CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Corporate Directory

Board of Directors

Barry MacKinnon

Chairman

Collin Vost

Managing Director

Graeme Armstrong

Non-Executive Director

Company Secretary

Patrick O'Neill

Registered Office

Shop 11 "Southshore Piazza"

85 The Esplanade

South Perth WA 6151

Contact Details

Cervantes Corporation Ltd

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Corporate Advisors

Jackson Greeve

29 Charles Street

South Perth WA 6151

Solicitors

Steinepreis Paganin

GPO Box 2799

Perth WA 6001

Auditors

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
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

1232 Hay Street

West Perth WA 6005

CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
INDEX

Contents Page

Corporate Governance Statement	2
Directors' Report	7
Remuneration Report	11
Auditor’s Independence Declaration	14
Shareholder Information	15
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	56
Independent Auditor’s Report to the Members	57

CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the Australian Securities Exchange (ASX) Corporate Governance Council have been applied for the entire year ended 30 June 2010.

Principle	Recommendation Reference
1. Lay solid foundations for management and oversight	1.2
2. Structure the board to add value	2.4 & 2.5
4. Safeguard integrity in financial reporting	4.2
7. Recognise and manage risk	7.1& 7.2
8. Remunerate fairly and responsibly	8.1 & 8.2

Notification of Departure	Explanation for Departure
1.2 & 2.5 The process for evaluation of the Board, individual directors and key executives has not been disclosed.	During the reporting period, the Board of three members was compact enough to maintain internal evaluation. This approach is the subject of ongoing evaluation and evolution as the Company grows in terms of capitalisation and diverse management structure.
2.4 No Nomination Committee has been established.	Members of the Board have been brought together to provide a blend of qualification, skills and national experience required for managing a company operating within the industry. The Board is small and any nominations would be considered by all members at the regular directors' meeting. The establishment of a Nomination Committee is considered not relevant for the size of the Company. This is however a matter for regular review and consideration by the Board.
4 The Managing Director is the chairperson of the Audit Committee.	The makeup of the Board makes strict compliance impractical. All directors are members of the Audit Committee. The Company Secretary is also a member of the committee.
7.1 & 7.2 Formal policies on risk management have not been adopted.	The management of risk is part of the everyday responsibility of the Managing Director, and of the full Board on a regular basis. The Company's currently small operation makes this practical at the moment. Internal financial controls are assessed regularly through the audit process.
8.1 & 8.2 Substantive compliance in relation to remuneration disclosures has been achieved with a detailed remuneration report.	The Board determined all matters of remuneration in accordance with the Corporations Act requirements, especially in respect of related party transactions and personal interest in matters before the Board. As the Company progresses and employs additional staff it is recognised that a more detailed policy and process will be required.

Board Composition

The Board comprises of three directors. The names, qualifications and relevant experience of each director are set out in the Directors' Report. The Managing Director is charged with the overall management of the Group however the rest of the Board is consulted on the activities of the Group on a regular (daily or weekly) basis and consider this an appropriate way to ensure good governance.

Name of Director	Year Appointed	Executive	Independent	Member of Remuneration Committee	Member of Audit Committee	Member of Technical & Environment Committee
Barry MacKinnon, Chairman	2001	No	Yes	Yes	Yes	Yes
Collin Vost Managing Director	2007	Yes	No	Yes	Yes	Yes
Graeme Armstrong Non-Executive Director	2008	No	Yes	Yes	Yes	Yes

Assessing the Independence of Directors

An independent director is a non-executive director and:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
4. is not a material supplier or customer of the Company or another Group member, or an officer or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

Materiality Thresholds

The Board considers that:

- a supplier is material if the Company or the Group accounts for more than 2% of the supplier's consolidated gross revenue;
- a material customer is a customer of the Company or Group member which accounts for more than 2% of the Company's gross revenue; and
- service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to, materially interfere with a Director's ability to act in the best interests of the Company.

Ethical Standards

The Directors are responsible for protecting the rights and interest of the shareholders through the implementation of sound strategies and action plans and development of an integrated framework of controls over the Group's resources, functions and assets. Good corporate governance structures encourage companies to create value (through entrepreneurism, innovation and development) and provide accountability and control systems commensurate with the risks involved.

Good corporate governance will evolve with the changing circumstances of a Group and must be tailored to meet these circumstances. The Group currently operates with only one permanent staff and relies on additional specialist consultants and casual field staff to assist in the formulation and implementation of development programs. On the corporate side, the management team consists of the Managing Director and the Company Secretary.

The Company's Board and management are committed to a high standard of corporate governance, ensuring that the Company complies with the Corporations Act 2001, Listing Rules of the ASX, Company Constitution and other applicable laws and regulations. However, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance and Best Practice Recommendations, whilst fully supported, is not practical in every instance.

Trading Policy

Current practice requires Directors to advise the Company of any transactions conducted by them in the shares of the Company in accordance with the Corporations Act 2001 and the Listing Rules of the ASX. Officers and employees are also required to advise the Company of any transactions conducted by them in the shares of the Company in accordance with the Corporations Act 2001.

A copy of Cervantes' *Policy on Dealing with Cervantes Securities* can be accessed via the Company's website.

Audit Committee

The Managing Director, Chairman of the Audit Committee, and the Company Accountant formally state to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with the relevant Australian Accounting Standards.

The Company has appointed an audit committee whose role it is to:

- Assess the appropriateness of the accounting policies, practices and disclosure and whether the quality of the financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report and financial statements;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures; and
- Nominate the external auditors.

All the directors of the Company are members of the Audit Committee.

A copy of Cervantes' *Audit Committee Charter* can be accessed via the Company's website.

Performance Evaluation

Executive Directors and Non-Executive Directors are remunerated by way of consulting fee, receiving a fixed monthly amount for their services. This remuneration package is reviewed annually by the Board. No specific performance evaluation is conducted; however the Chairman does speak to each director individually regarding their role as director.

Board Roles and Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In

addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Managing Director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure that this is achieved. In addition to the establishment of the committees referred to in the table below, these mechanisms include the following:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- The Board being actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the Company;
- Implementation of operating plans and budgets by management and Board monitoring of progress against budgets; and
- The ability for Directors to seek independent professional advice at the Company's expense, in the furtherance of their duties.

