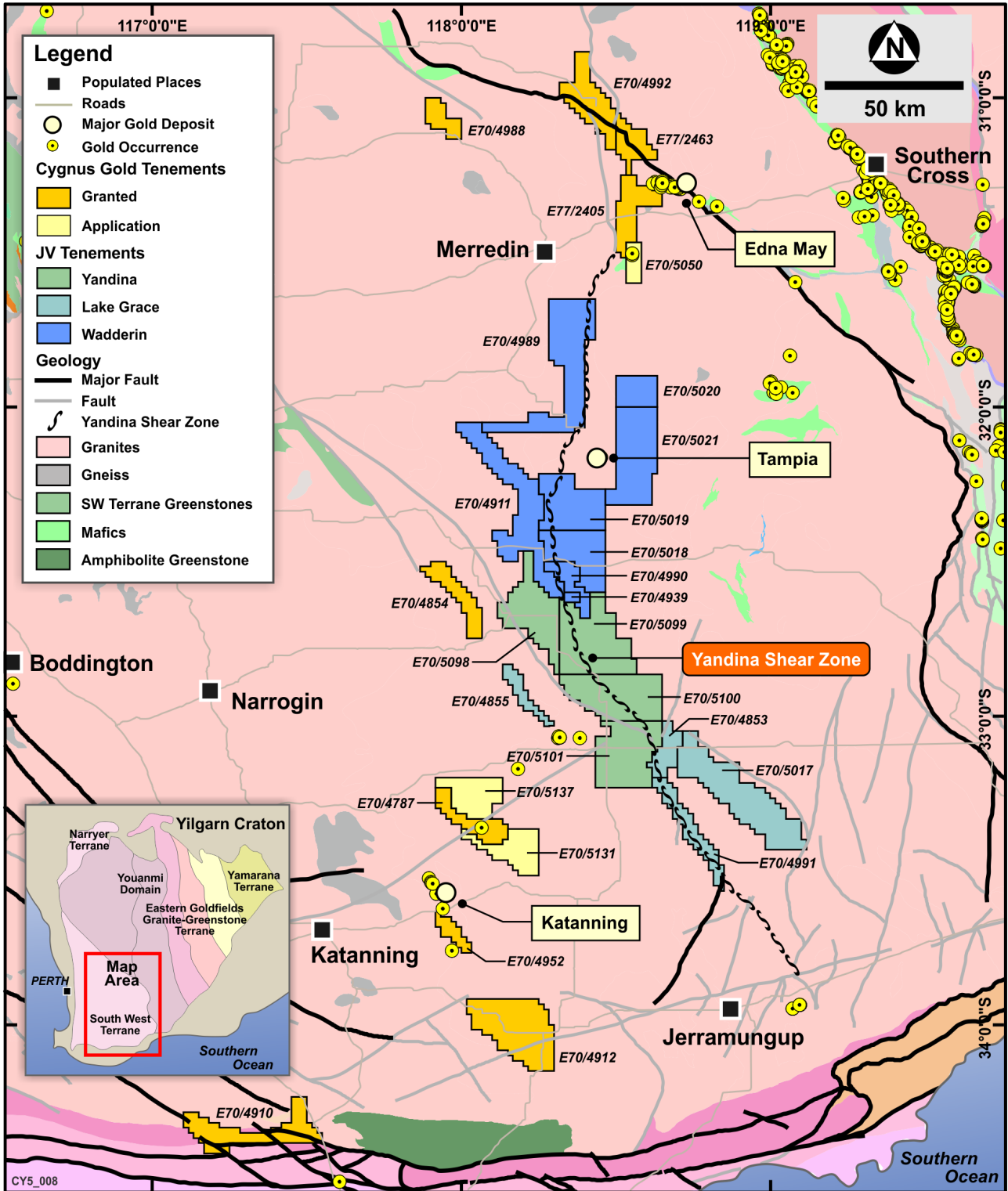


Figure 1: Location of Cygnus' Projects, Southwest Western Australia

13 THE PROJECTS

As at 31 December 2017 Cygnus' granted Exploration Licences are as follows:

- (a) Stanley Project – E70/4787;
- (b) Kulin Project – E70/4854;
- (c) Borden Project – E70/4912;
- (d) Burracoppin – E77/2405;
- (e) Frankland Project – E70/4910; and
- (f) Bullock North Project – E70/4952.

In addition, the Company has applied for the following Exploration Licences (not granted at 31 December 2017):

- (a) Bencubbin Project – E70/4988 (application); and
- (b) Burracoppin North Project – E70/4992 (application) and E77/2463 (application).

The Company also has two other projects comprising the following Tenements which are the subject of earn-in agreements under which Gold Road Resources can earn up to a 75% interest:

- (a) Lake Grace Project – E70/4855, E70/4853, E70/4991 (application), E70/5017 (application); and
- (b) Wadderin Project – E70/4911, E70/4939, E70/4990 (application), E70/4989 (application), E70/5018 (application), E70/5019 (application), E70/5020 (application) and E70/5021 (application),

14 STANLEY PROJECT (E70/4787)

Cygnus' key asset and most advanced exploration project is the Stanley Project, comprising an area of 161km² and is approximately 60km northeast of the Wheatbelt town of Katanning. Stanley was targeted following Cygnus' interpretation of available geophysical datasets which identified a >20km long strike length of prospective greenstone sequences with widespread, shallow high grade gold mineralisation identified by previous explorers (Figure 2).

Review of historical exploration data at Stanley identified many of these high-grade prospects were never adequately followed up. Importantly previous explorers drilled limited deeper holes, and no diamond core holes and therefore had little to no information regarding the structures or lithologies which focus and host gold mineralisation.

Cygnus immediate focus at Stanley are the high-grade Bottleneck, Bottlerack, Stanley Hill, Brays and McDougall prospects where the Company has approvals in place enabling on-ground work.

At Bottleneck historical air core drilling by previous explorers included intersections of 21m @ 3.3 g/t Au, 7m @ 6.4g/t Au, and 9m @ 6.9 g/t Au.¹ Cygnus has reinterpreted this historical drilling and identified down-plunge extensions of the known mineralisation at Bottleneck which have not been tested.

