CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

CERVANTES
Corporation Limited

Corporate Directory

Board of Directors

Collin Vost

Chairman

Justin Vost

Non-Executive Director

Timothy Clark

Non-Executive Director

Company Secretary

Patrick O'Neill

Registered Office

Shop 11 "South Shore Piazza"

85 South Perth Esplanade

South Perth WA 6151

Contact Details

Cervantes Corporation Ltd

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South Perth WA 6951

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Email: admin@cervantescorp.com.au

Website: www.cervantescorp.com.au

Solicitors

Steinepreis Paganin

GPO Box 2799

Perth WA 6001

Auditors

Rothsay Chartered Accountants

Level 1 Lincoln House 4 Ventnor Avenue

West Perth WA 6005

Share Registry

Advanced Share Registry

150 Stirling Highway

Nedlands WA 6009

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth Western Australia)

ASX Code: Ordinary Shares - CVS

Bankers

National Australia Bank Ltd

Capital Office

100 St Georges Terrace

Perth WA 6000

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DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the year ended 30 June 2017.

Principal Activities and Significant Change in Nature of Activities

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

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

Operating Results and Review of Operations for the Year

Operating Results

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

	Year ended 30 June 2017	Year ended 30 June 2016
	$	$
	(311,936)	(223,396)

The consolidated loss of the Group amounted to $311,936, after providing for income tax.

Review of Operations

Cervantes continues to make progress on its portfolio of projects, located in safe mining provinces of Western Australia. During the final month of the financial year the board continued preliminary discussions with nearby mills regarding the Albury Heath Project, together with the continuation of the Paynes Find Gold Project acquisition.

<u>PAYNES FIND GOLD</u>

Background: The Paynes Find Gold Project incorporates some 18 tenements made up of 11 Prospecting Licences and 7 Mining Leases covering an area of some 700 hectares, with an estimated 10 kilometre Primrose Fault strike length. These tenements represent the major portion of the historical Paynes Find Gold Field, discovered in 1911, which is located in the Mid-West Region of WA and only half a day's travel North East of Perth, and in close proximity to the Great Northern Highway (Figure 1).

During the period the Company continued its acquisition progress of the project. Subsequent to the signing of the Formal Sale Agreement and the 27 June General Meeting of Shareholders, where approval was given for the acquisition, the board together with European Lithium Ltd mutually agreed to amend the Sale Agreement to provide more time to obtain all necessary approvals for the transaction. The board considers this to be a significant milestone for the Company and are keen to finalise the acquisition of the Paynes Find Gold Project to expeditiously progress the exploration of the Project. The Company applied for 2

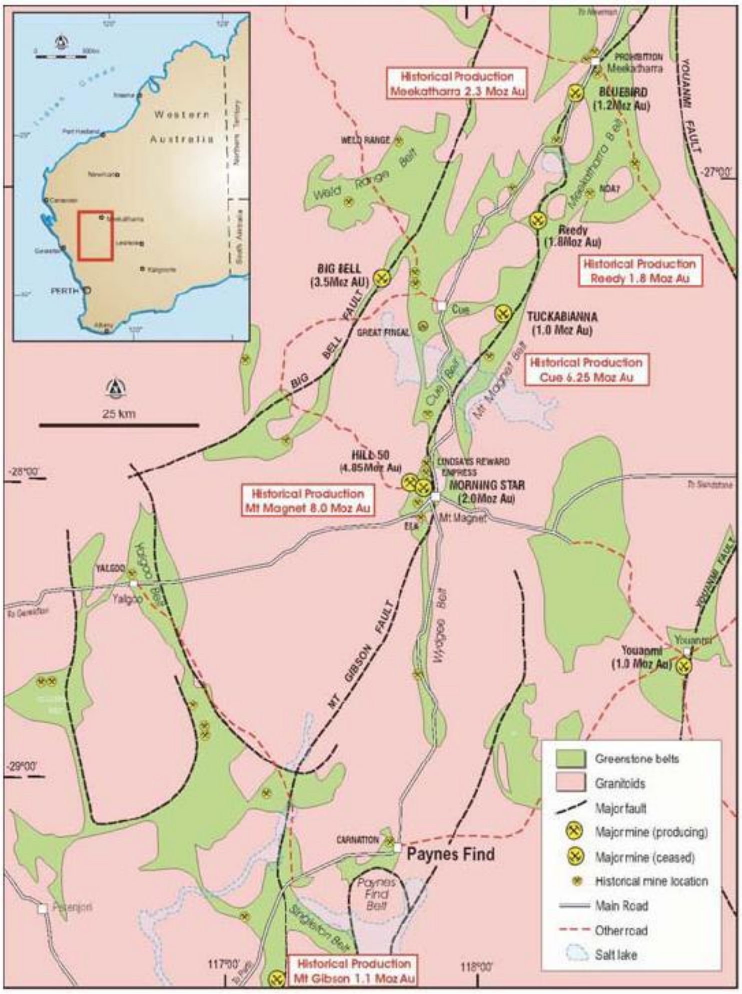


Figure 1. Location, Paynes Find

additional tenements and obtained an option over a further 2 tenements to complement the project area. It should be noted that Native Title does not exist on any tenements within the Paynes Find Gold project area. Cervantes consultants acquired from various sources all historical data and began compiling this into a consolidated data base for Conceptual Geologist to provide their assessment of the project area as a whole. A summary of this assessment was released 15 June 2017.

The primary goal is to review the areas of highest potential which are highlighted in the data to date, and move towards obtaining a resource estimate as soon as possible together with an exploration target. Cervantes holds the view that previous work carried out on the project area has indicated not only potential for a significant near surface, high grade gold resource, but deeper higher grade targets

