CERVANTES CORPORATION LTD  A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

CERVANTES
Corporation Limited

Contents

Your directors submit the financial report of the consolidated group for the half year ended 31 December 2019.

Directors

The names of directors who held office during and since the end of the half-year:

| | | |
|---|---|---|
| Mr Collin Vost | Chairman/Managing Director | Appointed 9 October 2007 |
| Mr Justin Vost | Non Executive Director | Appointed 23 November 2011 |
| Mr Marcus Flis | Non Executive Director /Exploration Manager | Appointed 9 October 2017 |

Review of Operations

The last two years have been extremely difficult for the company and numerous other junior exploration companies across Australia, as the ASX and ASIC apply more stringent rules and conditions on junior companies at a time which we believe is ill timed considering the global and market conditions.

Junior exploration companies are the life blood of major discoveries of resources, which drive the Australian and West Australian economies. The trickle-down effect on employment in a range of numerous sectors such as drilling contractors, geologists, transport, analysis lab's etc. including industries such as restaurants, consumer products, which rely on consumer expenditures and well beyond is badly needed right now.

The rise of companies such as Fortescue, Sandfire, IGO, BHP, Woodside and numerous others seem to have been forgotten as coming from junior status, and we could only hope that State Governments and the Federal Government who rely on the massive royalties and employment taxes as well as corporate taxes, make some drastic and urgent move to not only amend these current restrictions, but move to relax the imposition on juniors who add so much to various community benefits and the National interest.

The Company continues ongoing discussions with fund providers, a number of listed and unlisted companies, private investors, stockbrokers and experienced mining groups interested in participating by way of capital injection, joint ventures on specific assets and or purchase of assets.

The Company continues to meet its commitments and obligations both in regards to its tenements and corporate obligations with the support of New York Securities Pty Ltd, and its shareholders by way of secured loans. Capital raising by way of equity is currently difficult until the ASX provides the Company with specific guidance for the removal of the suspension and for the encouragement of the interested investors.

## ALBURY HEATH GOLD PROJECT

The Albury Heath Gold Project consists of P51/2937 and P51/2997 - 3001. The tenements are located about 21km south-south-east of Meekatharra in the Murchison Province of Western Australia. Importantly, they occur within trucking distance of Westgold's Bluebird mill with a capacity of 1.8Mtpa providing an opportunity for a fast, low cost mine start up (*Figure 1*).

Cervantes announced a Maiden Resource for the Albury Heath Gold Mine on 7 February 2017 soon after the Mining Lease's acquisition. That resource estimate was based on 110 drill holes for 6,326.5m drilled by previous explorers. Drilling chiefly consisted of Reverse Circulation (RC) drilling and there was one diamond drill hole (DDH).

Cervantes recognised a number of opportunities at Albury Heath Gold Mine:

1. Previous drilling through the old underground stoped areas was ineffective given the drilling equipment of the day. Specifically, the rock immediately before and after the drill bit hit an open stope was not properly sampled – an area with a likely high gold content.
2. Areas of high quartz lode development away from the historic mine were inadequately drilled.
3. Rock samples from the historic drilling was only assayed if it exhibited significant quartz content, leaving large drilled sections poorly assayed.
4. Gold is not necessarily restricted to quartz lodes, though it is mainly hosted by the lodes.

These opportunities were investigated with two drilling campaigns that completed 36 RC holes for 2,337m drilled (ASX announcements 16 May 2018, 28 June 2018, 4 December 2018, 7 January 2019). The stated aims of this drilling were met with the discovery of new bonanza grade zones at some distance from the old workings.

## Expectations for additional exploration

Interpretation of aeromagnetic data over the Albury Heath Project identified a number of possible repetitions of the Albury Heath Mine structural setting.

The zones are intimately associated with the major roughly north-south trending fault that hosts major gold deposits between Mt Magnet, Tuckabianna, and beyond. Interestingly, the Albury Heath area occurs where this fault is intersected with the Gabanintha Fault, another major gold bearing structure.

Field checking and geological mapping with a view to reconnaissance drill holes are to be undertaken to prioritise the areas defined. This programme has been planned and once the Company funding is resolved it will be instigated.

