

CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018



CERVANTES
Corporation Limited

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Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half year ended 31 December 2018.

Directors

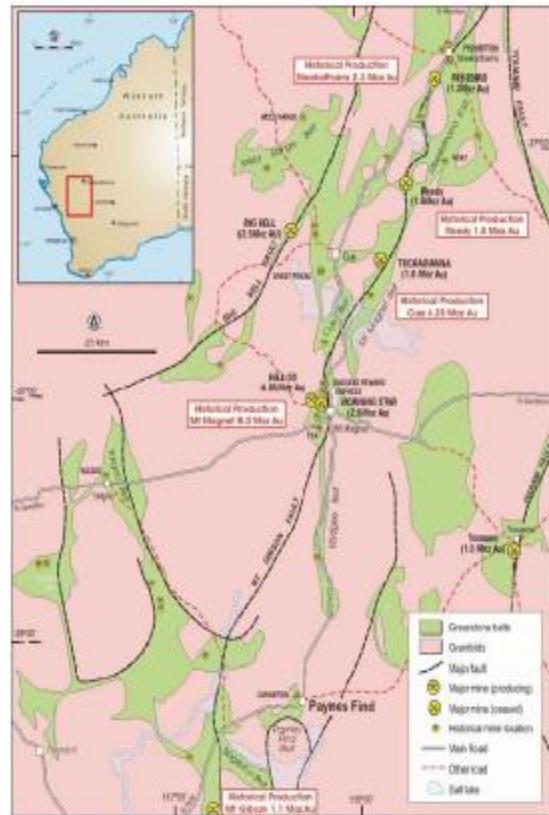
The names of directors who held office during and since the end of the half-year:

Mr Collin Vost	Chairman/Managing Director	Appointed 9 October 2007
Mr Justin Vost	Non Executive Director	Appointed 23 November 2011
Mr Marcus Flis	Non Executive Director	Appointed 9 October 2017

Review of Operations

The Company had planned a follow-up drilling programme at the Primrose Project targeting Gold, Nickel, Cobalt and Copper at depth. However, Mines Department approvals were delayed meaning drilling could not start in conjunction with the Albury Heath programme, allowing all programmes to be completed prior to the New Year and saving on mobilisation costs. The programmes will be rescheduled for 2019.

The Murchison Province hosts many significant gold deposits, including the million-ounce gold camps at Big Bell, Mount Magnet (Hill 50), and Meekatharra, as well as numerous smaller gold camps at Cue, Kirkalocka, Mt Gibson, and locally Rothsay, Fields Find and Pinyalling.



PRIMROSE PROJECT

The Cervantes "Primrose Project" contains some 37 historical workings that produced high-grade gold resulting in a battery being built by the State Government for the old miners, which stands today as a tourist attraction.

The geological potential of the Payne's Find area as previously discussed in ASX releases and reports, as well as in reports from consulting and in-house geologists, outlines that, in addition to gold, the felsic volcanic area has potential for volcanogenic massive sulphide mineralisation (VMS) similar to the Golden Grove deposits located to the west in the Yalgoo Greenstone Belt. Elevated nickel and cobalt results have also been identified in the Payne's Find area, as previously outlined in ASX releases.

Cervantes supports the view and comments in various reports that the historical mineralisation in the area could be an indicator of a bigger gold system associated with sheared mafic amphibolites intruded by a porphyry.

The Cervantes inaugural regional air core (AC) sampling programme at the Primrose Project and the Pansy Pit drilling programme were completed June 2018, with the assays from these programmes being released 11 July and 8 August 2018.

The Company has also noted a comment made by a well respected Geologist E de C Clark who worked for the Mine Department in 1920; *"The goldfield contains epidiorite, hornblende schist, serpentine, and foliated quartz porphyries, in addition to hornblende-biotite gneiss forming the matrix of the ore body. The gold quartz veins are found mainly in the epidiorites and hornblende schists, and only rarely in the serpentine. The gold bearing gneiss is east of the greenstone belt, and are of two lithological types (1) biotite dominant with quartz parallel to the foliation planes (2) mica subordinate to the hornblende. He compares the geology as similar to Westonia (Edna May Mine) elsewhere in the State."* (sourced: Mindat website "Paynes Find Goldfield (Goodingnow)"). The board is seeking an independent report on this and will advise in due course.

2018 Primrose Project AC Sampling Programme

A total of 100 holes for 489 metres were completed (for AC collar data and JORC Table 1, refer to ASX announcement 11 July 2018) on the regional AC sampling programme. The sampling programme aimed to:

- Test interpreted jogs in the Primrose Shear that may have focused gold mineralisation,
- Obtain samples from bedrock uncontaminated by more than a century of mining and gold extraction, and
- Sample areas for both gold and base metals that had not been previously tested by appropriate modern techniques.

The AC sampling programme was reconnaissance in nature. AC drilling is a first-pass geochemical exploration method that tests the potential of an area. While results are often low grade, they indicate a higher likelihood for gold mineralisation to be at depth. Gold and pathfinder elements may be depleted in the oxide zone at, or close to, the surface which, depending on a variety of local geological, environmental, and morphological factors, can further affect grades. AC sampling avoids these issues by sampling the bedrock directly.

AC sampling assay result released – significant results include (down hole length, true width not known), refer to ASX announcement 11 July 2018 for additional details:

- 1m @ 0.18% NICKEL from 2m in hole PM1
- 1m @ 0.16% COPPER from 1m in hole PS21
- 1m @ 1.285g/t GOLD from 1m in hole PS21
- 1m @ 1.052g/t GOLD from 10m in hole BB11
- 4m @ 0.527g/t GOLD from 5m in hole BB17

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AC Programme Details

Five areas were sampled: Blue Bell, Princess Mary, Goodingnow Pansy South, and, added to the programme in the field, the Daffodil Shear. The holes were drilled at a 60° dip towards the east and were spaced between 25 and 50 m along east – west lines. Drilling was to “blade refusal” depth; holes ranged from 1m to 39m depth and averaged 5m.

AC Geochemistry Results

The results from the AC sampling show an elevated gold background. Usually, sampling of this style returns a general gold background of around 10 parts per billion (ppb) or less. This data has an average gold value of 62ppb, attesting to the auriferous nature of the geology on the Primrose Project.

Emily May/Maggie Hay nickel deposit analogue is postulated

Please refer to Cervantes 12 June 2018 ASX release titled “Nickel – Cobalt Opportunity Identified in RAB data” for more details on the expanding nickel occurrences. This now adds a new two dimensional target approach to two of the most market attractive metals at the Primrose.

Significant gold anomalism is associated with the Primrose Shear at Blue Bell (maximum 1,192.2ppb or 1.192g/t Au), Princess Mary (1,826.9ppb or 1.826g/t Au), and Pansy South (1,270.7ppb, or 1.27g/t Au). Gold values were only moderate at Goodingnow. No significant gold assays were detected along the one line of holes testing the Daffodil Shear.