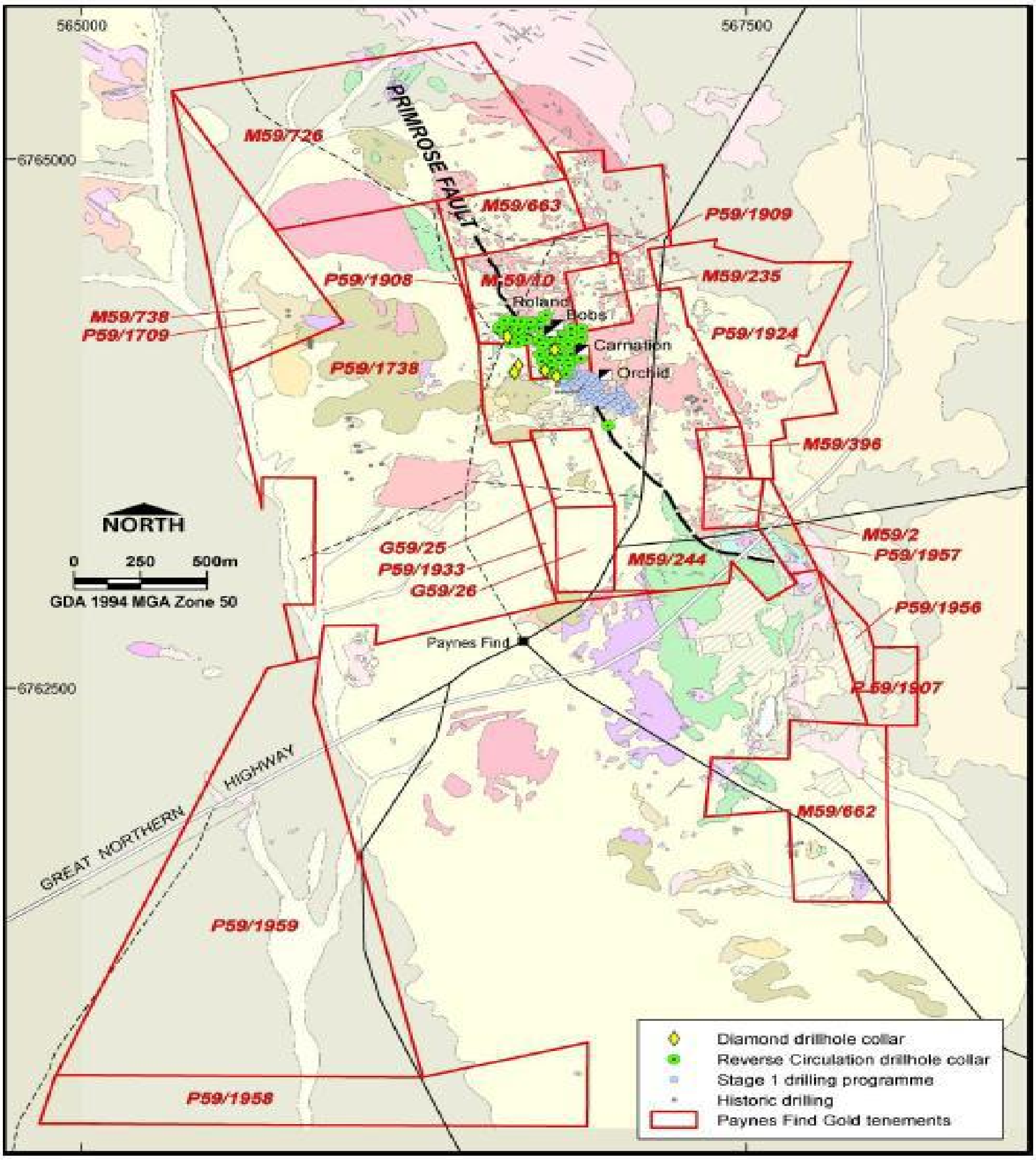


Figure 2. Please note: permits M59/726, P59/1738, M59/738, P59/1709, G59/25, P59/1933, G59/26 do not form part of the Cervantes Acquisition.