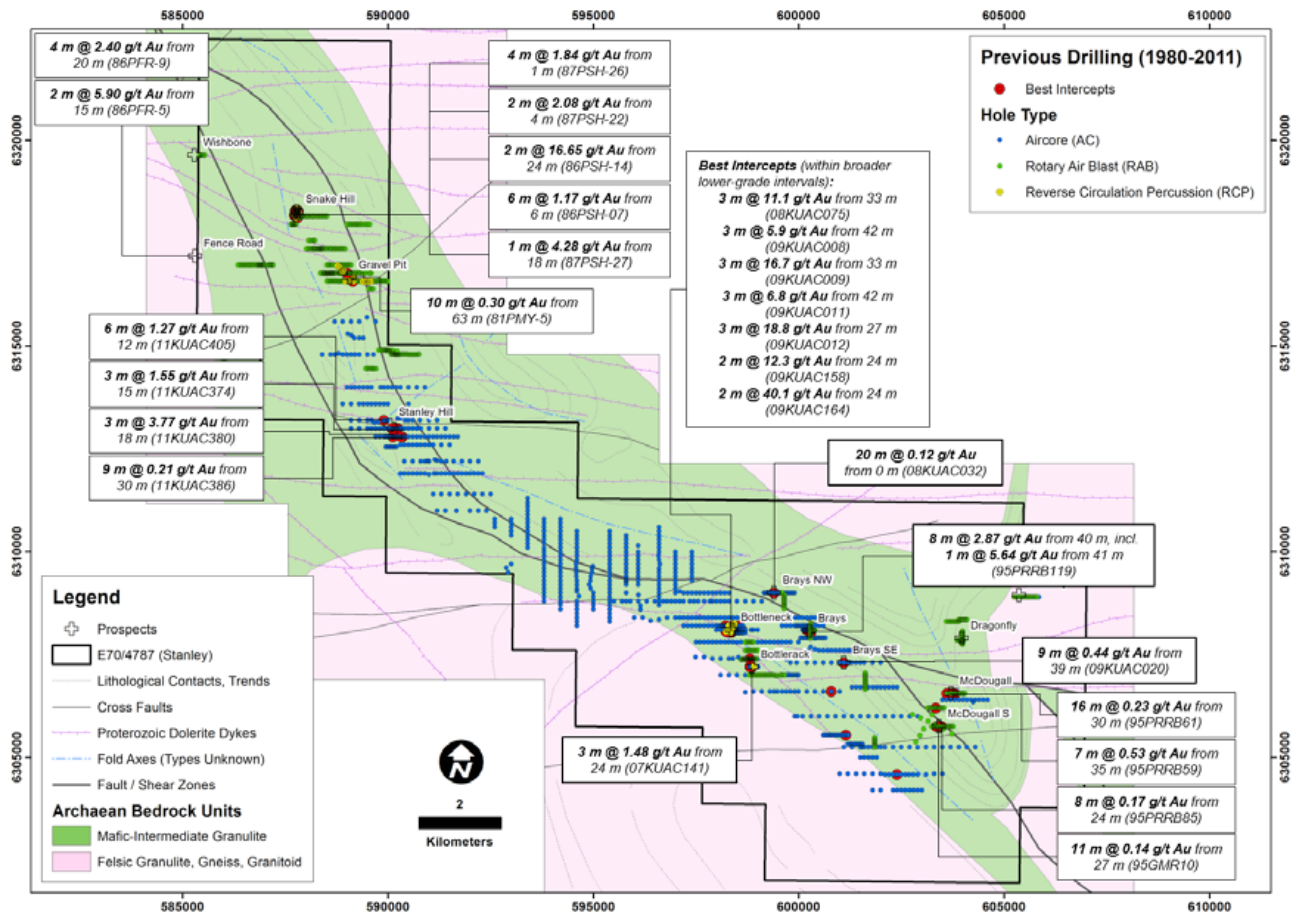


Figure 2: E70/4787 (Stanley Project), key drill results and prospects. Note: The geology interpretation is explained in the Independent Technical Assessment Report in Section 8 of the Cygnus Gold Prospectus dated 22 November 2017.

Following the successful listing on the ASX in January 2018 the Company immediately commenced diamond drilling at Bottleneck and intersected high grade gold including intervals of:

- 2.4m @ 114.63 g/t Au from 38.70m in hole BNDD001
- 4.8m @ 34.17 g/t Au from 24.7m in hole BNDD003
- 6.0m @ 3.3 g/t Au from 157.5m in hole BNDD006

(refer CY5 ASX announcement 22 February 2018).²

The Company is excited to build on this early success as it targets follow up at Bottleneck and the remaining prospects identified at Stanley in 2018.

16 OTHER CYGNUS 100% PROJECTS

Other Cygnus 100% Projects

Cygnus has an additional 1,237km² of granted tenements and 590km² of applications, covering prospective greenstone rocks of the Southwest Terrane of the Yilgarn Craton.

During the period the Company identified and met with landowners of properties covering prospects and targets identified from Cygnus' interpretation of the geophysics and review of historical data. The response from landowners has been overwhelmingly positive and it is expected that field work will commence following the signing of land access agreements.

Gold Road Earn-in and Joint Venture Agreements

On 9 October 2017, the Company entered into two earn-in and joint venture agreements with Gold Road Resources Limited (ASX:GOR); whereby GOR is earning into Cygnus' Wadderin and Lake Grace Projects (Figure 3). Cygnus is manager of the Projects and the key terms of the Agreements are outlined on the following page (refer GOR's ASX Announcement 10 October 2017).

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Wadderin Earn-In Agreement

- Gold Road can earn a 51% interest in the Wadderin Project by spending A\$1.6 million within 30 months
- After the initial earn-in, Gold Road can elect to earn a further 24% interest (75% in total) by spending a further A\$900,000 (A\$2.5 million in aggregate) over a further 18 months (4 years in aggregate)
- Gold Road can withdraw from the earn-in after spending a minimum of A\$900,000 within 18 months.

Lake Grace Earn-In Agreement

- Gold Road can earn a 51% interest in the Lake Grace Project by spending A\$700,000 within 30 months
- After the initial earn-in, Gold Road can elect to earn a further 24% interest (75% in total) by spending a further A\$500,000 (A\$1.2 million in aggregate) over a further 18 months (4 years in aggregate)
- Gold Road can withdraw from the earn-in after spending a minimum of A\$400,000 within 18 months.

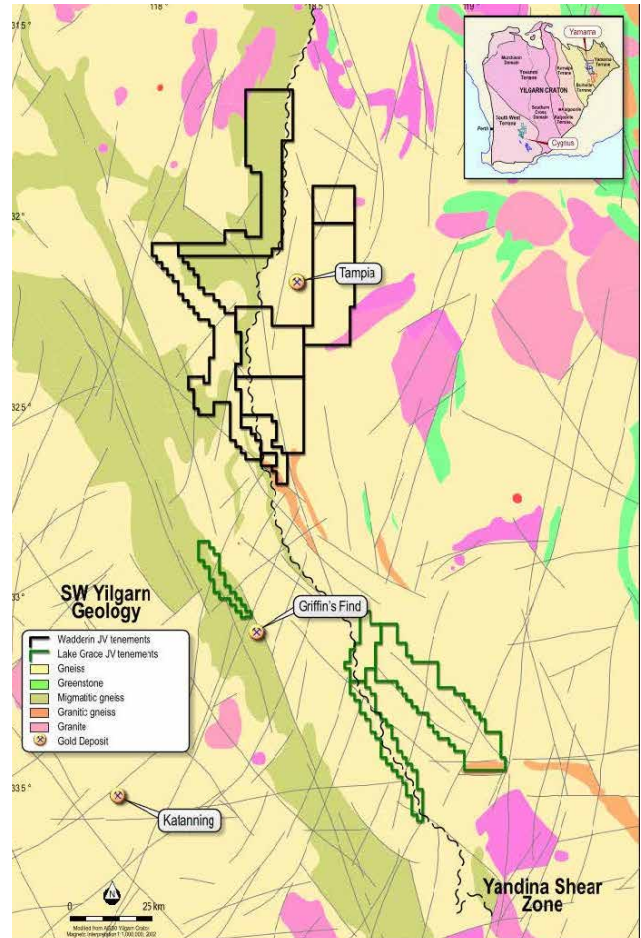


Figure 3: Location and outline of the Wadderin and Lake Grace Projects

18 CORPORATE

Admission to the Australian Securities Exchange

Cygnus was successfully admitted to the Official List with official quotation commencing on 15 January 2018. Cygnus raised \$6,000,000 (before costs) and was well supported from cornerstone shareholders including Resource Capital Funds, Southern Cross Capital and Gold Road Resources and lead broker Morgans Corporate Limited.

After the listing the Company had 60,683,341 shares on issue.

BOARD AND MANAGEMENT CHANGES

In March 2017, the Company appointed Chief Executive Officer, Mr James Merrillees.

Mr Merrillees was appointed as Managing Director in November 2017.

On 17 November 2017, the Company appointed Mr Simon Jackson to the Board. Refer to page 7 for more details on Mr Jackson.

On 17 November 2017, Mr Alan Cleland resigned as a Director. The Company expressed its sincere thanks to Mr Cleland as a founding director who was an integral part of the team in acquiring Cygnus' original assets and the success of the initial public offering.

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.

SUBSEQUENT EVENTS

The Company was successfully admitted to the Official List with official quotation commencing on 15 January 2018 and \$6,000,000 capital raised (before costs) was well supported from cornerstone shareholders including Resource Capital Funds, Southern Cross Capital and Gold Road Resources and lead broker Morgans Corporate Limited.

On the 22 March 2018, Cygnus announced a new joint venture was entered with a wholly owned subsidiary of Gold Road Resources.

