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CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2020



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Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half year ended 31 December 2020.

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	Appointed 9 October 2017

Review of Operations

The Company commenced the half year with the 16 July 2020 release of an “Exploration Target Estimate” at the Blue Heaven prospect, and continued to push forward on development of the Primrose Gold Project with additional drilling programmes.

PRIMROSE GOLD PROJECT (Yalgoo, Western Australia)

Cervantes “Primrose Gold Project” (Figure 1) covers in excess of 8km of the highly gold mineralised Primrose Shear in the Murchison District of the Eastern Goldfields, Western Australia. Some 79,915 ounces of gold was mined in this field from 1911 till 1982 at an average grade of 28g/t. It is generally accepted that significantly more gold than this was won from alluvial and unreported production.

Cervantes has identified a number of opportunities in this goldfield, one target (Figure 2) was identified by CSA Global but was never tested by previous explorers, and is committed to accelerating exploration, evaluation and overall development of these opportunities within the project area. The Company is particularly focused on advancing the ‘Blue Heaven’ Exploration Target (170,000 to 520,000 tonnage range at 2.2 to 4.5 g/t gold range¹, as announced on 16th July 2020), with the aim of declaring a JORC Mineral Resource, and early

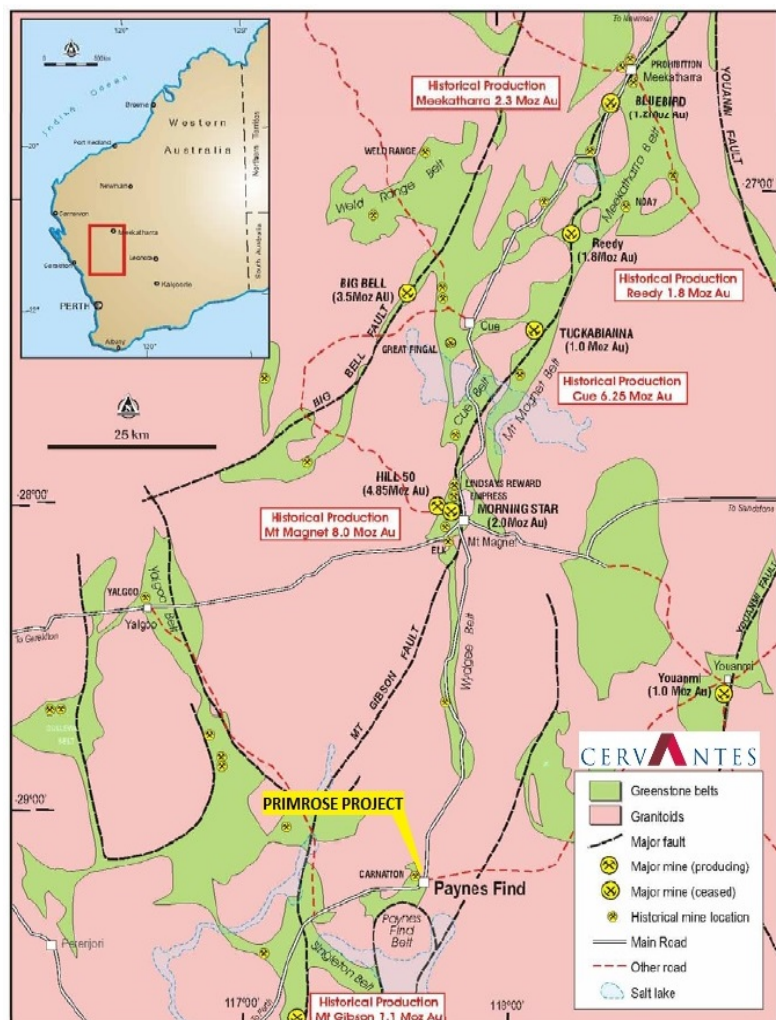


Figure 1: Primrose Project location on regional geology; showing regional historical gold production.

¹ Mr Philip Jones MAusIMM is the Competent Person responsible for the exploration target. The Company is not aware of any new information or data that materially affects the information included in the ASX release of 16th July 2020 and the form and context in which the exploration target was presented have not been materially modified. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resources and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The target is based on actual exploration results.

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development of the 'Pansy Pit' for potential cash flow. These areas being assessed, make up only some 5% of the overall project area.

Blue Heaven Exploration Target

The Blue Heaven Prospect is centred on the historic Paynes Find gold field, an area covered by Cervantes' Primrose Gold Project. In excess of 37 abandoned mine workings occur in the area. All started as small open pits but progressed to underground workings.

