

**CERVANTES CORPORATION LTD A.B.N. 79 097 982 235  
AND CONTROLLED ENTITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**



# Corporate Directory

## **Board of Directors**

Collin Vost

*Executive Chairman*

Justin Vost

*Non-Executive Director*

Timothy Clark

*Non-Executive Director*

## **Company Secretary**

John Greeve

Timothy Clark

## **Registered Office**

Shop 11 "South Shore Piazza"

85 South Perth Esplanade

South Perth WA 6151

## **Contact Details**

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South Perth WA 6951

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Fax: +61 8 9367 2450

Email: [admin@cervantescorp.com.au](mailto:admin@cervantescorp.com.au)

Website: [www.cervantescorp.com.au](http://www.cervantescorp.com.au)

## **Bankers**

National Australia Bank Ltd

Capital Office

100 St Georges Terrace

Perth WA 6000

## **Corporate Advisors**

Kamran Accounting

Suite 12 142 South Terrace

Fremantle WA 6160

## **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

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)  
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# **CERVANTES CORPORATION LTD (ABN 79 097 982 235)**

## **AND CONTROLLED ENTITY**

### **CORPORATE GOVERNANCE**

#### **Introduction**

The Board is responsible for the corporate governance of the Company. The major processes by which the Board fulfils those responsibilities are described in this statement.

The Board considers that except to the extent expressly indicated in this statement, those corporate governance practices comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 3<sup>rd</sup> Edition 2014 Amendments. Also, except to the extent expressly indicated in this statement, those practices were followed throughout the year.

A copy of the Corporate Governance Statement, the Audit and Risk Management Committee Charter and the Company's Code of Conduct are available in the corporate governance section of the Company's website at [www.cervantescorp.com.au](http://www.cervantescorp.com.au) together with other information which the ASX Corporate Governance Council's recommends be made publicly available.

#### **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.

##### **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.

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CORPORATE GOVERNANCE**

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

	<b>Number</b>	<b>%</b>
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%

**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.

**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 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 role 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.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)  
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CORPORATE GOVERNANCE**

**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.

**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.

**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.

**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.

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

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.

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CORPORATE GOVERNANCE**

***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.

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

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 Consolidated 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 Consolidated 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.

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.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)  
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CORPORATE GOVERNANCE**

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**

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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 2016.

**Principal Activities and Significant Change in Nature of Activities**

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

There were no 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 2016	Year ended 30 June 2015
\$ (223,396)	\$ (227,646)

The consolidated loss of the Group amounted to \$223,396 after providing for income tax.

**Review of Operations**

Having disposed of the Cray Pots at record prices in 2015 and obtaining formal approval to transition activities to an exploration company, Cervantes has been active in reviewing a considerable number of resource projects for joint venture and/or acquisition in Gold, Graphite, Nickel, Copper, Lithium and other commodities.

Whilst we have submitted non binding offers on a number of projects, we have to date not been successful in securing a project that fits within our guidelines on our terms, however we continue to seek more advanced projects that fit within our guidelines.

The board has, as a result of introductions from New York Securities PL, secured two strategically located Exploration licences by application in Meekatharra and in the Fraser Range.

**Fraser Range - WA**

This Exploration Licence (EL) has been granted and Native Title requirements resolved. Historical data over the area has been accumulated and reviewed as well as an internal report created for the board.

This EL is strategically located in the Fraser Range, which has recently been gathering increased activity and promotion, and also immediately adjoins the Eastern boundary of Mt Ridley Mines Ltd. Mt Ridley have been very active in this area and are currently carrying out exploration and drilling programs.

We continue to have meetings/discussions with independent consultants in regards to establishing exploration activities in due course and whether any other possible technologies can be employed. For more details and maps refer to our ASX releases and or our Website; [www.cervantescorp.com.au](http://www.cervantescorp.com.au)

**Meekatharra - WA**

This EL is strategically located amongst the exploration areas of Doray Minerals Ltd who have been reporting excellent drilling results from their extensive work in the area. The EL is also conveniently located very close to Doray's Andy Well Mill and the MetalsX Bluebird mill.