Other than what is mentioned above, there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future financial years
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

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**CYGNUS' TECHNICAL TEAM HAS CONSIDERABLE KNOWLEDGE
AND EXPERIENCE IN TARGETING AND EVALUATING GOLD
MINERALISED SYSTEMS WORLD-WIDE.**



LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is committed to:

- systematically explore the Company's key asset being the Stanley Gold Project;
- advance exploration for gold on the other Cygnus Exploration Licences at Kulin, Borden, Burracoppin, Frankland, and Bullock North;
- manage the Wadderin and Lake Grace Projects in conjunction with Gold Road Projects in accordance with the relevant earn-in agreements;
- advance the Company's Exploration Licence Applications to grant;
- continue to negotiate further access with private landholders in relation to areas of interest identified by the above activities; and
- implement a growth strategy to seek out further exploration, acquisition and joint venture opportunities in Australia.

ENVIRONMENTAL ISSUES

The Company 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. The directors have considered the National Greenhouse and Energy Reporting Act 2007 ('the NGER Act') and at the current stage of development and based on the locations of the Company's operations, the directors have determined that the NGER Act will have no effect on the Entity for the current or subsequent financial year. The directors will reassess this position as and when the need arises. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 31 December 2017.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no changes in the state of affairs of the Company other than those outlined in the Review of Operations.

CORPORATE GOVERNANCE

The directors of Cygnus Gold Limited believe that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Changes and improvements are made in a substance over form manner, which appropriately reflect the changing circumstances of the company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

Cygnus reviews all of its corporate governance practices and policies on an annual basis to ensure they are appropriate for the Company's current stage of development. This year, the review was made against the new ASX Corporate Governance Council's Principles and Recommendations (third edition) which became effective for financial years beginning on or after 1 July 2014.

The Company's initial Corporate Governance Statement was approved by the Board on 17 November 2017. The Company was listed on the Australian Securities Exchange on 15 January 2018 and the Board has reviewed and approved its revised Corporate Governance Statement on 26 March 2018 and is available on the Company's website at www.cygnusgold.com

The Company has a corporate governance section on the website which includes details on the company's governance arrangements and copies of relevant policies and charters.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 December 2017 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001(Cth), as amended (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing

and controlling the major activities of the Entity, directly or indirectly including any director (whether executive or otherwise) of the parent.

The table below outlines the KMP of the Entity during the financial year ended 31 December 2017. Unless otherwise indicated, the individuals were KMP for the entire financial year.

For the purposes of this report, the term "executive" includes the executive directors and senior executives of the Company.

EXECUTIVE DIRECTOR

| | |
|------------------|--|
| James Merrillees | Managing Director (appointed CEO on 13 March 2017 and Managing Director on 17 November 2017) |
|------------------|--|

NON EXECUTIVE DIRECTORS

| | |
|-------------------|---|
| Michael Bohm | Non-executive Chairman (appointed 30 September 2016) |
| Simon Jackson | Non-executive Director (appointed 17 November 2017) |
| Oliver Kreuzer | Non-executive Director (appointed 21 April 2016) |
| Amanda Buckingham | Non-executive Director (appointed 21 April 2016) |
| Alan Cleland | Non-executive Director (appointed 3 November 2015, resigned 17 November 2017) |

SENIOR EXECUTIVE

| | |
|----------------|--|
| Michael Naylor | Company Secretary (appointed 4 October 2016) |
|----------------|--|

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

REMUNERATION GOVERNANCE

The Board has decided there are no efficiencies to be gained from forming a separate remuneration committee and hence the current board members carry out the roles that would otherwise be undertaken by a remuneration committee with each director excluding themselves from matters in which they have a personal interest.

The Board considers and recommends compensation arrangements for the directors and senior executives; remuneration policies and practices; retirement termination policies and practices; Company share schemes and other incentive schemes; Company superannuation arrangements and remuneration arrangements for members of the Board.

The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated directors, executives and employees who can enhance Company performance through their contributions and leadership.

REMUNERATION FRAMEWORK

The Board recognises that the Company's performance and ultimate success in project delivery depends very much on its ability to attract and retain highly skilled, qualified and motivated people in an increasingly competitive remuneration market. At the same time, remuneration practices must be transparent to shareholders and be fair and competitive taking into account the nature and size of the organisation and its current stage of development.

The approach to remuneration has been structured with the following objectives:

- to attract and retain a highly skilled executive team;
- to link remuneration with performance, based on long-term objectives and shareholder return, as well as critical short-term objectives which are aligned with the Company's business strategy;
- to set clear goals and reward performance for successful project development in a way which is sustainable, including in respect of health and safety, environment and community based objectives; to be fair and competitive against the market;
- to preserve cash where necessary for exploration, by having the flexibility to attract, reward or remunerate executives with an appropriate mix of equity based incentives;
- to reward individual performance and Company performance thus promoting a balance of individual performance and teamwork across the executive management team and the organisation; and
- to have flexibility in the mix of remuneration, including offering a balance of conservative long term incentive instruments to ensure executives are rewarded for their efforts, but also share in the upside of the Company's growth.

Due to the Company not being listed in 2017, the Company only remunerated by way of fixed remuneration, However, the directors are considering a remuneration framework that provides a mix of fixed and variable "at risk" remuneration and a blend of short and long-term incentives.

The remuneration for executives has three components:

- Fixed remuneration, inclusive of superannuation and allowances;
- Short Term Incentives (“STI”); and
- Long Term Incentives (“LTI”).

These three components comprise each executive’s total annual remuneration.

To link executive remuneration with the Company’s performance, the Company’s policy is to endeavour to provide an appropriate portion of each executive’s total remuneration as “at risk”. Mr Merrillees was provided a short term incentive of \$20,000 for Cygnus to list on the Australian Securities Exchange. This milestone was successfully completed and paid after 31 December 2017 and is included in Mr Merrillees compensation for the period as an accrual.

EXECUTIVE DIRECTOR REMUNERATION

Fixed Remuneration

Executives receive a fixed base cash salary and other associated benefits. Executives also receive a superannuation guarantee contribution required by Australian legislation which was 9.5% at 31 December 2017. No executives receive any other retirement benefits.

Fixed remuneration of executives will be set by the Board each year and is based on market relativity and individual performance. In setting fixed remuneration for executives, individual performance, skills, expertise and experience are also taken into account to determine where the executive’s remuneration should sit within the market range. Where appropriate, external remuneration consultants will be engaged to assist the Board to ensure that fixed remuneration is set to be consistent with market practices for similar roles.

Short Term Incentives

The executive director was eligible to earn a short-term cash bonuses upon achievement of significant performance based outcomes aligned with the Company’s strategic objectives at that time. These performance based outcomes are considered to be an appropriate link between executive remuneration and the potential for creation of shareholder wealth.

The objective of STI’s is to provide the opportunity to earn a cash bonus by rewarding those executives who successfully achieve in the opinion of the Board the critical short-term objectives of the Company over a 12 month period. Those short-term objectives are pre-determined and recommended by the Board each year and approved by the Board as being aligned with the Company’s stated strategy to derive shareholder return.

| EXECUTIVE | STI AMOUNT | PERFORMANCE HURDLE |
|---------------------|------------|---------------------------------|
| Mr James Merrillees | \$20,000 | The Company listing on the ASX. |

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are determined in accordance with the rules set out in the Company's Constitution and the Corporations Act at the time of the director's retirement or termination. Non-executive directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which is subject to shareholder approval in accordance with the ASX Listing Rules.

The aggregate remuneration, and the manner in which it is apportioned amongst non-executive directors, is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and levels of experience of the non-executive directors when undertaking the annual review process.

The current maximum amount of non-executive directors' fees payable is fixed at \$300,000 in total, for each 12 month period commencing 1 January each year, until varied by ordinary resolution of shareholders.

Non-executive directors are not entitled to any termination payments.

USE OF REMUNERATION CONSULTANTS

During the year ended 31 December 2017 the Board did not engage the services of remuneration consultants.

VOTING AND COMMENTS MADE AT THE COMPANY'S LAST ANNUAL GENERAL MEETING

The Company did not need to vote on the Remuneration Report for the 2016 financial year as it was not a listed entity.

