

**CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Corporate Directory

Board of Directors

Collin Vost

Executive Chairman

Justin Vost

Non-Executive Director

Timothy Clark

Non-Executive Director

Company Secretary

Patrick J O'Neill

Registered Office

Shop 11 "South Shore Piazza"

85 South Perth Esplanade

South Perth WA 6151

Contact Details

Cervantes Corporation Ltd

PO Box 1196

South Perth WA 6951

Tel: +61 8 6436 2300

Fax: +61 8 9367 2450

Email: admin@cervantescorp.com.au

Corporate Advisors

Jackson Greeve

Suite 2 286 Fitzgerald Street

Perth WA 6000

Solicitors

Steinepreis Paganin

GPO Box 2799

Perth WA 6001

Auditors

Rothsay Chartered Accountants

Level 1 Lincoln House 4 Ventnor Avenue

West Perth WA 6005

Share Registry

Advanced Share Registry

150 Stirling Highway

Nedlands WA 6009

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: Ordinary Shares - CVS

Bankers

National Australia Bank Ltd

Capital Office

100 St Georges Terrace

Perth WA 6000

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

Contents	Page
Corporate Governance Statement	2
Directors' Report	7
Remuneration Report	12
Shareholder Information	15
Statement of Profit or Loss and Other 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	53
Auditor's Independence Declaration	54
Independent Auditor's Report to the Members	55

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

Introduction

Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations"), Cervantes Corporation Limited ("Company" or "Cervantes") and its controlled entity ("Group") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Commensurate with the spirit of the ASX Guidelines, the Group has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Group, the Board, resources available and activities of the Group. Where, after due consideration, the Group's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Taking into account the size of the Group, the Group endeavours to comply with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations")ⁱ. Significant policies and details of any significant deviations from the principles are specified below.

***Corporate Governance Council Recommendation 1
Lay Solid Foundations for Management and Oversight***

Role of the Board of Directors

The Board has responsibility for protecting the rights and interests of Shareholders and is responsible for the overall direction, monitoring and governance of the Group. Responsibility for managing the business on a day-to-day basis has been delegated to the Managing Director and the management team.

The Board is responsible for the overall corporate governance of the Group and its subsidiaries. Responsibilities and Functions of the Board are set out under the Board Charter and include:

- i. setting the strategic direction of the Group, establishing goals to ensure that the strategic objectives are met and monitoring the performance of management against these goals and objectives;
- ii. ensuring that there are adequate resources available to meet the Group's objectives;
- iii. appointing the Managing Director, evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- iv. evaluating the performance of the Board and its Directors on an annual basis;
- v. determining remuneration levels of Directors;
- vi. approving and monitoring financial reporting and capital management;
- vii. approving and monitoring the progress of business objectives;
- viii. ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- ix. ensuring that adequate risk management procedures exist and are being used;
- x. ensuring that the Group has appropriate corporate governance structures in place, including standards of ethical behaviors and a culture of corporate and social responsibility;
- xi. ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Group;
- xii. ensuring procedures are in place for ensuring the Group's compliance with the law; and financial and audit responsibilities, including the appointment of an external auditor and reviewing the financial statements, accounting policies and management processes.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter can be found on the Company's website.

Board Processes

An agenda for the meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Chairman, the Managing Director and the Company Secretary.

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

***Corporate Governance Council Recommendation 2
Structure the Board to Add Value***

Board Composition

The relevant provisions in the Constitution and the Corporations Act determine the terms and conditions relating to the appointment and termination of Directors. All Directors, other than the Managing Director, are subject to re-election every three years.

The Board does not have a separate Nomination Committee comprising of a majority of Independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The Board believes that given the size of the Consolidation Group and the stage of its development a separate nomination committee is not warranted at this time. Any changes to Directorships will, for the foreseeable future, be considered by the full Board subject to any applicable laws. Identification of potential Board candidates includes consideration of the skills, experience, personal attributes and capability to devote the necessary time and commitment to the role.

The Board consists of Mr Collin Vost, executive Chairman and Managing Director, Mr Justin Vost non-executive Director, and Mr Timothy Clark, non-executive Director.

The Constitution requires a minimum number of three Directors. The maximum number of Directors is fixed by the Board but may not be more than 9, unless the members of the Company, in general meeting, resolve otherwise. The skills, experience and expertise of all Directors is set out in the Directors' section of the Company's website.

The Board considers, however, that given the size and scope of the Group's operations at present, it is appropriately structured to discharge its duties in a manner that is in the best interests of the Group and its Shareholders from both a long-term strategic and operational perspective.

Independent Chairman

The Chairman is not considered to be an independent director and as such Recommendation 2.2 of the Corporate Governance Council has not been complied with. However, the Board believes that Mr Collin Vost is an appropriate person for the position as Chairman because of his industry experience and proven track record as a public company director.

Roles of Chairman and Managing Director

The roles of Chairman and Managing Director is exercised by the same individual, and as such the Company does not comply with Recommendation 2.3 of the Corporate Governance Council. However, the Board believes that Mr Collin Vost is an appropriate person for the position of Managing Director because of his industry experience and proven track record as a public company director.

Evaluation of Board Performance

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors. In addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.

Education

All Directors are encouraged to attend professional education courses relevant to their roles.

Independent Professional Advice and Access to Information

Each Director has the right to access all relevant information in respect of the Group and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice at the Group's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

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

**Corporate Governance Council Recommendation 3
Promote Ethical and Responsible Decision Making**

The Board actively promotes ethical and responsible decision making.

Code of Conduct

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Group, and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards. A copy of the Code of Conduct is available on the Company's website.

Diversity Policy

The Board has adopted a diversity policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review measurable diversity performance objectives for the Board, Managing Director and senior management.