The EL is immediately adjoining the Northern boundary of Thundelarra Ltd's Garden Gully prospects. Thundelarra has recently been releasing very encouraging high grade Gold results from their current drilling program.

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

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Subject to resolving the Native Title requirements, Cervantes will establish an exploration program for the coming year. We continue to assess additional permits in the area to add to the portfolio of projects. For more details and maps refer to our ASX releases and or our Website; [www.cervantescorp.com.au](http://www.cervantescorp.com.au)

The board have put on hold any pursuit of the Iron Sands venture in the Philippines until a clearer picture of the new governments views in regards to Foreign Investment and mining are known.

The board of Cervantes is actively involved in discussions and assessment of a number of Gold projects in WA and throughout Australia, but to date no formal or binding arrangements have been finalised. If or when these discussions are finalised, and any formal and/or binding agreements entered into, shareholders will be informed in accordance with the listing requirements.

The global markets, and specifically Australia, are currently achieving considerably more success in raising capital for gold ventures. Gold exploration and mining companies also appear to be attracting considerably more share activity on the market.

Cervantes is a very low cost operating company, and will continue to be prudent in spending and investing shareholders funds.

We look forward to our shareholders ongoing support as we accelerate our company's progress.

**Financial Position**

The net assets of the Group have decreased by \$223,397 from \$(498,891) at 30 June 2015 to \$(722,288) at 30 June 2016. This decrease was largely due to the operating loss and resulted in a decrease in the realisable value of assets.

**Significant Changes in the State of Affairs**

Other than the items detailed in the financial statements including the operating loss the significant changes in the state of affairs of the group that occurred during the financial year was the successful transition from Seafood and Aquaculture to exploration and mining.

**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.

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

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**Environmental Issues**

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

**Information on Directors**

**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.

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)

**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

12,337,223 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

Experience

Mr Clark was appointed to the Board on 3 July 2012. Mr Clark has experience in capital markets.

Interest in shares

1,520,000 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)

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

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**COMPANY SECRETARY**

The following people held the position of joint company secretary at the end of the financial year:

John Greeve – Bachelor of Business, Chartered Accountant, CPA. John is the Principle of accounting firm Kamran Accounting. He has acted as Company Secretary, Finance Director and Managing Director for several public companies. John was appointed Company Secretary on 5<sup>th</sup> October 2015.

Tim Clark – Bachelor of Commerce, Tim is a director of JV Global and is a director and company secretary of several listed companies. Tim was appointed Company Secretary on 5<sup>th</sup> October 2015.

**Meetings of Directors**

During the financial year, 3 meetings of directors were held. Attendances by each director during the year were as follows:

	<b>Directors' Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>
Collin Vost	3	3
Justin Vost	3	3
Timothy Clark	3	3

There were seven 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.

**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 2016.

**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 45 of the financial report.

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

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**Remuneration Policy**

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

**Fixed Remuneration**

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

**Performance Linked Remuneration and Entitlements**

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

**Director Remuneration and Incentives**

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

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

**Post-Employment Benefits**

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

*Nomination and Remuneration Committee*

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

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

**Employment Details of Members of Key Personnel and Other Executives**

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

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

Group Key Management Personnel	Position held as at 30 June 2016 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
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 2016**

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	2016	24,000	78,000	-	-	-	-	102,000
	2015	24,000	73,000	-	-	-	-	97,000
Justin Vost	2016	24,000	-	-	-	-	-	24,000
	2015	24,000	-	-	-	10,000	-	34,000
Timothy Clark	2016	25,200	-	-	-	-	-	25,200
	2015	24,400	-	-	-	10,000	-	34,400
John Greeve	2016	8,180	-	-	-	-	-	8,180
	2015	-	-	-	-	-	-	-
Patrick O'Neill	2016	-	-	-	-	-	-	-
	2015	22,554	-	-	-	-	-	22,554
<b>Total Key Management Personnel</b>	2016	81,380	78,000	-	-	-	-	159,380
	2015	94,954	73,000	-	-	20,000	-	187,954

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

Included in other short-term benefits are payments made to 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 \$78,000 (2015: \$73,000) was paid or payable.

