CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Corporate Directory

Board of Directors

Collin Vost

Chairman

Justin Vost

Non-Executive Director

Marcus Flis

Non-Executive Director/Exploration Manager

Company Secretary

Patrick O'Neill

Registered Office

Shop 11 "South Shore Piazza"

85 South Perth Esplanade

South Perth WA 6151

Contact Details

Cervantes Corporation Ltd

PO Box 1196

South Perth WA 6951

Tel: +61 8 96436 2300

Fax: +61 8 9367 2450

Email: admin@cervantescorp.com.au

Website: www.cervantescorp.com.au

Solicitors

Steinepreis Paganin

GPO Box 2799

Perth WA 6001

Auditors

Rothsay Chartered Accountants

Level 1 Lincoln House 4 Ventnor Avenue

West Perth WA 6005

Share Registry

Advanced Share Registry

150 Stirling Highway

Nedlands WA 6009

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth Western Australia)

ASX Code: Ordinary Shares - CVS

Bankers

National Australia Bank Ltd

Capital Office

100 St Georges Terrace

Perth WA 6000

Contents

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the year ended 30 June 2018.

Principal Activities and Significant Change in Nature of Activities

The principal activities of the Group during the financial year were the exploration and evaluation of mineral resource projects.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

Operating Results and Review of Operations for the Year

Operating Results

The profit of the Group for the financial year after providing for income tax amounted to:

Year ended 30 June 2018 $	Year ended 30 June 2017 $
(318,022)	(311,936)

Review of Operations

PRIMROSE PROJECT

The Company completed a regional air core sampling campaign testing Gold zone areas never tested before, together with testing for other base metals such as Nickel, Cobalt and Copper.

Final assays from the regional air core (AC) sampling programme from a total of 100 holes for 489 metres were received. The sampling programme aimed to:

- Test interpreted jogs in the Primrose Shear that may have focused gold mineralisation,
- Obtain samples from bedrock uncontaminated by more than a century of mining and gold extraction, and
- Sample areas for both gold and base metals that had not been previously tested by appropriate modern techniques.

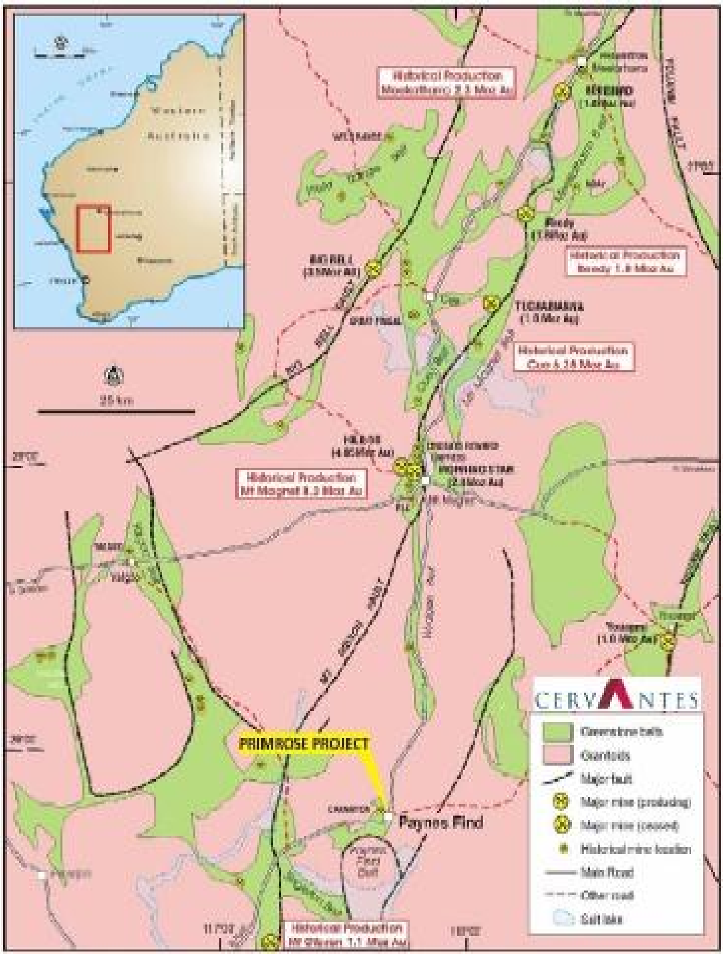


Figure 1: Primrose Project location on regional geology.

The AC sampling programme was reconnaissance in nature. AC drilling is a first-pass geochemical exploration method that tests the potential of an area. While results are often low grade, they indicate a higher likelihood for gold mineralisation to be at depth. Gold and pathfinder elements may be depleted in the oxide zone at, or close to the surface which, depending on a variety of local geological, environmental, and morphological factors, can further affect grades. AC sampling avoids these issues by sampling the bedrock directly.

AC Programme Details

Five areas were sampled: Blue Bell, Princess Mary, Goodingnow, Pansy South, and added to the programme in the field, the Daffodil Shear. The holes were drilled at a 60° dip towards the east and were spaced between 25 and 50 m along east – west lines. Drilling was to "blade refusal" depth; holes ranged from 1m to 39m depth and averaged 5m. Figure 2 shows the hole locations.

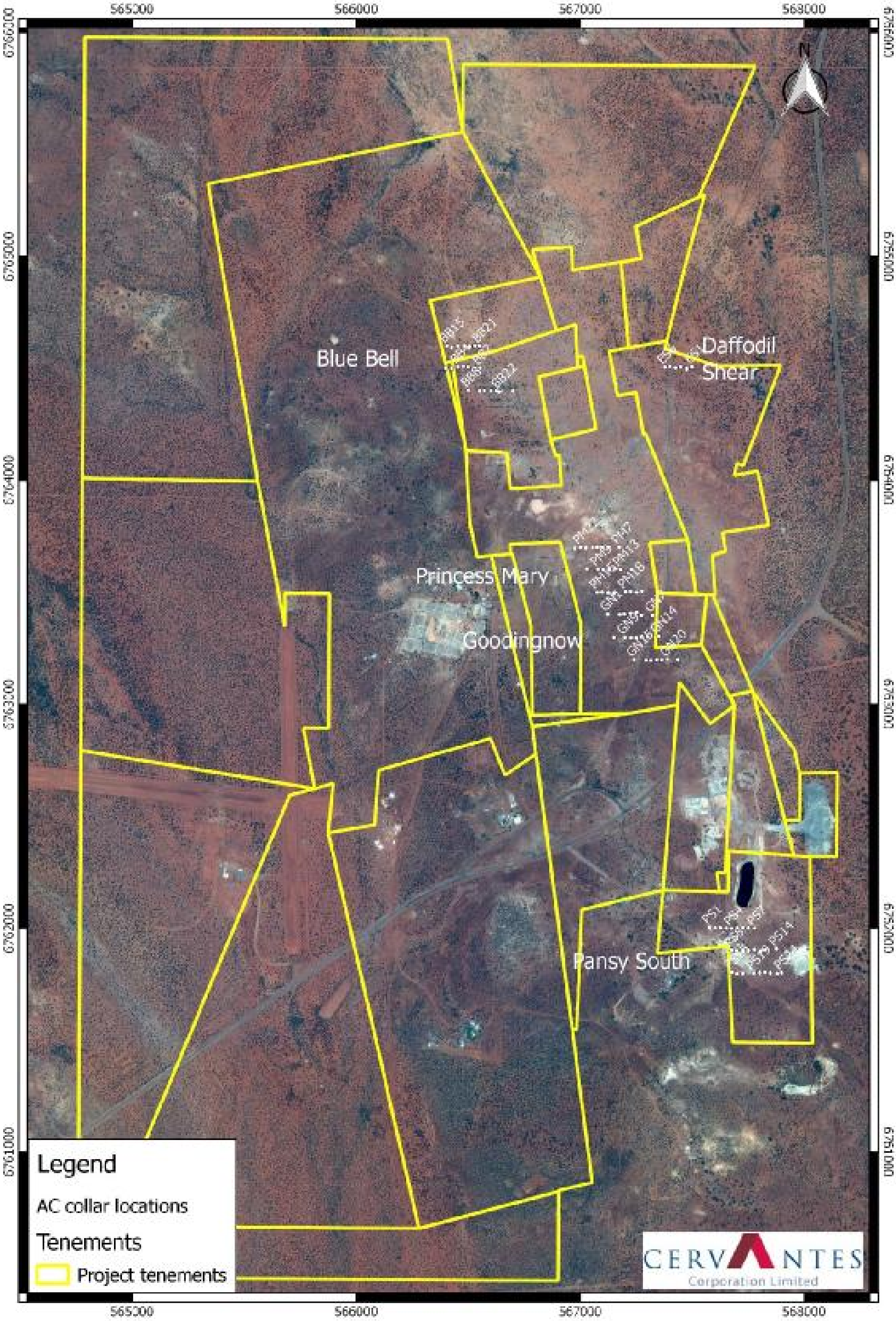
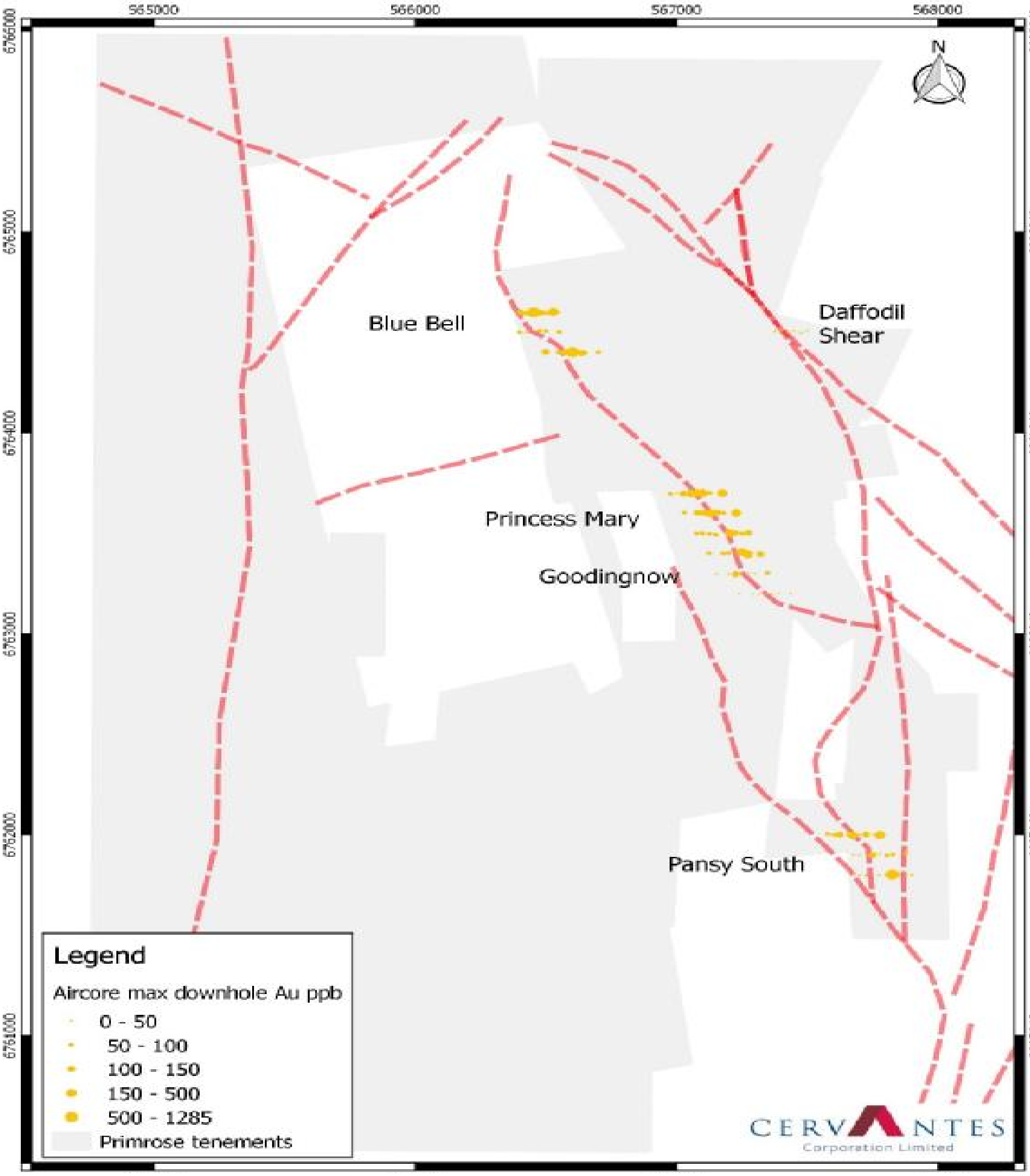


Figure 2: AC hole locations on tenement map, Primrose Project, WA. (The tenement outlines are for indication purpose only and should not be viewed as being 100% accurate)

AC Geochemistry Results

The results from the AC sampling show an elevated gold background. Usually, sampling of this style returns a general gold background of around 10 parts per billion (ppb) or less. This data has an average gold value of 62ppb, attesting to the auriferous nature of the geology on the Primrose Project.

Figure 3(a) is a summary of the maximum gold assays found at each sample point. Significant gold anomalism is associated with the Primrose Shear at Blue Bell (maximum 1,192.2ppb or 1.192g/t Au), Princess Mary (1,826.9ppb or 1.826g/t Au), and Pansy South (1,270.7ppb, or 1.27g/t Au). Gold values were only moderate at Goodingnow. No significant gold assays were detected along the one line of holes testing the Daffodil Shear.