These workings are developed in quartz lode systems in the Paynes Find Gneiss adjacent to the Primrose Shear. The lodes strike between 310° and 360° TN (ie, between north-west and north), dip to the west from 60° to 70°, and are generally oblique to the regional foliation. Gold is best developed in flexures of the shear zone.

High grade ore shoots are formed along the intersection direction of the shear foliation and of the lode, resulting in moderate plunges to the south east. These high grade shoots were exploited by the historic mines.

The quartz lode gold is recognised as a second or late stage gold mineralising event. The first stage was movement of auriferous fluids through the Primrose Shear itself. While gold has been found associated with the shear, no economic deposits have been found other than those hosted by the quartz lodes to date.

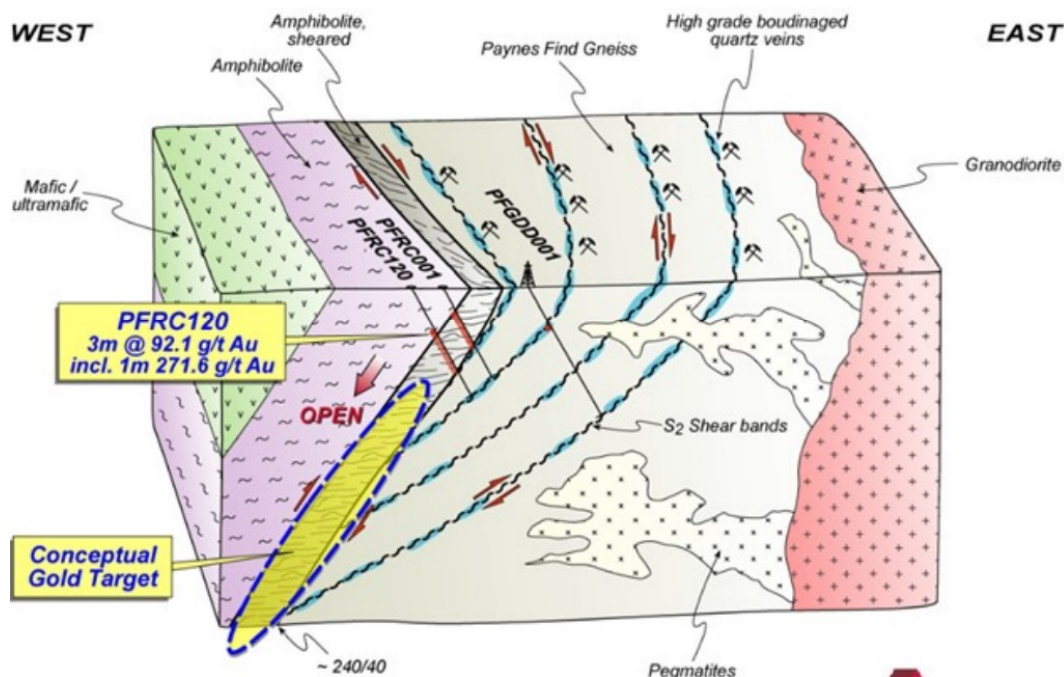


Figure 2 Primrose Shear conceptual gold target. The Paynes Find historic gold mines occur on secondary structures associated with this shear.

The Company announced an Exploration Target at the Blue Heaven Prospect to the market on 16 July, 2020. The aim of the recently completed drilling was to verify historic intercepts as part of Cervantes' validation process for evaluating the historic drilling. Six RC holes, CVSRC001 to 6, were drilled for a total of 263m (Figure 3). The targeted depths of the holes were not achieved because of hard ground and insufficient equipment due to rig unavailability. However, very promising geology was intersected. In particular, in hole CVSRC004

- a broad zone of intensely altered sericitic felsic schist (32m to 55m) with strong magnetite-epidote alteration. The magnetite alteration is logged as "extreme".
- a lamprophyre dyke is logged at 32-34m