As was expected, high nickel values were detected in the amphibolite west of the Primrose Shear, particularly at the Blue Bell (1,192.2ppm, or 0.119% Ni), Princess Mary (1,826.9ppm or 0.183% Ni), and Pansy South (1,270.7ppm or 0.127% Ni) prospects.

Noteworthy copper anomalism is detected at Pansy South where a maximum 0.156% copper is associated with the anomalous nickel assays. Cobalt assays are generally low.

Follow-up

Deeper drilling will be undertaken to test for the Primrose Shear hosted gold deposits that Cervantes is targeting, including the potential for deeper Nickel targets. This follow-up drilling originally scheduled for November 2018, has been rescheduled due to delayed Mines Dept. approvals.

PANSY PIT DRILLING

PROJECT HIGHLIGHTS:

- Shallow gold mineralisation intercepted at the historic Pansy Pit
- Significant gold intercepts
- Gold mineralisation is much more pervasive than indicated in historic drilling and not restricted to quartz veins
- High total hole gold grade averages, reflect the auriferous nature of this area
- Gold grades may be amenable to a heap leach operation that would access bulk tonnage, rather than the narrow veins previously considered, although enquiries from a mill in the district have been persistent
- Ability to grow the area of the gold mineralisation through additional drill testing recognised

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DIRECTORS' REPORT

All assays from the RC drilling campaign in the historic Pansy Pit in the Primrose Project, M59/662, were received and released 8 August 2018. Eleven RC holes were completed for 336m. The campaign was curtailed due to some inaccessibility near the pit walls.

Historic drilling at the Pansy Pit intersected up to 8m at 7.08g/t gold (ASX announcement 28 March 2018). The recently completed campaign was designed to test extensions of this mineralisation updip, downdip, and along strike, and provide fresh material for possible metallurgical testing and geotechnical information to assist in its evaluation.

Geology

Regionally, the Pansy Pit is hosted in undifferentiated amphibolites between two splays of the Primrose Shear. Drilling intercepted a package of altered mafics in which auriferous and, in places, sulphidic quartz lodes have developed, possibly in response to shearing. Alteration, mainly chloritic-fuchsite, but also goethitic, sulphidic, and carbonate alteration, is highly variable.

A number of quartz lodes were intercepted. These ranged from one to ten metres in width downhole and are frequently associated with local shearing. Whilst often auriferous, not all intercepted quartz lodes carried significant gold grades. Similarly, pyrite was often, but not ubiquitously associated with these quartz lodes.

In the north-west of the drilled area an altered felsic unit was intersected and seen to interfinger with the altered mafic unit. This felsic may have been the driver for the quartz-gold mineralisation.

The base of oxidation is generally around 30m though not often intersected.

Mineralisation

Insufficient drilling has been undertaken to unambiguously identify specific quartz lodes from section to section. Gold is often hosted by these quartz lodes. For example, in hole CVSRCP001 the intercept of 3m at 4.91g/t gold from 34 metres (downhole width, true width is unknown) is wholly within a pyritic quartz lode. Elsewhere, however, gold grades are hosted within shearing – eg, in hole CVSRCP006 an intercept of 1m at 6.31g/t gold from 13m is hosted entirely within a sheared mafic. In hole CVSRCP007 an intercept of 2m at 6.13g/t gold from 22m is hosted by unsheared, massive mafics with no noted quartz content (all quoted depths are downhole depths).

These observations are significant: historic drilling only sampled obvious (logged) quartz veins. This drilling campaign has demonstrated that there exists substantial gold mineralisation in the host rocks, so giving the area a higher potential than previously thought. Whilst of moderate grade, the gold mineralisation remaining in the Pansy Pit may be amenable to low cost extraction, eg, by heap leach, given it is shallow and predominantly in the oxide zone, although expressions of interest from a mill in the district have been persistent.

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A feature of the area drilled is that gold mineralization is widespread.

Hole	Interval m	Gold grade g/t	From m	Within broader interval m	Gold Grade g/t	From m
CVSACP001	3	1.49	9	5	1.03	7
	3	4.91	34	12	1.43	28
CVSACP002	1	5.83	11	4	2.46	8
				10	1.17	8
CVSACP003	2	1.64	10			
CVSACP004	1	2.82	31	5	1.22	29
CVSACP005	1	2.53	7			
	2	2.08	15	10	0.88	7
CVSACP006	1	6.31	13	3	3.58	13
				11	1.17	9
CVSACP007	3	2.64	8	4	2.11	8
	2	9.14	15	15	2.74	14
	2	6.13	22	21	2.38	8
CVSACP008	2	2.40	5			
	1	4.28	10	3	1.98	9
				15	1.33	5
	1	1.94	27			
CVSACP009	2	4.29	15	8	1.86	14
	34	0.47	0			
CVSACP010	3	4.30	12	12	1.35	12
CVSACP011	1	1.73	4			
	1	1.3	22			

Table 1. Significant gold intercepts, RC drilling at Pansy Pit, Primrose Project. High grade intercepts were restricted to continuous runs of higher gold grades and have an arbitrary cutoff. Broader intervals were averaged over intercepts greater than 0.5g/t gold with intercepts below that of less than one metre width included if bracketed by greater than 0.5g/t gold assays. Co-ordinate system used is MGA / GDA94, Zone 50.