Fi

Figure 3(a): AC gold assays, parts per billion or ppb (1,000ppb = 1ppm = 1g/t). Maximum down hole values are shown. Maximum value is 1,285ppb or 1.285g/t Au. Red lines are interpreted shears.

Figure 3(b) is a summary of the nickel results. As was expected, high nickel values were detected in the amphibolite west of the Primrose Shear, particularly at the Blue Bell (1,192.2ppm, or 0.119% Ni), Princess Mary (1,826.9ppm or 0.183% Ni), and Pansy South (1,270.7ppm or 0.127% Ni) prospects.

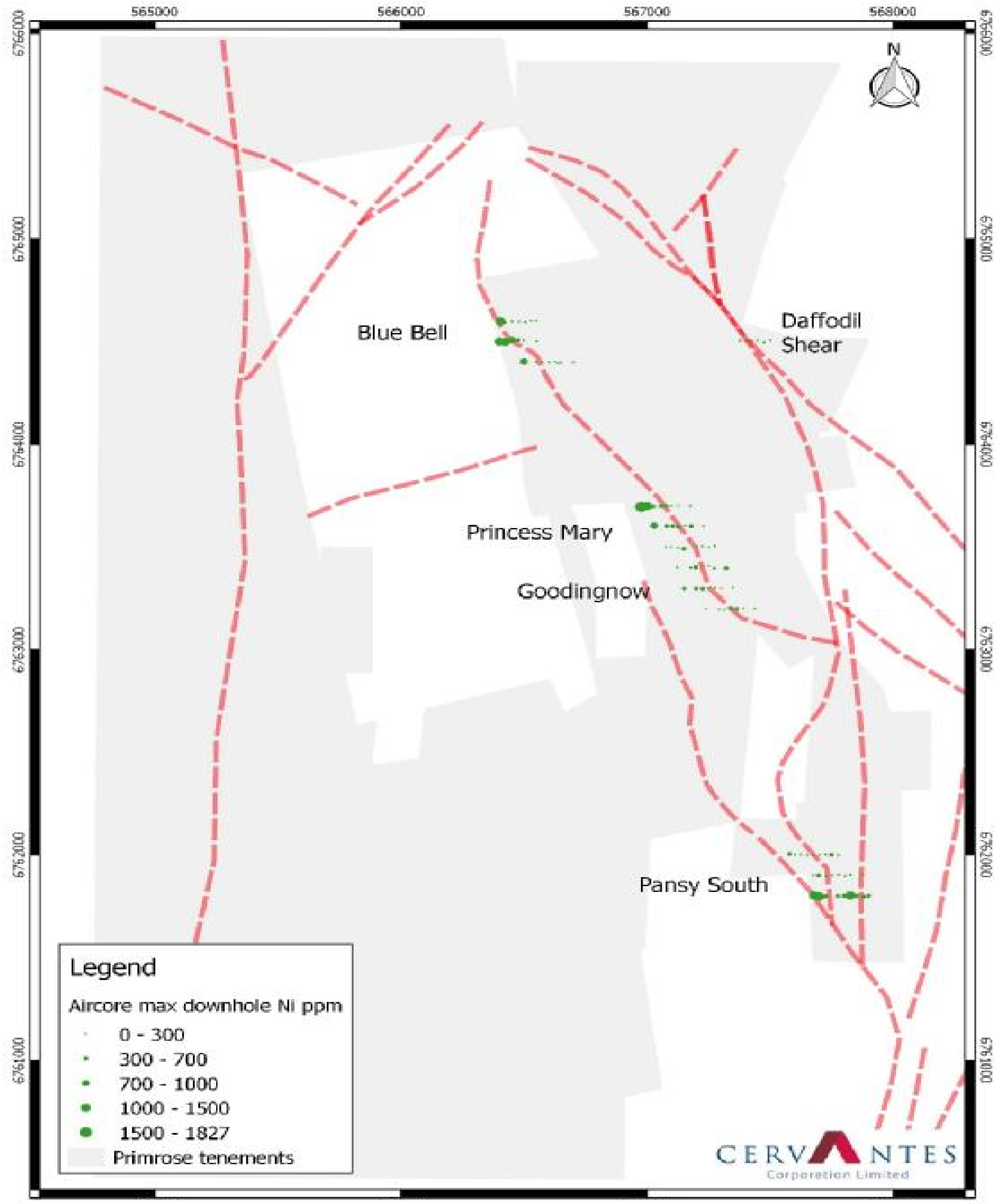


Figure 3(b): AC nickel assays, parts per million or ppm (10,000ppm = 1%). Maximum down hole values are shown. Maximum value is 0.1827% Ni. Red lines are interpreted shears.

Figure 4(a) is a summary of the maximum copper at each sample point. Noteworthy copper anomalism is detected at Pansy South where a maximum 0.156% copper is detected in association with the anomalous nickel assays. Figure 4(b) shows the cobalt assays. Cobalt assays are generally low.

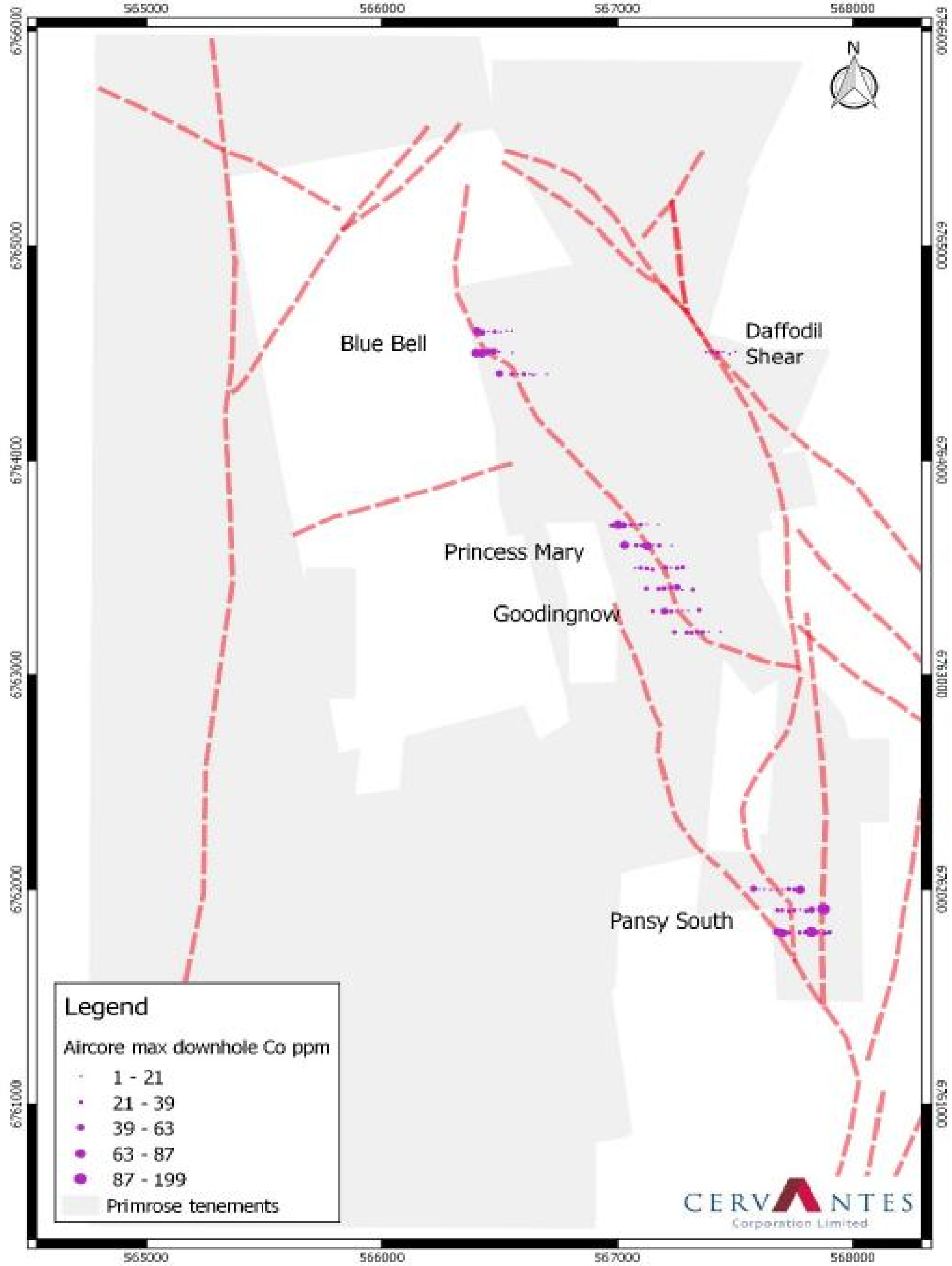


Figure 4a: AC copper assays, parts per million or ppm 10,000ppm = 1%. Maximum down hole values are shown. Maximum value is 1,560ppm or 0.156% Cu. Red lines are interpreted shears.

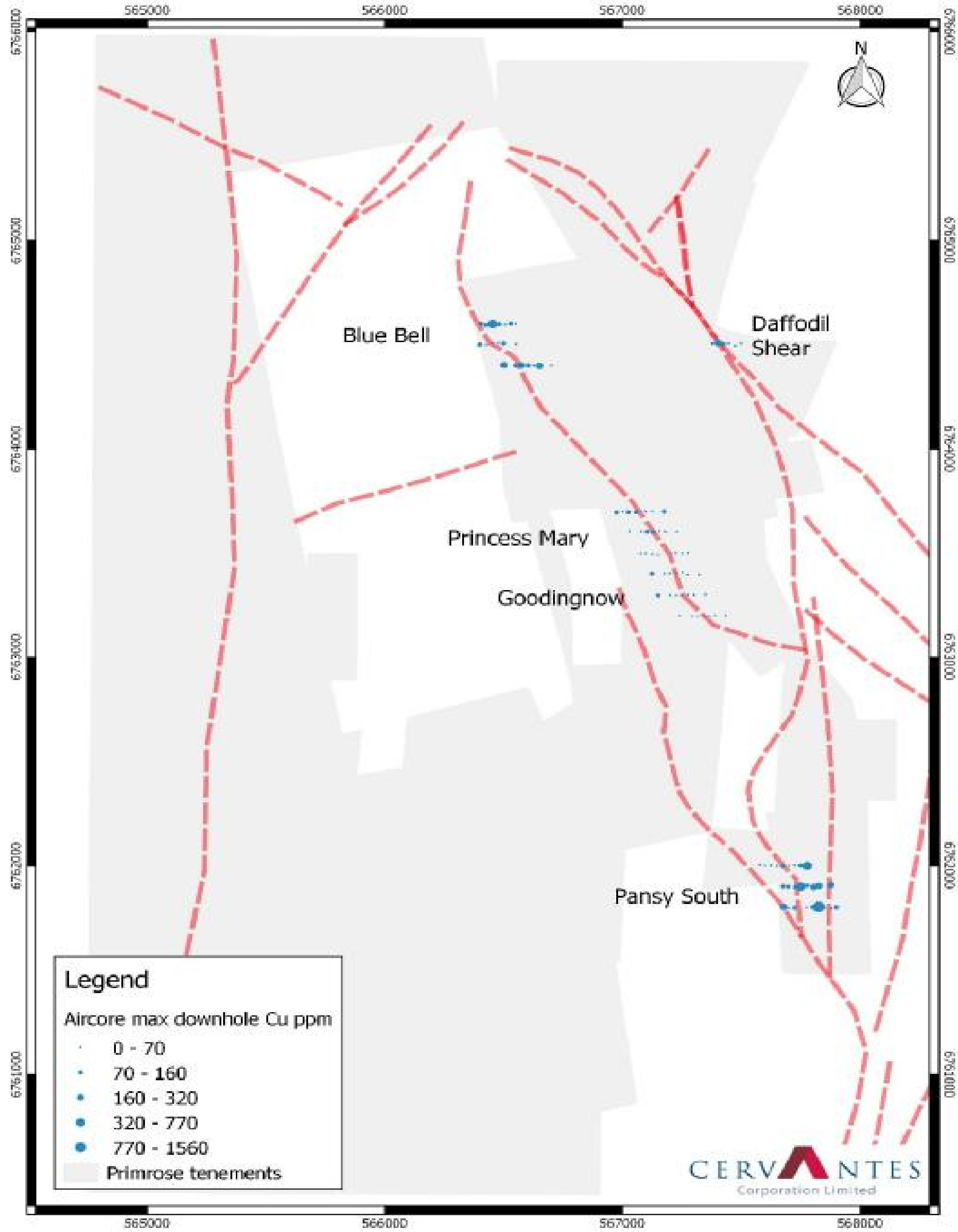


Figure 4b: AC cobalt assays, parts per million. 10,000ppm = 1%. Maximum down hole values are shown. Maximum value is 199ppm or 0.0199% Co. Red lines are interpreted shears.

Follow-up
Additional interpretive work will be done to determine the host of the anomalism detected. Deeper drilling will be undertaken to test for the Primrose Shear hosted gold deposits that Cervantes is targeting, including the potential for deeper Nickel targets. The timing of that follow up is dependent on project prioritisation.