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Company's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current and the previous financial year:

| ITEM | 2016 | 2017 |
|----------|--------|---------|
| Revenue | 1,285 | 3,262 |
| Net loss | 81,504 | 784,721 |

25 DETAILS OF REMUNERATION FOR YEAR ENDED 31 DECEMBER 2017

The directors and KMP of Cygnus Gold Limited are set out in the following tables:

| | | Short term employee benefits | | | | | | |
|-----------------------------------|------|------------------------------|-----------------|--------------|---------------------|--------------------------------|---------|-------------------------------------|
| | | Salary/Fees | Consultant Fees | Annual Leave | Bonus | Post Employment Superannuation | Total | Performance based % of remuneration |
| Non-executive Directors | | | | | | | | |
| Mr Michael Bohm ¹ | 2017 | 4,167 | 69,750 | - | - | 396 | 74,313 | - |
| | 2016 | - | 20,000 | - | - | - | 20,000 | - |
| Dr Amanda Buckingham ² | 2017 | 3,333 | 59,116 | - | - | 317 | 62,766 | - |
| | 2016 | - | 20,000 | - | - | - | 20,000 | - |
| Dr Oliver Kreuzer ² | 2017 | 3,333 | 102,000 | - | - | 317 | 105,650 | - |
| | 2016 | - | 20,000 | - | - | - | 20,000 | - |
| Mr Simon Jackson ³ | 2017 | 3,333 | - | - | - | 317 | 3,650 | - |
| | 2016 | - | - | - | - | - | - | - |
| Alan Cleland ⁷ | 2017 | - | 5,250 | - | - | - | 5,250 | - |
| | 2016 | - | - | - | - | - | - | - |
| Executives | | | | | | | | |
| James Merrillees ⁴ | 2017 | 129,714 | - | 9,786 | 18,265 ⁶ | 14,998 | 172,763 | 11.6% |
| | 2016 | - | - | - | - | - | - | - |
| Michael Naylor ⁵ | 2017 | - | 60,000 | - | - | - | 60,000 | - |
| | 2016 | - | 15,000 | - | - | - | 15,000 | - |
| Total Remuneration | 2017 | 143,880 | 296,116 | 9,786 | 18,265 | 16,345 | 484,392 | - |
| | 2016 | - | 75,000 | - | - | - | 75,000 | - |

¹ Appointed as Non-executive Chairman on 30 September 2016.

² Appointed as Non-executive Director on 21 April 2016.

³ Appointed as Non-executive Director on 21 November 2017.

⁴ Appointed as CEO on 13 March 2017 and Managing Director on 17 November 2017.

⁵ Appointed as Company Secretary on 4 October 2016.

⁶ Bonus for the Company listing on the ASX is accrued at year end and net of superannuation.

⁷ Resigned as Non-executive Director on 17 November 2017.

26 SHARES ISSUES ON EXERCISE OF OPTIONS

There were no shares issued on exercise of options.

VALUE OF OPTIONS AWARDED, EXERCISED AND LAPSED DURING THE YEAR

No options or shares were issued as part of remuneration during the year ended 31 December 2017.

GRANT OF LONG TERM INCENTIVES

There were no LTI's issued during the year.

SHARES HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL INCLUDING THEIR RELATED PARTIES, IS SET OUT BELOW:

| | Balance at start of the year | Balance at date of appointment | Received during the year on exercise of options | Other acquisition/ disposal of shares during the year | Balance at date of resignation | Balance at end of the year |
|--------------------------------|------------------------------|--------------------------------|---|---|--------------------------------|----------------------------|
| Non-executive Directors | | | | | | |
| Mr Michael Bohm | 3,000,001 | - | - | - | - | 3,000,001 |
| Mr Simon Jackson | - | 133,334 | - | - | - | 133,334 |
| Dr Oliver Kreuzer | 1,833,334 | - | - | - | - | 1,833,334 |
| Dr Amanda Buckingham | 2,333,334 | - | - | - | - | 2,333,334 |
| Mr Alan Cleland | 3,000,001 | - | - | - | (3,000,001) | - |
| Executives | | | | | | |
| Mr James Merrillees | - | 100,000 | - | - | - | 100,000 |
| Mr Michael Naylor | 1,300,000 | - | - | - | - | 1,300,000 |
| Total | 11,466,670 | 233,334 | - | - | (3,000,001) | 8,700,003 |

OPTIONS HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL

There are no options on issue as at 31 December 2017 or 31 December 2016.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

On 13 September 2017, the Company had entered into a standard appointment agreement with Mr Merrillees as CEO which provides for an initial appointment one year, \$200,000 (inclusive of superannuation) annual salary and a short-term incentive (STI) of \$20,000 if the Company lists on the ASX. Subsequent to year end Mr Merrillees agreement was revised (15 March 2018) to recognise his promotion to Managing Director, \$246,375 (inclusive of superannuation) annual salary takes affect from December 2017. As part of the new agreement a STI of 15% of total fixed remuneration (Base Salary + Superannuation) is in place should several key performance indicators be met, including exploration targets generated, exploration targets tested and Health, Safety and Environmental components.

In addition, the agreement includes long term incentives which are granted subject to shareholder approval. The Board will grant the Executive Performance Rights (PR's), subject to shareholder approval, as follows:

- Tranche 1 - 350,000 PR's with a measurement period 15/1/18 to 15/1/2019
- Tranche 2 - 350,000 PR's with a measurement period 15/1/18 to 15/1/2020

Vesting will be dependent upon:

- Continued employment at the end of each measurement period
- The Total Shareholder Return (TSR) performance of Cygnus against a peer group
- Any 'Gates' and/or 'Modifiers that are applied

Cygnus' TSR compared to the peer group will determine the proportion of Performance Rights that will vest (subject to the other vesting conditions being met), as set out below:

| RELATIVE TSR OVER THE MEASUREMENT PERIOD | PROPORTION OF PERFORMANCE RIGHTS VESTED |
|--|---|
| Below the 50th percentile | 0% |
| At the 50th percentile | 50% |
| Between the 50th and the 75th percentile | Pro-rata between 50% and 100% |
| Above the 75th percentile | 100% |

Subject to the vesting criteria being met, the executive will be entitled to exercise the number of Performance Rights vesting and be issued with a corresponding number of ordinary shares in Cygnus Gold Limited.

Mr Merrillees is required to give the Company six weeks' notice to terminate the agreement and the Company is required to give Mr Merrillees three months' notice to terminate the contract or payment in lieu.

The Company entered into an agreement with Blue Leaf Corporate Pty Ltd, an entity associated with Mr Naylor, which commenced on 15 January 2018 for the provision of company secretarial and financial management services. Mr Naylor is required to give the Company 90 days' notice to terminate the contract and the Company is required to give Mr Naylor 90 days' notice to terminate the contract or payment in lieu.

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel of the Company, including their personally related parties, as at 31 December 2017 or 31 December 2016.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Mr Naylor, the Company Secretary of the Company, previously held a senior position with Tawana Resources NL and Teranga Gold (Australia) Pty Ltd, which received \$25,416 in fees for the provision of administration services including rent. Payments were based on commercial terms and conditions.

END OF REMUNERATION REPORT

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors were held. Attendances by each director during the year were as follows:

| DIRECTOR'S NAMES | NUMBER ATTENDED | NUMBER ELIGIBLE TO ATTEND |
|----------------------|-----------------|---------------------------|
| Michael Bohm | 6 | 6 |
| James Merrillees | 1 | 1 |
| Simon Jackson | 1 | 1 |
| Dr Oliver Kreuzer | 6 | 6 |
| Dr Amanda Buckingham | 5 | 6 |
| Alan Cleland | 5 | 5 |

Given the size of the Board the Company has decided that there are no efficiencies to be gained from forming separate committees.

SHARE OPTIONS

There are no share options on issue.

INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The terms of the policy prevent disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

INDEMNIFYING OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Grant Thornton, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify Grant Thornton to the date of this report.

PROCEEDINGS ON BEHALF OF THE 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 these proceedings.

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

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors ensure that:


- Non-audit services are reviewed and approved by the directors to ensure that the provision of such services does not adversely affect the integrity and objectivity of the auditor; and
- Audit services do 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 total remuneration for audit and non-audit services provided during the prior and current financial years is set out in note 9 of the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 December 2017 has been received and is attached to this Directors' Report.

This report is made in accordance with a resolution of the directors.



James Merrillees
Managing Director

Dated in Perth this 26th day of March 2018.