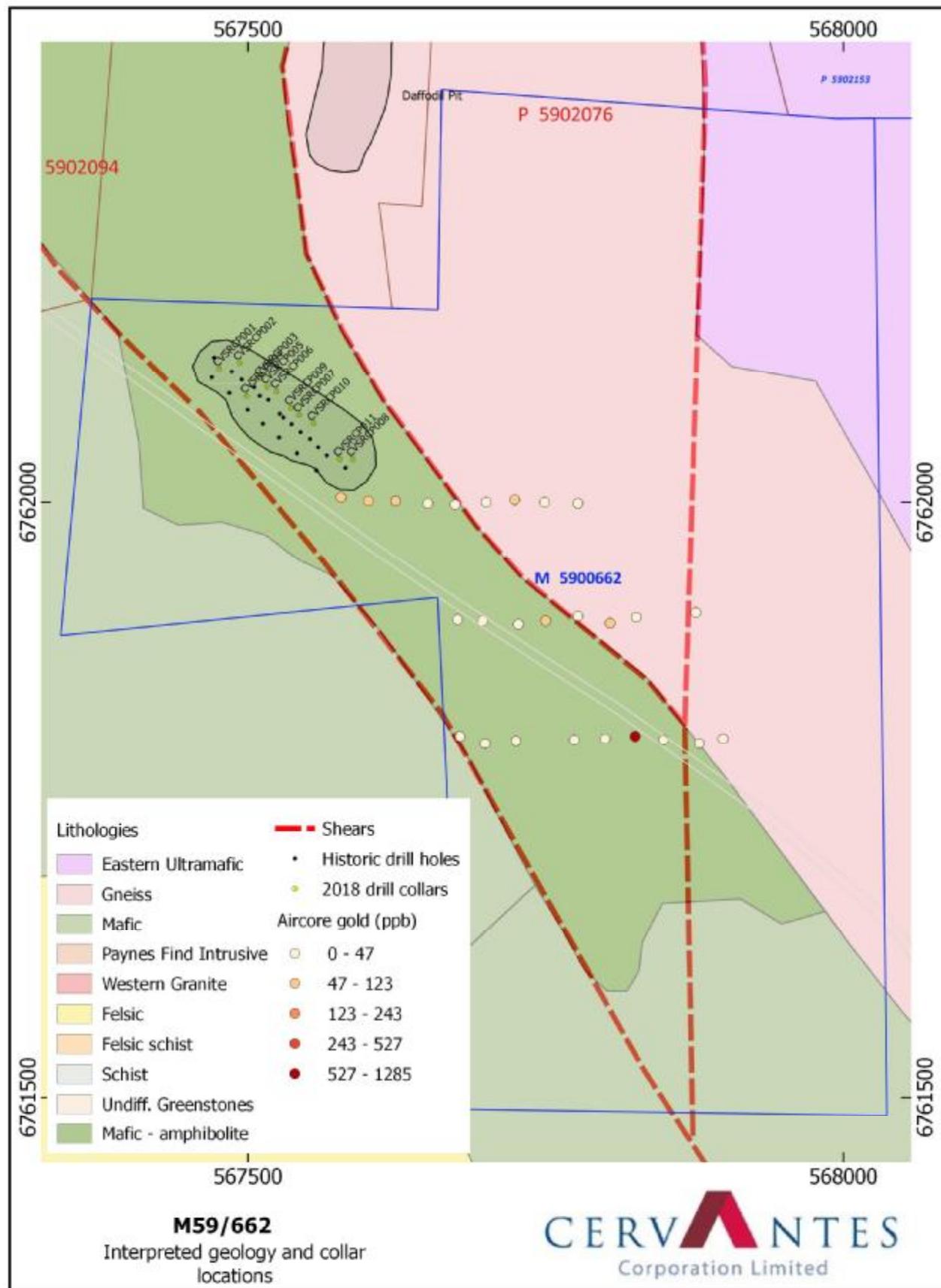


Figure 1: Interpreted geology and hole collar locations, M59/662. Co-ordinate system is GDA94 Zone 50.

Representative cross section

Insufficient drilling has been undertaken to unambiguously identify specific quartz lodes from section to section. The historic drilling is devoid of meaningful geologic observations and so is of limited use in gaining an understanding of the Pansy Pit geological setting. Representative interpreted geological section is shown in *Figure 2* and *3*, the location of which is shown on *Figure 1*.

These sections show a transition from a steeply dipping quartz lode system near the centre of the pit to a more moderate and possibly flatly dipping system at the northern end of the pit. The transition is interpreted as a mineralised system that is wrapping around a possible felsic intrusive to the west of the pit, an interpretation that needs to be tested by further drilling. That felsic intrusion may be the driver for mineralisation in the Pansy area and may constitute a drilling target in its own right.

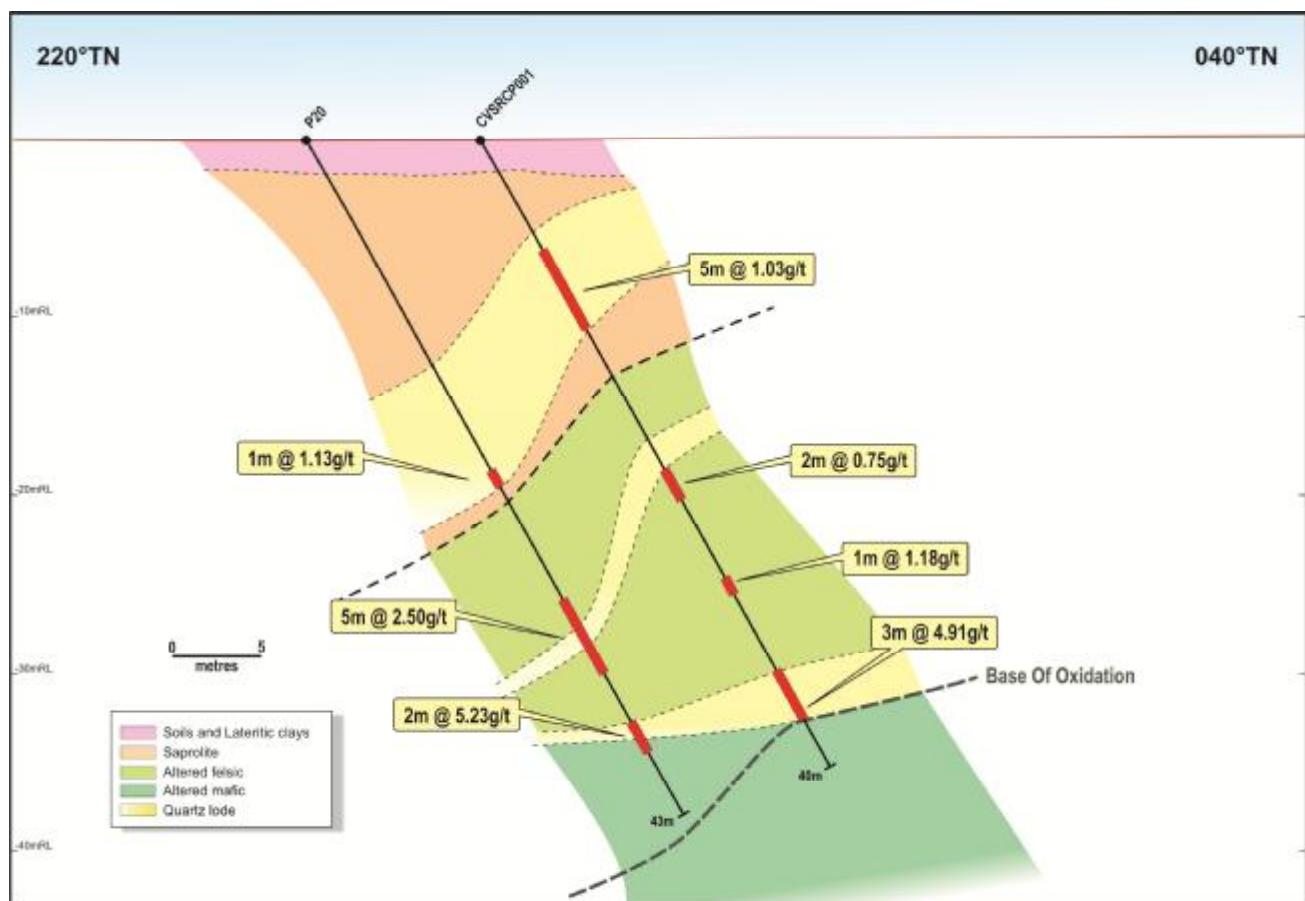


Figure 2: Interpreted geological section P20-CVSRCP001. Section location is shown on Figure 8. RL is arbitrary.

Follow-up

A more regional assessment of the Pansy mineralisation will be undertaken, particularly in light of the gold anomalism seen in aircore drilling to the south east of the pit (ASX announcement 11 July, 2018).