ALBURY HEATH

The Albury Heath tenement package (P51/2937, P51/2997 - 3001) is located approximately 23 kilometres South East of the mining town of Meekatharra in Western Australia as shown in Figure 5. The board has been very pleased with significant gold intersections from the recent RC drilling programme. Drilling intersected quartz lode mineralisation with higher grades than that seen in historic drilling.

- Significant gold intersections from the RC drilling at Albury Heath include (down hole length, true width not known):

  17m @ 18.8 g/t from 77m in AHP139, incl 4m @ 52.3 g/t from 86m

  1m @ 14.1 g/t from 58m in AHP120

  2m @ 7.0 g/t from 9m in AHP134, incl 1m @ 13.3 g/t from 10m

  2m @ 3.2 g/t from 29m in AHP136

  1m @ 15.2g/t from 46m in hole 135

  8m @ 15.3 g/t from 87m in AHP135, incl 4m @ 30.1 g/t from 87m,

  2m @ 67.2 g/t from 27m in AHP116, incl 1m @ 129.3 g/t from 27m

  4m @ 9.1 g/t from 19m in AHP119, incl 2m @ 16.5 g/t from 19m

  2m @ 18.2 g/t from 4m in AHP127, incl 1m @ 31.4 g/t from 4m

  1m @ 31.4 g/t from 36m in AHP128

  4m @ 5.8 g/t from 45m in AHP129, incl 1m @ 19 g/t from 45m

  3m @ 9.0 g/t from 81m in AHP130, incl 1m @ 21.3 g/t from 82m

  5m @ 63.1 g/t from 32m in AHP134, incl 1m @ 202.8 g/t from 33m

  8m @ 23.1 g/t from 87m in AHP135, incl 2m @ 49.0 g/t from 87m

The drilling was successful in:

- testing the down dip extension of the main known lode. Minor (subparallel) lodes have been shown to be less continuous than predicted, though these do not hold the bulk of the resource as announced on 7 February 2017,
- defining near surface mineralisation. Through this programme it has been recognised that additional shallow mineralisation may exist that could require further drilling. This may represent cheap ounces, and
- sampling zones around the existing open stopes. These areas were poorly sampled by the historic drilling.

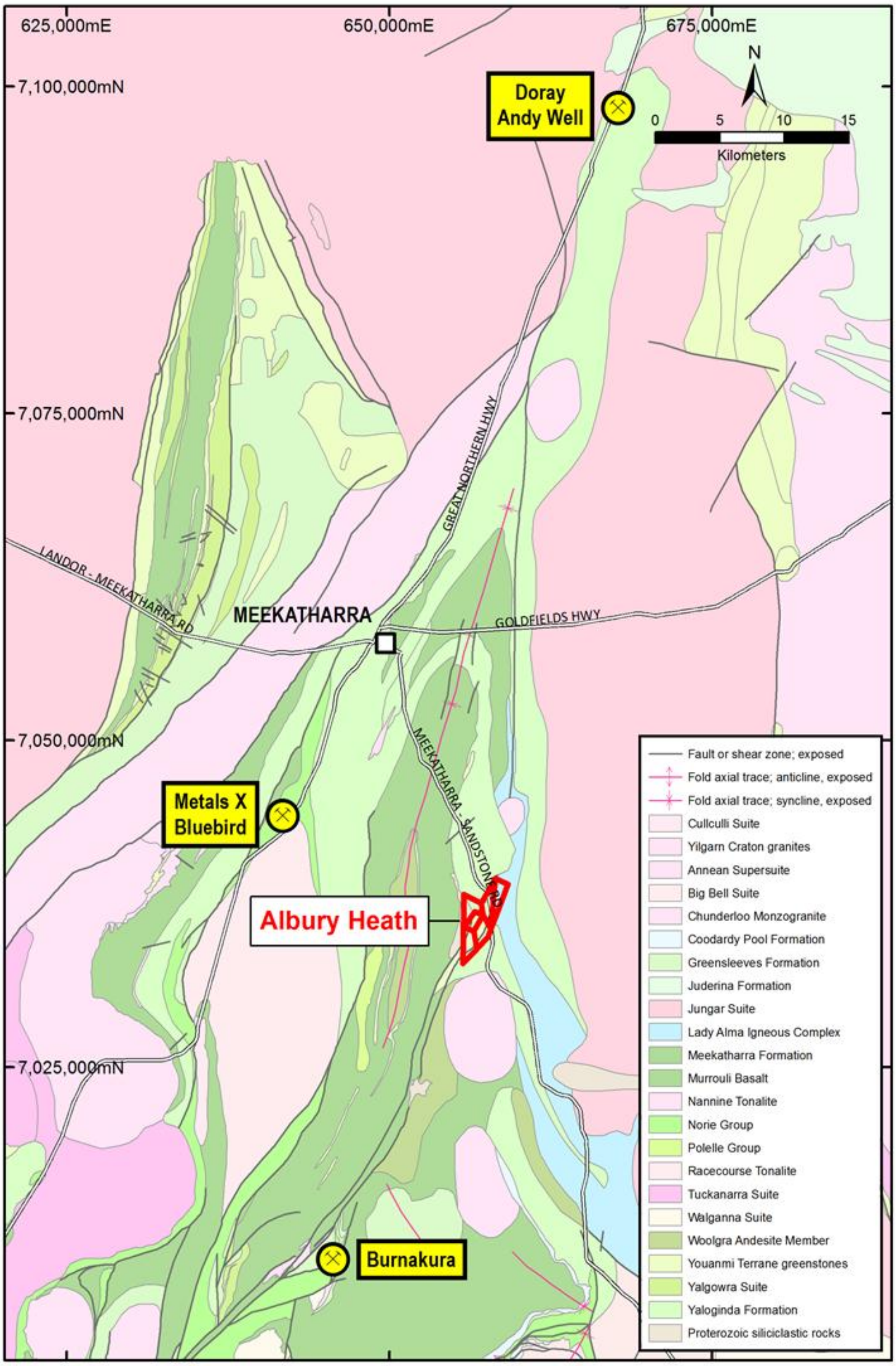


Figure 5: Location, Albury Heath Project

All drilling was by Reverse Circulation (RC) with every metre sampled for assaying. Bulk samples were collected for future metallurgical testing purposes. Table 1 summarises all significant intersections from this drilling campaign based on criteria noted in the table.

Hole AHP139 was drilled as a "scissor" hole to test the main quartz lode from the opposite direction to that drilled by holes AHP128 (maximum assay of 31.41g/t, or about 1oz/t), AHP129 (18.96g/t) and AHP130 (21.27g/t). AHP139 is interpreted to have intersected the main lode at 43 to 54m (max of 1m @ 15.17g/t) and again at 77 to 94m (max of 1m @ 69.19g/t, or about 2.2oz/t). It is likely AHP139 intersects the lode at an oblique angle and the intercepts do not represent true widths.

The previously reported intercept of 5m @ 63.1g/t (about 2oz/t) from 32m in hole AHP134, including 1m @ 202.8g/t (about 6.5oz/t) from 33m represents the north-east extension of this main lode.

The assays for the lode position in hole AHP135 have been updated to reflect assaying on the high grade zone between 87m and 95m.

Geology

The high grade gold intervals are hosted in steeply dipping (70^o to 80^o to the southeast) quartz-pyrite veins, stockworks, and stringers that vary in width from less than one metre to over four metres. These quartz systems are hosted by vesicular and altered (+/-carbonate, silica, fuchsite and pyrite) basalts of the Polelle Group. The first basalt encountered tends to be vesicular, giving way to altered basalts at depth. Felsic volcanics, volcanoclastics, and banded iron formation are seen locally, but not recognised in drilling.

The Albury Heath resource is typical of Murchison Domain gold mineralisation: related to major faults and shear zones within greenstone belts and preferentially associated with banded iron formations, and ultramafic and mafic lithologies. Most of the gold deposits are considered to be "lode-gold style" and many shears and mineralised vein systems are associated with metasomatism with the mineralising fluids possibly being derived by progressive metamorphic dewatering of mafic and ultramafic sequences (Browning et al, 1987).

Gold mineralisation at Albury Heath is closely associated with the Meekatharra Structural zone, a major regional northeast trending shear dominated zone approximately 50km wide. Specifically, the local northeast trending structure is related to an extension of the regional scale Mt Magnet Fault, host to the Burnukara gold camp, about 25 kilometres to the south-south-east.

Hole		From (m)	To (m)	Interval (m)	Gold (g/t)
AHP113		18	23	5	1.53
		26	28	2	1.07
AHP114		26	28	2	1.04
AHP116		4	6	2	2.84
		21	24	3	1.00
		27	28	1	129.32
	in	27	29	2	67.18
AHP118		51	54	3	7.42
		61	64	3	1.09
		77	78	1	6.80
AHP119		19	20	1	24.41
	in	19	23	4	9.09
AHP120		51	53	2	1.23
		58	59	1	14.14
		65	67	2	3.51
		79	81	2	4.49
AHP122		7	10	3	2.28
AHP123		8	13	5	1.68
AHP124		16	21	5	3.42
		51	53	2	1.22
AHP125		49	51	2	3.41
		64	65	1	5.82
AHP126		57	59	2	1.43
		70	71	1	7.78
		96	97	1	5.34
AHP127		4	5	1	31.38
	in	4	7	3	12.33
		9	11	2	1.28
AHP128		14	15	1	5.24
	in	11	15	4	1.64
		36	37	1	31.41

Hole		From (m)	To (m)	Interval (m)	Gold (g/t)
		45	51	6	1.26
	in	60	63	3	4.22
AHP129		45	46	1	18.96
	in	45	49	4	5.84
		61	62	1	8.75
AHP130		48	52	4	1.30
		66	68	2	2.19
		82	83	1	21.27
	in	80	85	5	5.61
AHP131		49	54	5	2.01
AHP133		85	91	6	1.42
AHP134		10	11	1	13.30
	in	9	11	2	6.98
		33	34	1	202.79
	in	32	35	3	104.39
	in	30	37	7	45.20
AHP135		76	78	2	1.66
		88	89	1	57.37
	in	87	91	4	30.08
	in	87	92	5	15.33
AHP136		29	31	2	3.18
		66	70	4	1.56
AHP139		46	47	1	15.17
	in	43	47	4	5.19
	in	43	54	11	2.75
		69	71	2	1.63
		88	89	1	69.19
	in	86	90	4	52.26
	in	77	94	17	18.77
		107	112	5	4.67

Table 1. Summary of significant results. Intervals over 0.5g/t were averaged, including internal intervals of less than 0.5g/t if only one metre thick. Individual single metre assays less than 5g/t are ignored. Values above 10g/t highlighted. True thicknesses are unknown at this stage. Values rounded to second decimal place.

Mineralisation

Up to seven lodes are recognised locally. The Main Lode was mined by underground selective mining methods. It represents the most consistently auriferous lode. While grades are best developed in the vicinity of the Albury Heath shaft, drilling has shown high gold grades extend along strike. For example, the 202.79g/t intercept in AHP134 occurs 80m NE from the old workings and a 129.32g/t intercept in AHP116 is located 40m to the SW of those workings; both in areas not exploited by historic mining.

The lodes transgress from oxidized into fresh rock. Oxidation level appears to have no discernable impact on gold grade although there may be some evidence of supergene enrichment in the overlying lateritic clays. Minor sulphides are recorded in the lode, but it is not ubiquitous, nor is it wholly pathetic with the gold mineralisation. There is no discernable trend between the mineralisation seen in the two basalt types, though most occurs in vesicular basalt, possibly a function of this unit being the most sampled by drilling.
Gold grades in both the saprolite zone and in overlaying ferricretes and lateritic clays is sporadic and in places apparently unrelated to the lode positions.

With all data now in hand, a re-interpretation of the geology has been possible. A typical cross section is shown as Figure 6, with the location of the section indicated on Figure 7.