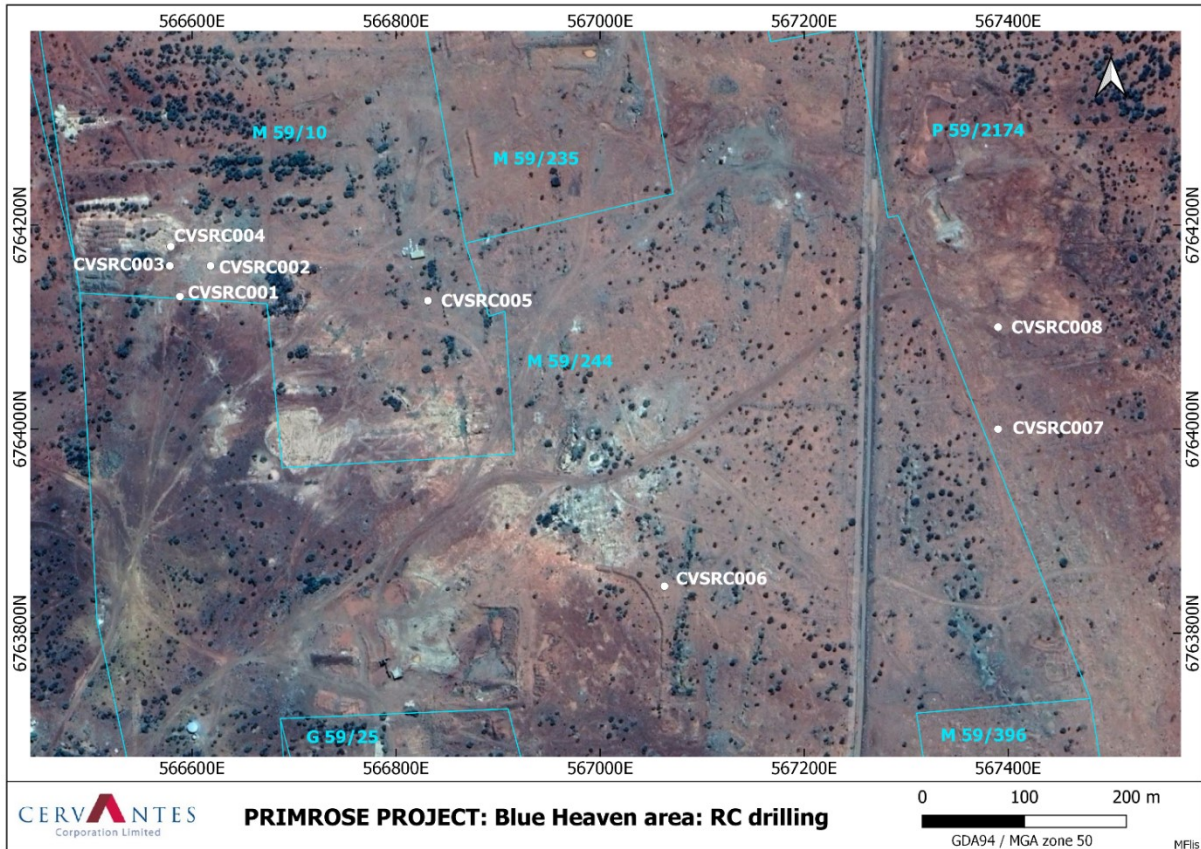


Figure 3. RC drill hole locations, Blue Heaven area, Primrose Gold Project.

Both of these observations indicate very favourable environments for gold mineralisation. Magnetite alteration indicates the passage hydrothermal fluids commonly associated with felsic intrusive-related mineralising systems. Many mesothermal gold deposits are temporally and spatially associated with lamprophyres which often carry gold orders of magnitude higher than other igneous rocks. Importantly, they tend to indicate deeper seated regional heat events that drive gold mineralisation. This is the first time lamprophyres have been identified in the Paynes Find goldfield. CVSRC004 was drilled to test the western downdip extension of an intersection of **1m @ 271.63g/t** from 41m but failed to achieve the target depth.



Drilling at Blue Heaven

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Proposed activities during 2021 at Blue Heaven

- Cervantes aims to undertake the work required to progress this mineralisation to a formal Mineral Resource, the potential quantity and grade of which is conceptual in nature, as there has been insufficient reliable exploration data to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.
- Assessment of extent of magnetite alteration zone with respect to the gold mineralisation with the potential of ground magnetic survey to map out that zone.

Pansy Pit Development

The Pansy Pit was mined in the mid-1980s to a depth of approximately 5m. The ore comprises a series of parallel, moderately south-west dipping quartz lodes. Cervantes undertook RC drilling in the pit in 2018. Results, *announced 8 August 2018*, are included as *Table 1*.

Acquisition of a high resolution Digital Elevation Model during 2020 has allowed historic drilling and the 2018 drilling to be put on to the same datum. As a result, the steeper dips previously identified have proven to be shallower and possibly more attractive for mining.

A programme of 25 RC holes for 436m was undertaken to fill in the existing drilling to better define the near surface gold mineralisation potential in the pit. Hole locations are shown in *Figure 4* below, *Refer to ASX release 13 January 2021 for a full tabulation of drill hole collars from this programme*.