Mr Collin Vost, Cervantes' Executive Chairman, commented: *"The expansion of the Albury Heath Gold Mine resource through regional exploration has the potential to catapult the project to a "must have" resource for the three local mills. Cervantes is currently seeking funds to allow us to progress this area to drill testing."*

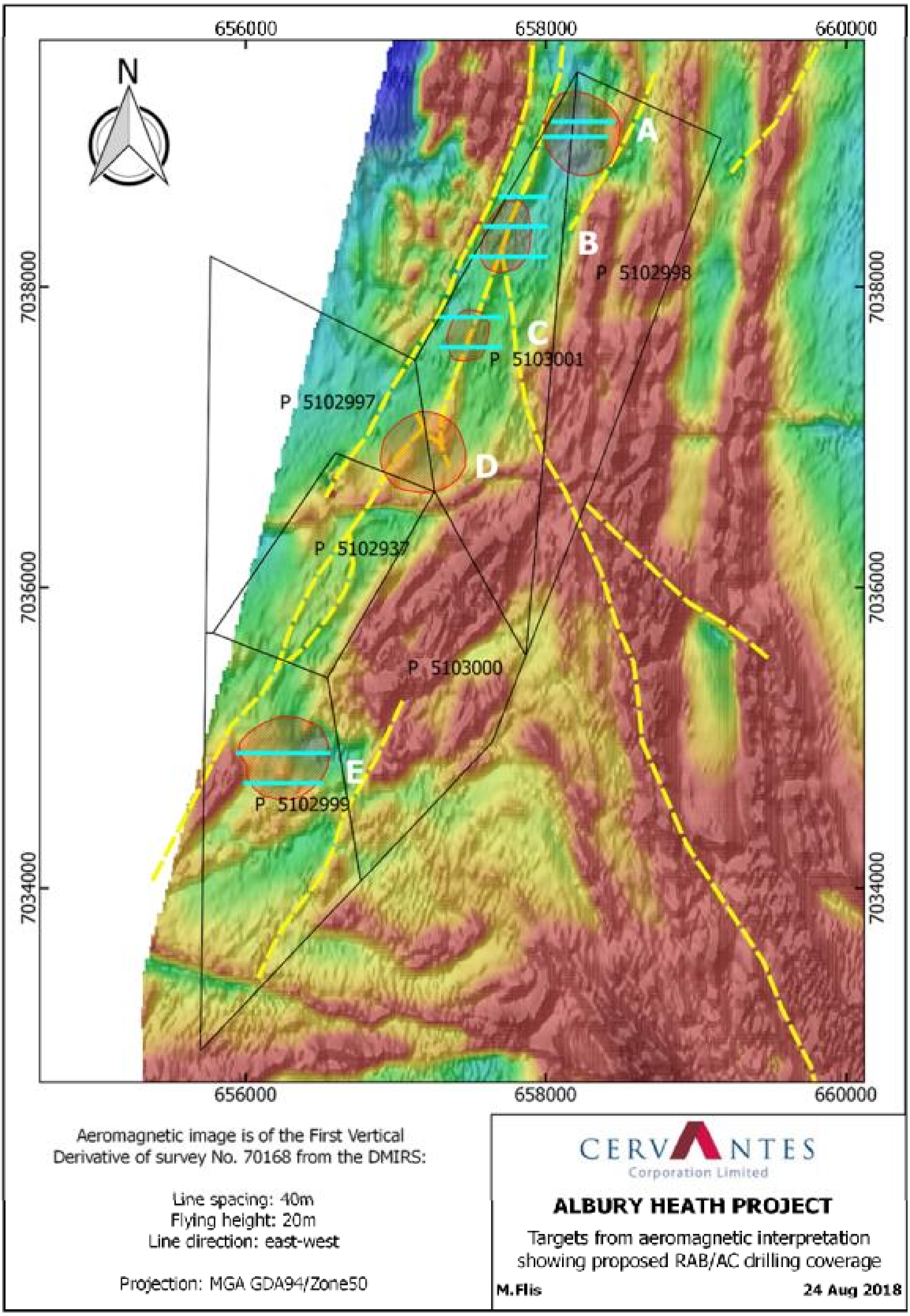


*Figure 1. Targets recognised from aeromagnetic data over the Albury Heath Project. Blue lines are proposed drilling lines. Major regional structures are shown in yellow dashed lines.*

## PRIMROSE PROJECT

The Murchison Province hosts many significant gold deposits, including the million-ounce gold camps at Big Bell, Mount Magnet (Hill 50), and Meekatharra, as well as numerous smaller gold camps at Cue, Kirkalocka, Mt Gibson, and locally Rothsay, Fields Find and Pinyalling.

The Cervantes "Primrose Project" (*Figure 2*) contains some 37 historical workings that produced high-grade gold that resulted in a battery being built by the State Government for the old miners, which stands today as a tourist attraction.

