

## ASX ANNOUNCEMENT/ MEDIA RELEASE

30<sup>th</sup> July 2019

### WAIVER OF ASX LISTING RULE 10.1 – SECURING RELATED PARTY LOAN

As announced to the ASX on 18 June 2019, Cervantes Corporation Ltd (ASX: CVS) ("**Cervantes**" or "the **Company**") has funded the preparation of its three promising gold projects for further drilling and exploration using funds lent by New York Securities Pty Ltd (**NYS** or **Lender**), a shareholder and controlled by director Collin Vost, on an interest free, unsecured basis totalling approximately \$105,000 (**Loan**). In addition, over recent years, while capital markets have been tough, NYS has in good faith supported the Company by paying Company debts totalling approximately \$185,000 (**Debts**).

NYS advised that it a pre-condition to it lending any further funds to the Company that the Company grants NYS a first ranking security over the Company's current and future assets to secure amounts owed to it, which currently total \$286,507 (**Security**).

The Company has been granted a waiver of ASX Listing Rule 10.1 allowing the Company, without obtaining shareholder approval, to grant the Security in favour of NYS (**Waiver**) to secure repayment of the Loan and Debts and any further loan amounts up to an aggregate cap of \$350,000, subject to the following conditions.

- (a) The Security includes a term that, if an event of default occurs and the Lender exercises its rights under the Security, neither the Lender nor any of its associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including Listing Rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by the Lender exercising its power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Lender or any of its associates in accordance with their legal entitlements.
- (b) A summary of the material terms of the Security is made in each annual report of the Company during the term of the Security.
- (c) Any variations to the terms of the Security which are not a minor change or inconsistent with the terms of the waiver, must be subject to shareholder approval.
- (d) The Company and the Lender must seek to discharge the Security when the funds advanced to the Company are repaid (other than when the funds are prepaid and



redrawn within the original term of the Debts and Loan), or if it is not discharged, seek shareholder approval for the continuation of the Security for any further period.

- (e) The Company immediately releases to the market an announcement which sets out the terms of this waiver, including:
- (i) the Company's plans with respect to the repayment of the funds advanced under the Debts and Loan and discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur; and
  - (ii) a statement of the reasons why the Company has chosen to obtain a financial accommodation from a related party rather than a lender that is not a related party, and the steps the Company's board has taken to satisfy itself that the transaction is being entered into on arms' length terms and is fair and reasonable from the perspective of the Company's shareholders.

In respect of the information required in paragraph (e) above, the Company advises that it plans to repay the Debts and Loan and any other funds lent by NYS, together with accrued interest, by the date the secured funds must be repaid, which is currently 5 July 2021, and will immediately seek to have the Security discharged.

The Board has satisfied itself that the funding arrangements with NYS are on arm's length terms and are fair and reasonable from the perspective of its shareholders. The Company investigated other options for funding, none of which were unsecured, interest free with no fixed repayment date.

The Company has agreed that amounts owed to NYS will accrue interest at 7% pa from 5 January 2020, with interest repayable monthly unless capitalised, with the outstanding principal repayable on the earlier of 5 July 2021 and the date the Company has sufficient funds, as determined by the Board acting reasonably, to repay the amounts owed. NYS may also require early repayment where there is a change in control of the Company or the board or the Company sells or agrees to sell all or a majority or a portion of its business and assets.

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