

# **CERVANTES CORPORATION LTD**

**ABN 79 097 982 235**

## **NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT AND PROXY FORM**

**Date of Meeting: Monday 29 November 2010**

**Time of Meeting: 9:00 am (WST)**

**Place of Meeting: Royal Perth Golf Club, South Perth, WA**

# What Action You Need to Take

## Read Meeting Documents

The attached meeting documents set out the details of the Resolutions being put to Shareholders. This information is important. You should read the documents carefully and if necessary seek your own independent advice on any aspect about which you are not certain.

## Vote on Resolutions

Your vote is important. Details of the Resolutions are set out in the Notice of Meeting and the Explanatory Statement.

Shareholders should complete the Proxy Form and return it by mail or facsimile so as to be received by the Company before 10:00am (WST) on Saturday 27 November 2010.

**Proxy Forms received later than this time will be invalid.**

## Entitlement to Vote

In accordance with Regulation 7.11.37 of the Corporations Act 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of shareholders as at 10:00am (WST) on Sunday 28 November 2010.

## Proxies

A Proxy Form is attached to this Notice of Meeting and to be effective must be lodged with the Company at Shop 11 "South Shore Piazza" 85 South Perth Esplanade, South Perth, 6152 or sent by facsimile to (08) 9367 2450.

## Key Dates

Deadline for lodgment of Proxy Forms	Saturday 27 November 2010 at 10:00am (WST)
Date and time for determining eligibility to vote	Sunday 28 November 2010 at 10:00am (WST)
Date of Annual General Meeting	Monday 29 November 2010 at 9.00am (WST)

## Queries

If you have any queries about any matters contained in these meeting documents, please call the Company Secretary, Patrick O'Neill, on (08) 9474 3799.

**NOTICE IS GIVEN** that the Annual General Meeting of Shareholders will be held at Royal Perth Golf Club, South Perth, WA on Monday 29 November 2010 commencing at 9:00am (WST).

## **AGENDA**

### **Report by the Managing Director**

## **BUSINESS**

### **1. Annual Accounts and Reports**

To receive and consider the annual financial report of the Company for the year ended 30 June 2010 and the reports of the Directors' and of the Auditor's thereon.

### **2. Resolution 1 – Re-Election of Director – Mr Barry MacKinnon**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Company’s Constitution and ASX Listing Rule 14.4, Mr Barry MacKinnon, a Director who retires by rotation, and being eligible, offers himself for election, be elected as a Director.”*

### **3. Resolution 2 – Adoption of Remuneration Report**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s annual financial report for the financial year ended 30 June 2010.”*

### **4. Resolution 3 – Resignation and Appointment of Auditor**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to Australian Securities and Investments Commission granting its consent to the resignation of the Company’s current auditor, Grant Thornton Audit Pty Ltd, for the purpose of section 327B of the Corporations Act and for all other purposes, Rothsay Chartered Accountants, having been nominated and having consented in writing to act as auditor of the Company, be appointed as auditor of the Company and the Directors be authorised to set its remuneration.”*

The Board recommends that shareholders vote in favour of this resolution.

### **5. Resolution 4 – Issue of Director Options – Collin Vost**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 5,000,000 Director Options to Collin Vost (or their nominee) on the terms and conditions set out in the Explanatory Statement.”*

<p><b>Voting Exclusion Statement:</b> the Company will disregard any votes cast on this Resolution by Mr Collin Vost or his nominee and any if their associates. However, the Company need not disregard a vote if cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.</p>
---

## 6. Resolution 5 – Bonus Issue of Shares – Collin Vost

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 5,000,000 fully paid ordinary shares to Collin Vost (or their nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** the Company will disregard any votes cast on this Resolution by Mr Collin Vost or his nominee and any if their associates. However, the Company need not disregard a vote if cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 7. Resolution 6 – Placement of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 40,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### Members entitled to attend and vote at the Meeting

For the purposes of the Meeting and in accordance with regulation 7.11.37 of the Corporations Regulations 2001, it has been determined that the members entitled to attend and vote at the meeting shall be those persons who are recorded in the register of members at 10:00am on Sunday 28 November 2010. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### Proxies

Each Shareholder is entitled to appoint a proxy. The proxy does not need to be a member of the Company. A Shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies, each proxy may exercise half of the Shareholder's votes if no proportion or number of votes is specified.