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

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The fees to John Greeve are for provision of accounting, taxation and Corporate Secretarial Services through his Accounting Practice Kamran Accounting CPA, located in Fremantle WA.

**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 2016

**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 23 September 2016.

(a) **Distribution of Equity Securities**

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

Ordinary Shares		
	No. of holders	No. of shares
1 – 1,000	8	2,298
1001 – 5,000	41	167,617
5001 – 10,000	188	1,828,032
10,001 – 100,000	314	14,602,472
100,001 and above	209	281,670,693
Total	760	298,271,112

The number of shareholders holding less than a marketable parcel of shares is 417 (5,839,861 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	13.679%
2 Laceyglen Holdings Pty Ltd <Cadly Superfund A/c>	11,521,334	3.863%
3 Clarke Barnett Dudley	11,075,000	3.713%
4 Ms DM Vost & Mrs KL Sayers <The Dalma Vost Superfund A/c>	10,320,000	3.460%
5 Justin Vost	10,000,000	3.353%
6 PG and JW Crabb <The Crabb S/Fund A/c>	9,800,000	3.286%
7 New York Holdings Pty Ltd	7,770,000	2.605%
8 Terrance James Bennett	7,531,258	2.525%
9 Broken Ridge Pty Ltd	6,000,000	2.012%
10 GA Armstrong Superannuation Pty Ltd <GA Armstrong Superfund A/c>	5,550,000	1.861%
11 Baraka Energy & Resources Ltd	4,835,000	1.621%
12 San Tiong Ng	4,376,557	1.467%
13 Quairading Holdings Pty Ltd <The Sacca Family A/c>	4,000,000	1.341%
14 Allcrest Nominees Pty Ltd <The Riemer A/c>	3,900,000	1.308%
15 Kheng Sing Lim	3,888,562	1.304%
16 Mdm Tee Lian	3,736,350	1.253%
17 Chen Hoong	3,736,349	1.253%
18 Kristie Leanne Sayers	3,700,000	1.240%
19 Dr Chin Vie Yap	3,115,000	1.044%
20 Action Engineering Pty Ltd and E S Cooley	3,000,000	1.006%

(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.

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

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(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 2016**

	Note	Consolidated Group 2016 \$	2015 \$
<b>Continuing Operation</b>			
<b>Revenue</b>			
Interest income	2a	2,191	1,962
Other income	2b	-	5,640
Impairment reversal of intangible assets	13	-	56,000
Fair value adjustment other Financial assets	3	<u>6,368</u>	<u>-</u>
		8,559	63,602
Net loss on revaluation of other financial assets	3	-	(22,139)
Employee benefits expenses	3	(71,200)	(92,400)
Financing cost		(18,543)	(106)
Depreciation expenses		(86)	(26)
Occupancy expenses	3	(46,800)	(51,622)
Exploration & evaluation expenditure written off	3	-	(6,493)
Administration expenses		(95,326)	(118,462)
		<u>                    </u>	<u>                    </u>
<b>Loss from ordinary activities before related</b>			
<b>Income Tax benefit</b>		<b>(223,396)</b>	<b>(227,646)</b>
Income tax benefit relating to ordinary activities	4	-	-
		<u>                    </u>	<u>                    </u>
<b>Loss from ordinary activities after related</b>			
<b>Income Tax benefit</b>		<b><u>(223,396)</u></b>	<b><u>(227,646)</u></b>
Other comprehensive income		-	-
		<u>                    </u>	<u>                    </u>
<b>Total comprehensive income</b>		<b><u>(223,396)</u></b>	<b><u>(227,646)</u></b>
<b>Basic loss per share (cents per share)</b>	7	(0.076)c	(0.076)c
<b>Diluted loss per share (cents per share)</b>	7	(0.076)c	(0.076)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 2016**