The geological potential of the Payne's Find area as previously discussed in ASX releases and reports, as well as in reports from our consulting and in-house geologists, outlines that, in addition to gold, the felsic volcanic area has potential for volcanogenic massive sulphide mineralisation (VMS) similar to the Golden Grove deposits located to the west in the Yalgoo Greenstone Belt. Elevated nickel and cobalt results have also been identified in the Payne's Find area, as previously outlined in ASX releases.

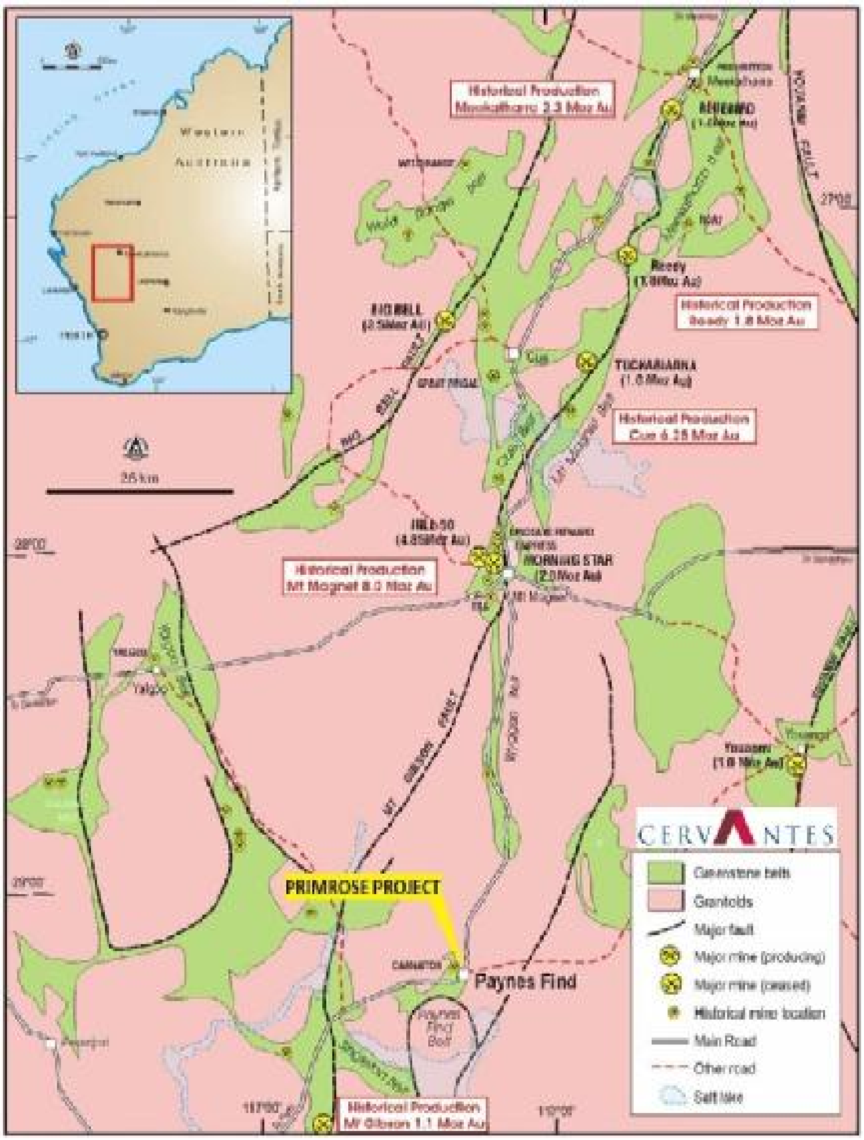


*Figure 2: Primrose Project location on regional geology; showing regional historical gold production.*

The Company has also noted a comment made by a well-respected Geologist E de C Clark who worked for the Mine Department in 1920; *"The goldfield contains epidiorite, hornblende schist, serpentine, and foliated quartz porphyries, in addition to hornblende-biotite gneiss forming the matrix of the ore body. The gold quartz veins are found mainly in the epidiorites and hornblende schists, and only rarely in the serpentine. The gold bearing gneiss is east of the greenstone belt, and are of two lithological types 1) biotite dominant with quartz parallel to the foliation planes 2) mica subordinate to the hornblende. He compares the geology as similar to Westonia (Edna May Mine) elsewhere in the State."* (sourced: Mindat website "Paynes Find Goldfield (Goodingnow)").

The Edna May gold mine was sold to Ramelius Resources Ltd on 3 October 2017 for the equivalent of $90m including royalties as released to the market.