The diversity policy states that the Company will report, where appropriate, in each annual report, the measurable objectives for achieving gender diversity set by the Board.

The following table provides a break-up of the gender diversity in the organisation.

	Number	%
Number of women employees in the whole organisation	0	0%
Number of women in senior executive positions	0	0%
Number of women on the Board	0	0%

Security Trading Policy

The Board has committed to ensuring that the Group, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a policy and has procedures on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess information, and as such complies with Recommendation 3.2 of the Corporate Governance Council.

The Company's Securities Trading Policy is available on the Company's website.

**Corporate Governance Council Recommendation 4
Safeguarding Integrity in Financial Reporting**

Audit Committee

The Board does not have a separate Audit Committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3 of the Corporate Governance Council. The full Board carries out the function of an audit committee. The Board believes that the Group is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors' section of the Directors' Report.

Financial Reporting

The Board relies on senior executives to monitor the internal controls within the Group. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board meetings.

**Corporate Governance Council Recommendation 5
Make Timely and Balanced Disclosure**

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

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

In the absence of a formal audit committee the Directors of the Group are available for correspondence with the auditors of the Group.

Continuous Disclosure

The Board places a high priority on communication with Shareholders and is aware of the obligations it has, under the Corporations Act and ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

The Company has adopted policies which establish procedures to ensure that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of material price sensitive information. A copy of the Company's Disclosure Policy can be found on the Company's website.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

**Corporate Governance Council Recommendation 6
Respect the Rights of Shareholders**

Communications

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear. This has been incorporated into a formal shareholder communication strategy, in accordance with Recommendation 6.1 of the Corporate Governance Council. A copy of the Company's Shareholder Communication Policy is available on the Company's website.

In addition to electronic communication via the ASX website, the Company publishes all significant announcements together with all quarterly reports. These documents are available in both hardcopy on request and on the Company website at www.cervantescorp.com.au

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company's Annual General Meeting for that purpose.

**Corporate Governance Council Recommendation 7
Recognise and Manage Risk**

Risk Management Policy

The Board has adopted a risk management policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director, therefore complying with Recommendation 7.1 of the Corporate Governance Council. The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed.

The Group's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Group's activities.

Risk Reporting

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Group is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

Managing Director and Company Secretary Written Statement

The Board requires that the Managing Director and the Company Secretary provide a written statement that the financial statements of the Group present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporations Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

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

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

***Corporate Governance Council Recommendation 8
Remunerate Fairly and Responsibly***

Remuneration Committee

The Board has not created a separate Remuneration Committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify a separate Remuneration Committee.

Executive Directors, non-executive Director receive fees agreed on an annual basis by the Board and may include performance based components designed to reward and motivate.

The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board ensures that all matters of remuneration will continue to be in accordance with the Corporations Act requirements.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTOR'S REPORT**

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the year ended 30 June 2013.

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 2013	Year ended 30 June 2012
\$ (453,899)	\$ (245,910)

The consolidated loss of the Group amounted to \$453,899, after providing for income tax. The significant reduction was largely due to the decrease in the value of the Company's financial investments. Further discussion on the Group's operation now follows.

Review of Operations

The Lobster pot licences have recently been re-leased for a further 12 months and continue to be a source of income for the Group during the Lobster Season, and whilst the valuations fluctuate, the Group believes that when and if they are able to be disposed of, they will provide a source of cash for other projects with greater returns.

The Group continues to assess, and where appropriate, buy and sell shares in the market and continues to assess the various projects, including projects in the resources and energy sector, for a possible diversification of the Group's operations. The value of all listed securities has been substantially written down by necessity over the previous year, but the Board believes this period may be coming to a close and valuations could improve substantially over the next 12 months.

The Group continues to carry out various tests and assessments of methods to maximize the recovery, treatment and exploration of the gold tailings project in Western Australia containing substantial gold values, which the Group have been involved in, and reporting on since 9 January 2009. Whilst this project is currently suspended due to litigation, Cervantes continues to meet its obligations in accordance with the agreement by seeking and reviewing treatment methods and other options to generate a fair and equitable revenue to both Cervantes shareholders and the joint venture partner.

Cervantes has been approached by a nearby listed mining company to transport the tailings for treatment to their new proposed plant on a royalty basis as an alternative to self processing. These discussions are ongoing, however the licence holder has attempted to terminate the agreement on what the Board consider to be unlawful conditions. The Company has lodged a caveat over the licences, the subject of the agreement, and may need to force the Licence holder to arbitration in accordance with the agreement or pursue legal action. Legal action has commenced by way of only letters at this stage and will reluctantly be pursued in the near future to protect Cervantes shareholders interests and investment to date, if an amicable settlement cannot be resolved.

Quite obviously the recent gold price has reduced enthusiasm by all parties in pursuing this venture, but the Group expect these activities to recommence when the gold price rises to a price that enable all parties to mutually benefit from the tailings deposit.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTOR'S REPORT**

Cervantes was offered an opportunity to provide interim financial assistance to a group in a distressed situation involving a very prospective iron sands project, but could not comply within the immediate time frame. The Company did however arrange for a listed company to take up this opportunity, in return for a possible financial reward to Cervantes subject to the venture being successful. In addition, Cervantes was granted first right of refusal in the event that the party wished to joint venture or dispose of part or all of the venture in the near future, on terms that are mutually acceptable to both parties.

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 favors the Company and its shareholders.

Cervantes continues to be one of the lowest operating cost and expenditure companies on the ASX, together with the support of its Directors who continue to support the company on minimal directors fees, to allow the company to seek out projects that could in the coming years generate an income for shareholders without major dilution of the company's shares.