	Note	Consolidated Group	
		2016	2015
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	8	22,904	310,465
Trade and other receivables	9	600	550
Other financial assets	10	27,139	20,771
<b>Total Current Assets</b>		<b>50,643</b>	<b>331,786</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	2,931	3,017
Intangible assets		670	670
Exploration assets	13	53,076	
<b>Total Non-Current Assets</b>		<b>56,677</b>	<b>3,687</b>
<b>Total Assets</b>		<b>107,320</b>	<b>335,473</b>
<b>Current Liabilities</b>			
Trade and other payables	14	11,881	10,164
Borrowings	15	817,726	824,200
<b>Total Current Liabilities</b>		<b>829,607</b>	<b>834,364</b>
<b>Total Liabilities</b>		<b>829,607</b>	<b>834,364</b>
<b>Net Assets</b>		<b>(722,287)</b>	<b>(498,891)</b>
<b>Equity</b>			
Issued capital	16	12,088,070	12,088,070
Reserves		-	-
Accumulated losses		(12,810,357)	(12,586,961)
<b>Total Equity</b>		<b>(722,287)</b>	<b>(498,891)</b>

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
AND CONTROLLED ENTITY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 JUNE 2016**

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Consolidated Group	Share Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	12,068,070	(12,359,315)		(291,245)
Shares issued during year	20,000	-	-	20,000
Transaction costs	-	-	-	-
Options issued to employees	-	-	-	-
Net loss attributable to members of the parent entity	-	(227,646)	-	(227,646)
<b>Balance at 30 June 2015</b>	<u>12,088,070</u>	<u>(12,586,961)</u>	-	<u>(498,891)</u>
Shares issued during year	-	-	-	-
Transaction costs	-	-	-	-
Options issued to employees	-	-	-	-
Net loss attributable to members of the parent entity	-	(223,396)	-	(223,396)
<b>Balance at 30 June 2016</b>	<u>12,088,070</u>	<u>(12,810,357)</u>	-	<u>(722,287)</u>

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 2016**

	Note	Consolidated Group	
		2016	2015
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		-	5,640
Payments to suppliers and employees		(217,210)	(248,972)
Interests received		2,141	1,962
Finance costs		(16)	(106)
Net cash used in operating activities	20	<u>(215,085)</u>	<u>(241,476)</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from held for trading investments		-	-
Purchase of held for trading investments		-	(160)
Proceeds from sale of Intangible assets		-	376,000
Payments for exploration & evaluation		(47,476)	(6,493)
Net cash used in investing activities		<u>(47,476)</u>	<u>369,347</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds of issue of shares		-	-
Costs of share issue		-	-
Proceeds from borrowings		(25,000)	177,200
Net cash provided by financing activities		<u>(25,000)</u>	<u>177,200</u>
<b>Net outflow in cash held for the year</b>		(287,561)	305,071
<b>Cash at the beginning of the year</b>		<u>310,465</u>	<u>5,394</u>
<b>Cash at the end of the year</b>	8	<u>22,904</u>	<u>310,465</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 2016**

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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, 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 \$215,085, 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, or the group lose financial support, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**b Business combinations**

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

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

The acquisition may result in the recognition of goodwill 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 2016**

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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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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

**e Exploration and Development Expenditure**

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

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

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

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

**f Financial Instruments**

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

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

**Classification and Subsequent Measurement**

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

(i) Financial assets at fair value through profit and loss

A financial asset is classified at 'fair value through the profit and loss' when they are either held for trading for the purpose of short-term profit taking, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**Impairment**

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

**Derecognition**

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

**g 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 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.

**i 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.

**j 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.

**k Revenue and Other Income**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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

**I 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.

**m 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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**I New Accounting Standards for Application in Future Periods**

***i. Amendments to Standards that are mandatorily effective for the current year***

In the current year, the Company has applied one applicable amendment to Standards issued by the AASB that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

*AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'*

This amendment completes the withdrawal of references to AASB 1031 in all Standards, allowing that Standard to effectively be withdrawn.