Shareholders Rights

Effective Communication

The Company's communications strategy includes the communication with shareholders through:

- Announcements to the market via the Australian Securities Exchange;
- The Company's website;
- The annual report, which is distributed to shareholders; and
- The annual general meeting and other meetings so called to obtain approval for the Boards action as appropriate.

Participation in General Meetings

The external auditor attends meetings to respond to specific questions from shareholders.

A copy of Cervantes' *Shareholder Communication Policy* and *Code of Conduct* can be accessed via the Company's website.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risk. The Managing Director has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The worsening economic environment has emphasised the importance of managing and assessing its key business risks.

Remuneration Policies

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.

Remuneration Committee

Directors and key executives are remunerated in accordance with market conditions and performance as judged by the Board. The Managing Director's remuneration and directors' fees are detailed in the Remuneration Report contained in the Directors' Report on page 11. There are no termination entitlements.

Timely and Balanced Disclosures

In accordance with the Company's obligations under the Listing Rules of the ASX material information is lodged immediately with the ASX and on acknowledgment by the ASX is disseminated by posting to the Company website. The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency achieved through a dedicated spokesperson.

A copy of Cervantes' *Continuous Disclosure Policy* can be accessed via the Company's website.

Other Information

The core principles contemplate establishment of the role of the Board and senior executives, with a balance of skills, experience and independence appropriate to the nature and extent of operations, and the need for integrity among those who influence strategy and financial performance, together with responsible and ethical decision-making. Presenting the Group's financial and non-financial position requires processes that safe guard, both internally and externally, the integrity of Group reporting and its provision in a timely and balanced manner. The rights of Company shareholders must be recognised and upheld. Risk must be managed through effective oversight and internal control. Board and management effectiveness must be encouraged. Remuneration must attract and maintain talented and motivated directors and employees with a clear relationship to corporate and individual performance.

Please refer to the Company's website for further details on the Corporate Governance documents.

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 2010.

Principal Activities and Significant Change in Nature of Activities

The principal activities of the Group during the financial year was operating in the seafood and aquaculture industry in Western Australia and 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 loss of the Group for the financial year after providing for income tax amounted to:

Year ended 30 June 2010 $	Year ended 30 June 2009 $
(429,268)	(392,847)

The consolidated loss of the Group amounted to $429,268, after providing for income tax. This represents an increase of 9% on the results reported for the year ended 30 June 2009. The increase in the operating loss was due to the write off of project assessment expenditure.

Review of Operations

A review of the operations of the Group during the financial year and the results of those operations are as follows:

The Lobster pots licences continue to be a source of income for the Group during the Lobster Season.

The Group continues to buy and sell shares in an active market and continues to assess various projects, including projects in the Resource and Energy sector, for a possible diversification of the Group's operations.

The Board will continue to assess projects, offers and opportunities which it believes will add value to Cervantes shares, based on market conditions, sector activity and ASX compliance requirements as well as ensuring the risk to reward ratio favours the Company and its shareholders.

Financial Position

The net assets of the Group have decreased by $429,268 from $769,760 at 30 June 2009 to $340,492 at 30 June 2010. This decrease was largely due to the decrease in cash and cash equivalents as funds were expended on exploration and project evaluation.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

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.

After Balance Date Events

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

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 not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Information on Directors

Barry MacKinnon AM JP	CHAIRMAN (Non-executive)
Qualifications	Bachelor of Economics, Fellow of the Australian Society of Certified Practising Accountants.
Experience	Chairman since 2001. Mr MacKinnon has a wide range of experience in corporate finance and business management. He is currently a director of Ausrecord Pty Ltd, a document management company. Mr MacKinnon was appointed to the Board on 28 August 2001.
Interest in shares	250,000 ordinary shares.
Special responsibilities	Mr MacKinnon is a member of the audit committee
Directorships held in other listed entities during the three years prior to the current year	Baraka Petroleum Ltd (appointed 18 May 2009).
Collin Vost	MANAGING DIRECTOR (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	30,620,000 ordinary shares.
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 Petroleum Ltd (appointed 18 May 2009) JV Global Ltd (appointed 29 May 2009).
Graeme Armstrong	DIRECTOR (Non-executive)
Experience	Mr Armstrong was appointed to the Board on 16 January 2009. From 1990 to 1997 he was a director and shareholder of Scarboro Toyota and when this entity purchased Galleria Toyota, Mr Armstrong was appointed dealer principal and director, a position he held until retirement in March 2007.
Interest in shares	4,500,000 ordinary shares.
Special responsibilities	Mr Armstrong 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 person held the position of company secretary at the end of the financial year:

Patrick O'Neill – Bachelor of Business, Chartered Accountant. Mr O'Neill is a partner in the accounting firm Jackson Greeve. He has acted as Company Secretary for several public companies. Mr O'Neill was appointed Company Secretary on 16 January 2008.

Meetings of Directors

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

	Directors' Meetings	
	Number eligible to attend	Number attended
Barry MacKinnon	6	6
Collin Vost	6	6
Graeme Armstrong	6	6

Indemnifying Officers or Auditor

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, auditor or agent 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.

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

Grant Thornton Audit Pty Ltd did not provide non-audit services to the Group during 2009.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 14 of the Annual Report.

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.

No securities were issued to Directors or key management personnel of the Group during or 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 caliber 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 three Group executives or company executives receiving the highest remuneration.

Group Key Management Personnel	Position held as at 30 June 2010 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 %
Barry MacKinnon	Chairman (Non-executive)	-	-	-	100	100
Collin Vost	Managing Director (Executive)	-	-	-	100	100
Graeme Armstrong	Director (Non-executive)	-	-	-	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 2010

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 three Group executives receiving the highest remuneration.

		Short-Term Benefits		Post-Employment		Equity-settled share-based payments		
Group Key Management Personnel		Salary, Fees & Commissions $	Other $	Pension and Super-annuation $	Other $	Shares/Units $	Options/Rights $	Total $
Barry MacKinnon	2010	24,000	1,400	-	-	-	-	25,400
	2009	24,000	-	-	-	-	-	24,000
Collin Vost	2010	24,000	37,366	-	-	-	-	61,366
	2009	24,000	39,992	-	-	-	-	63,992
Graeme Armstrong	2010	24,000	-	-	-	-	-	24,000
	2009	24,000	-	-	-	-	-	24,000
Total Key Management Personnel	2010	72,000	38,766	-	-	-	-	110,766
	2009	72,000	39,992	-	-	-	-	111,992
Other Executives								
Patrick O'Neill	2010	30,111	-	-	-	-	-	30,111
	2009	31,746	-	-	-	-	-	31,746

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

Included in other short-term benefits are payments made to Zurich Securities Pty Ltd which provides a serviced office and is the landlord of Cervantes Corporation Ltd. Mr Collin Vost is a director and shareholder of the securities dealing company. During the financial year $36,000 (2009: $36,000) was paid or payable.