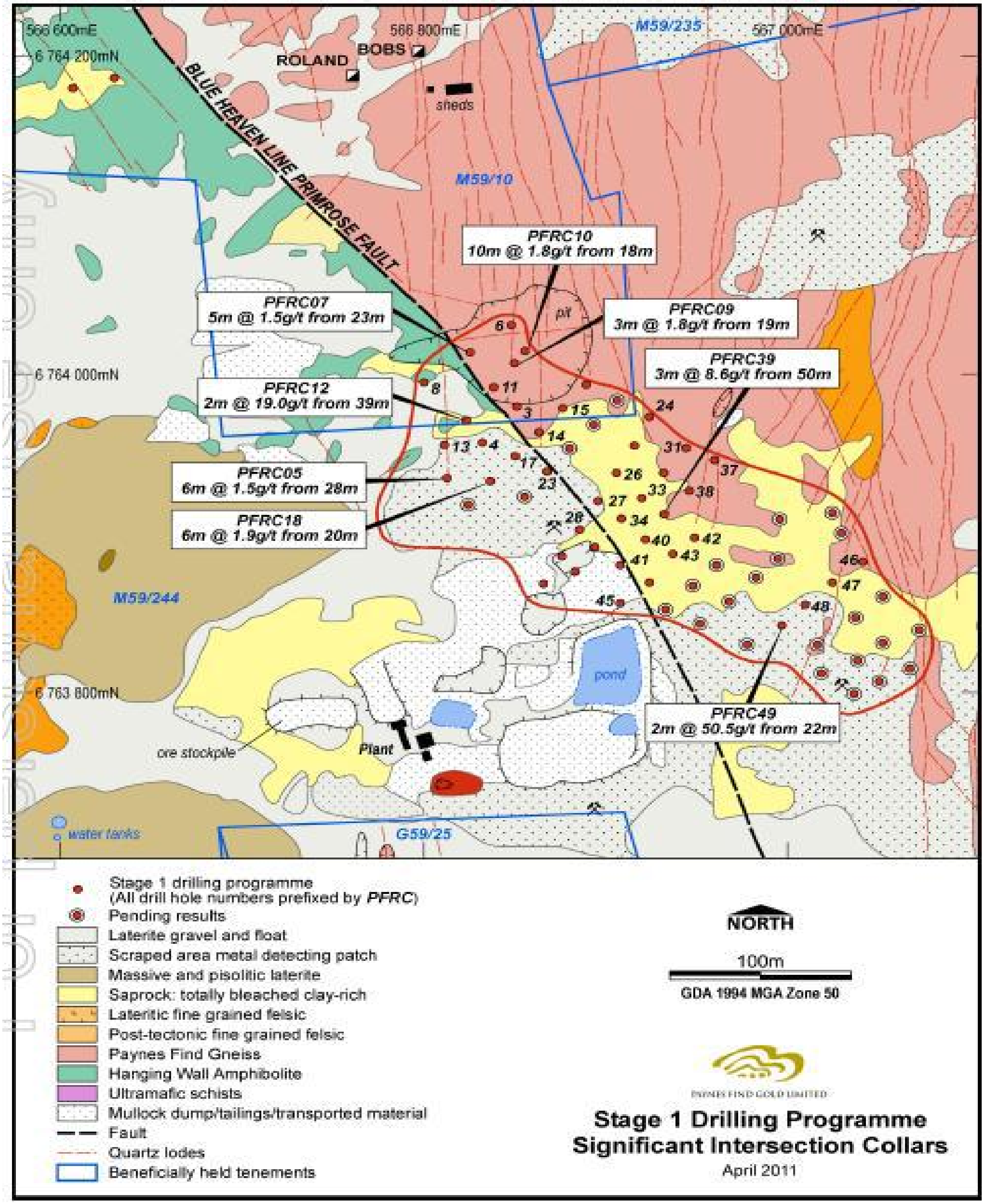


Figure3. Phase 1 Drilling collars and results (Paynes Find Gold Ltd, 10 August 2011)

ALBURY HEATH

Background: The Albury Heath Tenement (P51/2937) is located approximately 23km South East of the mining town of Meekatharra in Western Australia. Access to Albury Heath is good, by a high quality sealed road from Perth and Kalgoorlie to Meekatharra, with only a short extent of good quality gravel road into the project area. The project can therefore be regarded to be readily accessible under most circumstances. In addition, Cervantes has applied for 5 surrounding PL's and is currently waiting for Native Title approval.

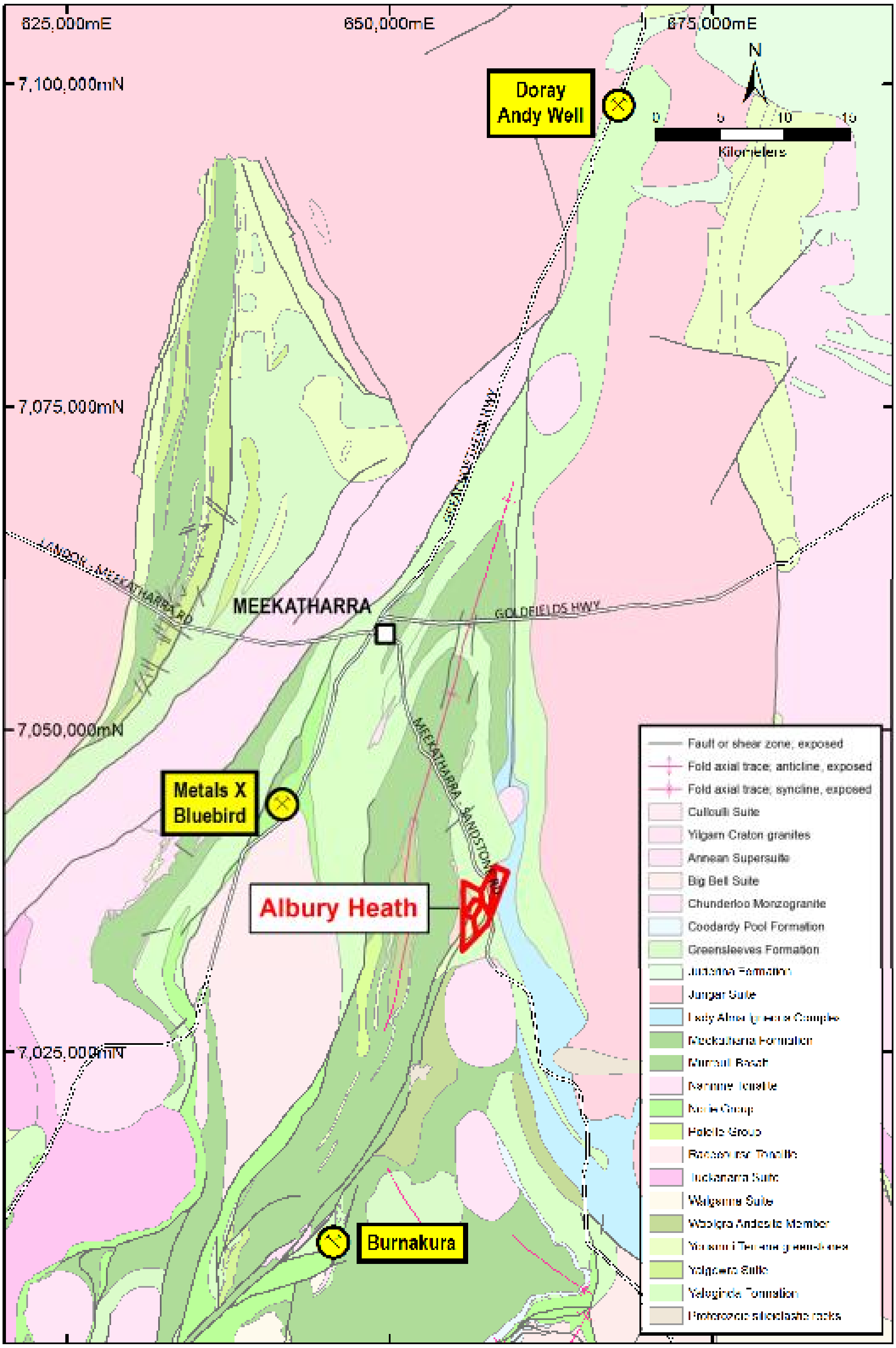


Figure 4. Location, Albury Heath

The board has been very pleased with the progression of the Albury Heath Project. This project was strategically acquired by the company for its near term production potential and having reached a number of milestones during the previous quarter the potential is gradually coming to fruition.

On the 7 February 2017, Continental Resource Management (CRM) estimated a Maiden JORC Resource of Indicated and Inferred Resources of 390,000 tonnes at 2.15g/t Au, for a total of 27,000oz of contained gold above a cut-off grade of 0.5g/t Au. This is an 80% increase in estimated ounces since the last published (1999 JORC) Resource Estimate of 164,500t @ 2.87g/t Au for 15,200oz.