Cervantes supports the view and comments in various reports that the historical mineralisation in the area could be an indicator of a bigger gold system associated with sheared mafic amphibolites intruded by a porphyry. The Primrose Gold Project comprises the vast majority of the historic Paynes Find Gold Field and its interpreted extensions to the north and south. Importantly, it covers tracts of the Primrose Shear which have had little or no modern exploration work done on them.

During the first half of the year, numerous field visits by consulting geologists and the Company Exploration Manager were carried out to conduct small focused follow-up soil sampling of specific areas of interest, including outcrops within the project area and in particular areas within and around the Pansy pit. In addition, further inspections, clean-ups and sampling were carried out for Environmental reporting, including core shed inventory and sample clean-up or disposal. The Company continues to meet all required expenditures on all tenements.

Once the company resolves funding, additional exploration/mining will immediately commence on the Primrose Gold Project area.

## ABBOTTS GOLD PROJECT

The Abbotts Gold Project consists of EL51/1721 (CVS 100%) covering an area of approximately 52.3km$^2$ and immediately adjoins to the north and east of Ora Gold Ltd's Garden Gully project in Meekatharra, *Figure 3*. The tenement is located about 22km north-north-west of Meekatharra in the Murchison Province of Western Australia. Importantly, it is less than 35km north of Westgold's Bluebird mill with a capacity of 1.8Mtpa.

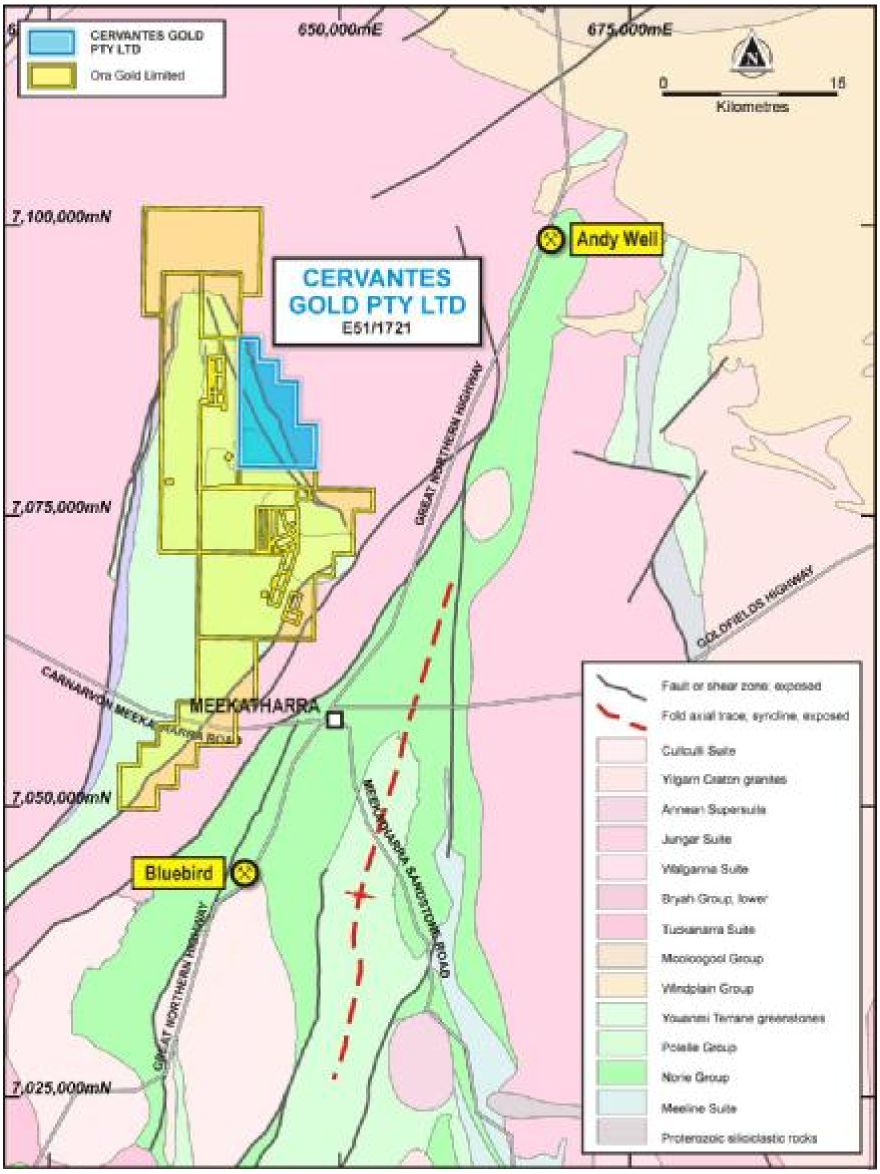


*Figure 3 Abbotts Gold Project E51/1721 is located within the Abbotts Greenstone Belt 25km north-west of Meekatharra in the Murchison Province. It has easy access to a number of possible toll-treatment gold mills*