The historic hole collars no longer exist; Cervantes may decide to redrill those holes to more fully test the area for gold mineralisation in the light of the conclusions drawn from this drilling campaign. Holes unable to be drilled during this campaign will be re-assessed for possible future completion. In the meantime an assessment of these drilling results will continue to better understand the controls on gold mineralisation.

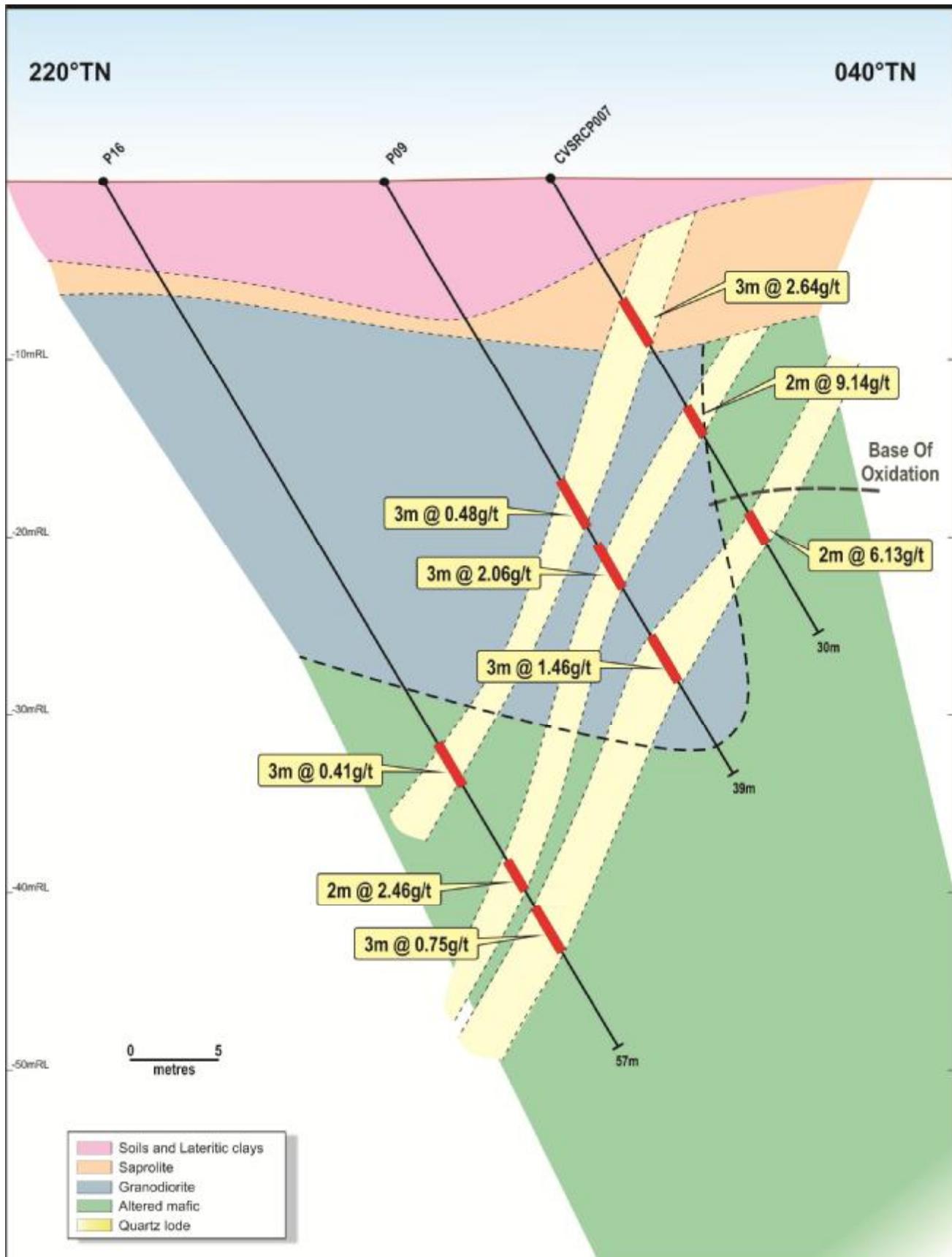


Figure 3: Interpreted geological section P16-CVSRCP007. Section location is shown on Figure 1. RL is arbitrary.

ALBURY HEATH

The Albury Heath tenement package (P51/2937, P51/2997 - 3001) is located approximately 23 kilometres South East of the mining town of Meekatharra in Western Australia.

The Albury Heath currently contains an Indicated and Inferred Resource of 390,000 tonnes at 2.15g/t gold (ASX announcement 7 February 2017).

The Company recently completed a focused, seven hole 440 metre drilling campaign to follow-up and test previously intersected bonanza grade gold zones, not previously known from historic drilling or mine workings. The recent drilling is to test the down dip, up dip and along strike continuity of these zones to further plan a more comprehensive drilling program anticipated in 2019. Assays from this drilling programme are awaited.

Whilst the recent plan was to originally incorporate the RAB drilling of some 4-5 other targets within the project area, the Mines Dept. approvals for the RAB were not obtained in time, and we accepted an offer from a drilling contractor in the area to complete just the RC drilling. The RAB drilling will be rescheduled but may need to be aligned with other programmes to minimise mobilisation costs.

Previously unknown bonanza grade gold zones

Hole AHP134, which intersected 202.79g/t gold (or approximately 6.5 ounces/tonne) occurs 80m NE from the old workings. Hole AHP116, which intersected 129.32g/t gold (or approximately 4.2 ounces/tonne) is located 40m to the SW of those workings. Neither of these areas were exploited by historic mining nor were they intercepted in historic drilling.

Twenty nine RC holes for 1,866m were completed in 2018 (ASX announcement 14 May 2018), with significant gold intersections from the RC drilling programme released 28 June 2018 and 24 July 2018. Drilling intersected quartz lode mineralisation with higher grades than that seen in historic drilling.

- *Significant gold intersections from the RC drilling at Albury Heath include (down hole length, true width not known):*

*17m @ 18.8 g/t from 77m in AHP139, incl 4m @ 52.3 g/t from 86m
1m @ 14.1 g/t from 58m in AHP120
2m @ 7.0 g/t from 9m in AHP134, incl 1m @ 13.3 g/t from 10m
2m @ 3.2 g/t from 29m in AHP136
1m @ 15.2g/t from 46m in AHP 135
8m @ 15.3 g/t from 87m in AHP135, incl 4m @ 30.1 g/t from 87m,
2m @ 67.2 g/t from 27m in AHP116, incl 1m @ 129.3 g/t from 27m
4m @ 9.1 g/t from 19m in AHP119, incl 2m @ 16.5 g/t from 19m
2m @ 18.2 g/t from 4m in AHP127, incl 1m @ 31.4 g/t from 4m
1m @ 31.4 g/t from 36m in AHP128
4m @ 5.8 g/t from 45m in AHP129, incl 1m @ 19 g/t from 45m
3m @ 9.0 g/t from 81m in AHP130, incl 1m @ 21.3 g/t from 82m
5m @ 63.1 g/t from 32m in AHP134, incl 1m @ 202.8 g/t from 33m
8m @ 23.1 g/t from 87m in AHP135, incl 2m @ 49.0 g/t from 87m*

All drilling was by Reverse Circulation (RC) with every metre sampled for assaying. Bulk samples were collected for future metallurgical testing purposes.