The application of the amendment does not have any material impact on the disclosures or on the amounts recognised in the Company's financial statements.

***ii. Standards in issue not yet adopted***

At the date of authorisation of the Financial Statements, the Standards applicable to the Company's business listed below were in issue but not yet effective. The potential effect of the revised Standards on the Company's financial statements has not yet been determined.

*AASB 9 'Financial Instruments' and the relevant amending standards*, effective for annual reporting periods beginning on or after 1 January 2018, expected to be initially applied in the financial year ending 30 June 2019;

*AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'*, effective for annual reporting periods beginning on or after 1 January 2016, expected to be initially applied in the financial year ending 30 June 2017;

*AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'*, effective for annual reporting periods beginning on or after 1 January 2016, expected to be initially applied in the financial year ending 30 June 2017;

*AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'*, effective for annual reporting periods beginning on or after 1 January 2016, expected to be initially applied in the financial year ending 30 June 2017;

*AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'*, effective for annual reporting periods beginning on or after 1 January 2016, expected to be initially applied in the financial year ending 30 June 2017;

*AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'*, effective for annual reporting periods beginning on or after 1 January 2016, expected to be initially applied in the financial year ending 30 June 2017;

*AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'*, effective for annual reporting periods beginning on or after 1 January 2016, expected to be initially applied in the financial year ending 30 June 2017;

*AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'*, effective for annual reporting periods beginning on or after 1 January 2017, expected to be initially applied in the financial year ending 30 June 2018; and

*AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB107'*, effective for annual reporting periods beginning on or after 1 January 2017, expected to be initially applied in the financial year ending 30 June 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		<b>Consolidated Group</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 2: Revenue and Other Income</b>			
<b>2a. Interest revenues</b>			
- other persons		2,191	1,962
		<b>2,191</b>	<b>1,962</b>
<b>2b. Other income</b>			
Lease revenue		-	5,640
Profit on share trading		-	-
		<b>-</b>	<b>5,640</b>
<b>NOTE 3: Loss for the Year</b>			
The loss for the year included the following expenses:			
Fair value adjustment Gain (Loss)		6,368	(22,139)
Rental expense on operating leases			
- rental expense for sublease		48,450	(51,622)
- less capitalised to exploration		(1,650)	-
		46,800	51,622
Exploration and evaluation expenditure written off		-	(6,493)
Employee Benefits Expenses		73,200	-
Less capitalised to exploration	<b>13</b>	(2,000)	-
		<b>71,200</b>	<b>-</b>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	Consolidated Group	
	2016	2015
	\$	\$
<b>NOTE 4: Income Tax</b>		
Prima facie tax benefit on profit/(loss) before income tax @ 28.5% (2015 30%).	(63,668)	(68,294)
Add tax effect:		
<i>Non-allowable items</i>		
Impairment of intangible assets	-	(16,800)
Fair value adjustment	(1,815)	6,642
<i>Allowable items</i>		
Capital raising cost	-	-
Project assessment cost	-	-
Tax losses not brought to account	65,483	78,452
Income tax attributable to entity	<u>-</u>	<u>-</u>
Unrecognised deferred tax balances:		
Unrecognised deferred tax asset losses	2,983,635	2,919,967
Unrecognised deferred tax asset other	118,484	116,669
Unrecognised deferred equity adjustment	-	-
Unrecognised deferred tax liabilities	-	-
Net deferred tax asset not brought to account	<u><u>3,102,119</u></u>	<u><u>3,036,636</u></u>

Unrecognised deferred tax asset losses include deferred tax asset losses relating to Cervantes Gold Pty Ltd in the amount of \$466,348 (2015: \$466,185). 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  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**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 2016.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employment benefits	159,329	187,954
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	<hr/>	<hr/>
	159,329	187,954
	<hr/>	<hr/>

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**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 2016**