Events after the Reporting Date

There are no matters or circumstances that have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 8 for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors:

Collin Vost
Director and Chairman
Dated: 13 March 2020

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Cervantes Corporation Ltd
PO Box 190
South Perth WA 6951

Dear Directors

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2019 interim financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 13 March 2020

**Cervantes Corporation Ltd  ABN 79 097 982 235 and Controlled Entity**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE HALF-YEARENDED 31 DECEMBER 2019

| | Note | Consolidated Group | |
|---|---|---|---|
| Continuing Operations | | 31 December 2019 | 31 December 2018 |
| Revenue | | | |
| Interest income | 2a | 6 | 362 |
| Profit on sale on investment held for trading | | - | 49,449 |
| Waiving of rights fees & entitlement | | - | 357,400 |
| | | 6 | 407,211 |
| Loss on disposal of equipment | | (2,900) | - |
| Employee benefits expenses | | (38,000) | (36,000) |
| Decrease in fair value of other financial assets | | - | (44,968) |
| Financing costs | | (17) | (40) |
| Occupancy expenses | | (25,500) | (35,083) |
| Travel | | (1,155) | (533) |
| Administration expenses | | (69,092) | (136,838) |
| Profit (Loss) from ordinary activities before related Income Tax benefit | | (136,658) | 154,282 |
| Income tax benefit relating to ordinary activities | | - | - |
| Profit (Loss) from ordinary activities after related Income Tax benefit | | (136,658) | 154,282 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (136,658) | 154,282 |
| Earnings per share attributable to the ordinary equity holders of the company | | | |
| - Basic | | (0.025)c | 0.062c |

The accompanying notes form part of these financial statements.

**Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Note | Consolidated Group | |
|---|---|---|---|
| | | As at 31 December 2019 | As at 30 June 2019 |
| Current Assets | | | |
| Cash and cash equivalents | | 52,198 | 117,827 |
| Trade and other receivables | | 84 | 1,090 |
| Other assets | | 5,666 | 5,666 |
| Total Current Assets | | 57,948 | 124,583 |
| Non-Current Assets | | | |
| Property, plant and equipment | | - | 2,900 |
| Exploration assets | 3 | 1,960,422 | 1,879,252 |
| Intangible assets | 4 | - | 670 |
| Total Non-Current Assets | | 1,960,422 | 1,882,882 |
| Total Assets | | 2,018,370 | 2,007,405 |
| Current Liabilities | | | |
| Trade and other payables | | 331,245 | 297,623 |
| Financial liabilities | 5 | 223,000 | 1,009,000 |
| Total Current Liabilities | | 554,245 | 1,306,623 |
| Non-Current Liabilities | | | |
| Financial liabilities | 5 | 900,000 | - |
| Total Non-Current Liabilities | | 900,000 | - |
| Total Liabilities | | 1,454,245 | 1,306,623 |
| Net Assets | | 564,125 | 700,782 |
| Equity | | | |
| Issued capital | 6 | 14,115,475 | 14,115,475 |
| Accumulated losses | | (13,551,350) | (13,414,693) |
| Total Equity | | 564,125 | 700,782 |

The accompanying notes form part of these financial statements.

**Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| Consolidated Group | $ Share Capital Ordinary | $ Accumulated Losses | $ Total |
|---|---|---|---|
| Balance at *1.7.2018* | 13,863,759 | (13,440,315) | 423,444 |
| Total comprehensive income | - | 154,282 | 154,282 |
| Sub-total | 13,863,759 | (13,286,033) | 577,726 |
| Shares issued during the period | 80,000 | - | 80,000 |
| Transaction costs | (3,206) | - | (3,206) |
| Balance at *31.12.2018* | 13,940,553 | (13,286,033) | 654,520 |
| | | | |
| Balance at *1.7.2019* | 14,115,475 | (13,414,693) | 700,782 |
| Total comprehensive income | - | (136,658) | (136,658) |
| Sub-total | | | |
| Shares issued during the period | - | - | - |
| Transaction costs | - | - | - |
| Balance at *31.12.2019* | 14,115,475 | 13,551,350 | 564,125 |

The accompanying notes form part of these financial statements.

**Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| Cash Flow from Operating Activities | | |
| Cash receipts in the course of operations | | |
| Payments to suppliers and employees | (98,448) | (229,663) |
| Interests received | 6 | 362 |
| Interest paid | (17) | (40) |
| Net cash flows from (used in) operating activities | (98,459) | (229,341) |
| | | |
| Cash Flow from Investing Activities | | |
| Proceeds from held for trading investments | - | 54,727 |
| Proceeds from borrowings | 114,000 | 64,500 |
| Loans to other entities | - | (4,185) |
| Payments for exploration & evaluation | (81,170) | (129,287) |
| Net cash flows from (used in) investing activities | 32,830 | (14,245) |
| | | |
| Cash Flow from Financing Activities | | |
| Shareholders trust pending issue of shares | - | 23,000 |
| Costs of share issue | - | (3,206) |
| Net cash flows from financing activities | - | 19,794 |
| | | |
| Net increase (decrease) in cash and cash equivalents | (65,629) | (223,792) |
| Cash and cash equivalents at the beginning of the period | 117,827 | 272,970 |
| Cash and cash equivalents at the end of the period | 52,198 | 49,178 |

The accompanying notes form part of these financial statements.

NOTE 1: Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Cervantes Corporation Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2019, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Accounting Policies

*Revenue Recognition*

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

*Impairment*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

*Going Concern*

As at the date of this report the directors are considering raising further equity capital through a share placement. The Company is also in ongoing discussions with some five groups in relation to the sale of part of their assets, Joint Venture of selected assets to generate income, potential RTO or capital injection for the purposes of re-quotation of the Company's shares. The Company has since 30 August 2019, continued to be in discussions with the ASX in relation to determining the defined capital to be raised for this purpose. Cervantes has however in a meeting with senior listing managers determined that Cervantes needs to ensure two quarters of expenditures and working capital for re-quotation, being the standard rules for maintaining listing. Cervantes has provided those cash flow and expenditure spread sheets to the ASX in October 2019 for the purpose of raising that capital, but has to date not yet received from the ASX confirmation in writing of this approval. The Company is hopeful of a positive outcome from discussions with the various parties, and hopefully something positive from the ASX, either prior to completion of those discussions or immediately thereafter. The Company continues to meet its expenditures and obligations with the support of New York Securities Pty Ltd, and other shareholders as verified by its ongoing operations since its suspension on 30 May 2019.

NOTE 1:  Basis of Preparation continues

Cervantes communicated with the ASX on 23 December 2019 regarding an investor group who indicated having an interest in providing a $1.5m support package conditional on the ASX approval of the lifting of the suspension.  Based on the Chairman's continued frustrations with the ASX, the communication also contained Company's Chairman offer to stand down as a Director and Chairman of the Company in the interest of the shareholders if the suspension was lifted.

On 23 December 2019 the Company received a response from its ASX advisor requiring the Company make a formal submission of any recapitalisation including:

Specific details of our proposed capital raising

The proposed use or Funds

Any shareholders approvals that would be sought in that capital raising

Details of new Board Members

Pro Forma capital structure and balance sheet

(And any other material information)

The Chairman responded to the ASX 24 December 2019 advising, that as Christmas and New Year were upon us the Company would revert to the ASX in the very early part of the New Year.

On 20 January the Company contacted the ASX adviser, apologising for the delay, but the position had become complicated because of the interest of several other parties expressing an interest in other Company assets and potential capital raising, and these discussions were ongoing, but not definitive. Further the Company advised that the Company had commenced discussions with the unsecured, non-current, interest free lender in regards to a possible solution, as this was considered important to the interested parties, and any agreement would be subject to the lifting of the suspension.

Those discussions have been advanced on a number of fronts which the Company believe will result in a better outcome than a large capital raising at a discounted value, thereby excessively diluting shareholders investments, during a period of high interest in gold companies with substantial potential in a low sovereign risk country, and in strategic locations, close to mills.

As a consequence, the directors believe the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the financial report which contemplates that the Group will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business, especially based on the quality of its gold projects, the current high price of gold and the interest in the Company and its projects by experienced groups. However, without the approval by the ASX for sufficient capital by way of equity, the Company is unable to implement its full drilling programs and exploration activities to develop its highly prospective, well located assets during this very exciting gold orientated market conditions for its' shareholders.