Hole AHP139 was drilled as a "scissor" hole to test the main quartz lode from the opposite direction to that drilled by holes AHP128 (maximum assay of 31.41g/t, or about 1oz/t), AHP129 (18.96g/t) and AHP130 (21.27g/t). AHP139 is interpreted to have intersected the main lode at 43 to 54m (max of 1m @ 15.17g/t) and again at 77 to 94m (max of 1m @ 69.19g/t, or about 2.2oz/t). It is likely AHP139 intersects the lode at an oblique angle and the intercepts do not represent true widths.

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The previously reported intercept of 5m @ 63.1g/t (about 2oz/t) from 32m in hole AHP134, including 1m @ 202.8g/t (about 6.5oz/t) from 33m represents the north-east extension of this main lode.

The assays for the lode position in hole AHP135 have been updated to reflect assaying on the high grade zone between 87m and 95m.

Geology

The high grade gold intervals are hosted in steeply dipping (70° to 80° to the southeast) quartz-pyrite veins, stockworks, and stringers that vary in width from less than one metre to over four metres. These quartz systems are hosted by vesicular and altered (+/-carbonate, silica, fuchsite and pyrite) basalts of the Polelle Group. The first basalt encountered tends to be vesicular, giving way to altered basalts at depth. Felsic volcanics, volcanoclastics, and banded iron formation are seen locally, but not recognised in drilling.

The Albury Heath resource is typical of Murchison Domain gold mineralisation: related to major faults and shear zones within greenstone belts and preferentially associated with banded iron formations, and ultramafic and mafic lithologies. Most of the gold deposits are considered to be "lode-gold style" and many shears and mineralised vein systems are associated with metasomatism with the mineralising fluids possibly being derived by progressive metamorphic dewatering of mafic and ultramafic sequences (Browning et al, 1987).

Gold mineralisation at Albury Heath is closely associated with the Meekatharra Structural zone, a major regional northeast trending shear dominated zone approximately 50km wide. Specifically, the local northeast trending structure is related to an extension of the regional scale Mt Magnet Fault, host to the Burnukara gold camp, about 25 kilometres to the south-south-east.

Mineralisation

Up to seven lodes are recognised locally. The Main Lode was mined by underground selective mining methods. It represents the most consistently auriferous lode. While grades are best developed in the vicinity of the Albury Heath shaft, drilling has shown high gold grades extend along strike. For example, the 202.79g/t intercept in AHP134 occurs 80m NE from the old workings and a 129.32g/t intercept in AHP116 is located 40m to the SW of those workings; both in areas not exploited by historic mining.

The lodes transgress from oxidized into fresh rock. Oxidation level appears to have no discernable impact on gold grade although there may be some evidence of supergene enrichment in the overlying lateritic clays. Minor sulphides are recorded in the lode, but it is not ubiquitous, nor is it wholly pathetic with the gold mineralisation. There is no discernable trend between the mineralisation seen in the two basalt types, though most occurs in vesicular basalt, possibly a function of this unit being the most sampled by drilling.

Gold grades in both the saprolite zone and in overlaying ferricretes and lateritic clays is sporadic and in places apparently unrelated to the lode positions.

With all data now in hand, a re-interpretation of the geology has been possible.

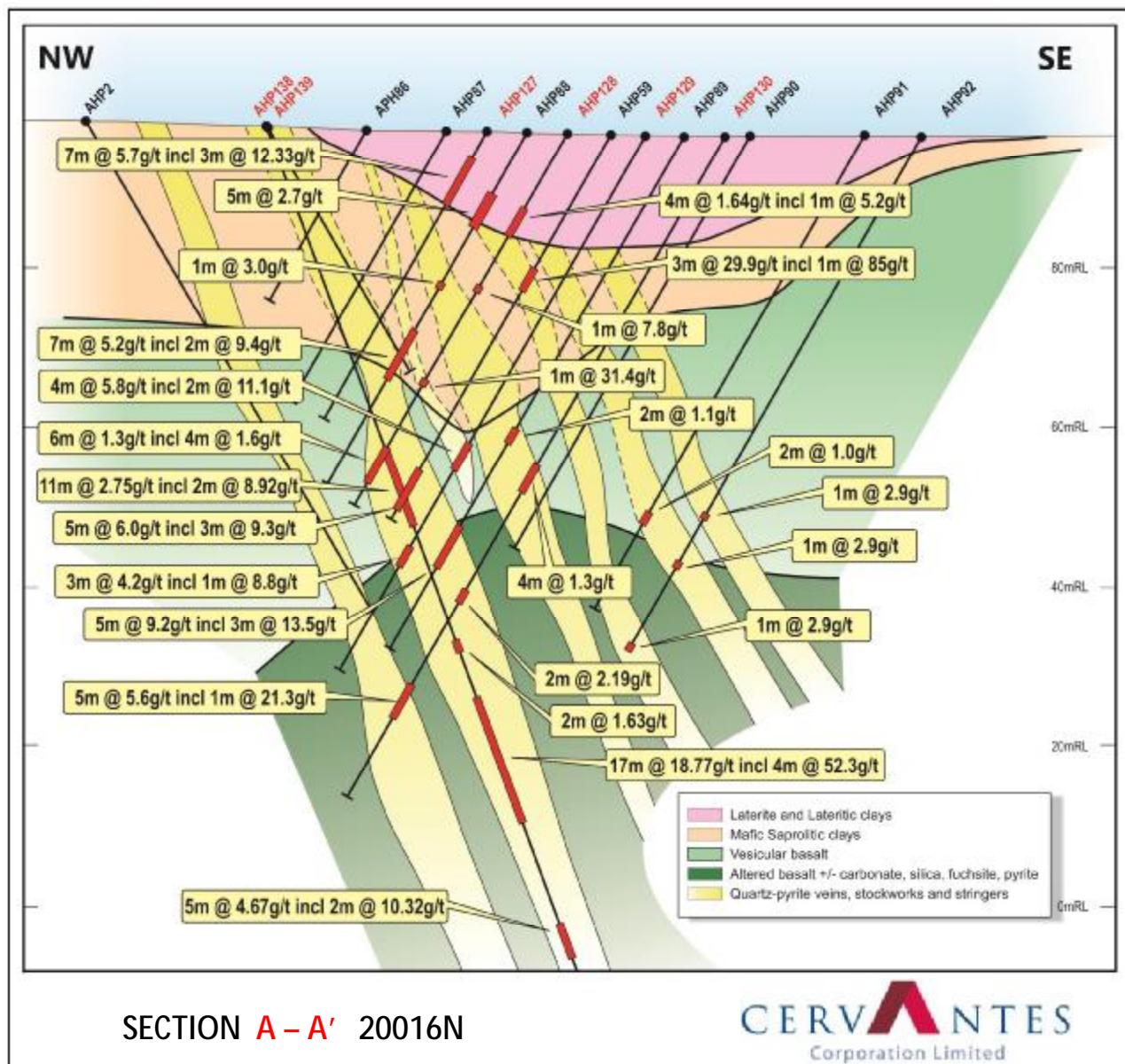


Figure 4. Drill section 20016N. Refer to Figure 5 for cross section location. RL datum is arbitrary.