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercised of options during the year	Other changes during the year	Balance on resignation / appointment	Balance at end of year
Collin Vost	48,570,000	-	-	-	-	48,570,000
Justin Vost	12,337,223	-	-	-	-	12,337,223
Timothy Clark	2,500,000	-	-	(980,000)	-	1,520,000
	<u>63,407,223</u>	<u>-</u>	<u>-</u>	<u>(980,000)-</u>	<u>-</u>	<u>62,427,223</u>

**30 June 2015**

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercised of options during the year	Other changes during the year	Balance on resignation / appointment	Balance at end of year
Collin Vost	48,570,000	-	-	-	-	48,570,000
Justin Vost	10,337,223	2,000,000	-	-	-	12,337,223
Timothy Clark	348,000	2,000,000	-	152,000	-	2,500,000
Patrick O'Neill	400,000	-	-	-	-	400,000
	<u>59,655,223</u>	<u>4,000,000</u>	<u>-</u>	<u>152,000</u>	<u>-</u>	<u>63,807,223</u>

**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**

<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>

**NOTE 6: Auditors' Remuneration**

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	<u>15,350</u>	<u>9,850</u>
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**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Consolidated Group**

	2016	2015
	\$	\$

**NOTE 7: Earnings per Share**

(a) Reconciliation of earnings to profit or loss

Profit(Loss)		
Earnings used to calculate basic EPS	(223,396)	(227,646)
Earnings used in the calculation of dilutive EPS	(223,396)	(227,646)

	No.	No.
--	-----	-----

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	298,271,112	298,271,112
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	298,271,112	298,271,112

	\$	\$
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**NOTE 8: Cash and cash Equivalents**

Cash at bank	10,235	309,179
Interest bearing deposit	12,669	1,286
	<b>22,904</b>	<b>310,465</b>

**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	22,904	310,465
	<b>22,904</b>	<b>310,465</b>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Consolidated Group	
		2016	2015
		\$	\$
<b>NOTE 9: Trade and Other Receivables</b>			
<b>Current</b>			
Amounts receivable		600	550
Input tax credits		-	-
		600	550
		600	550

**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		600	550
- Total non-current		-	-
<b>Financial assets</b>	<b>23</b>	<b>600</b>	<b>550</b>
		<b>600</b>	<b>550</b>

**NOTE 10: Other Financial Assets**

<b>Current</b>			
Opening balance		20,771	42,750
Purchase		-	160
Less: Cost of sales		-	-
Fair value adjustment		6,368	(22,139)
Financial assets at fair value		<b>27,139</b>	<b>20,771</b>
		<b>27,139</b>	<b>20,771</b>
<b>Financial assets at fair value through profit and loss</b>			
Held for trading listed shares		27,139	20,771
		<b>27,139</b>	<b>20,771</b>
<b>Other financial assets</b>		<b>27,139</b>	<b>20,771</b>

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  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 11: Controlled Entities**

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
Subsidiary of Cervantes Corporation Ltd:			
Cervantes Gold Pty Ltd	Aust	100	100

**Consolidated Group**

<b>2016</b>	<b>2015</b>
\$	\$

**NOTE 12: Property, Plant and Equipment**

Plant & equipment

- At cost	423	423	
- Less: accumulated depreciation	(392)	(306)	
	<b>31</b>	<b>117</b>	

Office equipment

- At cost	2,900	2,900	
- Less: accumulated depreciation	-	-	
	<b>2,900</b>	<b>2,900</b>	

**Total Property, Plant & Equipment**

<b>2,931</b>	<b>3,017</b>
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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
<b>Year ended 30 June 2015</b>			
Balance at the beginning of year	143	2,900	3,043
Depreciation expense	(26)	-	(26)
Carrying amount at the end of the year	117	2,900	3,017

**Year ended 30 June 2016**

Balance at the beginning of year	117	2,900	3,017
Depreciation expense	(86)	-	(86)
Carrying amount at the end of the year	31	2,900	2,931

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 13: Exploration at cost</b>		
Balance at the beginning of the year	-	-
Exploration expenditure capitalised	53,076	-
Exploration expenditure written off	-	-
Amortisation	-	-
Balance at the end of the year	<u><u>53,076</u></u>	<u><u>-</u></u>

A Regular review is undertaken of each area of interest within the exploration and evaluation asset to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration and evaluation assets are assessed for write down if the exploration expenditures are not expected to be recouped through successful development or exploitation of the area of interest or by its sale. The gold tailings continue to be of interest and the company is evaluating new techniques.