	Tonnes	Grade (g/t)	Au (ounces)
Indicated	300,000	2.25	21,500
Inferred	90,000	1.9	5,500
Totals	390,000	2.15	27,000

Table 1. Resource Summary– above lower cutoff of 0.5g/t

Beyond the mineral resource estimated by mining industry consultant CRM the modelling exercise threw up several factors inherent in the drilling technology used at the time and in the resource modelling process, that open the potential for additional exploration potential that may be delineated by a small drilling program. Potential Upside exists through three sources;

1) Mineralisation – Open at Depth
2) No Samples Beneath Open Stopes (RC Cross-over method)
3) Depth Extensions of High Grade Lodes

Cervantes is undertaking an exercise to develop exploration plans aimed at examining near term production options for Albury Heath. Previous companies had carried out preliminary feasibility work on the Albury Heath Project, including metallurgy, pit design and processing options. Cervantes has access to all of these studies, but takes the view that much of the work needs to be updated to reflect the current gold price and operating cost environment, and the presence of nearby mills, that were not available when previous work was undertaken.
The Company is planning a small drilling program to target the items mentioned above related to potential resource upside, but also to collect fresh material for metallurgical testing and to provide geotechnical information to assist in pit design. Cervantes has also commenced preliminary discussions with nearby mills regarding treatment of the ore.

GARDEN GULLY

This 100% owned strategically located Exploration permit E63/1721, immediately adjoins to the North of Thundelarra Ltd's exciting Garden Gully Project in Meekatharra, is approx 10km South West of Doray Mining Ltd's Andy Well Project area and mill, is approx 20km North West of the Meekatharra Township and is approx 40km North of the Bluebird mill. Thundelarra has achieved excellent results so far, including 7m @ 24.5g/t Au, from a recent drilling programme and have expressed considerable excitement as they continue to explore the area. Any northerly extensions of gold mineralisation add to the enthusiasm of our permit. At this moment, Cervantes has no work activities planned for its Garden Gully Project as resources are instead focussed on the company's Paynes Find Gold and Albury Heath Projects, however we watch Thundelarra Ltd's exploration program with great anticipation.

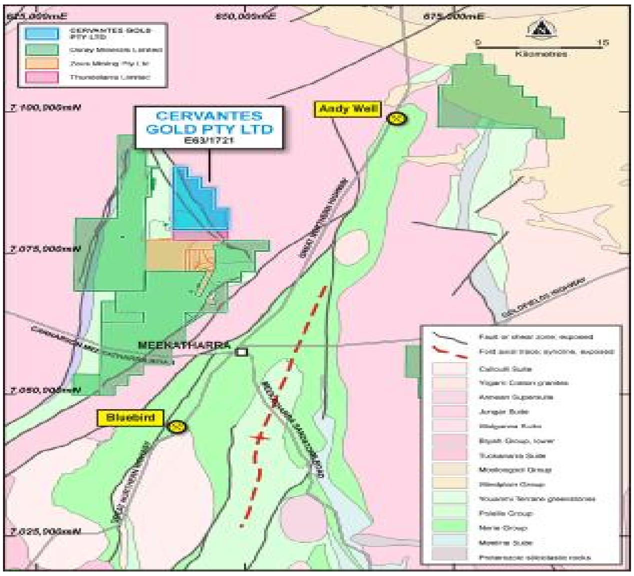


Figure 5. Location, Garden Gully Tenement

ALBANY FRASER RANGE

Cervantes owned 100% of an Exploration Licence immediately adjoining Mt Ridley Mines Ltd in the Albany Fraser Range area, E63/1721, throughout the period. However, the Company has elected to relinquish this tenement post June 30 2017.

Financial Position

The net assets of the Group have decreased by $311,936 at 30 June 2017 to $(826,912). This decrease was largely due to a increase in borrowings.

Significant Changes in the State of Affairs

On 17 November 2016 the Company issued 1,108,604 and raised $11,086 before costs.

On 2 February 2017, the Company issued 17,950,000 ordinary shares from the shortfall of the non-redeemable right issue and raised $179,500.

On 5 April 2017 the Company issued 6,000,000 ordinary shares and raised $60,000.

Dividends Paid or Recommended

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

Events after the Reporting Date

On 8 August 2017, Cervantes lodged submission with Department of Mines and Petroleum for the surrender of the Company's Albany Fraser Range tenement, E63/1721.

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

Future Developments, Prospects and Business Strategies

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

Environmental Issues

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

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

Greenhouse gas and energy date reporting requirements

The Directors have considered compliance with both the Energy Efficiency Opportunity Act 2006 and the National Greenhouse and Energy Reporting Act 2007 which require entities to report annual greenhouse gas omissions and energy use. The Directors have assessed that there are no current reporting requirements for the year ended 30 June 2017, however reporting requirements may change in the future.

Information on Directors

Collin Vost	CHAIRMAN (Executive)
Qualifications	Diploma of Financial Services Licenced Securities Dealer.
Experience	Mr Vost has been involved in public companies for the past 30 years and has served on the Board of several, mostly junior resource companies as well as being involved in the securities dealing business since 2001. Mr Vost was appointed to the Board on 9 October 2007.
Interest in shares and options	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 and Resources Ltd (appointed 18 May 2009) JV Global Ltd (appointed 29 May 2009)
Justin Vost	DIRECTOR (Non-executive)
Qualifications	Diploma of Financial Markets.
Experience	Mr Vost was appointed to the Board on 23 November 2011. Mr Vost has experience in mining, manufacturing and capital markets.
Interest in shares	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 and Resources Ltd (appointed 15 March 2011) JV Global Ltd (appointed 19 April 2011)
Timothy Clark	DIRECTOR (Non-executive)
Qualifications	Bcom. 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)

Company Secretary

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

John Greeve – Bachelor of Business, Chartered Accountant and Certified Practicing Accountant. Mr Greeve is the principal of the accounting firm Kamran Accounting. He has acted as Company Secretary, Finance Director and Managing Director for several public companies. Mr Greeve was appointed Company Secretary on 5 October 2015 and resigned during the financial year on 19 May 2017.

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

Meetings of Directors

During the financial year, 5 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Collin Vost	5	5
Justin Vost	5	5
Timothy Clark	5	5

During the financial year there were 10 Circular Resolutions.

Indemnifying Officers

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

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

Corporate Governance Statement

The Company's 2017 Corporate Governance Statement has been released as a separate document and is located on the Company's website at www.cervantescorp.com.au

Proceedings on Behalf of Company

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

Non-Audit Services

Rothsay did not provide non-audit services to the Group during 2017.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 37 of the financial report.