Also included in other short-term benefits are payments made to Zurich 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 and shareholder of the securities dealing company. During the financial year $1,366 (2009: $3,992) was paid for share trading and investment services.

Included in other short-term benefits are payments made to Ausrecord Pty Ltd as consideration for the installation of shelving at Cervantes Corporation Ltd storage unit in Subiaco. Mr Barry MacKinnon is a director and shareholder of this document management company. During the financial year $1,400 (2009: $0) was paid or payable.

No bonuses were paid to specified executives.

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

COLLIN VOST
Managing Director

Dated 13 September 2010

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Cervantes Corporation Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cervantes Corporation Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Director – Audit & Assurance

Perth, 13 September 2010

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Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current as at 8 September 2010.

(a) **Distribution of Equity Securities**

The number of holders, by size of holding, in each class of security are:

	Ordinary Shares	
	Number of holders	Number of shares
1 – 1,000	6	1,297
1001 – 5,000	43	175,951
5001 – 10,000	196	1,907,532
10,001 – 100,000	363	17,659,421
100,001 and above	247	269,526,911
Total	855	289,271,112

The number of shareholders holding less than a marketable parcel of shares is 416 (5,358,516 ordinary shares).

(b) **Twenty Largest Holders**

The names of the twenty largest holders, in each class of security are:

***Ordinary Shares**:*

1	New York Holdings Pty Ltd <CV Superannuation Fund A/c>	29,850,000	10.319%
2	J Maldives Trading Pvt Ltd	23,600,000	8.158%
3	PG and JW Crabb <The Crabb S/Fund A/c>	9,800,000	3.388%
4	Jayvee Investments Pty Ltd <Jayvee SP-Pension A/c>	8,000,000	2.766%
5	Gavi Trading Pty Ltd	7,300,000	2.524%
6	Laceglen Holdings Pty Ltd <Cadly Superfund A/c>	5,950,000	2.057%
7	Broken Ridge Pty Ltd	5,400,000	1.867%
8	GA Armstrong Superannuation Pty Ltd <GA Armstrong Superfund A/c>	4,500,000	1.556%
9	Mr San Tiong Ng	4,376,557	1.513%
10	Mr David James O'Reilly	4,120,000	1.424%
11	Allcrest Nominees Pty Ltd <The Riemer A/c>	3,900,000	1.348%
12	Kheng Sing Lim	3,888,562	1.344%
13	Mdm Tee Lian	3,736,350	1.292%
14	Chen Hoong	3,736,349	1.292%
15	Bennett (WA) Pty Ltd	3,477,777	1.202%
16	Pejean Pty Ltd <RMZ Pension Fund A/c>	3,307,223	1.143%
17	Mr Danny John Mountford <The Mountford Family A/c>	3,197,000	1.105%
18	Dr Chin Vie Yap	3,115,000	1.077%
19	Action Engineering Pty Ltd & Mr Ernest Simpson Cooley	3,000,000	1.037%
20	Quairading Holdings Pty Ltd <The Sacca Family A/c>	2,700,000	0.933%

(c) **Substantial Shareholder**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporation Act 2001 are New York Holdings Pty Ltd and J Maldives Trading Pvt Ltd.

(d) **Voting Rights**

All ordinary shares carry one vote per share without restriction.

(e) **Restricted Securities**

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

(f) **Business Objective**

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 $	2009 $
Interest income	2a	5,075	32,101
Other income	2b	215,557	66,993
Reversal of impairment of intangible assets	13	64,000	-
Net loss on revaluation of other financial assets	3	(84,026)	(103,260)
Employee benefits expenses		(91,133)	(91,500)
Depreciation expenses		(70)	(36)
Occupancy expenses	3	(39,789)	(39,438)
Exploration & evaluation expenditure written off	3	(382,548)	(75,733)
Travel expenses		(8,785)	-
Finance costs		(970)	-
Administration expenses		(99,811)	(120,964)
Impairment of intangible assets		-	(48,000)
Other expenses		(6,768)	(13,010)
Loss before income tax		**(429,268)**	**(392,847)**
Income tax (expense) / benefit	4	**-**	**-**
Loss after tax		**(429,268)**	**(392,847)**
Loss from ordinary activities after related		**(429,268)**	**(392,847)**
Other comprehensive income		**-**	**-**
Total comprehensive income		**(429,268)**	**(392,847)**
Basic loss per share (cents per share)	7	(0.15)c	(0.13)c
Diluted loss per share (cents per share)	7	(0.15)c	(0.13)c

The accompanying notes form part of these financial statements

CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group	
		2010	2009
		$	$
Current Assets			
Cash and cash equivalents	8	20,585	277,619
Trade and other receivables	9	4,187	279,746
Other financial assets	10	197,064	117,727
Other assets	14	-	7,000
Total Current Assets		**221,836**	**682,092**
Non-Current Assets			
Property, plant and equipment	12	3,217	1,887
Other assets	14	-	55,367
Intangible assets	13	144,670	80,670
Total Non-Current Assets		**147,887**	**137,924**
Total Assets		**369,723**	**820,016**
Current Liabilities			
Trade and other payables	15	29,231	50,256
Total Current Liabilities		**29,231**	**50,256**
Total Liabilities		**29,231**	**50,256**
Net Assets		**340,492**	**769,760**
Equity			
Issued capital	16	11,983,070	11,983,070
Accumulated losses		(11,642,578)	(11,213,310)
Total Equity		**340,492**	**769,760**

The accompanying notes form part of these financial statements

CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Group	Share Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 July 2008	11,949,170	(10,820,463)	1,128,707
Shares issued during year	33,900	-	33,900
Transaction costs	-	-	-
Net loss attributable to members of the parent entity	-	(392,847)	(392,847)
Balance at 30 June 2009	11,983,070	(11,213,310)	769,760
Shares issued during year	-	-	-
Transaction costs	-	-	-
Net loss attributable to members of the parent entity	-	(429,268)	(429,268)
Balance at 30 June 2010	11,983,070	(11,642,578)	340,492