Hole	Interval m	Gold grade g/t	From m	Within broader interval m	Gold Grade g/t	From m
CVSRCP001	2	1.63	10	5	1.03	7
CVSRCP001	2	6.32	34	7	2.33	34
CVSRCP002	1	5.83	11	4	2.46	8
CVSRCP003	2	1.64	10			
CVSRCP004	1	2.82	31	5	1.22	29
CVSRCP005	1	2.53	7			
	2	2.08	15			
CVSRCP006	1	6.31	13	3	3.58	13
CVSRCP007	1	5.06	9	4	2.11	8
	2	9.14	15	15	2.74	14
CVSRCP008	2	2.40	5			
	1	4.28	10	3	1.98	9
	2	2.20	15			
	1	1.94	27			
CVSRCP009	2	4.29	15	6	2.41	15
CVSRCP010	2	5.53	13	3	4.30	12
CVSRCP011	1	1.73	4			
	1	1.3	22			

Table 1 Significant intersections in the Pansy Pit from Cervantes' 2018 RC drilling.

Drilling defined up to five quartz lodes, ranging in apparent thickness from 1m to 3m. RC sampling was undertaken on one metre intervals, defining the minimum apparent thickness. The interpreted dip of the lodes is approximately 35° to the south west. As the holes' dip was 60° to towards the north east the true thickness will be only 1% to 2% less than the apparent thickness. However, this needs to be confirmed by core (diamond) drilling.

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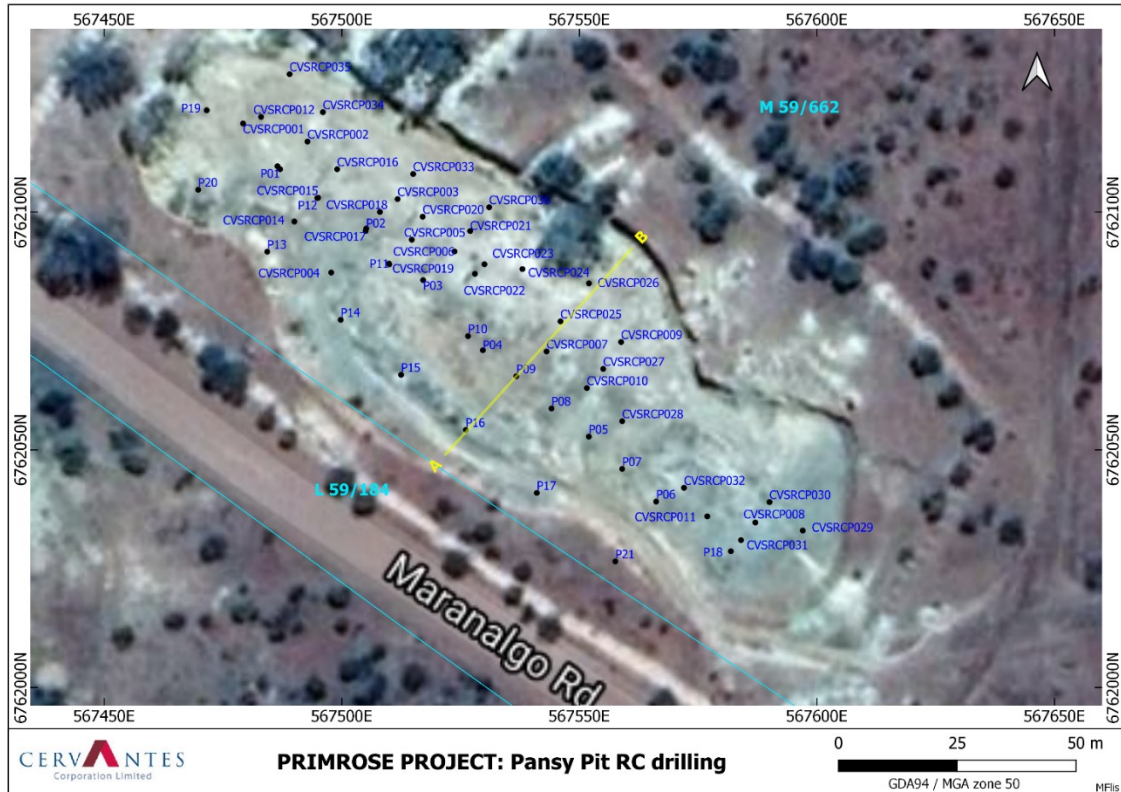


Figure 4 RC drill hole locations, Pansy Pit, Primrose Gold Project.