REMUNERATION REPORT (AUDITED)

Remuneration Policy

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

Fixed Remuneration

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

Performance Linked Remuneration and Entitlements

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

Director Remuneration and Incentives

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

On 27 June 2017, shareholders approved the issue of 9,000,000 fully paid ordinary shares and 14,000,000 option to the Directors, however these shares and option were not issued within the ASX timeframe, due to delay in the acquisition of the Paynes Find Gold Project.

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

Employment Details of Members of Key Personnel and Other Executives

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

Group Key Management Personnel	Position held as at 30 June 2017 and any change during the year	Proportion of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
		Non-salary cash-based incentives %	Shares/Units %	Options/Rights %	Fixed Salary/Fees %	Total %
Collin Vost	Chairman (Executive)	-	-	-	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 formalised in contracts of employments. The service terms and conditions are of no fixed term, no requirement for notice on termination and no entitlement for payment upon termination.

Remuneration Details for the Year Ended 30 June 2017

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

		Short Term Benefit		Post Employment	Equity-settled share-based payments		
		Salaries & Fees $	Other $	Super-annuation $	Shares $	Options/ Rights $	Total $
Collin Vost	2017	24,000	93,770	-	-	-	117,770
Chairman	2016	24,000	78,000	-	-	-	102,000
Justin Vost	2017	24,000	-	-	-	-	24,000
Non-Executive Director	2016	24,000	-	-	-	-	24,000
Timothy Clark	2017	25,200	-	-	-	-	25,200
Non-Executive Director/Company Secretary	2016	25,200	-	-	-	-	25,200
John Greeve (resigned 19 May 2017)	2017	24,025	-	-	-	-	24,025
Company Secretary	2016	8,180	-	-	-	-	8,180
Total	2017	97,225	93,770	-	-	-	190,995
Total	2016	81,380	78,000	-	-	-	159,380

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 and shareholder of the securities dealing company. During the financial year $78,000 (2016: $78,000) was paid or payable.

Also included in other short-term benefits are payments made to New York Securities Pty Ltd which is appointed as the Company's securities dealer and advisors on normal commercial terms and conditions. Mr Collin Vost is a director of the securities dealing company. During the financial year $15,770 (2016: $nil) was paid for providing capital raising services.

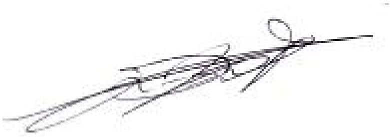
Share-based Payments

On 27 June 2017, shareholders approved the issue of 9,000,000 fully paid ordinary shares and 14,000,000 option to the directors, however these shares and option were not issued within the ASX timeframe, due to delay in the acquisition of the Paynes Find Gold Project.

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

End of Audited Remuneration Report

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



Collin Vost
Director

Dated 20 September 2017

DIRECTORS DECLARATION

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

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

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

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

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

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

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

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

Collin Vost
Director

Dated this 20 September 2017

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Continuing Operations			
Revenue			
Interest income	2	136	2,191
Fair value adjustment other financial assets		-	6,368
		136	8,559
Employee benefits expense	3c	(69,200)	(71,200)
Fair value adjustment other financial assets	3a	(5,460)	-
Finance costs		(9,717)	(18,543)
Depreciation		(31)	(86)
Occupancy expenses	3b	(49,300)	(46,800)
Travel		(4,509)	(554)
Administration expenses		(173,855)	(94,772)
Profit/(Loss) from continuing operations before income tax		(311,936)	(223,396)
Income tax benefit	5	-	-
Profit/(Loss) from continuing operations for the year		(311,936)	(223,396)
Other Comprehensive Income for the year		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Profit/(Loss) on revaluation of financial assets, net of tax		-	-
Total Comprehensive Profit/(Loss) Attributable to Members of Cervantes Corporation Ltd		(311,936)	(223,396)
Profit/(Loss) per share attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	6	(0.102) cents	(0.076) cents

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

Statement of Financial Position as at 30 June 2017

	Note	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Current Assets			
Cash and cash equivalents	7	62,302	22,904
Trade and other receivables	9	9,155	600
Other assets	10	500	-
Financial assets	11	21,679	27,139
Total Current Assets		93,636	50,643
Non-Current Assets			
Property, plant and equipment	12	2,900	2,931
Intangible assets		670	670
Exploration assets	13	238,701	53,076
Total Non-Current Assets		242,271	56,677
Total Assets		335,907	107,320
Current Liabilities			
Trade and other payables	14	80,419	11,881
Financial liabilities	15	1,082,400	817,726
Total Current Liabilities		1,162,819	829,607
Total Liabilities		1,162,819	829,607
Net Assets		(826,912)	(722,287)
Equity			
Contributed equity	16	12,295,381	12,088,070
Accumulated losses	17	(13,122,293)	(12,810,357)
Total Equity		(826,912)	(722,287)

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

Statement of Changes in Equity for the year ended 30 June 2017

Consolidated Entity	Share Capital Ordinary $	Accumulated Losses $	Total Equity $
Balance at 1 July 2015	12,088,070	(12,586,961)	(498,891)
Comprehensive income for the year			
Profit/(Loss) for the year	-	(223,396)	(223,396)
Total Comprehensive Income for the Year	-	(223,396)	(223,396)
Balance at 30 June 2016	12,088,070	(12,810,357)	(722,287)
Balance at 1 July 2016	12,088,070	(12,810,357)	(722,287)
Share issued during year	250,644	-	250,644
Transaction costs	(43,333)	-	(43,333)
Comprehensive income for the year			
Profit/(Loss) for the year	-	(311,936)	(311,936)
Total Comprehensive Income for the Year	-	(311,936)	(311,936)
Balance at 30 June 2017	12,295,381	(13,122,293)	(826,912)

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

Statement of Cash Flows for the year ended 30 June 2017

	Note	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Cash Flows from Operating Activities			
Receipts from customers		-	-
Payments to suppliers and employees		(237,381)	(217,210)
Interest received		136	2,141
Finance costs		(9,717)	(16)
Net Cash Used In Operating Activities	7b	(246,962)	(215,085)
Cash Flows from Investing Activities			
Payments for exploration & evaluation		(185,625)	(47,476)
Net Cash Used In Investing Activities		(185,625)	(47,476)
Cash Flows from Financing Activities			
Proceeds from share issue		250,644	-
Cost of share issue		(43,333)	-
Proceeds from borrowings		264,674	-
Repayment of borrowings		-	(25,000)
Net Cash Provided by Financing Activities		471,985	(25,000)
Net Increase/(Decrease) in Cash Held		39,398	(287,561)
Cash and Cash Equivalent at the Beginning of the Financial Year		22,904	310,465
Cash and Cash Equivalents at the End of the Financial Year	7a	62,302	22,904

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

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT

Reporting Entity

This financial report of Cervantes Corporation Ltd ('the Company') for the year ended 30 June 2017 comprises the Company and its subsidiary (collectively referred to as 'the consolidated entity' or 'Group'). Cervantes Corporation Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The financial report was authorised for issue in accordance with a resolution of Directors dated 20 September 2017.