Notwithstanding cash outflows from operations of $98,459 (2018: $229,341), the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future

The directors evaluate estimates and judgments incorporated into the interim financial statements based on historical knowledge and best available current information.  Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

NOTE 1: Basis of Preparation continues
Critical Accounting Estimates and Judgments
Key Estimates – Deferred Exploration and Evaluation Expenditure

The Group's policy for deferred exploration and evaluation requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised amount is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income. At the date of this report the Group had sufficient reason to believe that the exploration in specific areas of interest will lead to the discovery of viable quantities of mineral resource and the Group has decided to continue such activity in the specific areas. Such capitalised expenditure is carried at reporting date at $1,960,422 and the amount written off through the Statement of Comprehensive Income as exploration and evaluation written off for projects amounted to $nil (December 2018 $nil)

NOTE 2: Profit (Loss) for the period

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| | $ | $ |
| 2a. Interest revenues | | |
| - other persons | 6 | 362 |
| | 6 | 362 |

## NOTE 3: Deferred exploration expenditure

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 30 June 2019 |
| | $ | $ |
| Exploration and evaluation costs carried forward in respect of exploration areas of interest | 1,960,422 | 1,879,252 |
| | 1,960,422 | 1,879,252 |
| Movement in carrying amounts | | |
| Balance at beginning of year | 1,879,252 | 1,571,245 |
| Acquisitions at fair value | - | 80,000 |
| Acquisitions cost capitalised | - | 14,472 |
| Exploration expenditure capitalised | 81,170 | 213,535 |
| Exploration expenditure written off | - | - |
| Amortisation | - | - |
| Closing balance | 1,960,422 | 1,879,252 |

### Paynes Find acquisition

On 22 December 2016 a Conditional Binding Terms Sheet was signed between Cervantes Gold Pty Ltd, the wholly owned subsidiary of the Company and European Lithium Ltd (ASX:EUR) to purchase 100% of the rights, title and interest in the tenement known as the Paynes Find Gold Project, located in Paynes Find Western Australia.

On 5 July 2018, the Company issued 7,000,000 fully paid ordinary shares at a price of $0.011 per share plus 3,500,000 options to European Lithium Ltd, in satisfaction for the $80,000 to finalise the remaining consideration for the acquisition of the Paynes Find Gold Project.

## NOTE 4: Intangible assets

| | | |
|---|---|---|
| Non current | | |
| Company formation expenses | - | 670 |
| | - | 670 |

NOTE 5: Borrowings

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 30 June 2018 |
| | $ | $ |
| Current | | |
| Secured borrowings – related party[1] | 143,000 | - |
| Secured borrowings – unrelated party[2] | 80,000 | - |
| Unsecured borrowings | - | 1,009,000 |
| | 223,000 | 1,009,000 |

[1] Secured borrowing – related party

In December 2018 the Company borrowed $109,000 from New York Securities Pty Ltd (NYS), a company which Mr Collin Vost is a director. The terms of this loan are interest free until January 2020 and repayable by installments over 12 months at the discretion of both parties. The loan was extended at the discretion of both parties on 18 June 2019.

On 18 June 2019, the Company was able to extend an existing loan from NYS, a shareholder and company controlled by Mr Collin Vost, Chairman of Cervantes. The loan was unsecured, interest free with no fixed term of repayment, up to $325,000.

This loan was further extended on 5 July 2019, under new terms and conditions. The Company entered into a Loan Agreement and Security Interest Deed with NYS securing the related party loan. NYS agrees to loan to Cervantes up to $350,000 on terms of a 7%pa interest from 5 January 2020, with interest repayable monthly unless capitalised, with the outstanding principal repayable on the earlier of 5 July 2021 and/or the date the Company has sufficient funds, as determined by the Board acting reasonably, to repay the amounts owed. NYS may also require early repayment where there is a change in control of the Company or the board or the Company sells or agrees to sell all or a majority or a portion of its business and assets.

The Board has satisfied itself that the funding arrangements with NYS are on arm's length terms and are fair and reasonable from the perspective of its shareholders. The Company investigated other options for funding, none of which were unsecured, interest free with no fixed repayment date.

The Company was granted a waiver from Listing Rule 10.1 by the ASX on 24 July 2019, to enable it to have in place a security over its assets in favour of the related party, subject to a number of conditions, including that the security documents provide that in the event the security is exercised, neither the related party or any of its associates are entitled to acquire the assets without the Company first complying with any applicable listing rules, including Listing Rule 10.1.

[2] Secured borrowings – unrelated party

On 13 December 2019, the Company borrowed $80,000 from an unrelated party. This loan had a repayment date 1 March 2020 or such later date agreed by the parties in writing. Interest payable at repayment date of $4,000. The loan is secured by mortgage over tenements owned by the Company.