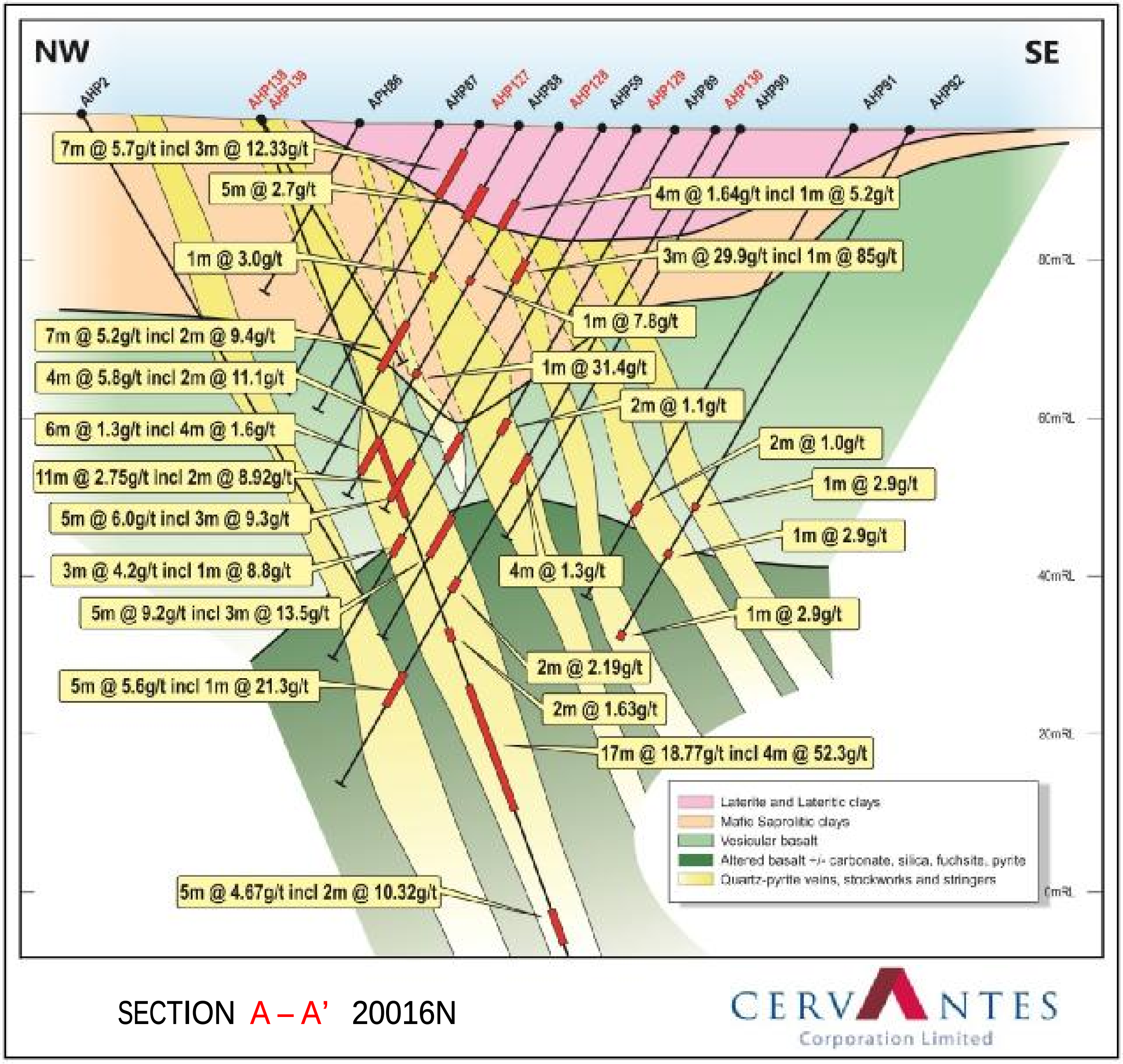


Figure 6: Drill section 20116N. Refer to Figure 7 for cross section location. RL datum is arbitrary

Next Steps

The results of this drilling campaign will be used to determine if the resource at Albury Heath is sufficiently defined to pursue early opportunities for toll treatment. Initial indications are that there remains room for expansion of the resource, particularly at shallow depths where the impact of defining additional resources on the economics of an open cut pit may be greatest.

Bulk samples collected during drilling will now be considered for metallurgical test work to gain an understanding of the size distribution of the gold and its recovery.

The insight gained from drilling Albury Heath will now be fed directly into regional assessment of Cervantes tenement holdings. An evaluation of all historic work done over the areas controlled by Cervantes has begun. This consists mainly of RAB drilling. However, the recognition of a particular "fingerprint" in aeromagnetic data associated with the Albury Heath gold occurrence will form a supporting overlay to that evaluation.

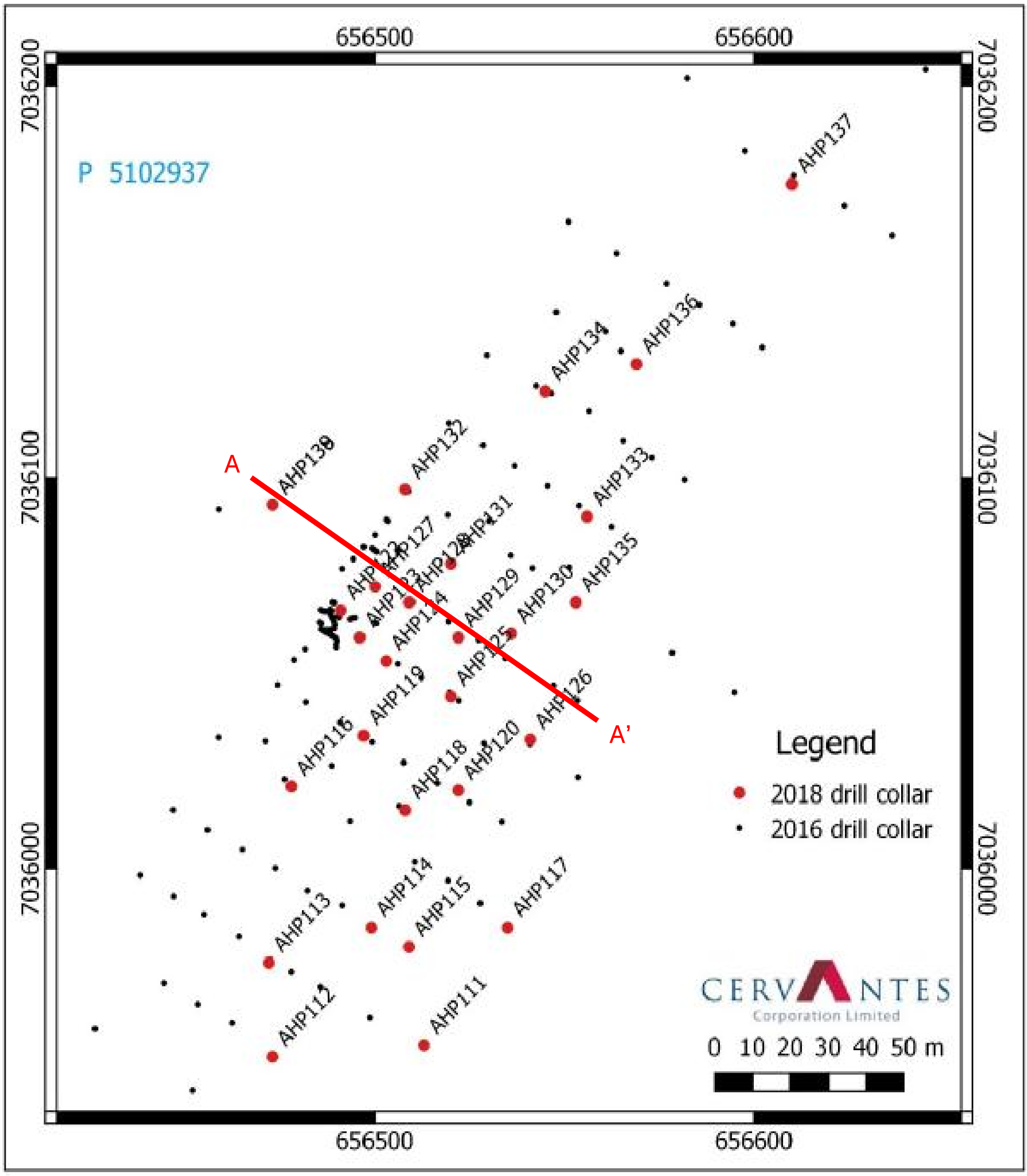


Figure 7: Drill hole and drilling section locations, Albury Heath. MGA94 co-ordinates of holes are listed in Table 1. Hole marked in red are the subject of this announcement. Note Holes AHP138 and 139 have the same collar location.

ABBOTTS

The Company's Abbotts project tenement E63/1721 is strategically located and immediately adjoins to the North of Thundelarra Ltd's Garden Gully project in Meekatharra as shown in Figure 8. It's approx 10km South West of Doray Mining Ltd's Andy Well project area and mill, is approx 20km North West of the Meekatharra Township and is approx 40km north of the Bluebird mill.

Thundelarra have expressed considerable excitement as they continue to drill and explore the area. Cervantes believes that any extension of gold mineralisation to the north of Thundelarra's tenement area will likely add value to this tenement.

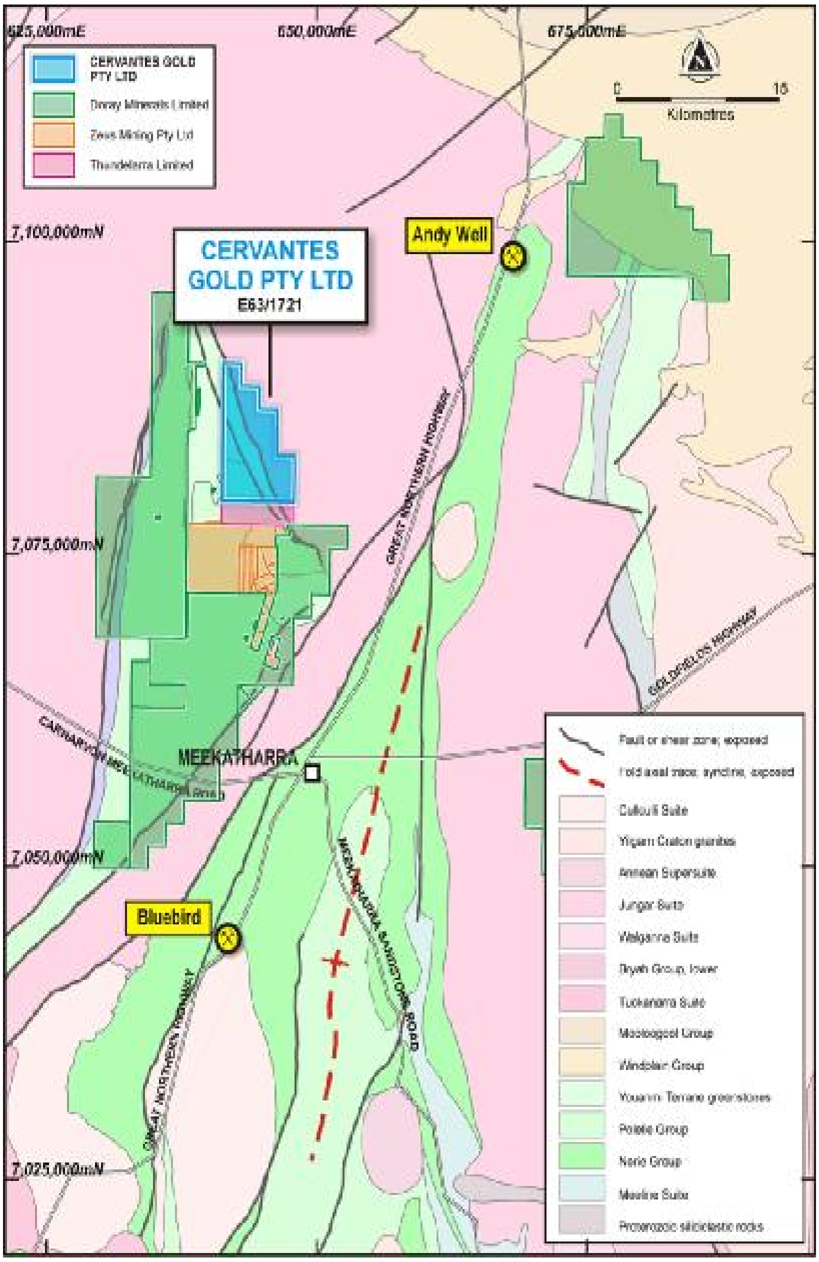


Figure 8: Location, Cervantes Abbotts Project area.

CORPORATE

Post 30 June 2018, the Company waived all rights and entitlements to the Iron Sands Project, introduced to Baraka Energy & Resources Ltd (Baraka) by Cervantes in 2012, in return for an amended loan agreement Baraka had previously provided to Cervantes for its development on agreed terms.

Early in 2012 Cervantes was offered the right to acquire, or takeover an unlisted public company, which controlled an attractive Iron Sands project in the Philippines. However, the timing and circumstances did not suit Cervantes and as such, it introduced it to Baraka, with the introduction entitling Cervantes to an introduction fee to be paid at a later date, and rights to buy back in to the project plus other rights.

In September 2013 Baraka announced it had entered into a Commercial Secured Loan Agreement with profit sharing arrangements (A Financial Streaming Agreement) with the unlisted public company with the Iron Sands venture in the Philippines. Baraka outlined that the project had been introduced by Cervantes who would, as a result of the introduction, be entitled to certain fees, profits and or the rights to buy back into the investment at a later date. Cervantes and Baraka considered the benefits of the project, ease of operations, closeness to China for shipping, minimal CAPEX and infrastructure costs to be an extremely attractive venture considering the market excitement with Iron Ore at the time, the iron ore price of US$160 per tonne. The arrangements between Cervantes and Baraka, in regards to the Iron Sands Project, have continued to be disclosed in quarterly, half yearly and full yearly reports of both companies. The Baraka and Cervantes boards agreed that this was one of the best projects they had assessed for limited capital input, the ease of operations, high margins and limited exploration budgets etc.

Unfortunately, due to the actions of the previous Directors of the unlisted company Consolidated Iron Sands Ltd (CIS), the original vendors of the permits had instigated legal actions in the Philippines as a result of an option agreement with a Canadian group, that allegedly breached the vendor agreement.

It seemed like a simple process of Baraka resolving the personal disputes between the parties as it was in the interests of all parties to get the project into production as soon as possible with Iron Ore prices at around US$160 per tonne.

Administrators had to be appointed to the unlisted company to remove the then Directors; the Company had to defend two legal actions in the Philippines lower court, court of appeals and the Supreme Court which took some 5 years to successfully finalise. It was only recently, April 2018, that Baraka has been able to remove the Administrators and extricate CIS from the deed of company arrangement. These combined actions removed all legal and other impediments against CIS, leaving Baraka to resolve other issues to progress to funding the development of the venture, sell the venture and or joint venture the funding arrangements. During this period Baraka has been unable to resolve any final fees or arrangements with Cervantes, as the security of the venture was tenuous, even though the companies law firm Baker McKenzie assured Baraka at every step that the defence of the litigation would be successful.