Notes

1. Information on historical results from the Stanley Project, including JORC Code Table 1 information, is contained in the Independent Technical Assessment Report within Cygnus' Prospectus dated 22 November 2017. Cygnus is not aware of any new information or data that materially affects the information included in the Prospectus.
2. Refer ASX announcement on the said date for full details of these exploration results. Cygnus is not aware of any new information or data that materially affects the information included in the said announcement.

Competent Persons Statement

The information in this announcement that relates to Exploration Results is based on information and supporting documentation compiled by Mr James Merrillees, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr Merrillees is Managing Director and a full-time employee of Cygnus Gold and holds shares in the Company.

Mr Merrillees has sufficient experience relevant to the style of mineralisation 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 Merrillees consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

Forward Looking Statement

This report may contain certain forward looking statements and projections regarding estimated, resources and reserves; planned production and operating costs profiles; planned capital requirements; and planned strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of Cygnus Gold Limited. The forward looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

Cygnus Gold Limited does not make any representations and provides no warranties concerning the accuracy of the projections, and disclaims any obligation to update or revise any forward looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws. While the information contained in this report has been prepared in good faith, neither Cygnus Gold or any of its directors, officers, agents, employees or advisors give any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. Accordingly, to the maximum extent permitted by law, none of Cygnus Gold Limited, its directors, employees or agents, advisers, nor any other person accepts any liability whether direct or indirect, express or limited, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the information or for any of the opinions contained in this presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this presentation.



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Auditor's Independence Declaration to the Directors of Cygnus Gold Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cygnus Gold Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in purple ink that reads "Grant Thornton".

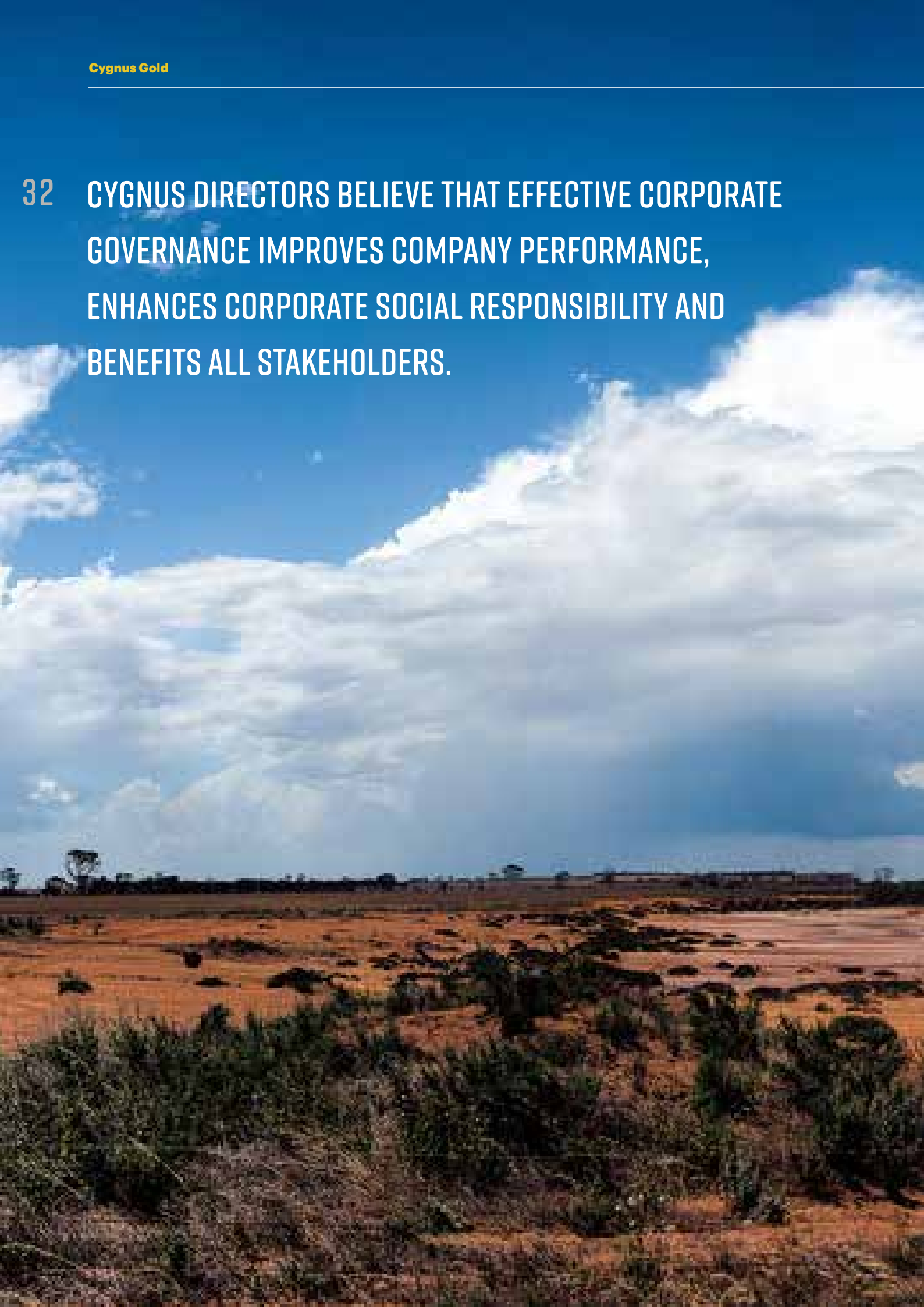
GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in purple ink, appearing to be "M P Hingeley".

M P Hingeley
Partner - Audit & Assurance

Perth, 26 March 2018

32 CYGNUS DIRECTORS BELIEVE THAT EFFECTIVE CORPORATE GOVERNANCE IMPROVES COMPANY PERFORMANCE, ENHANCES CORPORATE SOCIAL RESPONSIBILITY AND BENEFITS ALL STAKEHOLDERS.



33 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | NOTES | 2017 \$ | 2016 \$ |
|--|-------|------------|------------|
| Revenues | | 3,262 | 1,285 |
| Depreciation of property, plant and equipment | 14 | (2,814) | - |
| Employee benefits expense | | (207,179) | - |
| Exploration expense | | (230,625) | (2,385) |
| Other expense | 16 | (347,365) | (80,404) |
| Loss before income tax | | (784,721) | (81,504) |
| Income tax expense | 15 | - | - |
| Loss for the year | | (784,721) | (81,504) |
| Other comprehensive loss for the year, net of tax | | - | - |
| Total comprehensive loss for the year | | (784,721) | (81,504) |
| Loss per share | | | |
| Basic and diluted loss per share (cents per share) | 7 | (2.69) | (1.17) |
| Total | | (2.69) | (1.17) |

This statement above should be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | NOTES | 2017 \$ | 2016 \$ |
|-------------------------------|-------|------------------|----------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | 3 | 145,517 | 778,604 |
| Subscriptions receivable | 19 | 6,000,000 | - |
| Trade and other receivables | 4 | 374,079 | 7,760 |
| Deposits | | - | 84,262 |
| Current assets | | 6,519,596 | 870,626 |
| Non-current | | | |
| Exploration & evaluation | 13 | 565,924 | 65,047 |
| Property, plant and equipment | 14 | 12,111 | - |
| Non-current assets | | 578,035 | 65,047 |
| Total assets | | 7,097,631 | 935,673 |
| Liabilities | | | |
| Current | | | |
| Trade and other payables | 5 | 479,400 | 54,786 |
| Loans | | - | 11,149 |
| Employee benefit provisions | | 10,714 | - |
| Current liabilities | | 490,114 | 65,935 |
| Total liabilities | | 490,114 | 65,935 |
| Net assets | | 6,607,517 | 869,738 |
| Equity | | | |
| Share capital | 6 | 1,473,742 | 951,242 |
| Other contributed equity | 19 | 6,000,000 | - |
| Accumulated losses | | (866,225) | (81,504) |
| Total equity | | 6,607,517 | 869,738 |

This statement above should be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | NOTES | SHARE CAPITAL \$ | OTHER CONTRIBUTED EQUITY \$ | ACCUMULATED LOSS \$ | TOTAL EQUITY \$ |
|---------------------------------|-------|------------------------|--------------------------------------|------------------------|-----------------------|
| Balance at 3 November 2015 | | - | - | - | - |
| Loss for the period | | - | - | (81,504) | (81,504) |
| Other comprehensive loss | | - | - | - | - |
| Total comprehensive loss | | - | - | (81,504) | (81,504) |
| Transactions with owners | | | | | |
| Issue of share capital | 6 | 951,242 | - | - | 951,242 |
| Balance at 31 December 2016 | | 951,242 | - | (81,504) | 869,738 |
| Balance at 1 January 2016 | | - | - | - | - |
| Loss for the year | | - | - | (784,721) | (784,721) |
| Other comprehensive loss | | - | - | - | - |
| Total comprehensive loss | | - | - | (784,721) | (784,721) |
| Transactions with owners | | | | | |
| Issue of share capital | 6 | 522,500 | - | - | 522,500 |
| Subscriptions yet to be issued | 19 | - | 6,000,000 | - | 6,000,000 |
| Balance at 1 January | | 1,473,742 | 6,000,000 | (866,225) | 6,607,517 |

This statement above should be read in conjunction with the Notes to the Financial Statements.