The accompanying notes form part of these financial statements

CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010	2009
		$	$
Cash Flows from Operating Activities			
Receipts from customers		9,784	5,000
Payments to suppliers and employees		(244,291)	(326,882)
Dividends received		3,584	3,200
Interests received		5,075	32,101
Net cash used in operating activities	20	(225,848)	(286,581)
Cash Flows from Investing Activities			
Proceeds from held for trading investments		68,254	342,675
Proceeds from the sale of equipment		6,250	-
Purchase of property, plant & equipment		(1,400)	(423)
Purchase of held for trading investments		(35,678)	(378,509)
Purchase of intangible assets		-	(670)
Advance to non-relates parties		-	(65,579)
Loans to related parties		215,000	(215,000)
Payments for exploration & evaluation		(283,612)	(33,042)
Net cash used in investing activities		(31,186)	(350,548)
Cash Flows from Financing Activities			
Proceeds of issue of shares		-	33,900
Costs of share issue		-	-
Net cash provided by financing activities		-	33,900
Net outflow in cash held for the year		(257,034)	(603,229)
Cash at the beginning of the year		277,619	880,848
Cash at the end of the year	8	20,585	277,619

The accompanying notes form part of these financial statements

This financial report includes the consolidated financial statements and notes of Cervantes Corporation Ltd and its controlled entity ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Cervantes Corporation Ltd as an individual parent entity ('Parent Entity' or 'Company').

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a Principles of Consolidation

A controlled entity is any entity over which Cervantes Corporation Ltd has the power to govern the financial and operating policies so as to obtain benefit from its activities. In assessing the power to govern, the existence and effect of holding actual and potential voting rights are considered.

Details of the controlled entity are contained in Note 11 to the financial statements. The controlled entity has a 30 June financial year-end.

As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as its results for the year ended. Where a controlled entity has entered or left the Group during the year, its operating results have been included from the date control was obtained or until the date control ceased.

All inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with those adopted by the parent entity.

b Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

c Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on the taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movement in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by 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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group 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 – 40.0%

The asset's 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 surplus relating to that asset are transferred to retained earnings.

e Exploration and Development Expenditure

Exploration, evaluation and development 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 that permits reasonable assessment of the existence of economically recoverable reserves.

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

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

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

f Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For the financial asset, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and Subsequent Measurement
Finance instruments are subsequently measured at fair value. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(i) Financial assets at fair value through profit and loss
A financial asset is classified at 'fair value through the profit and loss' when they are either held for trading for the purpose of short-term profit taking, derivates not held for hedge purposes or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with in the investment strategy. Such assets are subsequently measured at fair value with changes in the carrying value being included in the profit and loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuations techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

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

Derecognition

Financial assets are derecognised where the contractual rights to receipts of the cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g 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 current 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 the net loss of $429,268 and cash outflows from operations of $225,848, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. However, should the held for sale investment not be realised as necessary or capital raising not occur, there is significant uncertainty whether the Group would be able to continue as a going concern.

h Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i Intangibles

Licences and Leases

Licences and leases are recognised at director valuation. Licences and leases have an indefinite life as they are a right to fish within zones established by Government authorities. Licences and leases are carried at director valuation less any impairment losses.

Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development cost are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

j Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

k Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is possible that an outflow of economic benefits will result and that outflow can be reliably measured.

l Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m Revenue and Other Income

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

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the annual lease of licences is recognised at the beginning of the lease period.

All revenue is stated net of the amount of goods and services tax (GST).

n Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o Comparative Figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest comparative period will be disclosed

Critical Accounting Estimates and Judgments

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

Key Estimates – Impairment/Revaluation

Based on the Group's current use of the craypot licences the directors have estimated the recoverable amount of the craypot licences as the fair value of these licences less costs to sell which is higher than value in use. The fair value was determined by reference to information obtained from external industry sources on prices at which craypot licences are sold currently in an active market. The revaluation has led to a decrease in the provision for impairment of intangible assets of $64,000 for the year ended 30 June 2010.

Key Judgments – Provision for Impairment of Receivables

Included in trade receivables at reporting date is an amount receivable from Cervantes Gold Pty Ltd for $0 net of provision for impairment. During the financial year the parent entity advanced $285,212. The recovery of the full amount is dependent on the successful exploration and sale of gold recovered from the retreatment projects. A provision for impairment of $382,548 has been recognised by the parent entity based on the net asset position of Cervantes Gold Pty Ltd.

Key Judgment – Advance to non related parties

The recovery of the full amount was dependent on the successful exploitation and sale of gold recovered from the retreatment projects being financed by the subsidiary. At the date of this report the directors have sufficient reason to believe that the exploration in the specific areas will not lead to the discovery of viable quantities of mineral resources and have decided to discontinue such activity. Sufficient data exists to indicate that the recovery of the amounts advanced is unlikely however the non related parties are continuing with efforts and investigating new treatment and processing methods. Such capitalised expenditure is carried at reporting date at $0 and the amount written off through the statement of comprehensive income as exploration and evaluation written off for project abandoned amounted to $58,579.

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 through the statement of comprehensive income. At the date of this report the Group has sufficient reason to believe that the exploration in specific areas will not lead to the discovery of viable quantities of mineral resources and the Group has decided to discontinue such activity in the specific areas while alternative treatment methods are being investigated. Such capitalised expenditure is carried at reporting date at $0 and the amount written off through the statement of comprehensive income as exploration and evaluation written off for projects abandoned amounted to $323,969.

p New Accounting Standards for Application in the Current Period

During the current year the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Cervantes Corporation Ltd.

AASB 3 Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3, and as a result some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. Below is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of an additional ownership interest in Cervantes Gold Pty Ltd

Recognition and measurement impact

Recognition of Acquisition Costs – The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of Contingent Considerations – The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent that they relate to conditions or events existing at acquisition date in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of the interest in Cervantes Gold Pty Ltd, a contingent consideration of $1 has been recognised. There has been no current year impact on the statement of comprehensive income; however as the probability of payment changes some impact may be noted in future reporting periods.