New York securities Pty Ltd became a member of the Australia Philippines Business Council in 2015, where Collin Vost renewed acquaintances with the President of the Council, whom he had known for many years previously. In 2015 New York Securities Pty Ltd sought the assistance of the president and his connections in the Philippines to assist in the legal and personal settlement with the vendors of the iron sands project. This connection between Collin Vost and the president developed into an interest by that group to potentially acquire the Iron Sands venture and resolve any remnants of personal dispute the vendors may have had.

The removal of the legal impediments with the Philippine vendors, the removal of the Administrators from CIS and the development of interest by a group to potentially acquire the Iron Sands venture, prompted an escalation of the already ongoing discussions between the boards of Baraka and Cervantes to resolve any entitlements and rights Cervantes had over the venture.

Meetings of the boards of Baraka and Cervantes resulted in an agreement to resolve the fees and rights that Cervantes had over the iron sands venture to enable Baraka to pursue buyers, joint venture partners representing Chinese Steel mills, Dredging firms, other companies in the Iron Sands industry, or wealthy Philippines or Chinese investors. It was agreed that Cervantes put an offer to Baraka to settle the rights and fees in a co operative manner so both parties could move forward in their respective operations and industries.

Cervantes submitted a letter of amended agreement to Baraka to effectively waive all rights and fees to the iron sands venture in return for an amended loan agreement Baraka had previously provided to Cervantes for their development on agreed terms. This loan and the basic terms thereof have been fully disclosed by both companies regularly in various quarterly, half yearly and full year reports.

Baraka amended the submitted letter of agreement, effectively providing a counter offer, which the board of Cervantes accepted and agreed to. The formal documentation was provided, independent board meetings were held, and board members authorised by each board signed and executed the final documents.

Cervantes received a $357,400 reduction in the loan for the waiving of all rights and entitlements to the Iron Sands venture. The calculation of this reduction was made up of a 10% introduction fee which is based on the offered purchase price of $3m for the Iron Sands venture, plus $57,400 for the waiving of all other rights. This was considered a commercial deal for both Cervantes and Baraka based on documents provided which contained similar terms and considered to be standard and commercial, and considering a similar project in Fiji within a listed ASX company was taken over for in excess of $50m in March of 2017. *(Perth-based junior explorer Amex Resources is set to be wholly acquired by one of its shareholders after a lucrative takeover proposal was made, valuing the iron ore hopeful at $54 million.) Business News March 2017.*

The previous loan agreement between Baraka and Cervantes has now been amended in return for waiving all fees and rights to the Iron Sands venture. The loan has been amended to a $900,000 loan repayable over 2 years interest free, amended from one year to two years on a best of endeavours basis. Cervantes expects to repay this loan earlier as a result of exceptional drill results from one of their gold projects which they released to the ASX on the 28 June 2018 announcing 3oz, 4 oz and 6 oz intersections at their Albury Heath project in Meekatharra. This project is only one of three strategic gold projects it controls 100% of, and provides comfort for the Baraka loan.
Each company can now move forward with their respective operations, and Cervantes can concentrate on their very exciting Gold projects.

Shareholders should refer to the last three Cervantes ASX releases on their projects to appreciate the potential from all three gold projects, and in particular two of the projects which have produced well above expectations of our Exploration Manager from recent drilling programs.

The Company will continue to look for further opportunities to provide additional value to the portfolio or enhance the current projects.

Competent Person's Statement
The details contained in this report that pertain to exploration results and exploration targets are based upon information compiled by Mr Marcus Flis and fairly represent information and supporting documentation prepared by Mr Flis. Mr Flis, a Director and Exploration Manager of Cervantes Corporation Limited and 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.

Forward Looking Statement
All statements other than statements of historical fact included in this Review of Operations including, without limitation, statements regarding future plans and objectives of Cervantes Corporation Ltd are forward-looking statements. When used in this Review of Operations forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of the Company, that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in the Review of Operations will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Review of Operations, except where required by applicable law and stock exchange listing requirements.

Financial Position

The net assets of the Group have increased by $1,250,356 at 30 June 2018 to $423,444. This increase was due to the raising of additional capital.

Significant Changes in the State of Affairs

On 12 July 2017 the Company issued 1,000,000 fully paid ordinary shares at a value of $0.01 per share to Greg Barnes or his nominee as consideration for the transfer to the Company of the Albury Heath Prospecting Licence.
On 22 December 2017 the Company issue 25,000,000 fully paid ordinary shares at a value of $0.02 per share to European Lithium Ltd in satisfaction for the acquisition of Paynes Find Gold Project. On that date the Company issued 1,000,000 fully paid ordinary shares at a value of $0.008 per share to Greg Barnes or his nominee in satisfaction of an $8,000 fee. The Company also issued 5,000,000 fully paid ordinary shares at a value of $0.008 to New York Securities Pty Ltd, a company of which Mr Collin Vost is a director in satisfaction for the introduction of the Paynes Find Gold Project and 2,000,000 fully paid ordinary shares to Justin Vost.
On 31 January 2018 the Company issued 40,154,000 fully paid ordinary shares to sophisticated and other investors under the placement capacity available to the Company under ASX Listing Rule 7.1 to raise $281,078 before costs.
On 6 April 2018 the Company issued 90,199,593 fully paid ordinary shares to sophisticated and other investors under the placement capacity available to the Company under ASX Listing Rule 7.1 to raise $781,397 before costs.

Dividends Paid or Recommended

No dividends were declared or paid since the start of the financial year. No recommendation for payment of dividends has been made.

Events after the Reporting Date

On 5 July 2018, the Company issued 7,000,000 fully paid ordinary shares at a price of $0.011 per share plua 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.

On 9 August 2017 the Company waived all rights, fees and entitlements to the Iron Sands Project, introduced to Baraka Energy & Resources Ltd (Baraka) by the Company in 2012, in return for an amended loan agreement Baraka had previously provided to Company for its development on agreed terms.

The removal of the legal impediments with the Philippine vendors, removal of the Administrators from Consolidated Iron Sands Ltd (CIS) and the development of interest by a group to potentially acquire the Iron Sands venture, prompted and allowed an escalation of the already ongoing discussions between the boards of Baraka and Cervantes to resolve any rights, fees and entitlements Cervantes had over the venture.

Meetings of the boards of Baraka and Cervantes resulted in an agreement to resolve the rights, fees and entitlements that Cervantes had over the iron sands venture to enable Baraka to pursue buyers, joint venture partners representing Chinese Steel mills, Dredging firms, other companies in the Iron Sands industry, or wealthy Philippines or Chinese investors. It was agreed that Cervantes put an offer to Baraka to settle the rights, fees and entitlements in a co operative manner so both parties could move forward in their respective operations and industries.

Cervantes submitted a letter of amended agreement to Baraka to effectively waive all rights, fees and entitlements to the iron sands venture in return for an amended loan agreement Baraka had previously provided to Cervantes for their development on agreed terms. This loan and the basic terms thereof have been fully disclosed by both companies regularly in various quarterly, half yearly and full year reports.

Baraka amended the submitted letter of agreement, effectively providing a counter offer, which the board of Cervantes accepted and agreed to. The formal documentation was provided, independent board meetings were held, and board members authorised by each board signed and executed the final documents.

Cervantes received a $357,400 reduction in the loan for the waiving of all rights, fees and entitlements to the Iron Sands venture. The calculation of this reduction was made up of a 10% introduction fee which is based on the offered purchase price of $3m for the Iron Sands venture, plus $57,400 for the waiving of all other rights. This was considered a commercial deal for both Cervantes and Baraka based on documents provided which contained similar terms and considered to be standard and commercial.

The previous loan agreement between Baraka and Cervantes has now been amended in return for waiving all fees and rights to the Iron Sands venture. The loan has been amended to a $900,000 loan repayable over twenty four month interest free.

No other matters or circumstances that have arisen since the end of the financial 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.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Group is subject to environmental regulations in respect of its exploration activities. Tenements in Western Australia are granted subject to environmental conditions with strict controls on cleaning, including a prohibition on the use of mechanised equipment or development without the approval of the relevant government agencies, and with rehabilitation required on completion of exploration activities. These regulations are controlled by the Department of Mines and Petroleum.

Cervantes Corporation Ltd conducts its exploration activities in an environmentally sensitive manner and the Group is not aware of any breaches of statutory conditions or obligations.

Greenhouse gas and energy date reporting requirements

The Directors have considered compliance with both the Energy Efficiency Opportunity Act 2006 and the National Greenhouse and Energy Reporting Act 2007 which require entities to report annual greenhouse gas omissions and energy use. The Directors have assessed that there are no current reporting requirements for the year ended 30 June 2018, however reporting requirements may change in the future.

Information on Current Directors

Collin Vost	CHAIRMAN (Executive)
Qualifications	Diploma of Financial Services Licenced Securities Dealer.
Experience	Mr Vost has been involved in public companies for the past 30 years and has served on the Board of several, mostly junior resource companies as well as being involved in the securities dealing business since 2001. Mr Vost was appointed to the Board on 9 October 2007.
Interest in shares and options	54,070,000 ordinary shares and options to acquire a further 5,000,000 ordinary shares in Cervantes Corporation Ltd.
Special responsibilities	Mr Vost is a member of the audit committee
Directorships held in other listed entities during the three years prior to the current year	Baraka Energy and Resources Ltd (appointed 18 May 2009, resigned 10 August 2018) JV Global Ltd (appointed 29 May 2009, resigned 12 March 2018)
Justin Vost	DIRECTOR (Non-executive)
Qualifications	Diploma of Financial Markets.
Experience	Mr Vost was appointed to the Board on 23 November 2011. Mr Vost has experience in mining, manufacturing and capital markets.
Interest in shares	14,337,223 ordinary shares and options to acquire a further 2,000,000 ordinary share in Cervantes Corporation Ltd.
Special responsibilities	Mr Vost is a member of the audit committee
Directorships held in other listed entities during the three years prior to the current year	Baraka Energy and Resources Ltd (appointed 15 March 2011, resigned 10 August 2018) JV Global Ltd (appointed 19 April 2011, resigned 8 February 2018)
Marcus Flis	DIRECTOR (Non-executive)
Qualifications	BSc (Hons), M.Sc., FAusIMM
Experience	Mr Flis was appointed to the Board on 9 October 2018. Mr Flis has in excess of 35 years' experience in multi-commodity exploration, including considerable stints in gold exploration in classic Archaean Eastern Goldfields setting, sedimentary hosted gold in the WA Proterozoic, VMS-related gold in Indonesia and Greece, and alluvial gold in NZ. Mr Flis has held the position of Exploration Manager in both large and small listed companies, including Rio Tinto, Iron Ore Company of Canada, and Royal Resources, the last of which he also held the position of MD/CEO.
Interest in shares	Options to acquire 2,000,000 ordinary shares in Cervantes Corporation Ltd.
Special responsibilities	Mr Flis is a member of the audit committee
Directorships held in other listed entities during the three years prior to the current year	None

Company Secretary

The following people held the position of company secretary during the financial year:

Timothy Clark – Bachelor of Commerce, Economics and Finance. Mr Clark was a Director of Cervantes Corporation Ltd and a Director and Company Secretary of several public companies. Mr Clark was appointed Company Secretary on 5 October 2015. Mr Clark was replaced as Company Secretary on 28 August 2017.

Patrick O'Neill – Bachelor of Business, Chartered Accountant. Mr O'Neill is the principal of the accounting firm Jackson Greeve. He has acted as Company Secretary for several public companies. Mr O'Neill was appointed Company Secretary on 28 August 2017.

Meetings of Directors

During the financial year, 8 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Collin Vost	8	8
Justin Vost	8	8
Timothy Clark	5	-
Marcus Flis	3	3

During the financial year there were 2 Circular Resolutions.

Indemnifying Officers

In accordance with the constitution, except as may be prohibited by the Corporation Act 2001, every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by them in their capacity as Officer of the Company or a related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

As at the date of this report no insurance premiums have been paid, or agreed to be paid, for insurance against a current or former Officer's liability for legal costs.

Corporate Governance Statement

The Company's 2018 Corporate Governance Statement has been released as a separate document and is located on the Company's website at www.cervantescorp.com.au

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-Audit Services

Rothsay did not provide non-audit services to the Group during 2018.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 51 of the financial report.

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and key management personnel of the Group. Broadly, the Group's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest quality.

Fixed Remuneration

Executive Directors and Non-Executive Directors are remunerated by way of a consulting fee, receiving a fixed monthly amount for their services. This remuneration package is reviewed annually by the Board.

Performance Linked Remuneration and Entitlements

The Board may from time to time approve cash bonuses and/or options designed to reward or incentivise executives, contractors and staff on such terms and conditions determined appropriate at the time of payment or issue. Often this will be linked to the achievement of Group objectives with a direct link to the creation of shareholder value.