Subject to market conditions a rearrangement and revaluation of its assets and liabilities could well achieve this, over the coming year with support of its major and other shareholders.

Financial Position

The net assets of the Group have decreased by \$453,899 from \$243,214 at 30 June 2012 to \$(210,685) at 30 June 2013. This decrease was largely due to the increase in borrowings of \$270,000 and a decrease in the realisable value of financial assets.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

The Company arranged an extension to its loan facility of up to \$520,000, and whilst this loan can be secured over assets it is currently unsecured, at lesser of 5.5%pa or the 90 days term deposit rate of the National Australia Bank capped at 7% and potential to share in profits. These funds have been used to acquire listed securities, assess various projects, pursue a final treatment method for its gold tailings project and additional working capital.

Dividends Paid or Recommended

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

Events after the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments, Prospects and Business Strategies

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

Environmental Issues

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

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTOR'S REPORT**

Information on Directors

Collin Vost	EXECUTIVE CHAIRMAN (Executive) (from 23 November 2011) Qualifications: Diploma of Financial Services, Licenced Securities Dealer.
Experience	Mr Vost has been involved in public companies for the past 30 years and has served on the Board of several, mostly junior resource companies as well as being involved in the securities dealing business since 2001. Mr Vost was appointed to the Board on 9 October 2007.
Interest in shares and options	48,570,000 ordinary shares and options to acquire a further 5,000,000 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 Energy & Resources Ltd (appointed 18 May 2009) JV Global Ltd (appointed 29 May 2009)
Graeme Armstrong	DIRECTOR (Non-executive) (resigned 3 July 2012)
Experience	Mr Armstrong was appointed to the Board on 16 January 2008. 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	5,550,000 ordinary shares.
Special responsibilities	Mr Armstrong was a member of the audit committee
Directorships held in other Listed entities during the three years prior to the current year	None.
Justin Vost	DIRECTOR (Non-executive) (appointed 23 November 2011) Qualifications: Diploma of Financial Markets
Experience	Mr Justin Vost has experience in mining, manufacturing and capital markets.
Interest in shares	10,337,223 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 Energy & Resources Ltd (appointed 23 November 2011) JV Global Ltd (appointed 19 April 2011)
Timothy Clark	DIRECTOR (Non-executive) (appointed 3 July 2012) Qualifications: Bcomm. Econ and Finance

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTOR'S REPORT**

Experience	Mr Clark was appointed to the Board on 3 July 2012. Mr Clark has experience in capital markets.
Interest in shares	348,000 ordinary shares.
Special responsibilities	Mr Clark is a member of the audit committee
Directorships held in other Listed entities during the three years prior to the current year	JV Global Ltd (appointed 6 July 2011)

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, no meetings of directors were held.

There were nine circular resolutions

Indemnifying Officers

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

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

Options

At the date of this report, the unissued ordinary shares of Cervantes Corporation Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under option
2 December 2010	31 December 2013	\$0.03	5,000,000
			<u>5,000,000</u>

Option holders do not have any rights to participate in any issue of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under options of any controlled entity within the Group during or since the end of the reporting period.

For details of option issued to directors and executives as remuneration, refer to the remuneration report.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTOR'S REPORT**

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

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

Non-Audit Services

Rothsay did not provide non-audit services to the Group during 2013.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 54 of the financial report.

CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
REMUNERATION REPORT - AUDITED

Remuneration Policy

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

Fixed Remuneration

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

Performance Linked Remuneration and Entitlements

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

Director Remuneration and Incentives

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

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.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
REMUNERATION REPORT - AUDITED**

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 2013 and any change during the year	Proportion of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
		Non-salary cash-based incentives %	Shares/Units %	Options/Rights %	Fixed Salary/Fees %	Total %
Collin Vost	Executive Chairman (Executive)	-	-	-	100	100
Graeme Armstrong	Director (Non-executive)	-	-	-	100	100
Justin Vost	Director (Non-executive)	-	-	-	100	100
Timothy Clark	Director (Non-executive)	-	-	-	100	100

The service terms and conditions of the key management personnel and Group executives are not formalized 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 2013

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.

Group Key Management Personnel		Short-Term Benefits		Post-Employment		Equity-settled share-based payments		Total \$
		Salary, Fees & Commissions \$	Other \$	Pension and Super-annuation \$	Other \$	Shares/Units \$	Options/Rights \$	
Collin Vost	2013	24,000	63,125	-	-	-	-	87,125
	2012	24,000	54,000	-	-	-	-	78,000
Barry MacKinnon	2013	-	-	-	-	-	-	-
	2012	10,000	-	-	-	-	-	10,000
Graeme Armstrong	2013	-	-	-	-	-	-	-
	2012	24,000	-	-	-	-	-	24,000
Justin Vost	2013	24,000	-	-	-	-	-	24,000
	2012	14,000	-	-	-	-	-	14,000
Timothy Clark	2013	24,000	-	-	-	-	-	24,000
	2012	-	-	-	-	-	-	-
Patrick O'Neill	2013	27,524	-	-	-	-	-	27,524
	2012	30,310	-	-	-	-	-	30,310
Total Key Management Personnel	2013	99,524	63,125	-	-	-	-	162,649
	2012	102,310	54,000	-	-	-	-	156,310

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

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
REMUNERATION REPORT - AUDITED**

Included in other short-term benefits are payments made to New York Securities Pty Ltd which provides a serviced office including bookkeeping services and is the landlord of Cervantes Corporation Ltd. Mr Collin Vost is a director of the securities dealing company. During the financial year \$63,000 (2012: \$54,000) was paid or payable.

Also included in other short-term benefits are payments made to New York Securities Pty Ltd which is appointed as the Company's securities dealer and advisors on normal commercial terms and conditions. Mr Collin Vost is a director of the securities dealing company. During the financial year \$125 (2012: \$nil) was paid for share trading and investment services.