Recognition of contingencies – The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

There were no contingencies associated with the acquisition of an ownership interest in Cervantes Gold Pty Ltd.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements, not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

AASB 8 Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114 segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports, using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment - Testing of the Segment's Goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined implementation of AASB 8 has not impacted the CGU's of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The group's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

q New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

● *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- removing the tainting rules associated with held-to-maturity assets
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

– financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on
(a) the objective of the entity's business model for managing the financial assets; and
(b) the characteristics of the contractual cash flows

● *AASB 2009-4 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]" (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010)*

These standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

● *AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010)*

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Interpretation is not expected to impact the Group.

	Note	Consolidated Group 2010 $	2009 $
NOTE 2: Revenue and Other Income			
2a. Interest revenues			
- other persons		5,075	32,101
		5,075	**32,101**
2b. Other income			
Lease revenue		5,273	5,000
Dividend		3,584	3,200
Commission		185,000	-
Corporate Services		4,511	-
Profit on disposal of shares		10,939	58,793
Profit on the sale of equipment		6,250	-
		279,557	**66,993**

NOTE 3: Loss for the Year

The loss for the year included the following expenses:

Fair value adjustment	84,026	103,260
Rental expense on operating leases		
- rental expense for sublease	39,789	39,438
Exploration and evaluation expenditure written off	382,548	75,733

	Consolidated Group	
	2010	**2009**
	$	**$**
NOTE 4: Income Tax		
Prima facie tax benefit on loss before income tax @ 30%.	(128,780)	(117,854)
Add tax effect:		
Non-allowable items		
Project assessment costs	-	1,871
Impairment of assets	(19,200)	14,400
Fair value adjustment	25,208	30,978
Exploration expenditure	16,610	-
Allowable items		
Capital raising cost	(11,082)	(11,082)
Project assessment cost	(4,968)	-
Exploration expenditure	-	(16,610)
Tax losses not brought to account	122,212	98,297
Income tax attributable to entity	**-**	**-**
Unrecognised deferred tax balances:		
Unrecognised deferred tax asset losses	2,612,296	2,490,084
Unrecognised deferred tax asset other	262,957	256,948
Unrecognised deferred equity adjustment	11,082	22,164
Unrecognised deferred tax liabilities	-	(16,610)
Net deferred tax asset not brought to account	**2,886,335**	**2,752,586**

Unrecognised deferred tax asset losses include deferred tax asset losses relating to Cervantes Gold Pty Ltd in the amount of $374,553 (2009 $14,955). These are available for offset against the unrecognised deferred tax loss in Cervantes Gold Pty Ltd.

The Unrealising deferred tax assets will only be available if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

b) the conditions for deductibility imposed by the tax legislation continue to be complied with; and

c) no changes in tax legislation adversely affect the Company in realising the benefit.

NOTE 5: Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2010.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2010 $	2009 $
Short-term employment benefits	140,877	143,738
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	140,877	143,738

KMP Options Holdings

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

30 June 2010

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year
Collin Vost	-	-	-	-	-
Patrick O'Neill	-	-	-	-	-
	-	-	-	-	-

On 31 December 2008 the Company issued 2,260,000 ordinary shares having received $33,900 from the exercise of options due to expire 31 December 2008, exercisable at 1.5c each. A further 27,740,000 options remained unexercised and were cancelled. The weighted average share price at the date the options were exercised was 2.3c.

30 June 2009

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year
Collin Vost	30,000,000	-	-	(30,000,000)	-
Patrick O'Neill	-	-	(200,000)	200,000	-
	30,000,000	-	(200,000)	(29,800,000)	-

NOTE 5: Interests of Key Management Personnel (KMP) (cont'd)
KMP 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 2010

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Barry MacKinnon	250,000	-	-	-	250,000
Collin Vost	30,620,000	-	-	-	30,620,000
Graeme Armstrong	4,500,000	-	-	-	4,500,000
Patrick O'Neill	200,000	-	-	-	200,000
	35,570,000	-	-	-	35,570,000

30 June 2009

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Barry MacKinnon	250,000	-	-	-	250,000
Collin Vost	30,620,000	-	-	-	30,620,000
Graeme Armstrong	4,500,000	-	-	-	4,500,000
Patrick O'Neill	-	-	200,000	-	200,000
	35,370,000	-	200,000	-	35,570,000

Other KMP Transactions
There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP refer to Note 22: Related Party Transactions.

	Consolidated Group	
	2010	**2009**
	$	**$**
NOTE 6: Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	29,200	21,303

	Consolidated Group	
	2010	2009
	$	$
NOTE 7: Earnings per Share		
(a) Reconciliation of earnings to profit or loss		
Loss		
Earnings used to calculate basic EPS	429,268	392,847
Earnings used in the calculation of dilutive EPS	429,268	392,847
	No.	**No.**
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	289,271,112	288,131,824
Weighted average number of dilutive options outstanding	-	2,447,231
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	289,271,112	290,579,055

	Consolidated Group	
	2010	2009
	$	$
NOTE 8: Cash and cash Equivalents		
Cash at bank & in hand	8,819	17,391
Interest bearing deposit	11,766	260,228
	20,585	**277,619**
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash & cash equivalents	20,585	277,619
	20,585	**277,619**

	Consolidated Group	
	2010	2009
	$	$
NOTE 9: Trade and Other Receivables		
Current		
Amounts receivable from related parties	-	215,000
Amounts advanced to non-related parties	-	58,579
Input tax credits	4,187	6,167
	4,187	**279,746**

The terms of the amounts receivable from related parties are non-interest bearing, repayable on completion of capital raising or within 6 months, whichever is the shorter and limited to $200,000 each. At 30 June 2009, Baraka Petroleum Ltd had drawn down $100,000 and JV Global Ltd had drawn down $115,000. At the date of this report the amounts receivable from related parties had been repaid.

The terms of the advance to non-related parties are non-interest bearing, repayable from the proceeds of the successful exploration and sale of gold recovered from the retreatment projects being financed. Refer to Note 1, Critical Accounting Estimates and Judgments for recoverability.

Credit Risk – Trade and Other Receivables
The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, all the Group credit risk exposure is in Australia.

At the date of this report all the amounts receivable from related parties had been repaid in full.

		Consolidated Group	
	Note	2010	2009
		$	$
Financial assets classified as loans and receivables			
Trade and other receivable			
- Total current		4,187	279,746
- Total non-current		-	-
Financial assets	**23**	**4,187**	**279,746**

	Note	Consolidated Group 2010 $	2009 $
NOTE 10: Other Financial Assets			
Current			
Financial assets at fair value through profit and loss	**10a**	197,064	117,727
		197,064	**117,727**
10a Financial assets at fair value through profit and loss			
Held for trading listed shares		197,064	117,727
		197,064	**117,727**

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.