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

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

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

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

Notes
- 7 Cash and cash equivalents
- 8 Financial risk management

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

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

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

Notes
- 16 Contributed equity
- 17 Accumulated losses
- 18 Share-based payments

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

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

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

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

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT continued

1a Basis of Preparation

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

Compliance with IFRSs

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2017. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

(i) AASB 9 Financial Instruments

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

(ii) AASB 15 Revenue from Contracts with Customers

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

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT continued

1a Basis of Preparation continued

(ii) AASB 15 Revenue from Contracts with Customers continued

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

(iii) AASB 16 Leases

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

1b Going Concern

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

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

Notwithstanding cash outflows from operations of $246,962 (2016: $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, there is material uncertainty whether the Group would be able to continue as a going concern.

1c Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2017 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Reward or the Consolidated Entity.

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

1d GST

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

Notes to the Financial Statements

1 ABOUT THIS FINANCIAL REPORT continued

1a GST continued

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

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

	Consolidated Entity	
	2017	2016
	$	$
2 REVENUE AND OTHER INCOME		
Interest income	136	2,191
	136	2,191
3 PROFIT/(LOSS) FOR THE YEAR		
3a Fair value adjustment		
fair value adjustment gain/(loss)	(5,460)	6,368
3b Rental expenses on operating leases		
rental expenses for sublease	54,400	48,450
less capitalised to exploration	(5,100)	(1,650)
	49,300	46,800
3c Employee benefits expenses		
employees benefits expenses	73,200	73,200
less capitalised to exploration	(4,000)	(2,000)
	69,200	71,200

4 SEGMENT INFORMATION

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

The company is domiciled in Australia. All revenue from external parties in generated from Australia only. All the assets are located in Australia.

Notes to the Financial Statements

	Consolidated Entity	
	2017	2016
	$	$

5 INCOME TAX EXPENSE

5a Reconciliation of income tax expense to prima facie tax payable:

	2017 $	2016 $
Profit/(Loss) before income tax	(311,936)	(223,396)
Prima facie income tax at 27.5% (2016: 28.5%)	(85,782)	(63,668)
Add tax effect:		
Non-allowable items		
Fair value adjustment	1,501	(1,815)
Allowable items		
Capital raising cost	(8,667)	-
Movement in prepayments	(135)	-
Exploration expenditure	(51,049)	-
Tax losses not brought to account	144,132	65,483
	-	-
Net Deferred Tax Assets / (Liabilities)	3,246,251	3,102,119

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

5b Unrecognised temporary differences

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

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

6 PROFIT/(LOSS) PER SHARE

	2017 Cents Per Share	2016 Cents Per Share
Basic profit/(loss) per share	(0.102)	(0.076)

	2017 $	2016 $
The profit/(loss) for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Loss for the year after income tax	(311,936)	(223,396)

	2017 No.	2016 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	306,776,416	298,271,112

Notes to the Financial Statements

	Consolidated Entity	
	2017	2016
	$	$

7 CASH AND CASH EQUIVALENTS

7a Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2017 $	2016 $
Cash and short term deposits	62,302	22,904

7b Reconciliation of Net Cash used In Operating Activities to Operating Profit/(Loss) after Income Tax

	2017 $	2016 $
Profit/(Loss) for the year	(311,936)	(223,396)
(Profit)/loss on disposal of shares	-	34,020
Depreciation	31	85
Fair value adjustment	5,460	(40,388)
Change in assets and liabilities during the financial year:		
Receivables	(8,555)	(3,932)
Other Assets	(500)	-
Payables	68,538	18,526
Net cash inflow/(outflow) from operating activities	(246,962)	(215,085)

8 FINANCIAL RISK MANAGEMENT

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

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

	Note		
Financial Assets			
Cash and cash equivalents	7	62,302	22,904
Trade and other receivables	9	9,155	600
Other assets	10	500	-
Available-for-sale financial assets	12	21,679	27,139
Total Financial Assets		93,636	50,643
Financial Liabilities			
Trade and other payables	14	80,419	11,881
Total Financial Liabilities		13,217	11,881

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

Notes to the Financial Statements

8 FINANCIAL RISK MANAGEMENT continued

8a Market Risk

(i) Cash Flow Interest Rate Risk

Refer to (d) below.

8b Credit Risk

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

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 8.

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

	Consolidated Entity	
	2017	2016
	$	$
Cash and cash equivalents		
‘AA’ S&P rating	62,302	22,904

8c Liquidity Risk

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

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

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

8d Cash Flow Risk

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

Based on the year-end balances, a 1% increase in interest rates would have increased the consolidated profit by $382 (2016: Profit $1,579) and increased the cash balances by a corresponding amount. There were no other amounts included in Net Assets subject to material interest rate risks.

9 TRADE AND OTHER RECEIVABLES

Amounts receivable	74	600
GST refundable	9,081	-
	9,155	600

No receivables are impaired or past due but not impaired. Refer to Note 8 for Financial Risk considerations. The carrying value of all receivables approximates their fair value.

10 OTHER ASSETS

Prepayments	500	-
	500	-

Notes to the Financial Statements

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
11 FINANCIAL ASSETS		
Financial assets at fair value through profit and loss	21,679	27,139
	21,679	27,139
Financial assets at fair value through profit and loss		
Held for trading listed shares	136,677	136,677
Provision for fair value	(114,998)	(109,538)
	21,679	27,139

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.