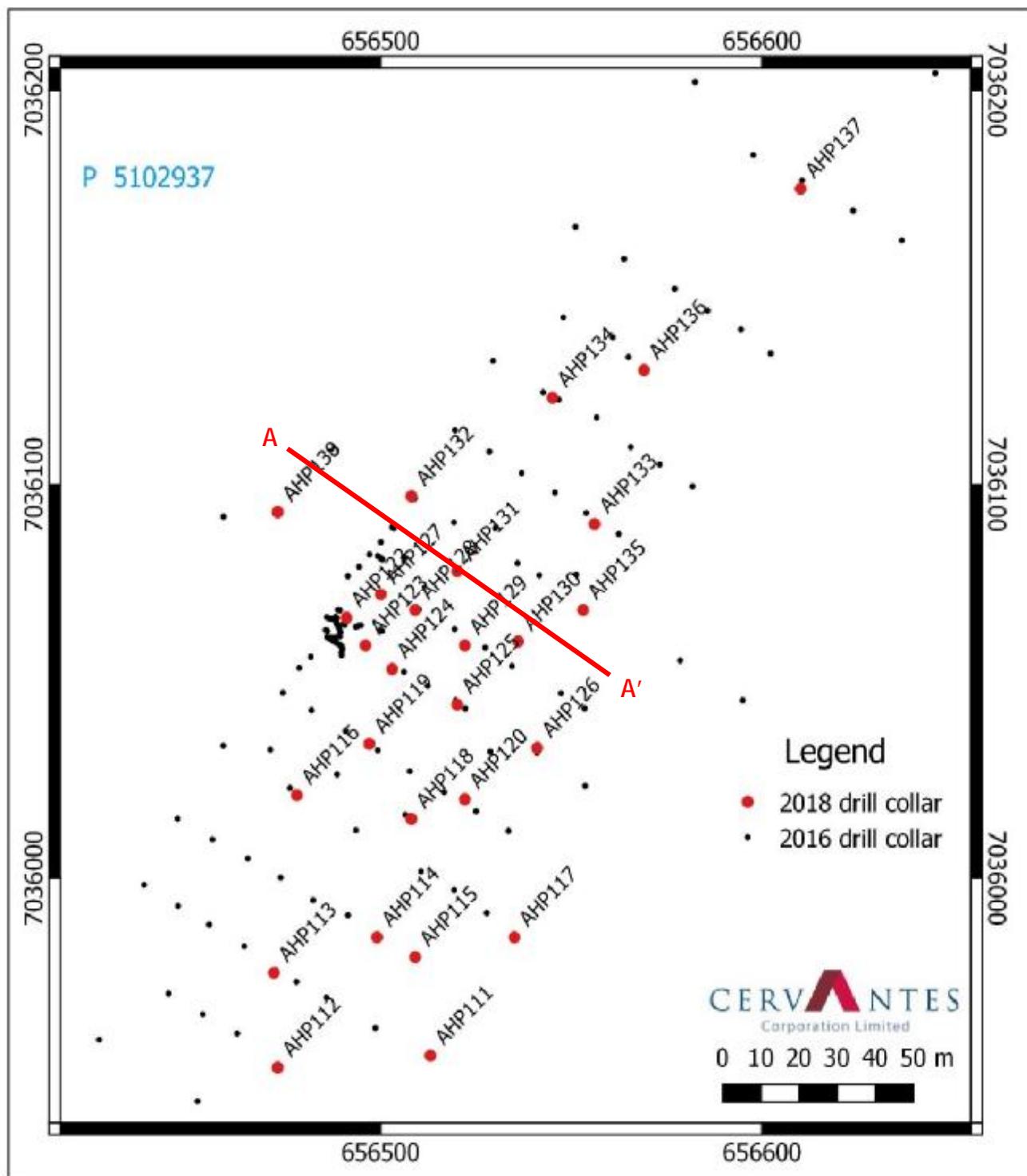


Figure 5. Drill hole and drilling section locations, Albury Heath. (refer to ASX release 17 July 2018 for MGA94 co-ordinates of holes) Note Holes AHP138 and 139 have the same collar location.

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ABBOTTS

The Company's Abbotts project tenement E63/1721 is strategically located and immediately adjoins to the north of Thundelarra Ltd's Garden Gully project in Meekatharra. It's 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 significantly expanded their holdings in this area by acquiring Doray Minerals ground which adjoins Thundelarra's current holdings and now surrounds Cervantes E63/1721 southern and western boundaries. Any extension of mineralisation to the north and now east of Thundelarra's tenement area will likely add value to our tenement. Cervantes has carried out a soil sampling program along the southern boundary of E63/1721 and any results from this program will be pursued in due course.

No additional work has been carried out on Cervantes E63/1721.

Competent Person's Statement

The details contained in this report that pertain to exploration results and exploration targets are based upon information compiled by Mr Marcus Flis and fairly represent information and supporting documentation prepared by Mr Flis. Mr Flis, a Director and Exploration Manager of Cervantes Corporation Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Flis consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

Forward Looking Statement

This report contains forward looking statements concerning the projects owned by Cervantes Corporation Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

On 5 July 2018, the Company issued 7,000,000 fully paid ordinary shares at a price of \$0.011 per share plus 3,500,000 options to European Lithium Ltd, in satisfaction for the \$80,000 to finalise the remaining consideration for the acquisition of the Paynes Find Gold Project.

On 9 August 2017 the Company waived all rights, fees and entitlements to the Iron Sands Project, introduced to Baraka Energy & Resources Ltd (Baraka) by the Company in 2012, in return for an amended loan agreement Baraka had previously provided to Company for its development on agreed terms.

The removal of the legal impediments with the Philippine vendors, removal of the Administrators from Consolidated Iron Sands Ltd (CIS) and the development of interest by a group to potentially acquire the Iron Sands venture, prompted and allowed an escalation of the already ongoing discussions between the boards of Baraka and Cervantes to resolve any rights, fees and entitlements Cervantes had over the venture.

Meetings of the boards of Baraka and Cervantes resulted in an agreement to resolve the rights, fees and entitlements that Cervantes had over the iron sands venture to enable Baraka to pursue buyers, joint venture partners representing Chinese Steel mills, Dredging firms, other companies in the Iron Sands industry, or wealthy Philippines or Chinese investors. It was agreed that Cervantes put an offer to Baraka to settle the rights, fees and entitlements in a co operative manner so both parties could move forward in their respective operations and industries.