Share-based Payments

No shares and options were granted as remuneration during the year to key management personnel and other executives.

End of Audited Remuneration Report

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



Collin Vost
Executive Chairman
30 September 2013

CERVANTES CORPORATION LTD (ABN 79 097 982 235)
SHAREHOLDER INFORMATION

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 26 September 2013.

(a) **Distribution of Equity Securities**

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

	Ordinary Shares		Options –unlisted	
	No. of holders	No. of shares	No. of holders	No. of options
1 – 1,000	7	1,298		
1001 – 5,000	42	172,617		
5001 – 10,000	193	1,878,032		
10,001 – 100,000	326	15,378,068		
100,001 and above	226	276,841,097	1	5,000,000
Total	794	294,271,112	1	5,000,000

The number of shareholders holding less than a marketable parcel of shares is 592 (20,761,388 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>	40,800,000	13.865%
2 Laceyglen Holdings Pty Ltd <Cadly Superfund A/c>	10,753,334	3.654%
3 Ms DM Vost & Mrs KL Sayers <The Dalma Vost Superfund A/c>	10,320,000	3.507%
4 J Vost	10,000,000	3.398%
5 PG and JW Crabb <The Crabb S/Fund A/c>	9,800,000	3.330%
6 New York Holdings Pty Ltd	7,770,000	2.640%
7 T J Bennett	6,121,258	2.080%
8 Broken Ridge Pty Ltd	6,000,000	2.039%
9 GA Armstrong Superannuation Pty Ltd <GA Armstrong Superfund A/c>	5,550,000	1.886%
10 C B Dudley	5,191,410	1.764%
11 Mr San Tiong Ng	4,376,557	1.487%
12 Allcrest Nominees Pty Ltd <The Riemer A/c>	3,900,000	1.325%
13 Kheng Sing Lim	3,888,562	1.321%
14 Mdm Tee Lian	3,736,350	1.270%
15 Chen Hoong	3,736,349	1.270%
16 Dr Chin Vie Yap	3,115,000	1.059%
17 Baraka Energy & Resources Ltd	3,085,000	1.048%
18 Ian A Black	3,000,000	1.019%
19 Quairading Holdings Pty Ltd <The Sacca Family A/c>	3,000,000	1.019%
20 Action Engineering Pty Ltd and E S Cooley	3,000,000	..1.019%

Options unlisted:

1 New York Securities Pty Ltd	5,000,000	100%
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CERVANTES CORPORATION LTD (ABN 79 097 982 235)
SHAREHOLDER INFORMATION

(c) **Substantial Shareholder**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporation Act 2001 is New York Holdings Pty 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 ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE
YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 \$	2012 \$
Continuing Operation			
Revenue			
Interest income	2a	65	565
Other income	2b	13,040	9,840
Impairment reversal of intangible assets	13	12,000	24,000
		25,105	34,405
Net loss on revaluation of other financial assets	3	(202,630)	(73,526)
Loss on share trading		(18,190)	-
Employee benefits expenses		(72,000)	(72,000)
Financing cost		(25,397)	-
Depreciation expenses		(38)	(47)
Occupancy expenses	3	(44,604)	(39,226)
Exploration & evaluation expenditure written off	3	(13,457)	(10,164)
Administration expenses		(101,730)	(82,326)
Travel expenses		(39)	-
Other expenses		(919)	(3,026)
		(453,899)	(245,910)
Profit/(Loss) before income tax			
Income tax (expense) / benefit	4	-	-
Profit/(Loss) after tax		(453,899)	(245,910)
Other comprehensive income		-	-
Total comprehensive income net of income tax		(453,899)	(245,910)
Basic loss per share (cents per share)	7	(0.152)c	(0.084)c
Diluted loss per share (cents per share)	7	(0.152)c	(0.084)c

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

	Note	Consolidated Group 2013 \$	2012 \$
Current Assets			
Cash and cash equivalents	8	38,993	26,994
Trade and other receivables	9	877	1,502
Other financial assets	10	78,250	290,195
Total Current Assets		118,120	318,691
Non-Current Assets			
Property, plant and equipment	12	3,075	3,113
Intangible assets	13	200,670	188,670
Total Non-Current Assets		203,745	191,783
Total Assets		321,865	510,474
Current Liabilities			
Trade and other payables	14	12,550	17,260
Borrowings	15	520,000	250,000
Total Current Liabilities		532,550	267,260
Total Liabilities		532,550	267,260
Net Assets		(210,685)	243,214
Equity			
Issued capital	16	12,068,070	12,068,070
Reserves	24	23,282	23,282
Accumulated losses		(12,302,037)	(11,848,138)
Total Equity		(210,685)	243,214

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2013**

Consolidated Group	Share Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2011	12,068,070	(11,602,228)	23,282	489,124
Shares issued during year	-	-	-	-
Transaction costs	-	-	-	-
Options issued to employees	-	-	-	-
Net loss attributable to members of the parent entity	-	(245,910)	-	(245,910)
Balance at 30 June 2012	12,068,070	(11,848,138)	23,282	243,214
Shares issued during year	-	-	-	-
Transaction costs	-	-	-	-
Options issued to employees	-	-	-	-
Net loss attributable to members of the parent entity	-	(453,899)	-	(453,899)
Balance at 30 June 2013	12,068,070	(12,302,037)	23,282	(210,685)

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		13,040	9,840
Payments to suppliers and employees		(248,774)	(195,526)
Interests received		65	565
Net cash used in operating activities	20	<u>(235,669)</u>	<u>(185,121)</u>
Cash Flows from Investing Activities			
Proceeds from held for trading investments		-	-
Proceeds from the sale of equipment		-	-
Purchase of held for trading investments		(8,875)	(99,233)
Payments for exploration & evaluation		(13,457)	(5,741)
Net cash used in investing activities		<u>(22,332)</u>	<u>(104,974)</u>
Cash Flows from Financing Activities			
Proceeds of issue of shares		-	-
Costs of share issue		-	-
Proceeds from borrowings		270,000	250,000
Net cash provided by financing activities		<u>270,000</u>	<u>250,000</u>
Net outflow in cash held for the year		11,999	(40,095)
Cash at the beginning of the year		26,994	67,089
Cash at the end of the year	8	<u>38,993</u>	<u>26,994</u>

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

This financial report includes the consolidated financial statements and notes of Cervantes Corporation Ltd and its controlled entity ('Consolidated Group' or 'Group').