NOTE 11: Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2010	2009
Subsidiary of Cervantes Corporation Ltd:			
Cervantes Gold Pty Ltd	Aust	100	100

Acquisition of Controlled Entity
On 9 January 2009, Cervantes Gold Pty Ltd was incorporated. Cervantes Gold Pty Ltd is a wholly owned subsidiary of the Company.

	Consolidated Group	
	2010	2009
	$	$
NOTE 12: Property, Plant and Equipment		
Plant & equipment		
- At cost	423	423
- Less: accumulated depreciation	(106)	(36)
	317	**387**
Office equipment		
- At cost	2,900	1,500
- Less: accumulated depreciation	-	-
	2,900	**1,500**
Total Property, Plant & Equipment	**3,217**	**1,887**

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment.

Consolidated Group	Plant & Equip.	Office Equip.	Total
Year ended 30 June 2009			
Balance at the beginning of year	-	1,500	1,500
Revaluation increment	-	-	-
Additions	423	-	423
Depreciation expense	(36)	-	(36)
Carrying amount at the end of the year	387	1,500	1,887
Year ended 30 June 2010			
Balance at the beginning of year	387	1,500	1,887
Revaluation increment	-	-	-
Additions	-	1,400	1,400
Depreciation expense	(70)	-	(70)
Carrying amount at the end of the year	317	2,900	3,217

	Consolidated Group	
	2010	**2009**
	$	**$**
NOTE 13: Intangibles Assets		
Non-Current		
Licences and leases		
At valuation	490,000	490,000
Less provision for impairment	(346,000)	(410,000)
Company formation expenditure	670	670
	144,670	**80,670**

Consolidated Group	Licences & leases	Company formation expenditure
Year ended 30 June 2009		
Balance at the beginning of the year	128,000	-
Additions	-	670
Impairment	48,000	-
	80,000	670
Year ended 30 June 2010		
Balance at the beginning of the year	80,000	670
Reversal of impairment	64,000	-
Closing value at 30 June 2010	144,000	670

The effective date for the revaluation of the licences and leases was 2 August 2010. The carrying amount that would have been recognised had licences and leases been measured using the cost model would have been $800,000. Refer to Note 1, Critical Accounting Estimates and Judgments for impairment considerations.

	Consolidated Group	
	2010	2009
	$	$
NOTE 14: Other Assets		
Current		
Prepayments	-	7,000
	-	**7,000**
Non-current		
Exploration expenditure capitalised		
- Exploration and evaluation phases	-	55,367
	-	**55,367**

Refer to Note 1, Critical Accounting Estimates and Judgments for impairment considerations.

NOTE 15: Trade and other payable		
Current		
Unsecured liabilities		
- Trade creditors	29,231	50,256
	29,231	**50,256**
Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables		
- Total Current	**29,231**	**50,256**

NOTE 16: Issued Capital	**Consolidated Group**	
	2010	**2009**
	$	**$**
289,271,112 (2009: 289,271,112)		
Fully paid ordinary shares	11,983,070	11,983,070
	11,983,070	**11,983,070**

	2010	**2009**
	No.	**No.**
Ordinary shares		
At the beginning of reporting period	289,271,112	287,011,112
Shares issued during the year:		
31 December 2008	-	2,260,000
At the end of reporting period	**289,271,112**	**289,271,112**

On 31 December 2008 the Company issued 2,260,000 ordinary shares having received $33,900 from the exercise of options due to expire 31 December 2008, exercised at 1.5c each. The weighted average share price at the date the options were exercised was 2.3c.

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

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

Options

During this reporting period the Company has not issued any options:

On 31 December 2008 30,000,000 listed options were due to be exercised or lapsed.

	2010	**2009**
	No	**No**
Opening number of options issued	**-**	**30,000,000**
Number of options issued during the year	-	-
Number of option exercised during the year (The weighted average share price at the date the options were exercised was 2.3c.)	-	(2,260,000)
Number of options lapsed during the year	-	(27,740,000)
Closing Number of Options Issued	**-**	**-**

NOTE 16: Issued Capital (cont'd)

Capital Management

Management control the capital of the Group in order to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Groups financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. Total borrowings below represents trade and other payables.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratio's for the year ended 30 June 2010 and 30 June 2009 are as follows:

		Consolidated Group	
		2010	2009
	Note	$	$
Total borrowings	15	29,231	50,256
Less cash and cash equivalents	8	(20,585)	(277,619)
Net borrowings		8,646	(227,363)
Total equity		340,492	769,760
Total capital		349,138	542,397
Gearing ratio		2.5%	-41.9%

	Consolidated Group	
	2010	2009
	$	$
NOTE 17: Capital and Leasing Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable: minimum lease payments		
- not later than 12 months	36,000	36,000
- between 12 months and 5 years	-	-
- greater than 5 years	-	-

A serviced office and business premises are provided by Zurich Securities Pty Ltd at a fee of $3,000 per calendar month.

NOTE 18: Contingent Liabilities
There are no contingent liabilities as at balance date or as at the date of the report.

NOTE 19: Segment Reporting
Segment Information

Identification of reportable segments

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

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on this basis.

Reportable segment disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and also similar with respect to the following:

- the product sold and/or services provided by the segment;
- the type or class of customer for the product or service; and
- the external regulatory requirements

Types of products and services by segment

Seafood and Aquaculture
The seafood and aquaculture segment lease craypot licences and evaluates seafood and aquaculture projects.

Mineral exploration and evaluation
The mineral exploration and evaluation segment evaluates projects in the mining industry.

Share Trading
The share trading segment buys and sells shares through the Australian Securities Exchange.

NOTE 19: Operating Segments (cont'd)

Basis of accounting for the purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives
- impairment of assets and other non-recurring items of revenue or expense
- other financial liabilities
- intangible assets

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the standard.