	2017 $	2016 $
12 PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment at cost	423	423
Less provision for depreciation	(423)	(392)
	-	31
Office equipment at cost	2,900	2,900
Less provision for depreciation	-	-
	2,900	2,900
Total Property, plant & equipment	2,900	2,931

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

Notes to the Financial Statements

	Consolidated Entity 2017 $	2016 $
13 EXPLORATION & EVALUATION		
Balance at beginning of year	53,076	-
Exploration expenditure capitalised	185,625	53,076
Exploration expenditure written off	-	-
Amortisation	-	-
	238,701	53,076
14 TRADE AND OTHER PAYABLES		
Trade Payables	80,419	11,732
GST payable	-	149
	80,419	11,881
15 FINANCIAL LIABILITIES		
Amounts payable to:		
Borrowings unsecured	1,082,400	817,726
	1,082,400	817,726

The Group 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, various projects including assessing the gold tailings and additional working capital. Whist the amount is at call and recorded as a current liability it is not expected to be repaid in the next twelve months. This loan maybe converted to equity and/or other securities subject to mutual agreement.

16 CONTRIBUTED EQUITY

16a Share capital

	2017 $	2016 $
Fully paid ordinary shares at the beginning of the financial year	12,088,070	12,088,070
Issue 17 November 2016	11,144	-
Issue 10 February 2017	179,500	-
Issue 4 May 2017	60,000	-
Transaction costs	(43,333)	-
At the End of the Financial Year	12,295,381	12,088,070

	2017 No. Shares	2016 No. Shares
Ordinary Shares		
At the beginning of the financial year	298,271,112	298,271,112
Issue 17 November 2016	1,108,604	-
Issue 10 February 2017	17,950,000	-
Issue 4 May 2017	6,000,000	-
At the End of the Financial Year	323,329,716	298,271,112

Notes to the Financial Statements

16 CONTRIBUTED EQUITY continues

16a Share capital continued

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

16b Capital Risk Management

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

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

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

	Consolidated Entity	
	2017	2016
	$	$
17 ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	12,810,357	12,586,961
Net profit/(loss) for the year	311,936	223,396
Accumulated Losses at the end of the year	13,122,293	12,810,357

18 SHARE-BASED PAYMENTS

On 27 June 2017, shareholders approved the issue of 1,000,000 fully paid ordinary shares to Greg Barnes as a non-cash consideration for the transfer by Greg Barnes to the Company of the Albury Heath Prospecting Licence in accordance with the terms of the Albury Heath Term Sheet. These shares were issued on 14 July 2017.

There was no share based payment transactions during the year ended 30 June 2017.

Notes to the Financial Statements

19 PARENT ENTITY INFORMATION

19a Summary Financial Information

	Parent	
Financial Position	2017 $	2016 $
Assets		
Current assets	88,804	50,643
Total assets	332,246	107,320
Liabilities		
Current liabilities	69,780	11,881
Total liabilities	1,152,180	829,607
Equity		
Issued capital	12,295,381	12,088,070
Accumulated losses	(13,115,316)	(12,810,357)
Total equity	(819,935)	(722,287)
Financial Performance		
Profit/(Loss) for the year	(304,959)	(223,396)
Other comprehensive income	(304,959)	(223,396)
Total comprehensive profit/ (loss) for the year	(304,959)	(223,396)

19b Guarantees

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

19c Other Commitments and Contingencies

Cervantes Corporation Ltd has no commitments to acquire property, plant and equipment. Refer to Note 23 and Note 24 for the Company's other commitments and contingent liabilities.

20 INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2017 %	Equity Holding 2016 %
Cervantes Gold Pty Ltd	Australia	Ordinary	100	100

	Consolidated Entity 2017 $	Consolidated Entity 2016 $

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

21a Details of Remuneration of Key Management Personnel

	2017 $	2016 $
Short-term benefits	190,995	159,380
Post-employment benefits	-	-
	190,995	159,380

21b Aggregate Amount Payable to Directors and their Director Related Entities at Balance Date

	2017 $	2016 $
Current liabilities	42,757	6,710
Accrued expenses	-	-
	42,757	6,710

Detailed remuneration disclosures are provided in the remuneration report on pages 10 - 12.

21c Key Management Personal Shareholdings

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

30 June 2017	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	1,520,000	-	-	-	-	1,520,000
	62,427,223	-	-	-	-	62,427,223
30 June 2016						
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
	63,407,223	-	-	(980,000)	-	62,427,223

22 REMUNERATION OF AUDITORS

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Remuneration for audit or review of the financial reports of the Group:		
For auditing the financial statements	11,850	15,350
	11,850	15,350

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

Notes to the Financial Statements

	Consolidated Entity	
	2017	2016
	$	$

23 COMMITMENTS FOR EXPENDITURE

23a Operating lease commitments

	2017 $	2016 $
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable: minimum lease payments		
- not later than 12 months	78,000	78,000
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	78,000	78,000

A serviced office including bookkeeping services and business premises are provided by New York Securities Pty Ltd and companies associated with Mr Collin Vost, at a fee of $6,500 per calendar month (2016: $6,500).

23b Exploration commitments

Under the requirements of the Western Australian Department of Mines and Petroleum, the Company has an annual minimum expenditure of $46,320 on the granted tenements. As at 30 June 2017 the Company had met the minimum expenditure requirement on it granted tenements.

Tenement	Date Acquired	Annual Expenditure Commitment $
E51/1721	5 February 2016	20,000
P51/2937	10 October 2016	4,320
E59/2242	28 April 2017	20,000
P59/2130	11 April 2017	2,000
Total		46,320

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

	$
Not later than 1 year	46,320
Later than 1 year but not later than 5 years	148,960
Later than 5 years	56,320
Total	251,600

24 CONTINGENCIES

There are no other contingent liabilities at reporting date.

25 EVENTS OCCURRING AFTER REPORTING DATE

On 8 August 2017, Cervantes lodged submission with Department of Mines and Petroleum for the surrender of the Company's Albany Fraser Range tenement, E63/1721.

There have been no other events subsequent to reporting date.

Notes to the Financial Statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

26a Historical Cost Convention

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

Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 27.

26b Income Tax

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

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

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

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

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

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

26c Revenue Recognition

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

(i) Interest Income

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

(ii) Other Services

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

Notes to the Financial Statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

26d Exploration and Evaluation Expenditure

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

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made. When production commences the accumulated costs for the relevant area of interest are classified as development costs and amortised over the life of the project area according to the rate of depletion of the economically recoverable reserves.

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

At 30 June 2017 the Directors considered that the carrying value of the mineral tenement interests of the consolidated entity was as shown in the Statement of Financial Position and no further impairments arises other than that already recognised.