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Consolidated Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 14: Trade and other payable</b>		
<b>Current</b>		
Unsecured liabilities		
- Trade creditors	11,732	8,169
- GST payable	149	1,995
	<u>11,881</u>	<u>10,164</u>
<b>Financial liabilities at amortised cost classified as trade and other payables</b>		
Trade and other payables		
- Total Current	<u>11,881</u>	<u>10,164</u>
<b>NOTE 15: Borrowings</b>		
<b>Current</b>		
Borrowings	817,726	824,200
	<u>817,726</u>	<u>824,200</u>

The Company arranged a loan facility 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 acquisition of strategically located nickel/gold, gold tailings and gold exploration tenements and additional working capital. Whilst the amount is at call and recorded as a current liability it is not expected to be repaid in the next twelve months. The conversion of this loan to equity and /or other securities either partially or totally is a possibility.

**NOTE 16: Issued Capital**

Fully paid ordinary shares	12,088,070	12,088,070
	<u>12,088,070</u>	<u>12,088,070</u>
	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
<b>Ordinary shares</b>		
At the beginning of reporting period	298,271,112	294,271,112
Shares issued during the year:		
22 December 2014	-	4,000,000
	<u>298,271,112</u>	<u>298,271,112</u>

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

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
<b>Options</b>		
Opening number of options issued	-	-
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	-	-

**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**

<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>

**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	73,000	73,000
- 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 \$6,500 per calendar month (2015: \$6,500).

**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**

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

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 20: Controlled Entities**

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
Subsidiary of Cervantes Corporation Ltd:			
Cervantes Gold Pty Ltd	Australia	100	100

Cervantes Corporation Ltd is the ultimate parent entity incorporated in Australia.

Consolidated Group	
2016	2015
\$	\$

**NOTE 21: Cash Flow Information**

**Reconciliation of Cash Flow from Operations with  
Profit/(Loss) after Income Tax**

Profit/(Loss) after income tax	(223,396)	(227,646)
Non-cash flows in profit/(loss) after income tax		
Impairment of intangible assets	-	(56,000)
Impairment of exploration assets	-	6,493
(Profit) Loss on disposal of shares	34,020	-
Fair value adjustment	(40,388)	22,139
Depreciation	85	26
Share based payments	-	20,000
<i>Changes in Assets and Liabilities, net of the effect of purchase of subsidiary</i>		
(Increase)/decrease in trade & term receivables	(3,932)	6,446
Increase/(decrease) in trade & other payables	18,526	(12,934)
 <i>Cash flow from operations</i>	<b>(215,085)</b>	<b>(241,476)</b>

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>Consolidated Group</b>	
<b>2016</b>	<b>2015</b>
<b>\$</b>	<b>\$</b>

**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

78,000

73,000

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

-

-

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:

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>			
Cash and cash equivalents	8	22,904	310,465
Trade and other receivables	9	600	550
Financial assets at fair value through profit or loss -Held for trading	10	27,139	20,771
		50,643	331,786
<b>Financial Liabilities</b>			
Trade and other payables	15	11,881	10,164
		11,881	10,164

**CERVANTES CORPORATION LTD ABN 79 097 982 235  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**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.