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

| | NOTES | 2017 \$ | 2016 \$ |
|--|-------|------------------|------------------|
| Operating activities | | | |
| Payments to suppliers and employees | | (487,015) | (47,437) |
| Payments for exploration expenditure | | (217,982) | (269) |
| Interest received | | 3,262 | 1,285 |
| Net cash used in operating activities | 8 | (701,735) | (46,421) |
| Investing activities | | | |
| Deposits paid for exploration tenements | | - | (84,262) |
| Payments for capitalised exploration expenditure | | (427,777) | (53,104) |
| Purchase of property plant and equipment | | (14,925) | - |
| Net cash used in investing activities | | (442,702) | (137,366) |
| Financing activities | | | |
| Proceeds from share issued | 6 | 522,500 | 951,242 |
| Costs of shares issued | | - | - |
| Proceeds from related party loan | | - | 6,149 |
| Repayment of loan | | (11,149) | - |
| Proceeds from loan | | - | 5,000 |
| Net cash provided by financing activities | | 511,351 | 962,391 |
| Net change in cash and cash equivalents | | (633,087) | 778,604 |
| Cash and cash equivalents, beginning of period | | 778,604 | - |
| Cash and cash equivalents, end of year | 3 | 145,517 | 778,604 |

This statement above should be read in conjunction with the Notes to the Financial Statements.

37 NOTES TO THE FINANCIAL STATEMENTS

I NATURE OF OPERATIONS

Cygnus Gold Limited (Cygnus) (the Company or the Entity) principal activities include the exploration for gold deposits in Western Australia.

The Company's planned activities include:

- (a) Continued exploration; and
- (b) Listing of the Company of the Australian Securities Exchange.

2 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Cygnus Gold Limited is a for-profit entity for the purpose of preparing the financial statements.

Cygnus Gold Limited is a Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 3, 20 Parkland Road, Osborne Park, Western Australia.

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018.

3 CASH AND CASH EQUIVALENTS

| | 2017 \$ | 2016 \$ |
|---------------------------|------------|------------|
| Cash at bank and in hand | 145,517 | 778,604 |
| Cash and cash equivalents | 145,517 | 778,604 |

4 TRADE AND OTHER RECEIVABLES

| | 2017 \$ | 2016 \$ |
|-----------------------------|------------|------------|
| Trade and other receivables | 35,803 | - |
| Prepayments | 338,276 | 7,760 |
| | 374,079 | 7,760 |

All amounts are short-term. The carrying values of trade and other receivables are considered to be a reasonable approximation of fair value.

5 TRADE AND OTHER PAYABLES

| | 2017 \$ | 2016 \$ |
|--------------------------|------------|------------|
| Trade and other payables | 479,400 | 38,786 |
| Related parties payables | - | 16,000 |
| | 479,400 | 54,786 |

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

39 6 EQUITY SHARE CAPITAL

The share capital of Cygnus consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Cygnus.

| | 2017 SHARES | 2016 SHARES | 2017 \$ | 2016 \$ |
|--|-------------------|-------------------|------------------|----------------|
| Shares issued and fully paid: | | | | |
| Beginning of the year | 25,416,675 | - | 951,242 | - |
| Share issue | 5,266,666 | 56,750,002 | 522,500 | 951,242 |
| Share consolidation on a ratio of 1 share for 3 held | - | (31,333,327) | - | - |
| Share issue costs | | | - | - |
| Total contributed equity at 31 December | 30,683,341 | 25,416,675 | 1,473,742 | 951,242 |

Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Cygnus.

7 LOSS PER SHARE

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator (ie no adjustments to profit were necessary in 2017).

| | 2017 \$ | 2016 \$ |
|--|---------------|---------------|
| Net loss attributable to ordinary equity holders of the Company | (784,721) | (81,504) |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share | 29,150,557 | 6,957,154 |
| Basic and diluted loss per share (cents per share) | (2.69) | (1.17) |

8 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | 2017 \$ | 2016 \$ |
|---|------------------|-----------------|
| Cash flows from operating activities | | |
| Loss for the period | (784,721) | (81,504) |
| Adjustments for depreciation | 2,814 | - |
| Net changes in working capital: | | |
| Change in trade and other receivables | (28,044) | (6,652) |
| Change in employee benefits provisions | 10,715 | - |
| Change in trade and other payables | 97,501 | 41,735 |
| Net cash from operating activities | (701,735) | (46,421) |

9 AUDITOR REMUNERATION

| | 2017 \$ | 2016 \$ |
|--|---------------|--------------|
| Audit and review of financial statements | | |
| Auditors of Cygnus Gold Limited - Grant Thornton Australia | 27,875 | 6,000 |
| Non-audit services | | |
| Investigation accountant's report and due diligence services | 12,000 | - |
| Tax compliance | 5,500 | - |
| Total auditor's remuneration | 45,375 | 6,000 |

10 RELATED PARTY TRANSACTIONS

The Company's related parties include its associates and joint venture, key management, post-employment benefit plans for the Company's employees and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

10.1 RELATED PARTY TRANSACTIONS

Names and positions of key management personnel in office at the time during the financial year:

| Name | Position |
|----------------------|--|
| Mr Michael Bohm | Non-Executive Chairman |
| Mr James Merrillees | Managing Director (appointed CEO on 13 March 2017 & Managing Director on 17 November 2017) |
| Mr Simon Jackson | Non-Executive Director (appointed 17 November 2017) |
| Dr Oliver Kreuzer | Non-Executive Director |
| Dr Amanda Buckingham | Non-Executive Director |
| Alan Cleland | Non-Executive Director (resigned 17 November 2017) |
| Mr Michael Naylor | Company Secretary |

10.2 KEY MANAGEMENT PERSONNEL REMUNERATION

| | 2017 \$ | 2016 \$ |
|------------------------------|------------|------------|
| Short term employee benefits | 468,047 | 75,000 |
| Post employment benefits | 16,345 | - |
| | 484,392 | 75,000 |

Detailed information about the remuneration received by each Key Management Personnel is provided in the remuneration report on page 21.

10.3 SERVICES BY KEY MANAGEMENT PERSONNEL

Key management of the Company are the executive members of Cygnus's Board of Directors and members of the Executive Council. All transactions with other related parties are made on normal commercial terms and conditions and at deemed market rates.

Mr Michael Bohm – Non-executive Chairman

Mr Michael Bohm provided corporate and project advisory services to the Company during the year.

- 2017 \$69,750
- 2016 \$20,000

Dr Amanda Buckingham – Non-executive Director

Fathom Geophysics Australia Pty Ltd, a company of which Dr Amanda Buckingham is a Director, provided geophysical consulting services to the Company during the year.

- 2017 \$59,116
- 2016 \$20,000

Dr Oliver Kreuzer – Non-executive Director

Corporate Geoscience Group, a company of which Dr Oliver Kreuzer is the Managing Partner and Principal Consultant, provided geological consulting services to the Company during the period.

- 2017 \$102,000
- 2016 \$20,000

Michael Naylor – Company Secretary

Blue Leaf Corporate Pty Ltd, a company of which Mr Naylor is a Director, provided company secretarial and financial management services to the Company during the year.