NOTE 19: Operating Segments (cont'd)

(i) Segment performance

	Seafood & aquaculture	Exploration & evaluation	Share trading	Corporate	Total
	$	$	$	$	$
Year ended 30.06.2010					
Revenue					
External sales	11,523	-	195,939	4,511	211,973
Revaluation of intangible asset	64,000	-	-	-	64,000
Dividends	-	-	3,584	-	3,584
Interest revenue	-	-	-	5,075	5,075
Total segment revenue	75,523	-	199,523	9,586	284,632
Reconciliation of segment revenue to group revenue					
Total group revenue					284,632
Segment net profit before tax	72,819	(1,668)	115,497	(233,298)	(46,650)
Reconciliation of segment results to group net profit/(loss) before tax					
Amount not included in segment results but reviewed by the Board:					
Depreciation expenses	-	(70)	-	-	(70)
Write off of exploration & evaluation expenditure	-	(382,548)	-	-	(382,548)
Net loss before tax from continuing operations					(429,268)

NOTE 19: Operating Segments (cont'd)

(ii) Segment performance

	Seafood & Aquaculture	Exploration & evaluation	Share Trading	Corporate	Total
	$	$	$	$	$
For the year ended 30.06.2009					
Revenue					
External sales	5,000	-	58,793	-	63,793
Dividends	-	-	3,200	-	3,200
Interest revenue	-	-	-	32,101	32,101
Total segment revenue	5,000		61,993	32,101	99,094
Reconciliation of segment revenue to group revenue					
Total group revenue					99,094
Segment net profit before tax	(44,955)	(234)	(45,259)	(226,630)	(317,078)
Reconciliation of segment results to group net profit/(loss) before tax					
Amount not included in segment results but reviewed by the Board:					
Depreciation & amortisation	-	(36)	-	-	(36)
Write off of exploration & evaluation expenditure	(22,800)	(52,933)	-	-	(75,733)
Net loss before tax from continuing operations					(392,847)

NOTE 19: Operating Segments (cont'd)

(iii) Segment assets

As at 30.06.2010	Seafood & Aquaculture $	Exploration & evaluation $	Share Trading $	Corporate $	Total $
Segment assets	144,000	317	197,064	28,342	369,723
Segment assets increased for the period					
Capital expenditure	-	268,179	-	-	268,179
Less capital expenditure written off	-	(382,548)	-	-	(382,548)
Reversal of impairment of intangible asset	64,000	-	-	-	64,000
Acquisitions/(disposals)	-	-	(24,910)	-	(24,910)
	64,000	(114,369)	(24,910)	-	(75,279)
Reconciliation of segment assets to group assets					
Total group assets					369,723

As at 30.06.2009					
Segment assets	80,000	114,333	117,727	507,956	820,016
Segment assets increased for the period					
Capital expenditure	-	129,054	-	-	129,054
Less capital expenditure written off	-	(14,685)	-	-	(14,685)
Impairment of intangible asset	(48,000)	-	-	-	(48,000)
Acquisitions/(disposals)	-	-	94,627	-	94,627
	(48,000)	114,369	94,627	-	160,996
Reconciliation of segment assets to group assets					
Total group assets					820,016

NOTE 19: Operating Segments (cont'd)

	Seafood & Aquaculture	Exploration & evaluation	Share Trading	Corporate	Total
	$	$	$	$	$
(iv) Segment liabilities					
As at 30.06.2010					
Segment liabilities	-	16,500	-	12,731	29,231
Reconciliation of segment liabilities to group liabilities					
Total group liabilities					29,231
As at 30.06.2009					
Segment liabilities	-	41,829	-	8,427	50,256
Reconciliation of segment liabilities to group liabilities					
Total group liabilities					50,256

(v) Revenue by geographical region

All Group revenue attributable to external customers was generated in Australia.

(vi) Assets by geographical region

The Group operated only in Australia.

(vii) Major customers

The Group supplies a single external customer in the seafood and aquaculture segment who accounts for 46% of external revenue (2009: 100%).

	Consolidated Group	
	2010	2009
	$	$
NOTE 20: Cash Flow Information		
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(429,268)	(392,847)
Non-cash flows in loss after income tax		
Impairment of intangible assets	(64,000)	48,000
Profit on sale of equipment	(6,250)	-
Commissions	(185,000)	-
Net gain on disposal of financial assets	(10,939)	(58,793)
Fair value adjustment	84,026	103,260
Depreciation	70	36
Write down of exploration & evaluation expenditure	382,548	14,685
Changes in Assets and Liabilities, net of the effect of purchase of subsidiary		
(Increase)/decrease in trade & term receivables	1,980	(164)
Increase/(decrease) in trade & other payables	985	(758)
Cash flow from operations	**(225,848)**	**(286,581)**

Acquisition of Entity

On 9 January 2009, Cervantes Gold Pty Ltd was incorporated for $1. Cervantes Gold Pty Ltd is a wholly owned subsidiary of the Company.

NOTE 21: Events After Balance Sheet Date

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.

	Consolidated Group	
	2010	2009
	$	$
NOTE 22: Related Party Transactions		
Transactions with related parties:		
Director or related entities		
i) Serviced office fees paid and accrued to Zurich Securities Pty Ltd, a securities dealing firm where Mr Collin Vost is the director and shareholder	36,000	36,000
ii) Brokerage fees paid and accrued to Zurich Securities Pty Ltd, a securities dealing firm where Mr Collin Vost is a director and shareholder	1,366	3,992
iii) Pursuant to a loan agreement with Baraka Petroleum Ltd, Cervantes Corporation Ltd agreed to lend up to $100,000 to assist in the recapitalization of Baraka Petroleum and the reinstatements of Baraka Petroleum Ltd on the ASX. Mr Barry MacKinnon and Mr Collin Vost are directors of Baraka Petroleum Ltd	-	100,000
iv) Pursuant to a loan agreement with JV Global Ltd, Cervantes Corporation Ltd agreed to lend up to $200,000 to JV Global Ltd to assist JV Global in expanding its existing operations and to assist in the funding of a placement. Mr Collin Vost is a Director of JV Global Ltd	-	115,000
v) For the supply and installation of shelving at the Group's storage facility in Subiaco an amount was paid to Ausrecord Pty Ltd, a company where Barry MacKinnon is a director and shareholder	1,400	-

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 23: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to subsidiary.

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

NOTE 23: Financial Risk Management (cont'd)	Note	Consolidated Group 2010 $	2009 $
Financial Assets			
Cash and cash equivalents	8	20,585	277,619
Financial assets at fair value through profit or loss			
-Held for trading	10	197,064	117,727
Loans and receivables	9	4,187	279,746
		221,836	675,092
Financial Liabilities			
- Trade and other payables	15	29,231	50,256
		29,231	50,256

Financial Risk Management Policies

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors, in its function as Audit Committee, oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for the developing and monitoring the Group's risk management policies.