	<b>&lt; 1 Year</b>	<b>Total</b>	<b>Weighted average</b>
	<b>\$</b>	<b>\$</b>	<b>effective interest rate</b>
Year ended 30 June 2016			
<i>Floating rate</i> Cash assets	12,669	12,669	1.24%
Year ended 30 June 2015			
<i>Floating rate</i> Cash assets	310,465	310,465	1.24%

**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  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 23: Financial Risk Management (cont'd)**

	Less than 3 months \$	3 to 12 Months \$	More than 12 months \$	Total \$
Year ended 30 June 2016				
Trade and other creditors	11,881	-	-	11,881
	<u>11,881</u>	<u>-</u>	<u>-</u>	<u>11,881</u>
Year ended 30 June 2015				
Trade and other creditors	10,164	-	-	10,164
	<u>10,164</u>	<u>-</u>	<u>-</u>	<u>10,164</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  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 23: Financial Risk Management (cont'd)**

	2016		2015	
	Net Carrying Value \$	Net Fair Value \$	Net Carrying Value \$	Net Fair Value \$
<b>Consolidated Group</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	22,904	22,904	310,465	310,465
Financial assets at fair value through profit or loss				
-Held for trading	27,139	27,139	20,771	20,771
Trade and other receivables	600	600	550	550
	<u>50,643</u>	<u>50,643</u>	<u>331,786</u>	<u>331,786</u>
<b>Financial Liabilities</b>				
Trade and other payables	11,881	11,881	10,164	10,164
	<u>11,881</u>	<u>11,881</u>	<u>10,164</u>	<u>10,164</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	
	2016	2015
Energy	74%	74%
Materials	1%	1%
Capital Goods	25%	25%
	<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 2016**

**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.

	<b>Consolidated Group</b>	
	<b>Profit</b>	<b>Equity</b>
	<b>\$</b>	<b>\$</b>
2016		
+/- 2% in interest rate	+/- 3159	+/- 3159
2015		
+/- 2% in interest rate	+/- 3159	+/- 3159

**NOTE 24: 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.

**NOTE 25: Company Details**

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

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

**NOTE 26: Parent Entity Information**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Information relating to Cervantes Corporation Ltd:		
Current assets	50,643	330,803
Total assets	107,320	335,473
Current liabilities	11,881	10,164
Total liabilities	829,607	834,364
Issued capital	12,608,070	12,088,070
Reserves	-	-
Retained earnings	12,810,357	(12,586,961)
Total shareholders' equity	(722,287)	(498,891)
Profit or loss of the parent entity	(223,396)	(227,646)
Total comprehensive income of the parent entity	(223,396)	(227,646)

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 26: Parent Entity Information (cont'd)**

**Provision for Impairment of Receivables**

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

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

	<b>Opening Balance 1.7.2015</b>	<b>Change for the year</b>	<b>Amount Written Off</b>	<b>Closing Balance 30.6.2016</b>
	\$	\$	\$	\$
Parent Entity				
i) Non-current wholly owned subsidiary	467,955	53851	-	521,806
	<u>467,955</u>	<u>53851</u>	<u>-</u>	<u>521,806</u>
	<b>Opening Balance 1.7.2014</b>	<b>Charge for the year</b>	<b>Amount Written Off</b>	<b>Closing Balance 30.6.2015</b>
	\$	\$	\$	\$
Parent Entity				
i) Non-current wholly owned subsidiary	462,955	5,000	-	467,955
	<u>462,955</u>	<u>5,000</u>	<u>-</u>	<u>467,955</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, 2016 and of the performance for the year ended on that date of the Company and Group; and
  - (c) 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 2016



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone 9486 7094 [www.rothsayresources.com.au](http://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 2016 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)

Rothsay Auditing

Dated 30 September 2016



Chartered Accountants



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
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Phone 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 statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and 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 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 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 2016 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 qualifying our opinion, we draw attention to Note 1 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 2016 of \$215,085 and has a deficiency of net assets of \$722,287. In the event the consolidated entity is unable to raise additional share capital, lose financial support or dispose of held for trading listed shares at a profit, there is a material 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 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rolf Gard  
Partner

Dated 30 September 2016



Chartered Accountants