Director Remuneration and Incentives

The Board policy is to remunerate Non-Executive Directors at market rates for time commitment and responsibilities. Independent external advice is sought where required. All securities issued to Directors and related parties must be approved by shareholders. In addition to Directors' fees, it is a policy of the Group that a Director may be paid fees or other amounts as the Board determines where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

On 22 December 2017, the Company issued 5,000,000 fully paid ordinary shares to New York Securities Pty Ltd, a company of which Mr Collin Vost is a director in satisfaction of $44,000 (inclusive of GST) fee for the introduction of the Paynes Find Project to the Company and 2,000,000 fully paid ordinary shares were issued to Mr Justin Vost or his nominee. The Company issued 5,000,000 incentive options to Collin Vost or his nominee and 2,000,000 incentive options to Justin Vost or his nominee.

This share based payment was approved by shareholders at the Annual General Meeting of the Company held on 29 November 2017.

On 6 April 2018, the Company issue 2,000,000 options to Mr Marcus Flis or his nominee as part remuneration.

This share based payment was approved by shareholders at the Extraordinary General Meeting of the Company held on 4 April 2018.

No securities were issued to Directors or key management personnel of the Group since the end of the year as remuneration.

Post-Employment Benefits

The Group does not have any scheme relating to retirement benefits for Directors or key management personnel.

Nomination and Remuneration Committee

Currently, the full Board together with the Company Secretary, will consider all Nomination and Remuneration matters. The objective when the Board is convened to consider these matters is to ensure that the Group adopts and complies with remuneration policies that:

- attract, retain and motivate high calibre executives and directors so as to encourage enhanced performance by the Group;
- are consistent with the human resource needs of the Group;
- motivate directors and management to pursue long-term growth and success of the Group with an appropriate framework; and
- demonstrate a clear relationship between key executive performance and remuneration.

Employment Details of Members of Key Personnel and Other Executives

The following table provides detail of persons who were, during the financial year, members of key management personnel of the Group, and to the extent different, among the Group executives or company executives receiving the highest remuneration.

Group Key Management Personnel	Position held as at 30 June 2018 and any change during the year	Proportion of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
		Non-salary cash-based incentives %	Shares/Units %	Options/Rights %	Fixed Salary/Fees %	Total %
Collin Vost	Chairman (Executive)	-	5,000,000	5,000,000	100	100
Justin Vost	Director (Non-executive)	-	2,000,000	2,000,000	100	100
Timothy Clark	Director (Non-executive)	-	-	-	100	100
Marcus Flis	Director (Non-executive)			2,000,000	100	100

The service terms and conditions of the key management personnel and Group executives are not formalised in contracts of employments. The service terms and conditions are of no fixed term, no requirement for notice on termination and no entitlement for payment upon termination.

Remuneration Details for the Year Ended 30 June 2018

Included in other short-term benefits are payments made to New York Securities Pty Ltd which provides a serviced office including bookkeeping services and is the landlord of Cervantes Corporation Ltd. Mr Collin Vost is a director and beneficiary of the shareholder of the securities dealing company. During the financial year $74,762 (2017: $78,000) was paid or payable.

Also included in other short-term benefits are payments made to New York Securities Pty Ltd which is appointed as the Company's securities dealer and advisors on normal commercial terms and conditions. Mr Collin Vost is a director of the securities dealing company. During the financial year $27,750 (2017: $15,770) was paid for providing capital raising services.

Mr Justin Vost was paid $7,750 (2017: Nil) for Company Secretarial services provided to the Company.

Share-based Payments

On 22 December 2017, the Company issued 5,000,000 fully paid ordinary shares to New York Securities Pty Ltd, a company of which Mr Collin Vost is a director in satisfaction of $44,000 (inclusive of GST) fee for the introduction of the Paynes Find Project to the Company and 2,000,000 fully paid ordinary shares were issued to Mr Justin Vost or his nominee. The Company also issued 5,000,000 incentive options to Collin Vost or his nominee and 2,000,000 incentive options to Justin Vost or his nominee.

This share based payment was approved by shareholders at the Annual General Meeting of the Company held on 29 November 2017.

On 6 April 2018, the Company issue 2,000,000 options to Mr Marcus Flis or his nominee as part remuneration.

This share based payment was approved by shareholders at the Extraordinary General Meeting of the Company held on 4 April 2018.

There were no other shares granted as remuneration to key management personnel and other executives.

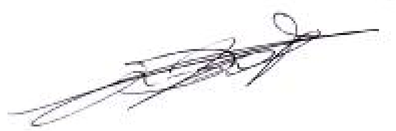
The following table of benefits and payments detail, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group, and to the extent different, the Group executives receiving the highest remuneration.

		Short Term Benefit		Post Employment	Equity-settled share-based payments		
		Salaries & Fees	Other	Super-annuation	Shares	Options/ Rights	Total
		$	$	$	$	$	$
Collin Vost	2018	24,000	102,512	-	44,000	-	170,512
Chairman	2017	24,000	93,770	-	-	-	117,770
Justin Vost	2018	24,000	7,750	-	12,000	-	43,750
Non-Executive Director	2017	24,000	-	-	-	-	24,000
Marcus Flis	2018	16,000	-	-	-	-	16,000
Non-Executive Director	2017	-	-	-	-	-	-
(appointed 9 October 2017)							
Timothy Clark Non-Executive Director	2018	2,100	-	-	-	-	2,100
(removed 29 November 2017) Company Secretary	2017	25,200	-	-	-	-	25,200
(replaced 28 August 2017)							
John Greeve	2018	-	-	-	-	-	-
Company Secretary	2017	24,025	-	-	-	-	24,025
(resigned 19 May 2017)							
Patrick O'Neill	2018	21,760	-	-	-	-	21,760
Company Secretary	2017	-	-	-	-	-	-
(appointed 28 August 2017)							
Total	2018	87,860	110,262	-	56,000	-	254,122
Total	2017	97,225	93,770	-	-	-	190,995

There were no long-term, Cash settled share-based payments or termination benefits paid to Key Management Personnel or Other Executives.

End of Audited Remuneration Report

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Collin Vost
Director

Dated 28 September 2018

DIRECTORS DECLARATION

The Directors of the Company declare that, in the opinion of the Directors:

(a) The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position and performance of the consolidated entity; and

   (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.

(b) The financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1 and other mandatory professional reporting requirements.

(c) The Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

(d) There are reasonable grounds to believe that Cervantes Corporation Ltd will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

Collin Vost
Director

Dated this 28 September 2018

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Continuing Operations			
Revenue			
Interest income	4	480	136
Fair value adjustment other financial assets	5a	76,277	-
		76,757	136
Loss on sale of shares		(9,660)	-
Employee benefits expense	5c	(66,100)	(69,200)
Fair value adjustment other financial assets	5a	-	(5,460)
Finance costs		(2,006)	(9,717)
Depreciation		-	(31)
Occupancy expenses	5b	(54,911)	(49,300)
Travel		(3,350)	(4,509)
Administration expenses		(258,752)	(173,855)
Profit/(Loss) from continuing operations before income tax		(318,022)	(311,936)
Income tax benefit	7	-	-
Profit/(Loss) from continuing operations for the year		(318,022)	(311,936)
Other Comprehensive Income for the year		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Profit/(Loss) on revaluation of financial assets, net of tax		-	-
Total Comprehensive Profit/(Loss) Attributable to Members of Cervantes Corporation Ltd		(318,022)	(311,936)
Profit/(Loss) per share attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	8	(0.084) cents	(0.102) cents

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2018

	Note	Consolidated Entity 2018 $	2017 $
Current Assets			
Cash and cash equivalents	9	272,970	62,302
Trade and other receivables	11	23,885	9,155
Other assets	12	7,204	500
Financial assets	13	87,956	21,679
Total Current Assets		392,015	93,636
Non-Current Assets			
Property, plant and equipment	14	2,900	2,900
Formation costs		670	670
Exploration assets	15	1,571,245	238,701
Total Non-Current Assets		1,574,815	242,271
Total Assets		1,966,830	335,907
Current Liabilities			
Trade and other payables	16	285,986	80,419
Financial liabilities	17	1,257,400	1,082,400
Total Current Liabilities		1,543,386	1,162,819
Total Liabilities		1,543,386	1,162,819
Net Assets		423,444	(826,912)
Equity			
Contributed equity	18	13,863,759	12,295,381
Accumulated losses	19	(13,440,315)	(13,122,293)
Total Equity		423,444	(826,912)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2018

Consolidated Entity	Share Capital	Accumulated Losses	Total Equity
Consolidated Entity			
	$	$	$
Balance at 1 July 2016	12,088,070	(12,810,357)	(722,287)
Share issued during year	250,644	-	250,644
Transaction costs	(43,333)	-	(43,333)
Comprehensive income for the year			
Profit/(Loss) for the year	-	(311,936)	(311,936)
Total Comprehensive Income for the Year	-	(311,936)	(311,936)
Balance at 30 June 2017	12,295,381	(13,122,293)	(826,912)
Balance at 1 July 2017	12,295,381	(13,122,293)	(826,912)
Share issued during year	1,636,475	-	1,636,475
Transaction costs	(68,097)	-	(68,097)
Comprehensive income for the year			
Profit/(Loss) for the year	-	(318,022)	(318,022)
Total Comprehensive Income for the Year	-	(318,022)	(318,022)
Balance at 30 June 2018	13,863,759	(13,440,315)	423,444

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2018

	Note	Consolidated Entity 2018 $	2017 $
Cash Flows from Operating Activities			
Receipts from customers		-	-
Payments to suppliers and employees		(241,470)	(237,381)
Interest received		480	136
Finance costs		(2,006)	(9,717)
Net Cash Used In Operating Activities	9b	(242,996)	(246,962)
Cash Flows from Investing Activities			
Payments for exploration & evaluation		(709,161)	(185,625)
Proceeds from sale of investment		340	-
Loans to other entities		(6,893)	-
Net Cash Used In Investing Activities		(715,714)	(185,625)
Cash Flows from Financing Activities			
Proceeds from share issue		1,037,897	250,644
Cost of share issue		(43,519)	(43,333)
Proceeds from borrowings		235,000	264,674
Repayment of borrowings		(60,000)	-
Net Cash Provided by Financing Activities		1,169,378	471,985
Net Increase/(Decrease) in Cash Held		210,668	39,398
Cash and Cash Equivalent at the Beginning of the Financial Year		62,302	22,904
Cash and Cash Equivalents at the End of the Financial Year	9a	272,970	62,302

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT

Reporting Entity

This financial report of Cervantes Corporation Ltd ('the Company') for the year ended 30 June 2018 comprises the Company and its subsidiary (collectively referred to as 'the consolidated entity' or 'Group'). Cervantes Corporation Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The financial report was authorised for issue in accordance with a resolution of Directors dated 28 September 2018.

The notes to the financial statements are organised into the following sections:

(a) Key Performance: Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

Notes
- 4 Revenue and other income
- 5 Profit/(Loss) for the year
- 6 Segment information
- 7 Income tax expense
- 8 Profit/(Loss) per share

(b) Financial Risk Management: Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes
- 9 Cash and cash equivalents
- 10 Financial risk management

(c) Other Assets and Liabilities: Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

Notes
- 11 Trade and other receivables
- 12 Other assets
- 13 Financial assets
- 14 Property, plant and equipment
- 15 Exploration and evaluation
- 16 Trade and other payables
- 17 Financial liabilities

(d) Capital Structure: This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes
- 18 Contributed equity
- 19 Accumulated losses
- 20 Share-based payments

(e) Consolidated Entity Structure: Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

Notes
- 21 Parent entity information
- 22 Investment in controlled entities
- 23 Key Management Personnel Disclosures & Related party transactions

(f) Other: Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes
- 24 Remuneration of Auditors
- 25 Commitments for expenditure
- 26 Contingencies
- 27 Events occurring after reporting period

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT continues

1a Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. Cervantes Corporation Ltd is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRSs

The financial statements of Cervantes Corporation Ltd also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2018. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

(i) AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(ii) AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT continues

1a Basis of Preparation continues

(ii) AASB 15 Revenue from Contracts with Customers continues

has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(iii) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

1b Going Concern

As at the date of this report the directors are considering raising further equity capital through a share placement. Also, the Group has assets, being held for sale investments, which could be sold to meet financial obligations.

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.

Notwithstanding cash outflows from operations of $242,996 (2017: $246,962), the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future.

1c Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2018 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as the Group or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1d GST

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT continues

1a GST continues

Receivables and payables are stated as inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2a Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2b Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Cervantes Corporation Ltd and its wholly-owned Australian subsidiary formed an income tax consolidated Group under the Tax Consolidation Regime, effective 1 January 2016.

2c Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

(i) Interest Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(ii) Other Services

Other debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continues

2d Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results 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 classified as development costs and amortised over the life of the project area according to the rate of depletion of the economically recoverable reserves.

Where independent valuations of areas of interest have been obtained, these are brought to account. Subsequent expenditure on re-valued areas of interest is accounted for in accordance with the above principles. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

At 30 June 2018 the Directors considered that the carrying value of the mineral tenement interests of the consolidated entity was as shown in the Statement of Financial Position and there have been no indicators of impairments in accordance with AASB6.

2e Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

2f Trade and Other Payables

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

2g Depreciation

The depreciable amount of all plant and equipment is depreciated on a diminishing value over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	0 - 66.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

2h Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continues

2h Trade Receivables continues

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance for bad debts is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Statement of Comprehensive Income. They are recognised initially at fair value and subsequently at amortised cost.

Deposits with maturity periods in excess of three months but less than twelve months are included in receivables and not discounted if the effect of discounting is immaterial.

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid, together with assets ordered before the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

2i Equity-Based Payments

Equity-based compensation benefits are provided to Directors and executives.