Cervantes submitted a letter of amended agreement to Baraka to effectively waive all rights, fees and entitlements to the iron sands venture in return for an amended loan agreement Baraka had previously

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provided to Cervantes for their development on agreed terms. This loan and the basic terms thereof have been fully disclosed by both companies regularly in various quarterly, half yearly and full year reports.

Baraka amended the submitted letter of agreement, effectively providing a counter offer, which the board of Cervantes accepted and agreed to. The formal documentation was provided, independent board meetings were held, and board members authorised by each board signed and executed the final documents.

Cervantes received a \$357,400 reduction in the loan for the waiving of all rights, fees and entitlements to the Iron Sands venture. The calculation of this reduction was made up of a 10% introduction fee which is based on the offered purchase price of \$3m for the Iron Sands venture, plus \$57,400 for the waiving of all other rights. This was considered a commercial deal for both Cervantes and Baraka based on documents provided which contained similar terms and considered to be standard and commercial.

The previous loan agreement between Baraka and Cervantes has now been amended in return for waiving all fees and rights to the Iron Sands venture. The loan has been amended to a \$900,000 loan repayable over twenty four month interest free.

The Company is pursuing discussions with two international fund providers and is seeking discussions with private investors and stockbrokers interested in participating by way of capital injection in these exciting programs and developments.

Events after the Reporting Date

On 24 October 2018 the Company released a prospectus to raise up to \$700,000 through the issue of up to 70,000,000 shares with one free option for every two shares subscribed to, exercisable at 1.5c each on or before 30 June 2020. On 30 November 2018 shareholders in a general meeting approved this issue. It was anticipated that the prospectus would close on 4 December 2018. The offer was extended and closed on 18 January 2019. The Company issued 3,825,000 shares at a price of \$0.01 per share plus 1,912,500 options to raise \$38,250 before costs.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 16 for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors:



Collin Vost
Director and Chairman
Dated: 15 March 2019



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Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Cervantes Corporation Ltd
PO Box 190
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 review of the 31 December 2018 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 15 March 2019



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE HALF-YEARENDED 31 DECEMBER 2018

	Note	Consolidated Group	
		31 December 2018	31 December 2017
Continuing Operations			
Revenue			
Interest income	2a	362	6
Profit on sale on investment held for trading		49,449	-
Increase in fair value of other financial assets		-	5,716
Waiving of rights fees & entitlement		357,400	-
		407,211	5,722
Employee benefits expenses		(36,000)	(32,100)
Decrease in fair value of other financial assets		(44,968)	-
Financing costs		(40)	(206)
Occupancy expenses		(35,083)	(27,218)
Administration expenses		(136,838)	(201,421)
Profit (Loss) from ordinary activities before related		154,282	(255,223)
Income Tax benefit			
Income tax benefit relating to ordinary activities		-	-
Profit (Loss) from ordinary activities after related			
Income Tax benefit		154,282	(255,223)
Other comprehensive income		-	-
Total comprehensive income		154,282	(255,223)
Earnings per share attributable to the ordinary equity holders of the company			
- Basic		0.062c	(0.078)c

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Consolidated Group	
		As at	As at
		31 December 2018	30 June 2018
Current Assets			
Cash and cash equivalents		49,178	272,970
Trade and other receivables		9,299	23,885
Financial assets		37,710	87,956
Other assets		11,389	7,204
Total Current Assets		107,576	392,015
Non-Current Assets			
Property, plant and equipment		2,900	2,900
Exploration assets	3	1,780,532	1,571,245
Intangible assets	4	670	670
Total Non-Current Assets		1,784,102	1,574,815
Total Assets		1,891,678	1,966,830
Current Liabilities			
Trade and other payables		272,658	285,986
Financial liabilities	5	964,500	1,257,400
Total Current Liabilities		1,237,158	1,543,386
Total Liabilities		1,237,158	1,543,386
Net Assets		654,520	423,444
Equity			
Issued capital	6	13,940,553	13,863,759
Accumulated losses		(13,286,033)	(13,440,315)
Total Equity		654,520	423,444

The accompanying notes form part of these financial statements.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated Group	\$	\$	\$
	Share Capital	Accumulated	
	Ordinary	Losses	Total
Balance at 1.7.2017	12,295,381	(13,122,293)	(826,912)
Total comprehensive income	-	(255,223)	(255,223)
Sub-total	12,295,381	(13,377,516)	(1,082,135)
Shares issued during the period	574,000	-	574,000
Transaction costs	(11,317)	-	(11,317)
 Balance at 31.12.2017	 12,858,064	 (13,377,516)	 (519,452)
 Balance at 1.7.2018	 13,863,759	 (13,440,315)	 423,444
Total comprehensive income	-	154,282	154,282
Sub-total	13,863,759	(13,286,033)	577,726
Shares issued during the period	80,000	-	80,000
Transaction costs	(3,206)	-	(3,206)
 Balance at 31.12.2018	 13,940,553	 (13,286,033)	 654,520

The accompanying notes form part of these financial statements.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	
	31 December 2018	31 December 2017
Cash Flow from Operating Activities		
Cash receipts in the course of operations		
Payments to suppliers and employees	(229,663)	(72,909)
Interests received	362	6
Interest paid	(40)	(206)
Net cash flows from (used in) operating activities	<u>(219,341)</u>	<u>(73,109)</u>
Cash Flow from Investing Activities		
Proceeds from held for trading investments	54,727	(4,247)
Proceeds from borrowings	64,500	260,000
Loans to other entities	(4,185)	-
Payments for exploration & evaluation	<u>(129,287)</u>	<u>(207,390)</u>
Net cash flows from (used in) investing activities	<u>(14,245)</u>	<u>48,363</u>
Cash Flow from Financing Activities		
Shareholders trust pending issue of shares	23,000	-
Costs of share issue	<u>(3,206)</u>	<u>(11,318)</u>
Net cash flows from financing activities	<u>19,794</u>	<u>(11,318)</u>
Net increase (decrease) in cash and cash equivalents	(223,792)	(36,064)
Cash and cash equivalents at the beginning of the period	<u>272,970</u>	<u>62,302</u>
Cash and cash equivalents at the end of the period	<u>49,178</u>	<u>26,238</u>

The accompanying notes form part of these financial statements.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Cervantes Corporation Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Accounting Policies

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

Impairment

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

Going Concern

The group has a profit for the period of \$154,282 and a surplus of net assets of \$654,520.

On 24 October 2018 the Company released a prospectus to raise up to \$700,000 through the issue of up to 70,000,000 shares with one free option for every two shares subscribed to, exercisable at 1.5c each on or before 30 June 2020. On 30 November 2018 shareholders in a general meeting approved this issue. It was anticipated that the prospectus would close on 4 December 2018. The offer was extended and closed on 18 January 2019. The Company issued 3,825,000 shares at a price of \$0.01 per share plus 1,912,500 options to raise \$38,250 before costs.

The directors are considering raising further equity capital through a share placement. Also, the Group has current assets, being held for sale investments, which could be sold to meet current financial obligations.