26e Plant and Equipment

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

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

26d Trade and Other Payables

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10 - 66.67%

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

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

26e Trade Receivables

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

Notes to the Financial Statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

26e Trade Receivables continued

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

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

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

26e Equity-Based Payments

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

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

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

26f Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

26g Segment Reporting

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

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

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

Notes to the Financial Statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

26g Segment Reporting continued

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

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

26h Impairment of Assets

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

26i Cash and Cash Equivalents

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

26j Provisions

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

26k Contributed Equity

Ordinary shares are classified as equity.

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

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

26l Comparative Figure

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

27 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key Judgment – Exploration and Evaluation Expenditure

The Group's policy for exploration and evaluation requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off.

Shareholder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current at 18 September 2017

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Spread of Holdings	Number of Holders	Number of Ordinary Shares	Percentage of Issued Capital
1 - 1,000	**9**	**2,798**	**0.00%**
1,001 - 5,000	**39**	**162,740**	**0.05%**
5,001 - 10,000	**173**	**1,677,663**	**0.52%**
10,001 - 100,000	**337**	**15,357,176**	**4.74%**
100,001 - and over	**230**	**307,129,339**	**94.70%**
TOTAL	**788**	**324,329,716**	**100%**

There were 393 holders of ordinary shares holding less than a marketable parcel, a total of 5,061,015 ordinary shares.

Substantial Shareholders	Number of Shares	Percentage of Issued Capital
New York Securities Pty Ltd	40,800,000	12.58

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

Voting Rights
All ordinary shares carry one vote per share without restriction.

Shareholder Information

	Top Twenty Shareholders - CVS	Number of Ordinary Shares Held	%
1	NEW YORK HOLDINGS PTY LTD <CV SUPERANNUATION FUND A/C>	40,800,000	12.58
2	LACEGLEN HOLDINGS PTY LTD <CADLY SUPERFUND A/C>	15,021,334	4.63
3	MR CLARKE BARNETT DUDLEY	11,075,000	3.41
4	MS DALMA MAUREEN VOST + MRS KRISTIE LEANNE SAYERS <THE DALMA VOST SFUND A/C>	10,320,000	3.18
5	MR JUSTIN ANDREW VOST	10,000,000	3.08
6	MR PHILLIP GEORGE CRABB + MRS JUNE WINIFRED CRABB <CRABB S/FUND A/C>	9,800,000	3.02
7	NEW YORK HOLDINGS PTY LTD	7,770,000	2.4
8	EST MR TERRENCE JAMES BENNETT	7,531,258	2.32
9	ILB 1943 PTY LTD <THE BENNETT SUPER FUND A/C>	7,500,000	2.31
10	BROKEN RIDGE PTY LTD	6,000,000	1.85
11	GA ARMSTRONG SUPERANNUATION PTY LTD <GA ARMSTRONG SUPERFUND A/C>	5,550,000	1.71
12	BARAKA ENERGY & RESOURCES LIMITED	4,835,000	1.49
13	MR SAN TIONG NG	4,376,557	1.35
14	AZOLIA PTY LTD <ALAN SMITH SUPER FUND A/C>	4,025,000	1.24
15	QUAIRADING HOLDINGS PTY LTD <THE SACCA FAMILY A/C>	4,000,000	1.23
16	ALLCREST NOMINEES PTY LTD <RIEMER A/C>	3,900,000	1.2
17	KHENG SING LIM	3,888,562	1.2
18	MDM TEE LIAN	3,736,350	1.15
19	CHEN HOONG	3,736,349	1.15
20	MRS KRISTIE LEANNE SAYERS	3,700,000	1.14

SCHEDULE OF TENEMENTS

As at 30 June 2017

Project / Tenement		Nature of Interest
Western Australia		
Mt Heywood Project		
Mt Heywood, Albany Fraser Range	E63/1752***	100%***
Garden Gully Project (*subject to native title)		
Garden Gully, Meekatharra	E51/1721*	100%*
Albury Heath Project (**subject to settlement)		
Albury Heath, Meekatharra	P51/2937	100%
Albury Heath, Meekatharra	P51/2997**	100%**
Albury Heath, Meekatharra	P51/2998**	100%**
Albury Heath, Meekatharra	P51/2999**	100%**
Albury Heath, Meekatharra	P51/3000**	100%**
Albury Heath, Meekatharra	P51/3001**	100%**
Paynes Find Project (**subject to finalisation of acquisition from European Lithium Ltd)		
Paynes Find	P59/1959**	100%**
Paynes Find	P59/1958**	100%**
Paynes Find	P59/1957**	100%**
Paynes Find	P59/1956**	100%**
Paynes Find	P59/1942**	100%**
Paynes Find	P59/1941**	100%**
Paynes Find	P59/1924**	100%**
Paynes Find	P59/1909**	100%**
Paynes Find	P59/1908**	100%**
Paynes Find	P59/1907**	100%**
Paynes Find	M59/663**	100%**
Paynes Find	M59/662**	100%**
Paynes Find	M59/396**	100%**
Paynes Find	M59/244**	100%**
Paynes Find	M59/235**	100%**
Paynes Find	M59/10**	100%**
Paynes Find	M59/2**	100%**
Paynes Find Project		
Paynes Find	E59/2242	100%
Paynes Find	P59/2130	100%

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

**** Denote, On 8 August 2017, Cervantes lodged submission with Department of Mines and Petroleum for the surrender of the Company's Albany Fraser Range tenement, E63/1721.*

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

The Directors
Cervantes Corporation Ltd
PO Box 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 2017 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 20 September 2017

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CERVANTES CORPORATION LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cervantes Corporation Limited ("the Company") and its subsidiary (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material Uncertainty related to Going Concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report. The matters set forth in Note 1(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Financial Liabilities

The Group's financial liabilities of unsecured borrowings are considered to be a key component of the Group's operations. We do not consider the financial liabilities to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures in auditing the borrowings included but were not limited to:

- Documenting and assessing the processes and controls in place to record the borrowings and movements in the balance during the year; and

- Agreeing the amount of the borrowings and the terms and conditions to confirmations from the lender.

We have also assessed the appropriateness of the disclosures included in notes 15 and 26 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Cervantes Corporation Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

Rothsay Auditing
Dated 20 September 2017

RGarda

Rolf Garda
Partner

Chartered Accountants