- 2017 \$60,000
- 2016 \$15,000

II FINANCIAL INSTRUMENT RISK

| LOANS AND RECEIVABLES | 2017 \$ | 2016 \$ |
|-----------------------------|------------|------------|
| Loans | - | 11,149 |
| Trade payables and accruals | 479,400 | 54,786 |

Risks associated with market risk, credit risk and liquidity risk are not considered material with respect to the above items.

43 12 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements.

Annual rent on exploration licenses held by the Company are \$100,098 with a minimum exploration commitment of \$761,000 per annum. The Company is not aware of any other contingent commitments.

13 EXPLORATION AND EVALUATION

| | 2017 \$ | 2016 \$ |
|--------------------------------------|------------|------------|
| Opening balance | 65,047 | - |
| Expenditure incurred during the year | 500,877 | 65,047 |
| | 565,924 | 65,047 |

14 PROPERTY, PLANT AND EQUIPMENT

| | 2017 \$ IT EQUIPMENT |
|---------------------------------|-------------------------|
| Assets at cost | 14,925 |
| Accumulated depreciation | (2,814) |
| Carrying value 31 December 2017 | 12,111 |
| Balance at 1 January 2017 | - |
| Additions | 14,925 |
| Depreciation | (2,814) |
| Balance at 31 December 2017 | 12,111 |

15 INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate is at 27.5% (2016: 28.5%) and the reported tax expense in profit or loss are as follows:

| | 2017 \$ | 2016 \$ |
|--|------------------|---------------|
| Accounting loss before tax | 784,721 | 81,504 |
| At Australia's statutory income tax rate of 27.5% (2016: 28.5%) | 215,798 | 23,229 |
| Deferred tax asset not recognised | (215,798) | (23,229) |
| Income tax expense attributable to entity | - | - |
| Deferred income tax at balance date relates to the following: | | |
| Deferred tax assets | | |
| Accrued expenditure | 10,313 | 9,675 |
| Capital raising cost | 32,800 | - |
| Tax losses | 342,360 | 23,229 |
| Total deferred tax assets | 385,743 | 32,904 |
| Deferred tax liabilities | | |
| Exploration and evaluation assets | 155,629 | 18,538 |
| Total deferred tax liability | 155,629 | 18,538 |
| Deferred tax asset recognised to offset deferred tax liability | (155,629) | (18,538) |
| Net deferred tax asset not brought to account | 229,944 | 14,365 |
| Total tax losses not used against deferred tax liabilities for which no deferred tax asset has been recognised (not tax effected) | 1,364,219 | 12,647 |

16 OTHER EXPENSES

| | 2017 \$ | 2016 \$ |
|--------------------------|----------------|---------------|
| Corporate expenses | 313,320 | 80,404 |
| Occupancy | 23,463 | - |
| Travel and accommodation | 10,582 | - |
| | 347,365 | 80,404 |

17 OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The company operates in one segment being Exploration and Evaluation of Minerals in Australia.

18 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Entity’s capital management objectives are:

- to ensure the Entity’s ability to continue as a going concern; and
- to provide an adequate return to shareholders

The Entity monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the Statement of Financial Position recognised in other comprehensive income. Management assesses the Entity’s capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Entity manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

19 SUBSCRIPTIONS RECEIVABLE AND OTHER CONTRIBUTED EQUITY

As at 31 December 2017, the company has an unconditional right to cash balances raised as part of their Initial Public Offering. As at balance date, these amounts were held in trust by the Share Register pending the official listing and quotation which occurred post year-end. See Note 20 below for details

Given that the related shares had not been issued as at 31 December 2017, the balance receivable is recorded in equity as Other Contributed Equity and the amounts will transfer to Share Capital in 2018 accordingly.

20 POST-REPORTING DATE EVENTS

The Company was successfully admitted to the Official List with official quotation commencing on 15 January 2018 and \$6,000,000 capital raised (before costs) was well supported from cornerstone shareholders including Resource Capital Funds, Southern Cross Capital and Gold Road Resources and lead broker Morgans Corporate Limited.

On the 22 March 2018, the Company announced a new joint venture was entered with a wholly owned subsidiary of Gold Road Resources.

Other than the paragraphs above, there have been no adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

21 CHANGES IN ACCOUNTING POLICIES

21.1 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT BEING ADOPTED EARLY BY THE COMPANY

A number of Accounting Standards (and Interpretations) have been issued by the AASB and IASB as at the date of authorisation of the financial report that are not yet effective until future periods. None of these standards are expected to impact the financial statements.

21.2 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR THESE FINANCIAL STATEMENTS

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2017. Information on the more significant standard(s) is presented below.

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

This standard extends the mandatory effective date of AASB 15 Revenue from Contracts with Customers by 12 months so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. AASB 2015-8 is applicable to annual reporting periods beginning on or after 1 January 2017. The adoption of these amendments has not had a material impact on the Entity.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017. The adoption of these amendments has not had a material impact on the Entity.

AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations.

AASB 2017-2 is applicable to annual reporting periods beginning on or after 1 January 2017

The adoption of these amendments has not had a material impact on the Entity.

22 SUMMARY OF ACCOUNTING POLICIES

22.1 OVERALL CONSIDERATIONS

The financial statements are presented in Australian Dollars, which is also the functional currency of the Company.

22.2 OPERATING EXPENSES

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

22.3 FINANCIAL INSTRUMENTS

A number of Accounting Standards (and Interpretations) have been issued by the AASB and IASB as at the date of authorisation of the financial report that are not yet effective until future periods. None of these standards are expected to impact the financial statements.

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

The only category that is relevant to this set of financial statements are loans and receivables.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Company of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in companies, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Company.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

22.4 INCOME TAXES

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

22.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

22.6 EQUITY AND RESERVES

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

49 22.7 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

22.8 EXPLORATION AND DEVELOPMENT EXPENDITURE

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

Costs of site restoration are provided over the life of the project 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 local laws and regulations and clauses of permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

22.9 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 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 flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

22.10 SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Annual Financial Report, the significant judgements made by management in applying the Entity's accounting policies and the key sources of estimation uncertainty are detailed below.

Exploration and Evaluation Expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Entity's accounting policy requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to the presence of mineral reserves, timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of a mineral reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the consolidated statement profit or loss and other comprehensive income.

22.11 GOING CONCERN

The Company has incurred a net loss of \$784,721 (2016 \$81,504) during the year and the cash outflows from operating activities equates to \$701,735 (2016: \$46,421).

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors consider this to be appropriate given the ability to manage the Company's cost structure and in turn the levels of cash outflow dependent on timing of its exploration activities.

Taking into account the current cash reserves and successful fund raising from the Initial Public Offering which occurred subsequent to year-end of \$6,000,000 before cost, the directors are confident the Company has adequate resources to continue as a going concern for the foreseeable future.

22.12 EMPLOYEE BENEFITS

Wages and salaries and annual leave:

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

22.13 PROPERTY, PLANT AND EQUIPMENT

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

Subsequent Costs

Subsequent expenditure is only capitalised when it is probable that the future economic benefits associated with the expenditure will flow to the Entity. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The expected useful lives in the current and comparative period are as follows:

IT equipment 2 – 3 years

The estimated useful lives, Depreciation methods and residual values are reviewed at the end of each reporting period.

52 DIRECTORS' DECLARATION

1. In the opinion of the directors of Cygnus Gold Limited:
 - a The financial statements and notes of Cygnus Gold Limited are in accordance with the Corporations Act 2001, including:
 - i Giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the year ended on that date; and
 - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b There are reasonable grounds to believe that Cygnus Gold Limited will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the period from incorporation to 31 December 2017.
3. Note 2 confirms that the financial statements also comply with International Financial Reporting Standards. Signed in accordance with a resolution of the directors:



James Merrillees
Managing director

Perth, 26 March 2018



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Independent Auditor's Report to the Members of Cygnus Gold Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Cygnus Gold Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the independence requirements of 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were 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 these matters.