A Proxy Form accompanies this Notice of Meeting and, to be effective, duly completed Proxy Forms, together with any relevant power of attorney must be received at the Company's registered office **by no later than 9:00am (WST), Saturday 27 November 2010.**

Deliver to:

Shop 11 “South Shore Piazza”  
85 South Perth Esplanade  
South Perth WA 6151

or by facsimile on:

+61 8 9367 2470

or post to:

PO Box 1196  
South Perth WA 6951

**Corporate Representatives**

Any body corporate wishing to appoint a person to act as its representative at the Meeting may do so by providing that person with a copy of the resolution by its directors or other governing body authorising the person to act as the corporate shareholder's representative at the Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'P. J. O'Neill', written in a cursive style.

Patrick J O'Neill  
Company Secretary  
27 October 2010

**CERVANTES CORPORATION LTD**  
**ABN 79 097 982 235**  
**EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared to assist shareholders with their consideration of the resolutions proposed for the Annual General Meeting of Cervantes Corporation Ltd (**Company**) to be held at the Royal Perth Golf Club, South Perth, WA at 9:00am on Monday 29 November 2010.

**FINANCIAL STATEMENTS AND REPORTS**

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

**RESOLUTION 1 – Re-election of Mr Barry MacKinnon**

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one third) of these Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Mr Barry MacKinnon retires by rotation and being eligible seeks re-election.

**RESOLUTION 2 – Adoption of Remuneration Report**

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

**RESOLUTION 3 – Resignation and Appointment of Auditor**

The Board has considered and agreed to this change and the Board has agreed to this resolution being presented to the shareholders of the Company. By agreement with the Company, Grant Thornton Audit Pty Ltd (Grant Thornton), who are the Company's current auditors, have given notice of their intention to resign as auditor of the Company (under section 329(5) of the Corporations Act) subject to receipt of the consent from the Australian Securities and Investments Commission (ASIC) and Shareholder approval of this resolution 3 for the appointment of Rothsay Chartered Accountants as auditor.

Subject to ASIC consenting to the resignation of Grant Thornton, and Grant Thornton submitting a resignation to the Company, it is proposed that the Company appoint Rothsay Chartered Accountants as auditor of the Company.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a shareholder for Rothsay Chartered Accountants to be appointed as the Company auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure A.

Rothsay Chartered Accountants has given its written consent to act as the Company's auditor subject to Shareholder approval of this resolution 3.

If resolution 3 is passed, the appointment of Rothsay Chartered Accountants as the Company's auditor will take effect at the close of this Annual General Meeting.

## RESOLUTION 4 – Issue of Director Options – Collin Vost

### GENERAL

Under Resolution 4 shareholder approval is being sought for the issue of Options to a related party of the Company.

The purpose of the issue of Options to Mr Collin Vost (**Director Options**) is to provide an incentive to the Director to provide dedicated and ongoing commitment and effort to the Company. The issue of Director Options as a part of the remuneration package of the Directors is an established practice of junior public listed companies and has the benefit of conserving cash whilst properly rewarding the Directors. Based on this the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

The Board has agreed, subject to obtaining Shareholder approval, to allot and issue 5,000,000 Director Options to Mr Collin Vost (**Related Party**).

### CHAPTER 2E OF THE CORPORATIONS ACT

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to the Related Party requires the Company to obtain Shareholder approval because the grant of the Director Options constitutes giving a financial benefit and as a Director, Collin Vost is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Party.

### SHAREHOLDER APPROVAL (CHAPTER 2E OF THE CORPORATIONS ACT AND LISTING RULE 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Party is Mr Collin Vost and he is a related party by virtue of being Director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be issued to the Related Party is 5,000,000 Director Options;
- (c) the Director Options will be issued to the Related Party no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 1;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (g) the current relevant interests of the Related Party in securities of the Company are set out below;

Related Party	Shares	Options
Mr Collin Vost	30,620,000	-

- (h) the remuneration, emoluments and contract payments from the Company to the Related Party for the financial year ended 30 June 2010 are set out below:

	<b>Collin Vost</b>
Directors Fees	\$24,000
Services Office and Brokerage Services	\$37,366
<b>Total</b>	<b>\$61,366</b>

- (i) if the Director Options issued to the Related Party are exercised, a total of 5,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 289,271,112 to 294,271,112 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
	289,271,112	5,000,000	294,271,112	1.70%
<b>TOTAL</b>	289,271,112	<b>5,000,000</b>	294,271,112	<b>1.70%</b>

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	<b>Price</b>	<b>Date</b>
Highest	4.0 cents	5 and 8 -10 February 2010
Lowest	1.4 cents	10, 13-17 and 20 September 2010
Last	1.5 cents	27 October 2010

- (k) the primary purpose of the grant of Director Options to Collin Vost is to provide cost effective recognition for his efforts during a difficult year whilst maintaining cash reserves. The Board (other than Collin Vost) considered the extensive experience and reputation of Collin Vost within the industry, the current market price of Shares and current market practices when determining the number of the Director Options to be issued to Collin Vost. In addition, the Board (other than Collin Vost) considers the grant of the Director Options to Collin Vost to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board (other than Collin Vost) does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- (l) Collin Vost declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board (other than Collin Vost) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and

- (m) the Board acknowledges the grant of Director Options to Collin Vost is contrary to Recommendation 8.2 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of Director Options to Collin Vost reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.