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.

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

Going Concern

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

As a consequence, the directors believe the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the financial report which contemplates that the Group will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Notwithstanding cash outflows from operations of \$453,899, 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 material uncertainty whether the Group would be able to continue as a going concern.

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

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 – 11.0%

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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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, derivatives 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

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 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.

h 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.

i 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.

j 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.

k 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.

l Revenue and Other Income

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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).

m 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.

n 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 \$12,000 for the year ended 30 June 2013 (2012: \$24,000).

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 did not have sufficient reason to believe that the exploration in specific areas of interest will lead to the discovery of viable quantities of mineral resources and the Group has decided not to continue such activity in the specific areas while alternative treatment methods are being investigated. Such capitalised expenditure is carried at reporting date at \$nil and the amount written off through the statement of comprehensive income as exploration and evaluation written off for projects amounted to \$13,457 (2012: \$10,164).

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

o New accounting standards and interpretations

(i) New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(ii) Early adoption of standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iii) New accounting standard and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key 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;
- requiring financial assets 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; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

Tier 1: Australian Accounting Standards; and

Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):
for-profit private sector entities that have public accountability; and
the Australian Government and state, territory and local governments.

Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2012-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2011–7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2011–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Company.

AASB 1054: Australian Additional Disclosures (applies to periods beginning on or after 1 January 2013)

This Standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This Standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

compliance with Australian Accounting Standards;
the statutory basis or reporting framework for financial statements;
whether the financial statements are general purpose or special purpose;
audit fees; and
imputation credits.

This Standard is not expected to impact the Company.

AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101 & AASB 1054] (applies to periods beginning on or after 1 July 2013)

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.

This Standard is not expected to impact the Company.

AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)

This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Company.

AASB 11: Joint Arrangements (applies to periods beginning on or after 1 January 2013)

This Standard replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Company.

AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Company has not yet determined any potential impact on the financial statements.

AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Company has not yet determined any potential impact on the financial statements.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013)

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

Consequential amendments were also made to other standards via AASB 2012-10.

Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 January 2013)

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013	2012
	\$	\$
NOTE 2: Revenue and Other Income		
2a. Interest revenues		
- other persons	65	565
	65	565
	65	565
2b. Other income		
Lease revenue	13,040	9,840
	13,040	9,840
	13,040	9,840
NOTE 3: Loss for the Year		
The profit for the year included the following expenses:		
Fair value adjustment	202,630	73,526
Rental expense on operating leases		
- rental expense for sublease	44,604	39,226
Exploration and evaluation expenditure written off	13,457	10,164

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013	2012
	\$	\$
NOTE 4: Income Tax		
Prima facie tax benefit on profit/(loss) before income tax @ 30%.	(136,170)	(73,773)
Add tax effect:		
<i>Non-allowable items</i>		
Impairment of intangible assets	(3,600)	(7,200)
Fair value adjustment	60,789	22,058
<i>Allowable items</i>		
Capital raising cost	(1,368)	(4,968)
Project assessment cost	(4,038)	-
Tax losses not brought to account	84,387	63,883
Income tax attributable to entity	<u>-</u>	<u>-</u>
Unrecognised deferred tax balances:		
Unrecognised deferred tax asset losses	2,826,089	2,750,633
Unrecognised deferred tax asset other	81,692	187,480
Unrecognised deferred equity adjustment	-	-
Unrecognised deferred tax liabilities	-	-
Net deferred tax asset not brought to account	<u>2,907,781</u>	<u>2,938,113</u>

Unrecognised deferred tax asset losses include deferred tax asset losses relating to Cervantes Gold Pty Ltd in the amount of \$456,290 (2012: \$422,483). 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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 2013.

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

	2013	2012
	\$	\$
Short-term employment benefits	162,649	156,310
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	162,649	156,310
	162,649	156,310

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 2013

	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	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000

30 June 2012

	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	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 2013

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercised of options during the year	Other changes during the year	Balance on resignation / appointment	Balance at end of year
Collin Vost	47,320,000	-	-	1,250,000	-	48,570,000
Graeme Armstrong	5,550,000	-	-	-	(5,550,000)	-
Justin Vost	10,337,223	-	-	-	-	10,337,223
Timothy Clark	-	-	-	-	348,000	348,000
Patrick O'Neill	400,000	-	-	-	-	400,000
	63,607,223	-	-	1,250,000	(5,202,000)	59,655,223

30 June 2012

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercised of options during the year	Other changes during the year	Balance on resignation / appointment	Balance at end of year
Barry MacKinnon	250,000	-	-	-	(250,000)	-
Collin Vost	47,320,000	-	-	-	-	47,320,000
Graeme Armstrong	5,550,000	-	-	-	-	5,550,000
Justin Vost	-	-	-	-	10,337,223	10,337,223
Patrick O'Neill	400,000	-	-	-	-	400,000
	53,520,000	-	-	-	10,087,223	63,607,223