Due to the shallow nature of the drilling, the holes generally intersected only the shallowest one or two lodes. Notable assay results from the drilling are:

Hole	Interval m	Gold grade g/t	From m	Within broader interval m	Gold Grade g/t	From m
CVSRCP013	1	2.705	10	3	1.52	8
CVSRCP014	1	4.251	16	4	1.705	16
CVSRCP019	1	3.567	25	3	2.214	23
CVSRCP021	1	17.265	9	2	8.933	9
CVSRCP022	1	8.726	16	3	3.618	15
CVSRCP023	1	4.251	13	3	2.538	13
CVSRCP024	1	5.603	5	3	3.162	5
	1	5.378	10	3	2.774	9
CVSRCP025	1	6.550	15	3	3.886	15
CVSRCP026	1	3.579	5	7	1.40	5
CVSRCP027	3	12.336	7	5	7.738	7
CVSRCP030	2	3.709	16	14	1.408	4
CVSRCP033	2	6.308	6			
CVSRCP034	4	3.402	4			

This drilling indicates that:

- near surface gold mineralisation has been outlined
- the shallow dips of the quartz lodes has been confirmed
- whilst the gold tends to occur within quartz lodes, gold also occurs in the host rock. This confirms the observation from the 2018 drilling results

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- while gold grades tend to be erratic, a common feature of quartz vein hosted gold, the strike persistence of the quartz lodes has been established

A representative cross section, whose location is shown in *Figure 4*, is shown in *Figure 5*.

Proposed activities during 2021 at Pansy Pit

- resampling of anomalous four metre gold intercepts to one metre to better define those intercepts.
- Continuation of a Small Mining Proposal submission.
- Planning of a possible third programme of shallow in-pit drilling to aid in grade control for any future mining

MMI Gold Anomaly – P59/2174

A historic surface geochemistry gold anomaly, using the MMI method, remained untested by a previous explorer. The anomaly defines a north-south zone of approximately 700m strike extent. It attains a magnitude of 0.129g/t gold and is considered anomalous in this setting. The anomaly is hosted by the Paynes Find Schist, the host to the Paynes Find gold field.

Two shallow RC holes were drilled to test the anomaly: CVSRC007 and CVSRC008 (*Figure 3*). Both holes intersected unaltered granodiorites with a minor quartz vein. Gold grades were generally below detection other than both holes being anomalous at surface, to a maximum of 0.048g/t gold, and the quartz vein to a maximum of 0.02g/t gold. The source of the MMI is considered to be tested. Assaying was on four metre composites.

CORPORATE

The Company holds, as at 31 December 2020, approximately \$200,000 of highly liquid shares in an ASX200 listed company, received from the sale of Albury Heath project, that can be sold as required to assist with operating cashflows. Cervantes retains the potential for deferred consideration relating to the sale of Albury Heath, being an additional \$400,000 and further \$200,000 of cash or Westgold shares, if the Albury Heath project achieves performance targets, *as outlined in the 23 April 2020 ASX release*.

Cervantes also holds a 1% Net Smelter Royalty on the Meekatharra tenement E51/1721, sold to Ora Gold Limited.

The Company continues to assess a number of other projects while developing the Primrose Gold Project and will ideally be in a position to provide further updates on the