## RESOLUTION 5 – Bonus Issue of Shares – Collin Vost

### GENERAL

The Board has agreed, subject to obtaining Shareholder approval, to allot and issue 5,000,000 Shares (**Director Bonus Shares**) to Mr Collin Vost (**Related Party**).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (c) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (d) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Bonus Shares to the Related Party requires the Company to obtain Shareholder approval because the grant of the Director Bonus Shares constitutes giving a financial benefit and as a Director, Collin Vost is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Bonus Shares to the Related Party.

### SHAREHOLDER APPROVAL (CHAPTER 2E OF THE CORPORATIONS ACT AND LISTING RULE 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Bonus Shares:

- (a) the Related Party is Mr Collin Vost and he is a related party by virtue of being Director;
- (b) the maximum number of Director Bonus Shares (being the nature of the financial benefit being provided) to be issued to the Related Party is 5,000,000 Shares;
- (c) the Director Bonus Shares will be issued to the Related Party no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Bonus Shares will be issued on one date;
- (d) the Director Bonus Shares will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the Director Bonus Shares will be issued on the same terms and conditions as all other fully paid ordinary shares of the Company;
- (f) the current relevant interests of the Related Party in securities of the Company are set out below;

Related Party	Shares	Options
Mr Collin Vost	30,620,000	-

- (g) the remuneration, emoluments and contract payments from the Company to the Related Party for the financial year ended 30 June 2010 are set out below:

	Collin Vost
Directors Fees	\$24,000
Services Office and Brokerage Services	\$37,366
<b>Total</b>	<b>\$61,366</b>

- (h) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	4.0 cents	5 and 8 -10 February 2010
Lowest	1.4 cents	10, 13-17 and 20 September 2010
Last	1.5 cents	27 October 2010

- (i) if Shareholders approve the issue of Shares to Mr Collin Vost, the effect will be to dilute the shareholding of the existing Shareholders by approximately 1.70% (assuming no other Shares are issued or Options are exercised);
- (j) the value of the Director Bonus Shares, based on the most recent trading price of Shares on ASX of 1.7 cents is \$85,000;
- (k) the primary purpose of the grant of Director Bonus Shares to Collin Vost is to provide cost effective recognition for his efforts during a difficult year whilst maintaining cash reserves. The Board (other than Collin Vost) considered the extensive experience and reputation of Collin Vost within the industry, the current market price of Shares and current market practices when determining the number of the Director Bonus Shares to be issued to Collin Vost . In addition, the Board (other than Collin Vost) considers the grant of the Director Bonus Shares to Collin Vost to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board (other than Collin Vost) does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Bonus Shares upon the terms proposed;
- (l) Collin Vost declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board (other than Collin Vost) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (m) the Board acknowledges the grant of Director Bonus Shares to Collin Vost is contrary to Recommendation 8.2 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of Director Bonus Shares to Collin Vost reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Bonus Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Bonus Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

## RESOLUTION 6 – Placement of Shares

### General

Resolution 6 seeks Shareholder approval for the allotment and issue of up to 40,000,000 Shares (**Share Placement**).

As stated in the Company's previous announcement, the Directors have been presented with a number of new investment opportunities. If deemed appropriate for the Company, some of these investment opportunities may require additional cash resources greater than the Company's current cash resources. If the Directors form a view that one of the opportunities has the potential to create significant value to Shareholders, the Directors would like to have the flexibility to be able to move quickly.

None of the subscribers pursuant to this issue will be related parties of the Company.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Directors to issue the Shares during the period of 3 months after the Annual General Meeting (or a longer period, if allowed by the ASX), without using the Company's 15% annual placement capacity.

### Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- a. The maximum number of Shares to be issued is 40,000,000;
- b. The Shares will be issued no later than 3 month after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- c. The Shares will be issued at a minimum issue price of not less than 80% of the average market price for Shares over the last 5 days in which sales of Shares are recorded before the date of issue or, if there is a prospectus relating to the issue, over the last 5 days in which sales of Shares are recorded before the date of the prospectus;
- d. The Shares will be issued to subscribers identified by the Directors and none of the subscribers will be related parties;
- e. The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- f. The Company intends to use any funds raised from the Share Placement to pursue any new business investment opportunities identified and for general working capital purposes.