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

2013	2012
\$	\$

NOTE 6: Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	<u>16,000</u>	<u>17,800</u>
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**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group	
2013	2012
\$	\$

NOTE 7: Earnings per Share

(a) Reconciliation of earnings to profit or loss

Profit(Loss)		
Earnings used to calculate basic EPS	(453,899)	(245,910)
Earnings used in the calculation of dilutive EPS	(453,899)	(245,910)

	No.	No.
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(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	294,271,112	294,271,112
Weighted average number of dilutive options outstanding	5,000,000	5,000,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	299,271,112	299,271,112

	\$	\$
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NOTE 8: Cash and cash Equivalents

Cash at bank & in hand	1,276	5,566
Interest bearing deposit	37,717	21,428
	38,993	26,994
	38,993	26,994

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	38,993	26,994
	38,993	26,994
	38,993	26,994

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group	
	Note	2013	2012
		\$	\$
NOTE 9: Trade and Other Receivables			
Current			
Amounts receivable		550	1,100
Input tax credits		327	402
		877	1,502
		877	1,502

The terms of the amounts receivable are non-interest bearing, payable on 30 day terms. At the date of this report all amounts outstanding at the 30 June 2013 had been received.

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 had been repaid in full.

Financial assets classified as loans and receivables

Trade and other receivable			
- Total current		877	1,502
- Total non-current		-	-
Financial assets	23	877	1,502
		877	1,502

NOTE 10: Other Financial Assets

Current			
Opening balance		290,195	264,488
Purchase		8,875	99,233
Less: Cost of sales		(18,190)	-
Fair value adjustment		(202,630)	(73,526)
Financial assets at fair value		78,250	290,195
		78,250	290,195
Financial assets at fair value through profit and loss			
Held for trading listed shares		78,250	290,195
Other financial assets		78,250	290,195
		78,250	290,195

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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 11: Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2013	2012
Subsidiary of Cervantes Corporation Ltd:			
Cervantes Gold Pty Ltd	Aust	100	100
		Consolidated Group	
		2013	2012
		\$	\$

NOTE 12: Property, Plant and Equipment

Plant & equipment

- At cost	423	423
- Less: accumulated depreciation	(248)	(210)
	175	213

Office equipment

- At cost	2,900	2,900
- Less: accumulated depreciation	-	-
	2,900	2,900

Total Property, Plant & Equipment

3,075	3,113
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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 2012			
Balance at the beginning of year	260	2,900	3,160
Revaluation increment	-	-	-
Additions	-	-	-
Depreciation expense	(47)	-	(47)
Carrying amount at the end of the year	213	2,900	3,113
Year ended 30 June 2013			
Balance at the beginning of year	213	2,900	3,113
Revaluation increment	-	-	-
Additions	-	-	-
Depreciation expense	(38)	-	(38)
Carrying amount at the end of the year	175	2,900	3,075

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013	2012
	\$	\$
NOTE 13: Intangibles Assets		
Non-Current		
Licences and leases at valuation	490,000	490,000
Less provision for impairment	(290,000)	(302,000)
Company formation expenditure	670	670
	200,670	188,670
 Consolidated Group		
	Licences & leases	Company formation expenditure
Year ended 30 June 2012		
Balance at the beginning of the year	164,000	670
Reversal of impairment	24,000	-
	188,000	670
	Licences & leases	Company formation expenditure
Year ended 30 June 2013		
Balance at the beginning of the year	188,000	670
Reversal of impairment	12,000	-
	200,000	670
Closing value at 30 June 2013	200,000	670
<p>The effective date for the revaluation of the licences and leases was 30 June 2013. 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.</p>		
NOTE 14: Trade and other payable		
Current		
Unsecured liabilities	12,550	17,260
- Trade creditors	12,550	17,260
Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables		
- Total Current	12,550	17,260

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013	2012
	\$	\$
NOTE 15: Borrowings		
Current		
Borrowings	520,000	250,000
	520,000	250,000

The Company arranged to extend its loan facility of up to \$520,000, from an ASX listed company of which the company's directors Mr Collin Vost and Mr Justin Vost are also directors. The lender has the option to secure the loan but has not done so to date. Interest is at the rate of 5.5%pa or the equivalent of the NAB 90 day deposit rate whichever is the lesser with a cap of 7%, for the exposure period and loan period, plus a profit on each venture as mutually agree between the parties. These funds have been used to acquire listed securities, assess various projects including the gold tailings and additional working capital.

NOTE 16: Issued Capital

294,271,112 (2012: 294,271,112)

Fully paid ordinary shares	12,068,070	12,068,070
	12,068,070	12,068,070

	2013 No.	2012 No.
Ordinary shares		
At the beginning of reporting period	294,271,112	294,271,112
Shares issued during the year:	-	-
	294,271,112	294,271,112

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

On 2 December 2010 the Company issued 5,000,000 unlisted options to a director as a share based payment.

	2013 No.	2012 No.
Options		
Opening number of options issued	5,000,000	5,000,000
Number of options issued during the year	-	-
Number of option exercised during the year	-	-
Number of options lapsed during the year	-	-
Closing Number of Options Issued	5,000,000	5,000,000

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

Consolidated Group	
2013	2012
\$	\$

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	63,000	54,000
- between 12 months and 5 years	-	-
- greater than 5 years	-	-

A serviced office including bookkeeping service and business premises are provided by New York Securities Pty Ltd at a fee of \$5,250 per calendar month (2012:\$4,500).

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;

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: Operating Segments (cont'd)

- 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.