The fair value of options granted to Directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the Directors and/or executives becomes unconditionally entitled to the options. Where options are issued to consultants the fair value of the options given is valued by the market value of the service being provided.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

2j Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2k Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the steering committee that makes strategic decisions.

The standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are regularly reviewed by the Group’s Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continues

2k Segment Reporting continues

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

2l Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2m Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

2n Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2o Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the Statement of Comprehensive Income and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

2p Comparative Figure

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key Judgment – Exploration and Evaluation Expenditure

The Group's policy for 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 expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off.

Notes to the Financial Statements

4 REVENUE AND OTHER INCOME

	Consolidated Entity	
	2018	2017
	$	$
Interest income	480	136
	480	136

5 PROFIT/(LOSS) FOR THE YEAR

5a Fair value adjustment

fair value adjustment gain/(loss)	76,277	(5,460)

5b Rental expenses on operating leases

rental expenses for sublease	54,911	54,400
less capitalised to exploration	-	(5,100)
	54,911	49,300

5c Employee benefits expenses

employees benefits expenses	66,100	73,200
less capitalised to exploration	-	(4,000)
	66,100	69,200

6 SEGMENT INFORMATION

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 in generated from Australia only. All the assets are located in Australia.

7 INCOME TAX EXPENSE

7a Reconciliation of income tax expense to prima facie tax payable:

Profit/(Loss) before income tax	(318,022)	(311,936)
Prima facie income tax at 27.5% (2017: 27.5%)	(87,456)	(85,782)
Add tax effect:		
Non-allowable items		
Fair value adjustment	(20,976)	1,501
Allowable items		
Capital raising cost	(3,745)	(8,667)
Prepayments	52	(135)
Exploration expenditure	(366,450)	(51,049)
Tax losses not brought to account	478,575	144,132
	-	-
Net Deferred Tax Assets / (Liabilities)	3,724,826	3,246,251

The deferred tax assets arising from these balances have not been recognised as an asset because recovery of tax losses is not probable at this point in time.

Notes to the Financial Statements

7 INCOME TAX EXPENSE continues

7b Unrecognised temporary differences

The potential tax benefit will only be obtained if the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and

i. the relevant company continues to comply with the conditions for deductibility imposed by the law; and
ii. no changes in tax legislation adversely affect the relevant company in realising the benefit.

8 PROFIT/(LOSS) PER SHARE

	2018 Cents Per Share	2017 Cents Per Share
Basic profit/(loss) per share	(0.084)	(0.102)

	2018 $	2017 $
The profit/(loss) for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Loss for the year after income tax	(318,022)	(311,936)

	2018 No.	2017 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	378,981,950	306,776,416
Weighted average number of options outstanding	19,381,338	-

The options were out of the money, thus no dilative impact.

9 CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2018 $	2017 $
9a Reconciliation of Cash		
For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and short term deposits	272,970	62,302
9b Reconciliation of Net Cash used In Operating Activities to Operating Profit/(Loss) after Income Tax		
Profit/(Loss) for the year	(318,022)	(311,936)
(Profit)/loss on disposal of shares	9,660	-
Depreciation	-	31
Fair value adjustment	(76,277)	5,460
Change in assets and liabilities during the financial year:		
Receivables	(14,730)	(8,555)
Prepayments	189	(500)
Payables	156,184	68,538
Net cash inflow/(outflow) from operating activities	(242,996)	(246,962)

Notes to the Financial Statements

10 FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Financial Assets			
Cash and cash equivalents	9	272,970	62,302
Trade and other receivables	11	23,885	9,155
Other assets	12	7,204	500
Available-for-sale financial assets	14	87,956	21,679
Total Financial Assets		392,015	93,636
Financial Liabilities			
Trade and other payables	16	285,986	80,419
Total Financial Liabilities		285,986	80,419

Risk management is carried out by the Board of Directors, who identify, evaluate and manage financial risk as they consider appropriate.

10a Market Risk

(i) Cash Flow Interest Rate Risk

Refer to (d) below.

10b Credit Risk

The Group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 10.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Financial assets that are neither past due and not impaired are as follows:

Cash and cash equivalents		
‘AA’ S&P rating	272,970	62,302

10c Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and, the availability of funding through the ability to raise further equity or through related party entities. Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding through management of its cash resources.

The Group has normal trade and other payables incurred in the general course of business.

The Group also manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and financial liabilities.

Notes to the Financial Statements

10 FINANCIAL RISK MANAGEMENT continues

10d Cash Flow Risk

As the Group has interest-bearing assets in the form of cash, the Group's income and operating cash flows are exposed to changes in market interest rates.

Based on the year-end balances, a 1% increase in interest rates would have increased the consolidated profit by $1,676 (2017: Profit $426) and increased the cash balances by a corresponding amount. There were no other amounts included in Net Assets subject to material interest rate risks.

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
11 TRADE AND OTHER RECEIVABLES		
Amounts receivable	44	74
GST refundable	23,841	9,081
	23,885	9,155

No receivables are impaired or past due but not impaired. Refer to Note 10 for Financial Risk considerations. The carrying value of all receivables approximates their fair value.

	2018 $	2017 $
12 OTHER ASSETS		
Prepayments	311	500
Loan other entities	6,893	-
	7,204	500
13 FINANCIAL ASSETS		
Financial assets at fair value through profit and loss	87,956	21,679
	87,956	21,679
Financial assets at fair value through profit and loss		
Held for trading listed shares	126,677	136,677
Provision for fair value	(38,721)	(114,998)
	87,956	21,679

Shares held for trading are traded for the purpose of short term profit taking. Changes in fair value are included in the statement of comprehensive income.

	2018 $	2017 $
14 PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment at cost	423	423
Less provision for depreciation	(423)	(423)
	-	-
Office equipment at cost	2,900	2,900
Less provision for depreciation	-	-
	2,900	2,900
Total Property, plant & equipment	2,900	2,900

Notes to the Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT continues

	Plant & Equip.	Office Equip.	Total
Year ended 30 June 2017			
Balance at the beginning of year	31	2,900	2,931
Depreciation expense	(31)	-	(31)
Carrying amount at the end of the year	-	2,900	2,900
Year ended 30 June 2018			
Balance at the beginning of year	-	2,900	2,900
Depreciation expense	-	-	-
Carrying amount at the end of the year	-	2,900	2,900

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
15 EXPLORATION & EVALUATION		
Balance at beginning of year	238,701	53,076
Acquisition costs capitalised	1,019,280	10,000
Exploration expenditure capitalised	313,264	175,625
Exploration expenditure written off	-	-
	1,571,245	238,701
16 TRADE AND OTHER PAYABLES		
Trade Payables	285,986	80,419
	285,986	80,419
17 FINANCIAL LIABILITIES		
Amounts payable to:		
Borrowings unsecured	1,257,400	1,082,400
	1,257,400	1,082,400

The Group has a loan facility provided by an ASX listed company, Baraka Energy & Resources Ltd (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 would 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. For additional information consult Note 27 Event after balance date

Notes to the Financial Statements

18 CONTRIBUTED EQUITY

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
18a Share capital		
Fully paid ordinary shares at the beginning of the financial year	12,295,381	12,088,070
Issue 17 November 2016		11,144
Issue 10 February 2017		179,500
Issue 4 May 2017		60,000
Transaction costs		(43,333)
Issue 12 July 2017	10,000	
Issue 22 December 2017	564,000	
Issue 31 January 2018	281,078	
Issue 6 April 2018	781,397	
Transaction costs	(68,097)	
At the End of the Financial Year	13,863,759	12,295,381

	2018 No. Shares	2017 No. Shares
Ordinary Shares		
At the beginning of the financial year	323,329,716	298,271,112
Issue 17 November 2016		1,108,604
Issue 10 February 2017		17,950,000
Issue 4 May 2017		6,000,000
Issue 12 July 2017	1,000,000	
Issue 22 December 2017	33,000,000	
Issue 31 January 2018	40,154,000	
Issue 6 April 2018	90,199,593	
At the End of the Financial Year	487,683,309	323,329,716

The value of shares issued in settlement of services or acquisitions is based on the fair value of the service or acquisition provided as determined by the Directors.
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

18b Options

During the reporting period the Company issued the following:
7,000,000 (unlisted, ex $0.01 on or before 31 December 2022)
61,284,529 (unlisted, ex $0.015 on or before 30 June 2020)

	2018 No. Options	2017 No. Options
Options		
At the beginning of the financial year	-	-
Number of option issue during the year	68,284,529	-
Number of options exercised during the year	-	-
Number of options lapsed during the year	-	-
At the End of the Financial Year	68,284,529	-

Notes to the Financial Statements

18 CONTRIBUTED EQUITY continues

18c Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, pay dividends or return to capital to shareholders.

Capital is calculated as 'equity' as shown in the Statement of Financial Position, and is monitored on the basis of funding current activities.

19 ACCUMULATED LOSSES

	Consolidated Entity	
	2018 $	2017 $
Accumulated losses at the beginning of the year	13,122,293	12,810,357
Net loss for the year	318,022	311,936
Accumulated Losses at the end of the year	13,440,315	13,122,293

20 SHARE-BASED PAYMENTS

20a Share based payment to unrelated parties

i) On 12 July 2017, the Company issued 1,000,000 fully paid ordinary shares at a price of $0.01 per share to Greg Barnes or his nominees, as consideration for the transfer of the Albury Heath Prosecting Licence, in accordance with the terms of the Albury Heath Term Sheet.

ii) On 22 December 2017, the Company issued 25,000,000 fully paid ordinary shares at a price of $0.02 per share to European Lithium Ltd in satisfaction for the acquisition of the Paynes Find Gold Project.

iii) Also on the date, the Company issued 1,000,000 fully paid ordinary shares at a price of $0.008 per share to Greg Barnes or his nominee in satisfaction of an $8,000 fee.

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

iv) On 31 January 2018, the Company issued 939,714 fully paid ordinary shares at a price of $0.007 per share to China Century Management Pty Ltd in satisfaction for marketing and promotional services of the Company

v) On 6 April 2018, the Company issued 2,250,000 fully paid ordinary shares at a price of $0.008 per share to China Century Management Pty Ltd in satisfaction for marketing and promotional services of the Company.

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

20b Share based payment to related parties

i) On 22 December 2017, the Company issued 5,000,000 fully paid ordinary shares to New York Securities Pty Ltd, a company of which Mr Collin Vost is a director in satisfaction of $44,000 (inclusive GST) fee for the introduction of the Paynes Find Gold Project to the Company and 2,000,000 fully paid ordinary shares to Mr Justin Vost or his nominee.

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

ii) The Company also issued 5,000,000 incentive options to Collin Vost or his nominee and 2,000,000 incentive options to Justin Vost or his nominee.

These share based payments were approved by shareholders at the Annual General Meeting of the Company held on 29 November 2017.

Notes to the Financial Statements

20 SHARE-BASED PAYMENTS continues

20b Share based payment to related parties continues

iii) On 6 April 2018, the Company issue 2,000,000 options to Mr Marcus Flis or his nominee as part remuneration.

This share based payment was approved by shareholders at the Extraordinary General Meeting of the Company held on 4 April 2018.

There was no other share based payment transactions during the year ended 30 June 2018.

20c Options

	Consolidated Group							
	2018				2017			
	Number of Options	Weighted Average Fair Value	Weighted Average Ex Price	Weighted Average Remaining life	Number of Options	Weighted Average Fair Value	Weighted Average Ex Price	Weighted Average Remaining Life
Outstanding at beginning of the year	-	-	-	-	-	-	-	-
Granted	9,000,000	0.002	0.011	3	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year end	9,000,000	0.002	0.011	3	-	-	-	-
Exercisable at year-end	9,000,000	0.002	0.011	3	-	-	-	-

The range of the exercise prices at 30 June 2018 is $.01 to $0.015 (2017: Nil)

The weighted average fair value of the options granted during the year was 0.002 cents (2017: Nil).

This price was calculated using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	0.011 cents
Weighted average life of the option	3 years
Underlying share price	0.09 cents
Expected share price volatility	0.168 %
Risk free interest rate	1.50 %

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the option is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expenses in the income statement is $nil (2007: $nil), and relates, in part, to equity-settled share-based payment transactions.

Notes to the Financial Statements

21 PARENT ENTITY INFORMATION

21a Summary Financial Information

	Parent	
Financial Position	2018 $	2017 $
Assets		
Current assets	467,504	88,804
Total assets	1,861,936	332,246
Liabilities		
Current liabilities	181,090	69,780
Total liabilities	1,438,490	1,152,180
Equity		
Issued capital	13,863,759	12,295,381
Reserves		
Accumulated losses	(13,440,314)	(13,115,316)
Total equity	423,445	(819,935)
Financial Performance		
Profit/(Loss) for the year	(318,022)	(304,959)
Other comprehensive income	(318,022)	(304,959)
Total comprehensive profit/ (loss) for the year	(318,022)	(304,959)

21b Guarantees

Cervantes Corporation Ltd has not entered into any guarantees in relation to the debts of its subsidiary.

21c Other Commitments and Contingencies

Cervantes Corporation Ltd has no commitments to acquire property, plant and equipment. Refer to Note 25 and Note 26 for the Company's other commitments and contingent liabilities.