The directors continued to seek opportunities for the Group and the Board the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the interim report and accounts.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: Basis of Preparation continues

Going Concern continues

Notwithstanding these points the directors have concluded there is a material uncertainty that casts doubt upon the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Critical Accounting Estimates and Judgments

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

Key Estimates – Deferred Exploration and Evaluation Expenditure

The Group's policy for deferred 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 amount is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income. At the date of this report the Group had sufficient reason to believe that the exploration in specific areas of interest will lead to the discovery of viable quantities of mineral resource and the Group has decided to continue such activity in the specific areas. Such capitalised expenditure is carried at reporting date at \$1,780,532 and the amount written off through the Statement of Comprehensive Income as exploration and evaluation written off for projects amounted to \$nil (December 2017 \$nil)

NOTE 2: Profit (Loss) for the period

	Consolidated Group	
	31 December 2018	31 December 2017
	\$	\$
2a. Interest revenues		
- other persons	362	6
	<hr/>	<hr/>
	<hr/>	<hr/>
	362	6

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
 NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: Deferred exploration expenditure

	Consolidated Group	
	31 December 2018	30 June 2018
	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest	1,780,532	1,571,245
	<hr/>	<hr/>
	1,780,532	1,571,245
 Movement in carrying amounts		
Balance at beginning of year	1,571,245	238,701
Acquisitions at fair value	80,000	1,019,280
Exploration expenditure capitalised	129,287	313,264
Exploration expenditure written off	-	-
Amortisation	-	-
	<hr/>	<hr/>
Closing balance	1,780,532	1,571,245

Paynes Find acquisition

On 22 December 2016 a Conditional Binding Terms Sheet was signed between Cervantes Gold Pty Ltd, the wholly owned subsidiary of the Company and European Lithium Ltd (ASX:EUR) to purchase 100% of the rights, title and interest in the tenement known as the Paynes Find Gold Project, located in Meekatharra Western Australia.

On 5 July 2018, the Company issued 7,000,000 fully paid ordinary shares at a price of \$0.011 per share plus 3,500,000 options to European Lithium Ltd, in satisfaction for the \$80,000 to finalise the remaining consideration for the acquisition of the Paynes Find Gold Project.

NOTE 4: Intangible assets

Non current		
Company formation expenses	670	670
	<hr/>	<hr/>
	670	670

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
 NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: Borrowings

	Consolidated Group	
	31 December 2018	30 June 2018
	\$	\$
Current		
Unsecured borrowings	964,500	1,257,400
	<hr/>	<hr/>
	964,500	1,257,400
	<hr/>	<hr/>

The Group has a loan facility provided by an ASX listed company, Global Vanadium Ltd (ASX:GLV) (formerly Baraka Energy & Resources Ltd) (ASX:BKP) (Baraka), of which the company's directors Mr Collin Vost and Mr Justin Vost, were common directors at the time.

On 9 August 2018 the Company announced it had successfully renegotiated the loan agreement with Baraka, whereby, the Company would receive a \$357,400 reduction in the loan for the waiving of all rights, fees, obligations and entitlements to the Iron Sands venture introduced to Baraka by the Company in 2012. The calculation of this reduction was made up of a 10% introduction fee which was based on the conditional offered purchase price of \$3m for the Iron Sands venture by an unrelated third party, plus \$57,400 and the waiving of outstanding interest and future interest payments for 24 months and any rights to convert any of the loan to securities for the waiving of all other rights. This was considered a commercial by both Cervantes and Baraka, based on documents provided which contained similar terms, and considered to be standard and commercial. Both Baraka and Cervantes were provided a copy of the conditional purchase agreement and the standard introduction mandate for fees to quantify the discount and interest free period which represented a sum of the settlement terms. The loan has been amended to a \$900,000 loan repayable over twenty four month interest free.

In December 2018 the Company borrowed \$64,500 from New York Securities Pty Ltd, a company which Mr Collin Vost is a director. The terms of this loan are interest free and repayable by installments over 12 months at the discretion of both parties. The loan may be extended at the discretion of both parties.

NOTE 6: Issued capital

494,683,309 (June 2018: 487,683,309)	13,863,759	12,295,381
Fully paid ordinary shares		
Opening balance		
Issue 12 July 2017	10,000	
Issue 22 December 2017	564,000	
Issue 31 January 2018	281,078	
Issue 6 April 2018	781397	
Issue 5 July 2018	80,000	
Transaction costs	(3,206)	(68,097)
	<hr/>	<hr/>
At the end of the reporting period	13,940,553	13,863,759
	<hr/>	<hr/>

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
 NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 6: Issued capital continues

	Consolidated Group	
	31 December 2018	30 June 2018
	No	No
Ordinary shares		
At the beginning of the period	487,683,309	323,329,716
Issued during the period:		
Issue 12 July 2017	1,000,000	
Issue 22 December 2017		33,000,000
Issue 31 January 2018		40,154,000
Issue 6 April 2018		90,199,593
Issue 5 July 2018	7,000,000	
	494,683,309	487,683,309
At the end of reporting period		

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

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

NOTE 7: Share based payments

On 5 July 2018, the Company issued 7,000,000 fully paid ordinary shares at a price of \$0.011 per share and 3,500,000 options to European Lithium Ltd, in satisfaction for the \$80,000 to finalise the remaining consideration for the acquisition of the Paynes Find Gold Project.

The value of the above share based payments have been capitalised as exploration acquisition cost in the Company's statement of financial position.

These share based payments were approved by shareholders at the Annual General Meeting of the Company held on 18 June 2018.

NOTE 8: Operating segments

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 is generated from Australia only. All the assets are located in Australia.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity
NOTE TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: Contingent liabilities

There has been no change in contingent liabilities since the end of the last annual reporting period.

NOTE 10: Event subsequent to balance date

On 24 October 2018 the Company released a prospectus to raise up to \$700,000 through the issue of up to 70,000,000 shares with one free option for every two shares subscribed to, exercisable at 1.5c each on or before 30 June 2020. On 30 November 2018 shareholders in a general meeting approved this issue. It was anticipated that the prospectus would close on 4 December 2018. The offer was extended and closed on 18 January 2019. The Company issued 3,825,000 shares at a price of \$0.01 per share plus 1,912,500 options to raise \$38,250 before costs.

There are no matters or circumstances that have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Cervantes Corporation Ltd ABN 79 097 982 235 and Controlled Entity

DIRECTORS' DECLARATION

The directors of Cervantes Corporation Limited (the company) declare that:

1. The accompanying half year interim financial statements and notes:
 - (a) comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Collin Vost
Director and Chairman
Dated: 15 March 2019



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Independent Review Report to the Members of Cervantes Corporation Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Cervantes Corporation Ltd and its subsidiaries for the half-year ended 31 December 2018.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cervantes Corporation Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Cervantes Corporation Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



R

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the financial statements which outlines the consideration of future capital raisings and the sale of current assets and wherein it is stated notwithstanding these points that the directors have concluded there is a material uncertainty that casts doubt on the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.. Our conclusion is not modified in respect of this matter.

Rothsay
Rothsay Auditing

Graham Swan
Graham Swan FCA
Partner

Dated *15* March 2019