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| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Exploration and Evaluation Assets – valuation Note 14 and Note 22.8</p> <p>At 31 December 2017, the carrying value of Exploration and Evaluation Assets was \$566 thousand.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Company is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the valuation of exploration and evaluation assets being a significant risk.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • obtaining the management prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management's area of interest considerations against AASB 6; • conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> - tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; - enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements' budgeted expenditure; - understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; • assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; and • reviewing the appropriateness of the related disclosures within the financial statements. |

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Auditor's Responsibilities for the Audit of the Financial Report

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 the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 28 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Cygnus Gold Limited, for the year ended 31 December 2017, 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.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to be "M P Hingeley".

M P Hingeley
Partner - Audit & Assurance

Perth, 26 March 2018

TOP 20 HOLDERS OF ORDINARY SHARES

In accordance with ASX Listing Rule 4.10, the following information is provided as at 22 March 2018.

| RANK | NAME | UNITS | % OF ISSUED CAPITAL |
|------|---|-------------------|---------------------|
| 1 | Merrill Lynch (Australia) Nominees Pty Limited | 5,036,091 | 8.30 |
| 2 | Southern Cross Capital Pty Ltd | 5,000,000 | 8.24 |
| 3 | Resource Capital Fund VI L.P. | 4,166,667 | 6.87 |
| 4 | Gold Road (Projects) Pty Ltd | 3,750,000 | 6.18 |
| 5 | Mr Alan Frank Cleland | 3,000,001 | 4.94 |
| 6 | Ms Charmaine Linda Lobo | 3,000,001 | 4.94 |
| 7 | Southern Cross Capital Pty Ltd | 2,500,000 | 4.12 |
| 8 | Mr Oliver Pierre Kreuzer | 1,833,334 | 3.02 |
| 9 | Fathom Geophysics Australia Pty Ltd | 1,666,667 | 2.75 |
| 10 | Insurgent Metals Pty Ltd | 1,666,667 | 2.75 |
| 11 | Dale Park Pty Ltd | 1,333,334 | 2.20 |
| 12 | Eastern Goldfields Exploration Pty Ltd | 1,000,000 | 1.65 |
| 13 | Mr Robert Angus Castle Stuart | 666,667 | 1.10 |
| 14 | Ms Sarah June McAlpine | 500,000 | 0.82 |
| 15 | SAS Investments Pty Ltd | 500,000 | 0.82 |
| 16 | Mr Michael Dylan Naylor + Ms Sarah McAlpine | 470,000 | 0.77 |
| 17 | Mrs Sarah June Naylor + Mr Michael Dylan Naylor | 400,000 | 0.66 |
| 18 | Payne Geological Services Pty Ltd | 400,000 | 0.66 |
| 19 | Ms Anthea Clare Cooke | 333,334 | 0.55 |
| 20 | Mr Timothy Richard Cooke | 333,334 | 0.55 |
| | | 37,556,097 | 61.89 |

RANGE OF SHARES

| RANGE | TOTAL HOLDERS | UNITS | % OF ISSUED CAPITAL |
|------------------|---------------|-------------------|---------------------|
| 1 - 1,000 | 6 | 2,524 | 0.00 |
| 1,001 - 5,000 | 60 | 157,561 | 0.26 |
| 5,001 - 10,000 | 71 | 672,226 | 1.11 |
| 10,001 - 100,000 | 409 | 16,536,195 | 27.25 |
| 100,001 Over | 52 | 43,314,835 | 71.38 |
| Total | 598 | 60,683,341 | 100.00 |

SUBSTANTIAL HOLDERS

| RANGE | UNITS | % OF ISSUED CAPITAL |
|--------------------------------|-----------|---------------------|
| Resource Capital Fund VI L.P. | 9,166,664 | 15.11 |
| Southern Cross Capital Pty Ltd | 7,500,000 | 12.36 |
| Gold Road (Projects) Pty Ltd | 3,750,000 | 6.18 |
| Mr Alan Frank Cleland | 3,170,001 | 5.22 |
| Ms Charmaine Linda Lobo | 3,170,001 | 5.22 |

UNMARKETABLE PARCELS

There were 41 shareholders with less than a marketable parcel of shares, based on the closing price \$0.2050.

RESTRICTED SECURITIES

From the date of listing there are 4,166,667 ordinary shares subject to a 12 month escrow, plus 15,577,088 ordinary shares subject to a 24 month escrow.

VOTING RIGHTS

In accordance with the Company's constitution, on a show of hands every member present in person or by proxy or attorney or duly appointed representative has one vote. On a poll every member present or by proxy or attorney or duly authorised representative has one vote for every fully paid share held.

ASX LISTING RULE 4.10.19

In accordance with Listing Rule 4.10.19, the company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

SCHEDULE OF TENEMENTS

A listing of the Entity's tenements:

| TENEMENT | LOCATION | REGISTERED OWNER | STRUCTURE AND OWNER |
|----------|-------------------|---------------------|---------------------|
| E70/4787 | Western Australia | Cygnus Gold Limited | 100% |
| E70/4854 | Western Australia | Cygnus Gold Limited | 100% |
| E70/4910 | Western Australia | Cygnus Gold Limited | 100% |
| E70/4912 | Western Australia | Cygnus Gold Limited | 100% |
| E70/4952 | Western Australia | Cygnus Gold Limited | 100% |
| E70/4988 | Western Australia | Cygnus Gold Limited | 100% |
| E70/4992 | Western Australia | Cygnus Gold Limited | 100% |
| E70/5050 | Western Australia | Cygnus Gold Limited | Pending, 100% |
| E70/5131 | Western Australia | Cygnus Gold Limited | Pending, 100% |
| E70/5137 | Western Australia | Cygnus Gold Limited | Pending, 100% |
| E77/2405 | Western Australia | Cygnus Gold Limited | 100% |
| E77/2463 | Western Australia | Cygnus Gold Limited | 100% |

WADDERIN EARN-IN PROJECT

| | | | |
|----------|-------------------|---------------------|--------------------------------|
| E70/4911 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |
| E70/4939 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |
| E70/4989 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |
| E70/4990 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |
| E70/5018 | Western Australia | Cygnus Gold Limited | Pending, 100%, diluting to 25% |
| E70/5019 | Western Australia | Cygnus Gold Limited | Pending, 100%, diluting to 25% |
| E70/5020 | Western Australia | Cygnus Gold Limited | Pending, 100%, diluting to 25% |
| E70/5021 | Western Australia | Cygnus Gold Limited | Pending, 100%, diluting to 25% |

LAKE GRACE EARN-IN PROJECT

| | | | |
|----------|-------------------|---------------------|-----------------------|
| E70/4853 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |
| E70/4855 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |
| E70/4991 | Western Australia | Cygnus Gold Limited | 100%, diluting to 25% |

YANDINA JOINT VENTURE PROJECT

| | | | |
|----------|-------------------|------------------------------|--------------|
| E70/5098 | Western Australia | Gold Road (Projects) Pty Ltd | Pending, 25% |
| E70/5099 | Western Australia | Gold Road (Projects) Pty Ltd | Pending, 25% |
| E70/5100 | Western Australia | Gold Road (Projects) Pty Ltd | Pending, 25% |
| E70/5101 | Western Australia | Gold Road (Projects) Pty Ltd | Pending, 25% |

60 CORPORATE DIRECTORY

Principal Place of Business & Registered Office

Level 3, 20 Parkland Road
Osborne Park WA 6017

Contact information

Phone: +61 8 9489 2680
Email: info@cygnusgold.com
Website: www.cygnusgold.com

Australian Business Number

80 609 094 653

Directors

| | |
|----------------------|------------------------|
| Mr Michael Bohm | Non-executive Chairman |
| Mr James Merrillees | Managing Director |
| Mr Simon Jackson | Non-executive Director |
| Dr Oliver Kreuzer | Non-executive Director |
| Dr Amanda Buckingham | Non-executive Director |

Company Secretary

Mr Michael Naylor

Auditors

Grant Thornton Audit Pty Ltd
Central Park
Level 43 152-158 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Primary listing: Australian Securities Exchange
ASX Code: CY5

Share Register

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Fax: +61 3 9473 2500

Bankers

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Solicitors

Gilbert and Tobin
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PERTH WA 6000