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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: Operating Segments (cont'd)

(i) Segment performance

	Seafood & aquaculture \$	Exploration & evaluation \$	Share trading \$	Corporate \$	Total \$
Year ended 30.06.2013					
Revenue					
External sales	13,040	-	-	-	13,040
Revaluation of intangible asset	12,000	-	-	-	12,000
Interest revenue	-	-	-	65	65
Total segment revenue	25,040	-	-	65	25,105
<i>Reconciliation of segment revenue to group revenue</i>					
Total group revenue					<u>25,105</u>
Segment net profit before tax	22,824	-	(220,821)	(242,407)	(440,404)
<i>Reconciliation of segment results to group net profit/(loss) before tax</i>					
Amount not included in segment results but reviewed by the Board:					
Depreciation expenses	-	(38)	-	-	(38)
Write off of exploration & evaluation expenditure	-	(13,457)	-	-	(13,457)
Net loss before tax from continuing operations					<u><u>(453,899)</u></u>

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: Operating Segments (cont'd)

(ii) Segment performance

	Seafood & Aquaculture \$	Exploration & evaluation \$	Share Trading \$	Corporate \$	Total \$
For the year ended 30.06.2012					
Revenue					
External sales	9,840	-	-	-	9,840
Revaluation of intangible asset	24,000	-	-	-	24,000
Dividends	-	-	-	-	-
Interest revenue	-	-	-	565	565
Total segment revenue	33,840	-	-	565	34,405
<i>Reconciliation of segment revenue to group revenue</i>					
Total group revenue					34,405
Segment net profit before tax	31,825	-	(73,526)	(193,998)	(235,699)
<i>Reconciliation of segment results to group net profit/(loss) before tax</i>					
Amount not included in segment results but reviewed by the Board:					
Depreciation & amortisation	-	(47)	-	-	(47)
Write off of exploration & evaluation expenditure	-	(10,164)	-	-	(10,164)
Net loss before tax from continuing operations					(245,910)

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: Operating Segments (cont'd)

(iii) Segment assets

As at 30.06.2013	Seafood & Aquaculture \$	Exploration & evaluation \$	Share Trading \$	Corporate \$	Total \$
Segment assets	200,000	175	78,250	43,440	321,865
Segment assets increased for the period					
Capital expenditure	-	13,457	-	-	13,457
Impairment of exploration	-	(13,457)	-	-	(13,457)
Reversal of impairment of intangible asset	12,000	-	-	-	12,000
Acquisitions/(disposals)	-	-	(10,035)	-	(10,035)
	<u>12,000</u>	<u>-</u>	<u>(10,035)</u>	<u>-</u>	<u>1,965</u>
<i>Reconciliation of segment assets to group assets</i>					
Total group assets					<u><u>321,865</u></u>

As at 30.06.2012

Segment assets	188,000	213	290,195	32,048	510,474
Segment assets increased for the period					
Capital expenditure	-	10,164	-	-	10,164
Less capital expenditure written off	-	(10,164)	-	-	(10,164)
Impairment of intangible asset	24,000	-	-	-	24,000
Acquisitions/(disposals)	-	-	99,233	-	99,233
	<u>24,000</u>	<u>-</u>	<u>99,233</u>	<u>-</u>	<u>123,186</u>
<i>Reconciliation of segment assets to group assets</i>					
Total group assets					<u><u>510,474</u></u>

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: Operating Segments (cont'd)

(iv) Segment liabilities

	Seafood & Aquaculture \$	Exploration & evaluation \$	Share Trading \$	Corporate \$	Total \$
As at 30.06.2013					
Segment liabilities	-	-	-	532,550	532,550
<i>Reconciliation of segment liabilities to group liabilities</i>					
Total group liabilities					<u>532,550</u>
 As at 30.06.2012					
Segment liabilities	-	-	-	267,260	267,260
<i>Reconciliation of segment liabilities to group liabilities</i>					
Total group liabilities					<u>267,260</u>

(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 100% of external revenue (2012: 100%).

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013	2012
	\$	\$
NOTE 20: Cash Flow Information		
Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit/(Loss) after income tax	(453,899)	(245,910)
Non-cash flows in profit/(loss) after income tax		
Impairment of intangible assets	(12,000)	(24,000)
Impairment of exploration assets	13,457	-
Loss on disposal of shares	18,190	125
Fair value adjustment	202,630	73,401
Depreciation	38	47
Write down of exploration & evaluation expenditure		5,741
<i>Changes in Assets and Liabilities, net of the effect of purchase of subsidiary</i>		
(Increase)/decrease in trade & term receivables	625	148
Increase/(decrease) in trade & other payables	(4,710)	5,327
<i>Cash flow from operations</i>	(235,669)	(185,121)

NOTE 21: Events After Balance Sheet Date

No 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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group	
2013	2012
\$	\$

NOTE 22: Related Party Transactions

Transactions with related parties:

Director or related entities

i) Serviced office fees paid and accrued to New York Securities Pty Ltd, a securities dealing firm where Mr Collin Vost is the director

63,000	54,000
--------	--------

ii) Brokerage fees paid and accrued to New York Securities Pty Ltd, a securities dealing firm where Mr Collin Vost is a director

125	-
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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	Consolidated Group	
		2013	2012
		\$	\$
Financial Assets			
Cash and cash equivalents	8	38,993	26,994
Financial assets at fair value through profit or loss			
-Held for trading	10	78,250	290,195
Trade and other receivables	9	877	1,502
		118,120	318,691
Financial Liabilities			
- Trade and other payables	14	12,550	17,260
		12,550	17,260

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 23: Financial Risk Management (cont'd)

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 2013			
<i>Floating rate</i> Cash assets	38,993	38,993	0.02%
Year ended 30 June 2012			
<i>Floating rate</i> Cash assets	26,994	26,994	1.2%

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.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 23: Financial Risk Management (cont'd)

	Less than 3 months \$	3 to 12 Months \$	More than 12 months \$	Total \$
Year ended 30 June 2013				
Trade and other creditors	12,550	-	-	12,550
	<u>12,550</u>	<u>-</u>	<u>-</u>	<u>12,550</u>
Year ended 30 June 2012				
Trade and other creditors	17,260	-	-	17,260
	<u>17,260</u>	<u>-</u>	<u>-</u>	<u>17,260</u>

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.