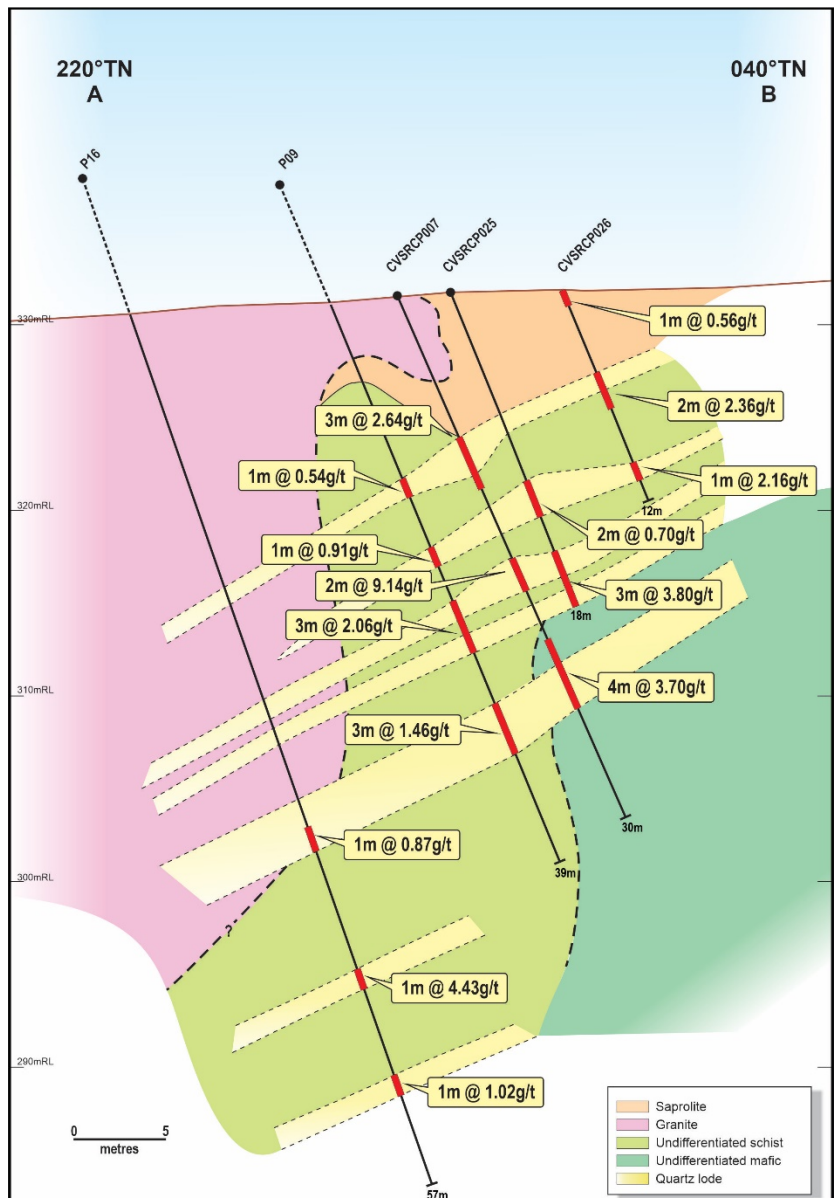


Figure 5 Geological cross section. The location of the cross section is indicated in Figure 4

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project in the relatively near future.

About Cervantes Corporation Limited

Cervantes is an emerging gold explorer and aspiring gold miner. It has built up a portfolio of gold properties in well-known and historically producing gold districts with a strategy to apply novel exploration and development thinking. Cervantes has identified opportunities in those districts that were overlooked by previous explorers. The company is committed to maximising shareholder value through the development of those opportunities.

About the Primrose Project

The Primrose Project covers in excess of 8km of the highly gold mineralised Primrose Shear in the Murchison District of the Eastern Goldfields, Western Australia. Over 37 gold mines operated in this field from 1911 till 1982. Some 79,915 ounces of gold was mined at an average grade of 28g/t during this period. It is generally accepted that significantly more gold than this was won from alluvial and unreported production.

Cervantes controls mining leases and prospecting licences that cover the majority of this historic gold field. A large database of drilling, surface geochemistry, geological, and geophysical data has been assembled to allow the field to be better understood than at any time in its history.

Competent Person's Statement

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Marcus Flis, a Technical Director of Cervantes Corporation Limited. Mr Flis is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Flis consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

The information in this review of operations that relates to Exploration Results, Mineral Resources and Exploration Target statements is based on information compiled or reviewed by Mr Philip Jones, who is a Member of the Australasian Institute of Mining and Metallurgy and The Australasian Institute of Geoscientists. Mr Jones is a consultant to the Company. Mr Jones has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones consents to the inclusion in this review of operations of the matters based on his information in the form and context in which it applies. Exploration Targets described in this report are conceptual in nature and there is insufficient reliable information to establish whether further exploration will result in the determination of Mineral Resources.

Forward Looking Statement

This report contains forward looking statements concerning the projects owned by Cervantes Corporation Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future development

Events after the Reporting Date

As announced 15 January 2021, the Company commenced a non-renounceable entitlement issue of up to 268,004,155 Shares at an issue price of \$0.008 per Share on the basis of one (1) Share for every two (2) Shares held at the Record Date, together with one (1) free unlisted new Option for every (2) new Shares issued exercisable at \$0.015 on or before 28 February 2023 (Offer) to raise up to approximately \$2.144 million

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before costs. A shortfall offer has also being made for Shares and Options not subscribed under the Offer (Shortfall Offer), to which all Eligible Shareholders, and general investors in Australia, can subscribe. The Prospectus is available on the Company website www.cervantescorp.com.au

The Offers are being undertaken to provide the Company with a minimum of \$1.5 million in working capital with a view to the Company satisfying ASX Listing Rule 12.2 and the suspension of trading in its Shares being lifted by ASX. The funds raised will be used for further exploration and evaluation of the Primrose Gold Project (in particular advancing the Blue Heaven exploration target with the aim of declaring a JORC Mineral Resource, as well as further advancing the Pansy pit towards early development), reduction of current loan liabilities and working capital.

There are no other 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 20 for the half-year ended 31 December 2020.