This loan was extended on 8 March 2020 to 1 May 2020, under new terms and conditions. An additional $25,000 was borrowed and interest of $8000 due at the new repayment date.

NOTE 5: Borrowings continues

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 30 June 2018 |
| | $ | $ |
| Non-Current | | |
| Unsecured borrowings | 900,000 | - |
| | 900,000 | - |

The Group has a loan facility provided by an ASX listed company, Global Oil & Gas Ltd (ASX:GLV) (formerly Baraka Energy & Resources Ltd) (ASX:BKP) (Baraka), of which the company's directors Mr Collin Vost and Mr Justin Vost, were common directors at the time.

On 9 August 2018 the Company announced it had successfully renegotiated the loan agreement with Baraka, whereby, the Company received a $357,400 reduction in the loan for the waiving of all rights, fees, obligations and entitlements to the Iron Sands venture introduced to Baraka by the Company in 2012. The calculation of this reduction was made up of a 10% introduction fee which was based on the conditional offered purchase price of $3m for the Iron Sands venture by an unrelated third party, plus $57,400 and the waiving of outstanding interest and future interest payments for 24 months and any rights to convert any of the loan to securities for the waiving of all other rights. This was considered a commercial by both Cervantes and Baraka, based on documents provided which contained similar terms, and considered to be standard and commercial. Both Baraka and Cervantes were provided a copy of the conditional purchase agreement and the standard introduction mandate for fees to quantify the discount and interest free period which represented a sum of the settlement terms. The loan has been amended to a $900,000 loan repayable over twenty four month interest free.

NOTE 6: Issued capital

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 30 June 2019 |
| | $ | $ |
| Fully paid ordinary shares | | |
| Opening balance | 14,115,475 | 13,863,759 |
| Issue 5 July 2018 | | 80,000 |
| Issue 22 January 2019 | | 38,250 |
| Issue 20 June 2019 | | 150,000 |
| Transaction costs | | (16,534) |
| At the end of the reporting period | 14,115,475 | 14,115,475 |

NOTE 6: Issued capital continues

| | Consolidated Group | |
|---|---|---|
| | 31 December 2019 | 30 June 2019 |
| | $ | $ |
| Ordinary shares | | |
| At the beginning of the period | 536,008,309 | 487,683,309 |
| Issued during the period: | | |
| Issue 5 July 2018 | | 7,000,000 |
| Issue 22 January 2019 | | 3,825,000 |
| Issue 20 June 2019 | | 37,500,000 |
| At the end of reporting period | 536,008,309 | 536,008,309 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

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

NOTE 7: Share based payments

On 5 July 2018, the Company issued 7,000,000 fully paid ordinary shares at a price of $0.011 per share and 3,500,000 options to European Lithium Ltd, in satisfaction for the $80,000 to finalise the remaining consideration for the acquisition of the Paynes Find Gold Project.

The value of the above share based payments have been capitalised as exploration acquisition cost in the Company's statement of financial position.

These share based payments were approved by shareholders at the Annual General Meeting of the Company held on 18 June 2018.

NOTE 8: Operating segments

The consolidated entity operates in a single business segment being mining minerals and exploration in Australia.

The company is domiciled in Australia. All revenue from external parties is generated from Australia only. All the assets are located in Australia.

NOTE 9: Contingent liabilities

There has been no change in contingent liabilities since the end of the last annual reporting period.

NOTE 10: Event subsequent to balance date

There are no matters or circumstances that have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## DIRECTORS' DECLARATION

The directors of Cervantes Corporation Limited (the company) declare that:

1. The accompanying half year interim financial statements and notes:

(a) comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and

(b) give a true and fair view of the economic entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Collin Vost
Director and Chairman
Dated: 13 March 2020

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au



## Independent Review Report to the Members of Cervantes Corporation Ltd

**The financial report and directors' responsibility**
The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Cervantes Corporation Ltd and its subsidiaries for the half-year ended 31 December 2019.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Review approach**
We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2019 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cervantes Corporation Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**
In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Cervantes Corporation Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2019 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Emphasis of matter - related to going concern**

We draw attention to Note 1 in the financial statements and the sub-heading *Going Concern* which outlines the consideration of a capital raising through a share placement, the sale of assets and or the joint venture of selected assets and the re-quotation of the Company's shares on ASX. The directors have concluded the Group is well placed to manage its business risks and to continue as a going concern. Our conclusion is not modified in respect of this matter.

Rothsay

**Rothsay Auditing**

GR Swan

**Graham R Swan FCA**
**Partner**

Dated 13th March 2020