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

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 23: Financial Risk Management (cont'd)

	2013		2012	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	\$	\$	\$	\$
Consolidated Group				
Financial Assets				
Cash and cash equivalents	38,993	38,993	26,994	26,994
Financial assets at fair value through profit or loss				
-Held for trading	78,250	78,250	290,195	290,195
Trade and other receivables	877	877	1,502	1,502
	<u>118,120</u>	<u>118,120</u>	<u>318,691</u>	<u>318,691</u>
Financial Liabilities				
- Trade and other payables	12,550	12,550	17,260	17,260
	<u>12,550</u>	<u>12,550</u>	<u>17,260</u>	<u>17,260</u>

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.

	Consolidated Group	
	2013	2012
Energy	85%	61%
Materials	1%	6%
Capital Goods	14%	23%
Real Estate	-	10%
	<u>100%</u>	<u>100%</u>

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 23: Financial Risk Management (cont'd)
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	Equity
	\$	\$
2013		
+/- 2% in interest rate	+/- 655	+/- 655
2012		
+/- 2% in interest rate	+/- 941	+/- 941

NOTE 24: Reserves

Option Reserve

The option reserve records item recognized as expenses on valuation of employee share options.

NOTE 25: Share-based Payments

- (i) On 2 December 2010, 5,000,000 ordinary shares and 5,000,000 options were granted to a director for provide dedicated and ongoing commitment and effort to the Company. The options have an exercise price of \$0.03 each and are exercisable on or before 31 December 2013. The options hold no voting or dividend rights are unlisted and are transferable.
- (ii) Options granted to key management personnel are as follows:-

Grant Date	Number
2 December 2010	5,000,000

The options are issued with a strike price that was not discounted to the average market price of the underlying shares determined over the previous five trading days.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 25: Share-based Payments (cont'd)

A summary of the movements of all company options issued is as follows:

	Consolidated Group		Parent Entity	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Options outstanding as at 30 June 2011	5,000,000	0.03	5,000,000	0.03
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Options outstanding as at 30 June 2012	5,000,000	0.03	5,000,000	0.03
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Options outstanding as at 30 June 2013	5,000,000	0.03	5,000,000	0.03

The weighted average remaining contractual life of options outstanding at year end was one and a half years. The exercise price of outstanding shares at the end of the reporting period was \$nil (2012: \$nil).

The fair value of the options granted to the director is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$nil (2012: \$nil). These values were calculated using the Black Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.03
Weighted average life of the option:	3 years
Expected share price volatility:	59%
Risk free interest rate:	4.50%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

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

(iii) Shares granted to key management personnel as share based payments are as follows:-

Grant Date	Number
2 December 2010	5,000,000

The weighted average fair value of those equity instruments, determined by reference to market price, was \$nil (2012: \$nil).

These shares were issued as compensation to key management of the Group. Further details are provided in the Directors' Report.

Included under employee benefits expense in the statement of comprehensive income is \$nil which relates to equity settled share based payment transactions (2012: \$nil).

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: Company Details

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

Shop 11 "South Shore Piazza"
85 South Perth Esplanade
South Perth WA 6151

NOTE 27: Parent Entity Information

Information relating to Cervantes Corporation Ltd:	2013 \$	2012 \$
Current assets	117,351	313,797
Total assets	321,865	504,698
Current liabilities	532,550	262,837
Total liabilities	532,550	262,837
Issued capital	12,068,070	12,068,070
Reserves	23,282	23,282
Retained earnings	(12,302,037)	(11,849,491)
Total shareholders' equity	(210,685)	241,861
Profit or loss of the parent entity	(452,546)	(244,490)
Total comprehensive income of the parent entity	(452,546)	(244,490)

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 1.7.2012 \$	Charge for the year \$	Amount Written Off \$	Closing Balance 30.6.2013 \$
Parent Entity				
i) Non-current wholly owned subsidiary	441,405	16,500	-	457,905
	<u>441,405</u>	<u>16,500</u>	<u>-</u>	<u>457,905</u>
	Opening Balance 1.7.2011 \$	Charge for the year \$	Amount Written Off \$	Closing Balance 30.6.2012 \$
Parent Entity				
i) Non-current wholly owned subsidiary	430,058	11,347	-	441,405
	<u>430,058</u>	<u>11,347</u>	<u>-</u>	<u>441,405</u>

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 and the remuneration disclosures that are contained in the Remuneration Report within the Directors' Report 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, 2013 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
Director
30 September 2013

*R*OTHSA Y

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

The Directors
Cervantes Corporation Ltd
PO Box 1196
South Perth WA 6951

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2013 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 30th SEPTEMBER 2013



Chartered Accountants



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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CERVANTES CORPORATION LIMITED

Report on the financial report

We have audited the accompanying financial report of Cervantes Corporation Limited (the Company) which comprises the balance sheet as at 30 June 2013 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 and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants



Audit opinion

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

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 1 paragraph (g) in the financial report which indicates the basis for preparing the accounts on a going concern basis. We note the consolidated entity had net cash outflows from operating activities for the year ending 30 June 2013 of \$235,669. In the event the consolidated entity is unable to raise additional share capital or dispose of held for sale trading listed shares, there is significant uncertainty as to whether the consolidated entity could continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and for the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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.

Audit opinion

In our opinion the remuneration report of Cervantes Corporation Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan
Partner

Dated 30th September 2013



Chartered Accountants