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



Collin Vost
Director and Chairman
Dated: 12 March 2021

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 2020

Continuing Operations	Note	Consolidated Group	
		31 December 2020	31 December 2019
Revenue			
Interest income	2	44	6
Profit on sale of investments		28,872	-
Increase in fair value of other financial assets		53,067	-
		<u>81,983</u>	<u>6</u>
Loss on disposal of equipment		-	(2,900)
Employee benefits expenses		(51,320)	(38,000)
Financing costs		(38,638)	(17)
Occupancy expenses		(23,574)	(25,500)
Travel		-	(1,155)
Administration expenses		(84,133)	(68,704)
Other		(732)	(388)
Profit (Loss) from ordinary activities before related		<u>(116,414)</u>	<u>(136,658)</u>
Income Tax benefit			
Income tax benefit relating to ordinary activities		-	-
Profit (Loss) from ordinary activities after related		<u>(116,414)</u>	<u>(136,658)</u>
Income Tax benefit			
Other comprehensive income		-	-
Total comprehensive income		<u>(116,414)</u>	<u>(136,658)</u>
Earnings per share attributable to the ordinary equity holders of the company			
- Basic and diluted		(0.022)c	(0.025)c

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 2020

	Note	Consolidated Group	
		As at 31 December 2020	As at 30 June 2020
Current Assets			
Cash and cash equivalents		14,864	149,136
Financial assets		203,450	319,325
Total Current Assets		218,314	468,461
Non-Current Assets			
Property, plant and equipment		-	-
Exploration assets	3	1,830,945	1,684,888
Total Non-Current Assets		1,830,945	1,684,888
Total Assets		2,049,259	2,153,349
Current Liabilities			
Trade and other payables		110,953	357,940
Financial liabilities	4	450,337	1,011,800
Total Current Liabilities		561,290	1,369,740
Non-Current Liabilities			
Financial liabilities	4	820,774	-
Total Non-Current Liabilities		820,774	-
Total Liabilities		1,382,064	1,369,740
Net Assets		667,195	783,609
Equity			
Issued capital		14,115,475	14,115,475
Accumulated losses		(13,448,280)	(13,331,866)
Total Equity		667,195	783,609

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 2020

Consolidated Group	\$	\$	\$
	Share Capital	Accumulated	
	Ordinary	Losses	Total
Balance at 1.7.2019	14,115,475	(13,414,693)	700,782
Total comprehensive income	-	(136,658)	(136,658)
Sub-total	14,115,475	(13,551,350)	564,125
Shares issued during the period	-	-	-
Transaction costs	-	-	-
Balance at 31.12.2019	14,115,475	(13,551,350)	564,125
Balance at 1.7.2020	14,115,475	(13,331,866)	783,609
Total comprehensive income	-	(116,414)	(116,414)
Sub-total	14,115,475	(13,448,280)	667,195
Shares issued during the period	-	-	-
Transaction costs	-	-	-
Balance at 31.12.2020	14,115,475	(13,448,280)	667,195

The accompanying notes form part of these financial statements.

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Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Consolidated Group	
	31 December 2020	31 December 2019
Cash Flow from Operating Activities		
Cash receipts in the course of operations		
Payments to suppliers and employees	(175,408)	(98,448)
Interests received	44	6
Interest paid	-	(17)
Net cash flows from (used in) operating activities	(175,364)	(98,459)
Cash Flow from Investing Activities		
Proceeds from held for trading investments	221,836	-
Purchase of held for trading investments	(24,024)	-
Proceeds from borrowings	2,108	114,000
Repayment of loans to other entities	(12,772)	-
Payments for exploration & evaluation	(146,057)	(81,170)
Net cash flows from (used in) investing activities	41,091	32,830
Cash Flow from Financing Activities		
Issue of shares	-	-
Costs of share issue	-	-
Net cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(134,273)	(65,629)
Cash and cash equivalents at the beginning of the period	149,137	117,827
Cash and cash equivalents at the end of the period	14,864	52,198

The accompanying notes form part of these financial statements.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2020 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 2020 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 2020, 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 2020.

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. Impairment losses are recognised in the Statement of Comprehensive Income.

Going Concern

At the date of this report the directors are conducting an equity capital raising through a method of security placements, as detailed in Note 8.

The Company holds liquid shares in an ASX200 listed company, received from the sale of Albury Heath project, that can be sold as and when required to assist with operating cashflows. Cervantes also retains the potential for deferred consideration relating to the sale of Albury Heath, being an additional \$400,000 and further \$200,000 of cash or Westgold shares, if the Albury Heath project achieves performance targets. The directors can also consider joint ventures and/or farm-ins on projects or tenements only, partial or whole sale of assets, advanced payments against potential production or income from production.

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.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: Basis of Preparation continues

Going Concern continues

Notwithstanding cash outflows from operations of \$175,364 (2019: \$98,459), the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future

Critical Accounting Estimates and Judgments

Key Estimates – Deferred Exploration and Evaluation Expenditure

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.

