

ASX ANNOUNCEMENT/MEDIA RELEASE

23 April 2020

## Asset Sale and Activity Update

**Cervantes Corporation Ltd (ASX:CVS) (The Company)** is pleased to inform the market that the Company has, after a period of negotiations, agreed to sell the Albury Heath project in Meekatharra to Big Bell Gold Operations Pty Ltd (BBGO), a wholly owned subsidiary of Westgold Resources Limited (WGX or Westgold).

It was initially preferred to retain the project and develop it further to increase the gold resources, as previously announced to the market over an extended period, before approaching Westgold in relation to a possible toll treatment arrangement.

Unfortunately, because of the ASX imposed suspension, and our restrictions in raising new capital by way of equity to carry out the development, it was decided by the board that the Albury Heath project requires an excessive amount of capital to bring it to a sufficiently large enough resource to justify a toll treatment arrangement with Westgold, that could take at least two years for the development and potential cash flow.

In comparison, Westgold has a mill within some 20km of the project area, and has the expertise to develop the mine and commence production in line with their production schedules, which has not yet been determined, and Cervantes would potentially have to deal with Westgold at that time anyway.

Westgold offered the Company an outright purchase with early access to liquid assets by way of fully paid unrestricted shares in Westgold, which may also provide an upside if the gold price increases, and if Westgold shares increase in value.

In consideration for the sale of the Albury Heath project (which comprises tenements P51/2937, P51/2997, P51/2998, P51/2999, P51/3000 and P51/3001), Cervantes (via its wholly owned subsidiary Cervantes Gold Pty Ltd, which owns the Albury Heath project) will be issued \$700,000 on settlement in Westgold shares based on a 10-day VWAP of WGX shares from signing, with no restrictions on the shares.

In addition, Cervantes will be paid a further \$400,000 by way of cash and/or WGX shares (at BBGO's election) if the quantity of gold produced from the Albury Heath project exceeds 25,000 ounces, and an additional \$200,000 in cash and/or WGX shares if the quantity of gold produced exceeds 35,000 ounces. Subject to these production numbers being reached, the total sale price of the project will total some \$1.3m.

The board believes these targets are capable of being achieved considering the current inferred resource, additional exploration potential within the tenements Cervantes acquired surrounding the main mine, and at depth.

The board of Cervantes, after weighing up the offer, and recognising the difficulty in the capital market at the junior end and the current ASX suspension, elected to accept the offer. The ASX has confirmed the sale does not require shareholder approval under Listing Rules 11.1.2 or 11.2.

Settlement is expected within approximately 2 weeks from signing, conditional on all conditions precedent being fulfilled, which Cervantes is confident of achieving.

The board found the Westgold representatives fair and professional in the negotiations.

Cervantes no longer has any operations in Meekatharra but will consider any worthwhile tenements in the area, or indeed any area within WA that fits the risk reward business model of the Albury Heath project, and the Primrose Project in Payne's Find.

As the expenditure commitments of Abbotts and Albury Heath have now been eliminated for the coming year, Cervantes can now concentrate on the further exploration and exploitation of Payne's Find, with the specific intent of developing two potential deposits within the project area, where it is believed potential JORC resources are available. CSA, in their reports when they managed the project for the previous owners, indicated the potential for a moderately large shallow resource, subject to further drilling, and this will be one of the targets on the Primrose Shear. The potential quantity and grade is conceptual in nature, that there has been insufficient exploration to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Another target will be on the Southern end of the Primrose shear, which previous reports have noted, may have an Historical resource, but was not to JORC standard at the time, and this will receive exploration attention. Cervantes intends to carry out drilling programs subject to possible restrictions, to identify any possible exploitable resources for early cash flow in these high gold price market conditions.

Development of these targeted areas was not feasible when Cervantes originally acquired the project, but since then, the gold price has increased substantially, and new proactive owners have acquired the local mill, providing an opportunity for a potential toll treatment arrangement.

We will also now revitalise our discussions on the potential alluvial operations, as a result of the gold price, and potential positive cash flow on a joint venture basis. There was a previously successful alluvial operation at Paynes, and the area is well known for its gold mineralisation and historical alluvial production.

Immediate adjoining tenement owners, will be contacted to discuss potential joint operations, for mutual economic benefit.

We will continue to have discussions with a number of groups interested in becoming involved in the development of this highly mineralised historical goldfield, with some 37 old mine shafts, free of native title, and only four and half hours from Perth on the Great Northern Highway, with a mill within economical transport distance. A roadhouse, accommodation, store, airport and safety services are also adjoining the project area.

It is the boards view that this takes us one more step towards having the suspension lifted, and the remaining hurdles overcome, to becoming a producer and advanced exploration company in a gold market that is now attracting the attention of the global investment markets in a low sovereign risk country, which attracts and supports exploration and mining of its resources.

For further information please contact Collin Vost, Chairman, on (08) 6436 2300.

This announcement was approved and authorised for use by the Board of the Company.