Interest rate risk

The Group has cash subject to interest and therefore the interest rate risk impact is minimal. Management continually monitors the exposure to interest rate risk. The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk.

	< 1 Year $	Total $	Weighted average effective interest rate
Year ended 30 June 2010			
Floating rate Cash assets	20,585	20,585	3.40%
Year ended 30 June 2009			
Floating rate Cash assets	277,619	277,619	5.54%

NOTE 23: Financial Risk Management (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group's overall objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities.

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

The table below summarises the maturity profiles of the Group's financial liabilities based on contractual undiscounted payments.

	Less than 3 months	3 to 12 Months	More than 12 months	Total
	$	$	$	$
Year ended 30 June 2010				
Trade and other creditors	29,231	-	-	29,231
	29,231	**-**	**-**	**29,231**
Year ended 30 June 2009				
Trade and other creditors	50,256	-	-	50,256
	50,256	**-**	**-**	**50,256**

The Group also has an office service agreement. The future contracted commitments at year end are disclosed in Note 17.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. In most cases, the Group requires full and final payment either prior to, or upon delivery of the goods to the customer. In limited cases where credit is provided, the Group trades on credit terms with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivables balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

All amounts past due in excess of 30 days are individually assessed and provided for as doubtful if reasonable doubt as to collectability exists.

With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents and receivables, the Group's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, as disclosed in the balance sheet and notes to the financial statements.

Included in receivables is the amount for GST refundable, this amount is not past due nor impaired.

NOTE 23: Financial Risk Management (cont'd)

Net Fair Value

Fair Value Estimation

The fair values of the financial assets and financial liabilities are presented in the following can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information from markets that are actively traded. In this regard, fair value for listed securities are obtained from quoted market bid price.

	2010		2009	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	$	$	$	$
Consolidated Group				
Financial Assets				
Cash and cash equivalents	20,585	20,585	277,619	277,619
Financial assets at fair value through profit or loss				
-Held for trading	197,064	197,064	117,727	117,727
Loans and receivables	4,187	4,187	279,746	279,746
	221,836	221,836	675,092	675,092
Financial Liabilities				
- Trade and other payables	29,231	29,231	50,256	50,256
	29,231	**29,231**	**50,256**	**50,256**

The fair values disclosed in the above table have been determined based on the following methodologies.

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payable exclude amounts provided for relating to annual leave which is not considered a financial instrument.

(ii) For listed held-for-trading financial assets, closing quoted bid prices at reporting date have been used.

Price Risk

Price risk relates to the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is exposed to securities price risk on investments held for trading or for medium to longer term. Such risk is managed through diversification of investments across industries and geographical location.

The Group's investments are held in the following sectors at reporting date.

NOTE 23: Financial Risk Management (cont'd)

	Consolidated Group 2010	Consolidated Group 2009
Energy	47%	17%
Materials	20%	38%
Capital Goods	11%	7%
Real Estate	1%	1%
Telecommunications	21%	37%
	100%	100%

Sensitivity Analysis

The following table illustrates sensitivity to the Group's exposures to changes in the interest rate. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

	Consolidated Group Profit $	Consolidated Group Equity $
2010		
+/- 2% in interest rate	+/- 3,000	+/- 3,000
2009		
+/- 2% in interest rate	+/- 11,600	+/- 11,600

NOTE 24: Company Details

The registered office and principal place of business of the Company is:

Shop 11 "Southshore Piazza"
85 The Esplanade
South Perth WA 6151

NOTE 25: Parent Entity Information

Information relating to Cervantes Corporation Ltd:	2010 $	2009 $
Current assets	216,053	607,345
Total assets	362,954	778,187
Current liabilities	12,731	8,427
Total liabilities	12,731	8,427
Issued capital	11,983,070	11,983,070
Retained earnings	(11,632,847)	(11,213,310)
Total shareholders' equity	350,223	769,760
Profit or loss of the parent entity	(419,537)	(392,847)
Total comprehensive income of the parent entity	(419,537)	(392,847)

NOTE 25: Parent Entity Information (cont'd)

Provision for Impairment of Receivables
Non-current trade and other receivables are assessed for recoverability based on the successful exploration and sale of gold recovered from the retreatment projects currently being assessed by the Group. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. Refer to Note 1, Critical Accounting Estimates and Judgments for recoverability.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1.7.2009	Charge for the year	Amount Written Off	Closing Balance 30.6.2010
	$	$	$	$
Parent Entity				
i) Non-current wholly owned subsidiary	14,955	374,553	-	389,508
	14,955	**374,553**	**-**	**389,508**

	Opening Balance 1.7.2008	Charge for the year	Amount Written Off	Closing Balance 30.6.2009
	$	$	$	$
Parent Entity				
i) Non-current wholly owned subsidiary	-	14,955	-	14,955
	-	**14,955**	**-**	**14,955**

There are no balances within trade and other receivables that are impaired and are past due. It is expected these balances will be received when due.

CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes as set out on pages 17 to 55 and the remuneration disclosures that are contained in the Remuneration Report within the Directors' Report on pages 11 to 13, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporate Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June, 2010 and of the performance for the year ended on that date of the Company and Group; and

   (e) complies with International Financial Reporting Standards as disclosed in Note 1.

2. the Chief Executive Officer and the Chief Financial Officer have each declared that:
   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

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

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

COLLIN VOST
Managing Director

Dated: 13 September 2010

Grant Thornton

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Independent Auditor's Report
To the Members of Cervantes Corporation Ltd

Report on the financial statements

We have audited the accompanying financial statements of Cervantes Corporation Ltd (the 'Company'), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the consolidated entity comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial statements, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial statements, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Electronic presentation of audited financial statements

This auditor's report relates to the financial statements of Cervantes Corporation Ltd and its controlled entity for the year ended 30 June 2010 included on the Company's web site. The Company's directors are responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Company's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Cervantes Corporation Ltd are in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1(g) in the financial report which indicates that the consolidated entity incurred a net loss of $429,268 during the year ended 30 June 2010 and, as of that date, the consolidated entity had a cash outflow from operations of $225,848. These conditions, along with the matters as set forth in Note 1(g), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 30 June 2010. 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.

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Cervantes Corporation Ltd for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Director – Audit & Assurance

Perth, 13 September 2010