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 \$1,830,945 (June 2020: \$1,684,888) and the amount written off through the Statement of Comprehensive Income as exploration and evaluation written off for projects amounted to \$nil (December 2019: \$nil).

NOTE 2: Profit (Loss) for the period

	Consolidated Group	
	31 December 2020	31 December 2019
	\$	\$
Interest revenues		
- Other persons	44	6
	44	6

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NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 3: Deferred exploration expenditure

	Consolidated Group	
	31 December 2020	30 June 2020
	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest	1,830,945	1,684,888
	1,830,945	1,684,888
Movement in carrying amounts		
Balance at beginning of year	1,684,888	1,879,252
Cost of tenements sold	-	(370,000)
Acquisitions cost capitalised	-	-
Exploration expenditure capitalised	146,057	175,636
Exploration expenditure written off	-	-
Closing balance	1,830,945	1,684,888

In March 2020 the Company finalised negotiations for the sale of the Abbotts project, tenement E51/1721, to Ora Gold Ltd for \$30,000 and a 1% net smelter royalty.

The Albury Heath Gold Project sale, which included tenements P51/2937 and P51/2997 – 3001, to Big Bell Gold Operations Pty Ltd, a wholly owned subsidiary of Westgold Resources Limited, was completed 8 May 2020.

On settlement of the sale, Cervantes received \$700,000 in Westgold Resources Limited (WGX) shares, an ASX200 Company. In addition, Cervantes will be paid a further \$400,000 by way of cash and/or WGX shares (at BBGO's election) if the quantity of gold produced from the Albury Heath project exceeds 25,000 ounces, and an additional \$200,000 in cash and/or WGX shares if the quantity of gold produced exceeds 35,000 ounces. Subject to these production numbers being reached, the total sale price of the project will total some \$1.3m.

NOTE 4: Borrowings

Current

Secured borrowings – related party ¹	-	111,800
Unsecured borrowings ²	450,337	900,000
	450,337	1,011,800

Non-Current

Secured borrowings – related party ¹	370,774	-
Unsecured borrowings ²	450,000	-
	820,774	-

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Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 4: Borrowings continues

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 were 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 2022 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 at the time.

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 Unsecure borrowings

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 GLV, whereby, the Company would receive a \$357,400 reduction in the loan for the waiving of all rights, fees, obligations and entitlements to the Iron Sands venture introduced to GLV 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 commercial by both Cervantes and GLV, based on documents provided which contained similar terms, and considered to be standard and commercial. Both GLV 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 within twenty-four-month interest free from 7 June 2019. Under the terms of the loan, 50% or \$450,000 can be paid on the due date with the balance to be paid 12 months after by payment of a nominal fee. The terms and agreement can be renegotiated by either party by mutual consent.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 5: Issued capital

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 6: 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 7: Contingent liabilities

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

NOTE 8: Event subsequent to balance date

As announced 15 January 2021, the Company commenced a non-renounceable entitlement issue of up to 268,004,155 Shares at an issue price of \$0.008 per Share on the basis of one (1) Share for every two (2) Shares held at the Record Date, together with one (1) free unlisted new Option for every (2) new Shares issued exercisable at \$0.015 on or before 28 February 2023 (Offer) to raise up to approximately \$2.144 million before costs. A shortfall offer has also been made for Shares and Options not subscribed under the Offer (Shortfall Offer), to which all Eligible Shareholders, and general investors in Australia, can subscribe. The Prospectus is available on the Company website www.cervantescorp.com.au

The Offers are being undertaken to provide the Company with a minimum of \$1.5 million in working capital with a view to the Company satisfying ASX Listing Rule 12.2 and the suspension of trading in its Shares being lifted by ASX. The funds raised will be used for further exploration and evaluation of the Primrose Gold Project (in particular advancing the Blue Heaven exploration target with the aim of declaring a JORC Mineral Resource, as well as further advancing the Pansy pit towards early development), reduction of current loan liabilities and working capital.

There are no other 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.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity

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 2020 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, pursuant to s.305(5) of the Corporations Act 2001.



Collin Vost
Director and Chairman
Dated: 12 March 2021

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of the review of Cervantes Corporation Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Cervantes Corporation Limited and the entity it controlled during the half-year.

Rothsay Auditing



Daniel Dalla
Partner

12 March 2021

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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 AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
CERVANTES CORPORATION LIMITED

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cervantes Corporation Limited ("the Company") and the entity it controls ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor 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 (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's review report.





Directors' Responsibility for the Financial Report

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

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Rothsay Auditing

Dated 12 March 2021

Daniel Dalla
Partner

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