## Glossary

**\$** means Australian dollars.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice of Meeting.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Days** means any day other than a Saturday, Sunday or public holiday in the State of Western Australia.

**Company** means Cervantes Corporation Limited (ACN 097 982 235).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.

# Schedule 1

## SUMMARY OF TERMS AND CONDITIONS OF DIRECTOR OPTIONS

1. The Director Options are exercisable by notice in writing to the Company accompanied by payment of the exercise price.
2. The exercise price of each Director Option is 3 cents.
3. The Director Options will vest on the date they are issued and will be exercisable until 31 December 2013 (**Expiry Date**).
4. The Director Options will only be issued to the Directors or an Eligible Person related to Directors.

**Eligible Person** means;

- (a) the spouse of the Director;
  - (b) a company controlled by the Director; or any person specified in paragraph (a); or
  - (c) any trust or superannuation fund of which the Director or any person or company specified in paragraphs (a) or (b) are the sole trustee
5. The Director Options will not be quoted on ASX.
  6. All Shares issued on the exercise of the Director Options will rank equally in all respects with the Company's then existing fully paid ordinary Shares.
  7. The Company will, within 10 business days after the date of issue of Shares pursuant to the exercise of Director Options, apply for those Shares to be admitted for quotation on ASX.
  8. There are no participating rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will send a notice to each holder of Director Options at least five business days before the record date. This will give Option holders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
  9. If from time to time on or prior to the Expiry Date the Company makes an issue of Shares to the holders of Shares in the Company by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of his Director Options an Option holder will be entitled to have issued to him (in addition to the Shares which would otherwise be issued to him upon such exercise) the number of Shares of the class which would have been issued to him under that bonus issue (bonus shares) if on the record date for the bonus issue he had been registered as the holder or the number of Shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his Director Options and the Shares the subject of such exercise had been duly allotted and issued to him. The bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other Shares allotted upon exercise of the Director Options.
  10. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.
  11. A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

## Schedule 2

The Director Options to be issued to the Related Party pursuant to Resolution 4 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

<b>Assumptions:</b>	
Valuation date	18 October 2010
Market price of Shares	1.7 cents
Exercise price	3 cents
Expiry date	31 December 2013
Risk free interest rate	4.5%
Volatility	59%
<b>Indicative value per Director Option</b>	0.47 cents
<b>Total Value of Director Options</b>	\$23,282
Mr Collin Vost	\$23,282

**PROXY FORM**

**APPOINTMENT OF PROXY  
CERVANTES CORPORATION LTD  
ACN 097 982 235**

**ANNUAL GENERAL MEETING**

I/We

hereby

Appoint

OR

Mark this box if you wish to appoint the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 9:00am (WST), on Monday 29 November 2010 at Royal Perth Golf Club, South Perth, WA, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

**Voting on Business of the Annual General Meeting**

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1 – Re-election of Director – Mr Barry MacKinnon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Resignation and Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Issue of Director Options – Mr Collin Vost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Bonus Issue of Shares – Mr Collin Vost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010 \_\_\_\_\_ %

**By:**

**Individuals and joint holders**

Signature

Signature

Signature

**Companies (affix common seal if appropriate)**

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

**CERVANTES CORPORATION LIMITED**  
**ACN 097 982 235**

**Instructions for Completing 'Appointment of Proxy' Form**

1. A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. Where a member's holding is in one name the holder must sign. Where the holding is in more than one name, all members should sign.
3. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under a power of attorney, the power of attorney must be lodged in like manner as this Proxy Form.
4. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

5. Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
6. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Cervantes Corporation Limited, PO Box 1196, South Perth WA 6951; or
  - (b) facsimile to the Company on facsimile number +61 8 9367 2470,

so that it is received not later than 10:00am (WST) on Saturday 27 November 2010.

**Proxy forms received later than this time will be invalid.**



ANNEXURE A – NOMINATION OF AUDITOR

Patrick J O'Neill  
190 Seventh Avenue  
Inglewood WA 6052

The Board of Directors  
Cervantes Corporation Ltd  
PO Box 1196  
South Perth WA 6951

**Notice of Nomination of Auditor  
Cervantes Corporation Ltd  
ABN 79 097 982 235**

I, Patrick Joseph O'Neill, being a shareholder of Cervantes Corporation Ltd, hereby nominate Rothsay Chartered Accountants of 96 Parry Street, Perth, for appointment as auditor of Cervantes Corporation Ltd at the forthcoming Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an annexure to the Notice of Meeting and Explanatory Statement for the 2010 Annual General Meeting of Cervantes Corporation Ltd as required by section 328B (3) of the Corporations Act 2001.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P J O'Neill', written in a cursive style.

Patrick J O'Neill  
Shareholder  
15 October 2010