22 INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2018 %	Equity Holding 2017 %
Cervantes Gold Pty Ltd	Australia	Ordinary	100	100

Notes to the Financial Statements

23 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES & RELATED PARTY TRANSACTIONS

	Consolidated Entity	
	2018	2017
	$	$
23a Details of Remuneration of Key Management Personnel		
Short-term benefits	198,122	190,995
Equity settled share based payment	56,000	-
Post-employment benefits	-	-
	254,122	190,995
23b Aggregate Amount Payable to Directors and their Director Related Entities at Balance Date		
Current liabilities	109,241	42,757
	109,241	42,757

Detailed remuneration disclosures are provided in the remuneration report on pages 19 – 22.

23c Key Management Personal Shareholdings

The number of ordinary shares in Cervantes Corporation Ltd held by each KMP of the Group during the financial year is as follows:

30 June 2018

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercised of options during the year	Other changes during the year	Balance on resignation / appointment	Balance at end of year
Collin Vost	48,570,000	5,000,000	-	500,000	-	54,070,000
Justin Vost	12,337,223	2,000,000	-	-	-	14,337,223
Timothy Clark	1,520,000	-	-	-	(1,520,000)	-
Patrick O'Neill	-	-	-	-	400,000	400,000
	62,427,223	7,000,000	-	500,000	(1,120,000)	68,807,223
30 June 2017						
Collin Vost	48,570,000	-	-	-	-	48,570,000
Justin Vost	12,337,223	-	-	-	-	12,337,223
Timothy Clark	1,520,000	-	-	-	-	1,520,000
	624,427,223	-	-	-	-	62,427,223

23d Key Management Personal Options Holdings

The number of options over ordinary shares in Cervantes Corporation Ltd held by each KMP of the Group during the financial year is as follows:

30 June 2018

	Balance at beginning of year	Granted as remuneration during the year	Exercised of options during the year	Other changes during the year	Balance on resignation / appointment	Balance at end of year
Collin Vost	-	5,000,000	-	-	-	5,000,000
Justin Vost	-	2,000,000	-	-	-	2,000,000
Marcus Flis		2,000,000	-	-	-	2,000,000
	-	9,000,000	-	-	-	9,000,000

No options were on issue for the year ended 30 June 2017

Notes to the Financial Statements

24 REMUNERATION OF AUDITORS

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Remuneration for audit or review of the financial reports of the Group:		
For auditing the financial statements	12,320	11,850
	12,320	11,850

No non-audit services have been provided to the Group by the auditor.

25 COMMITMENTS FOR EXPENDITURE

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
25a Operating lease commitments		
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable: minimum lease payments		
- not later than 12 months	78,000	78,000
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	78,000	78,000

A serviced office including bookkeeping services and business premises are provided by New York Securities Pty Ltd and companies associated with Mr Collin Vost, at a fee of $6,500 per calendar month (2017: $6,500).

25b Exploration commitments

Under the requirements of the Western Australian Department of Mines and Petroleum, the Company has an annual minimum expenditure of $108,440 on the granted tenements. As at 30 June 2018 the Company had met the minimum expenditure requirement on it granted tenements.

Tenement	Date Acquired	Annual Expenditure Commitment $
E51/1721	3 May 2017	20,000
P51/2937	10 May 2016	4,320
P51/2997	14 March 2018	7,920
P51/2998	14 March 2018	7,840
P51/2999	14 March 2018	7,960
P51/3000	14 March 2018	7,320
P51/3001	14 March 2018	7,880
E59/2242	28 April 2018	20,000
P59/2130	11 April 2018	2,000
P59/2151	25 January 2018	2,000
P59/2152	25 January 2018	2,000
P59/2153	25 January 2018	2,000
P59/2159	28 May 2018	7,360
P59/2160	28 May 2018	5,040
P59/2161	28 May 2018	4,800
Total		108,440

Notes to the Financial Statements

25 COMMITMENTS FOR EXPENDITURE continues

25a Operating lease commitments continues

In order to retain the rights of tenure to its granted tenements, the Company is required to meet the minimum statutory expenditure requirement but may reduce these at any time by reducing the size of the tenements. The figure below assumes that no new tenements are granted and that only compulsory statutory area reductions are made.

	$
Not later than 1 year	108,440
Later than 1 year but not later than 5 years	325,320
Later than 5 years	108,440
Total	867,520

26 CONTINGENCIES

There are no other contingent liabilities at reporting date.

27 EVENTS OCCURRING AFTER REPORTING DATE

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.

On 9 August 2018, the Company announced it had waived all rights, fees and entitlements to the Iron Sands Project, introduced to Baraka Energy & Resources Ltd (Baraka) by the Company in 2012, in return for an amended loan agreement Baraka had previously provided to the Company for its development on agreed terms.

The removal of the legal impediments with the Philippine vendors, removal of the Administrators from CIS and the development of interest by a group to potentially acquire the Iron Sands venture, prompted and allowed an escalation of the already ongoing discussions between the boards of Baraka and Cervantes to resolve any rights, fees, obligations and entitlements Cervantes had over the venture.

Meetings of the boards of Baraka and Cervantes resulted in an agreement to resolve the rights, fees and entitlements that Cervantes had over the iron sands venture to enable Baraka to pursue various options free of any obligations to Cervantes. It was agreed that Cervantes put an offer to Baraka to settle the rights, fees and entitlements in a co operative manner so both parties could move forward in its respective operations and industries.

Cervantes submitted a letter of amended agreement to Baraka to effectively waive all rights, fees and entitlements to the iron sands venture in return for an amended loan agreement Baraka had previously provided to Cervantes for its development on agreed terms. This previous loan and the basic terms thereof have been fully disclosed by both companies regularly in various quarterly, half yearly and annual reports.

Baraka amended the submitted letter of agreement, effectively providing a counter offer, which the board of Cervantes accepted and agreed to. The formal documentation was provided, independent board meetings were held and board members authorised by each board signed and executed the final documents.

Cervantes received a $357,400 reduction in the loan for the waiving of all rights, fees and entitlements to the Iron Sands venture. The calculation of this reduction was made up of a 10% introduction fee which is based on the conditional offered purchase price of $3m for the Iron Sands venture, plus $57,400 for the waiving of all other rights. This was considered commercial by both Cervantes and Baraka based on documents provided which contained similar terms, and considered to be standard and commercial.

The previous loan agreement between Baraka and Cervantes has been amended in return for waiving all fees and rights to the Iron Sands venture to a $900,000 loan repayable over twenty four month interest free.

There have been no other events subsequent to reporting date.

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current at 26 September 2018

DISTRIBUTION OF EQUITY SECURITIES

Spread of Holdings	No of Shareholders	No of Ordinary Shares	No of Option Holders	No of Options	No of Incentive Option Holders	No of Incentive Options
1 – 1,000	15	3,971				
1,001 - 5,000	41	168,804				
5,001 - 10,000	174	1,683,390				
10,001 - 100,000	360	17,055,956	1	95,238		
100,001 - and over	259	475,771,188	23	64,689,291	2	7,000,000
TOTAL	849	494,683,309	24	64,784,529	2	7,000,000

Shareholder Information

	Top Twenty Shareholders - CVS	Number of Ordinary Shares Held	%
1	NEW YORK HOLDINGS PTY LTD <CV SUPERANNUATION FUND A/C>	46,300,000	9.36
2	NUZENO HOLDINGS PTY LTD <NUZENO A/C>	44,285,714	8.95
3	AZOLIA PTY LTD <ALAN SMITH SUPER FUND A/C>	39,656,322	8.02
4	EUROPEAN LITHIUM LIMITED	32,000,000	6.47
5	LACEGLEN HOLDINGS PTY LTD <CADLY SUPERFUND A/C>	19,281,334	3.90
6	MS DALMA MAUREEN VOST + MRS KRISTIE LEANNE SAYERS <THE DALMA VOST SFUND A/C>	10,320,000	2.09
7	MR JUSTIN ANDREW VOST	10,000,000	2.02
8	MR PHILLIP GEORGE CRABB + MRS JUNE WINIFRED CRABB <CRABB S/FUND A/C>	9,800,000	1.98
9	MR CLARKE BARNETT DUDLEY	8,147,811	1.65
10	NEW YORK HOLDINGS PTY LTD	7,770,000	1.57
11	ACXU SMSF PTY LTD <EDWARD XU SMSF A/C>	7,656,096	1.55
12	EST MR TERRENCE JAMES BENNETT	7,531,258	1.52
13	ILB 1943 PTY LTD <THE BENNETT SUPER FUND A/C>	7,500,000	1.52
14	MR HO CHUEN MICHAEL NG	6,942,857	1.40
15	BROKEN RIDGE PTY LTD	6,000,000	1.21
16	GA ARMSTRONG SUPERANNUATION PTY LTD <GA ARMSTRONG SUPERFUND A/C>	5,550,000	1.12
17	TRUWEST PTY LTD <THE TRUDGIAN SUPERFUND A/C>	5,006,548	1.01
18	MR JOHN CORRAN CRAWFORD + MRS PAMELA MARY CRAWFORD <CRAWFORD SUPERFUND A/C>	4,400,000	0.89
19	MR SAN TIONG NG	4,376,557	0.88
20	AVOST HOLDINGS PTY LTD <BLUESKY A/C>	4,037,223	0.82

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are: New York Holdings Pty Ltd, Nuzeno Holdings Pty Ltd, Azolia Pty Ltd and European Lithium Ltd.

Unlisted Securities Information

64,784,529 unlisted $0.015 options exercisable on or before 30 June 2020. There are 24 holders of this security.

Holders of 20% or more of this class of security	Number of Ordinary Shares Held	%
NUZENO HOLDINGS PTY LTD <NUZENO A/C	19,761,904	30.50
ALAN GEORGE SMITH & EDNA JEAN SMITH	14,687,158	22.67

7,000,000 unlisted $0.01 incentive options exercisable on or before 31 December 2022. There are 2 holders of this security

Holders of 20% or more of this class of security	Number of Ordinary Shares Held	%
NEW YORK HOLDINGS PTY LTD	5,000,000	71.43
AVOST HOLDINGS PTY LTD <BLUESKY A/C>	2,000,000	28.57

On-Market Buy Back
There is no current on-market buy back.

Restricted Securities

The Company has no restricted securities (held in escrow) on issue.

Voting Rights

All ordinary shares carry one vote per share without restriction.

SCHEDULE OF TENEMENTS

As at 30 June 2018

Project / Tenement		Nature of Interest
Abbotts, Meekatharra	E51/1721	100%
Albury Heath, Meekatharra	P51/2937	100%
Albury Heath, Meekatharra	P51/2997	100%
Albury Heath, Meekatharra	P51/2998	100%
Albury Heath, Meekatharra	P51/2999	100%
Albury Heath, Meekatharra	P51/3000	100%
Albury Heath, Meekatharra	P51/3001	100%
Paynes Find	P59/2101*	100%*
Paynes Find	P59/1959*	100%*
Paynes Find	P59/1958*	100%*
Paynes Find	P59/1957*	100%*
Paynes Find	P59/1956*	100%*
Paynes Find	P59/1942*	100%*
Paynes Find	P59/1941*	100%*
Paynes Find	P59/1924*	100%*
Paynes Find	M59/663*	100%*
Paynes Find	M59/662*	100%*
Paynes Find	M59/396*	100%*
Paynes Find	M59/244*	100%*
Paynes Find	M59/235*	100%*
Paynes Find	M59/10*	100%*
Paynes Find	M59/2*	100%*
Paynes Find	E59/2242	100%
Paynes Find	P59/2130	100%
Paynes Find	P59/2151	100%
Paynes Find	P59/2152	100%
Paynes Find	P59/2153	100%
Paynes Find	P59/2159	100%
Paynes Find	P59/2160	100%
Paynes Find	P59/2161	100%
Paynes Find	P59/2076*	100%*
Paynes Find	P59/2094*	100%*

**Denotes, as indicated above, particular tenements that are secured, however they remain subject to Native Title Approval, Settlement of acquisition, application approval and/or finalisation of acquisition.*

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 Sirs

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 of the 30 June 2018 financial statements; and

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

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 28 September 2018

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 AUDIT REPORT TO THE MEMBERS OF CERVANTES CORPORATION LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cervantes Corporation Limited ("the Company") and its subsidiary (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) 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 these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this 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* (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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report. If the Company is unsuccessful in raising further equity capital there may be significant doubt about the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the report.

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.

Key Audit Matter

Exploration and evaluation expenditure

The Group has capitalised exploration and evaluation expenditure. As the carrying value of exploration and evaluation expenditure represents a significant asset of the Group we considered it necessary to assess whether facts and circumstances exist to suggest that the carrying amount of these assets may exceed their recoverable amount.

In doing so we carried out the following work in accordance with the guidelines set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*. Our procedures included but were not limited to the following:

- We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by confirming a sample of the Group's tenement holdings;

- We enquired of management and reviewed work programs to ensure that further expenditure on exploration in the Group's areas of interest was planned and cross referenced these discussions to ASX announcements and where applicable minutes of directors' meetings;

- We tested a sample of exploration and evaluation expenditure to supporting documentation;

- We vouched a sample of acquisition costs to supporting documentation; and

- We critically assessed and evaluated management's assessment of impairment on tenements in the exploration and evaluation phase.

We have also assessed the appropriateness of the disclosures included in Notes 2 and 15 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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 accordingly 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 there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility 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 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 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 ability of the Group 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 Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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 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: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Cervantes Corporation Limited for the year ended 30 June 2018 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.

Rothsay

Rothsay Auditing

GR Swan

Graham Swan FCA
Partner

Dated 28th September 2018