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**CERVANTES CORPORATION LTD A.B.N. 79 097 982 235
AND CONTROLLED ENTITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Corporate Directory

Board of Directors

Collin Vost

Executive Chairman

Justin Vost

Non-Executive Director

Timothy Clark

Non-Executive Director

Company Secretary

Patrick J O'Neill

Registered Office

Shop 11 "South Shore Piazza"

85 South Perth Esplanade

South Perth WA 6151

Contact Details

Cervantes Corporation Ltd

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South Perth WA 6951

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Corporate Advisors

Jackson Greeve

Suite 2 286 Fitzgerald Street

Perth WA 6000

Solicitors

Steinepreis Paganin

GPO Box 2799

Perth WA 6001

Auditors

Rothsay Chartered Accountants

Level 18 152 – 158 St George's Terrace

Perth WA 6000

Share Registry

Advanced Share Registry

150 Stirling Highway

Nedlands WA 6009

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: Ordinary Shares - CVS

Bankers

National Australia Bank Ltd

Capital Office

100 St Georges Terrace

Perth WA 6000

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
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**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
CORPORATE GOVERNANCE STATEMENT**

Unless disclosed below, all the best practice recommendations of the Australian Securities Exchange (ASX) Corporate Governance Council have been applied for the entire year ended 30 June 2012.

Principle	Recommendation Reference
1. Lay solid foundations for management and oversight	1.2
2. Structure the board to add value	2.4 & 2.5
4. Safeguard integrity in financial reporting	4.2
7. Recognise and manage risk	7.1 & 7.2
8. Remunerate fairly and responsibly	8.1 & 8.2

Notification of Departure	Explanation for Departure
1.2 & 2.5 The process for evaluation of the Board, individual directors and key executives has not been disclosed.	During the reporting period, the Board of three members was compact enough to maintain internal evaluation. This approach is the subject of ongoing evaluation and evolution as the Company grows in terms of capitalisation and diverse management structure.
2.4 No Nomination Committee has been established.	Members of the Board have been brought together to provide a blend of qualification, skills and national experience required for managing a company operating within the industry. The Board is small and any nominations would be considered by all members at the regular directors' meeting. The establishment of a Nomination Committee is considered not relevant for the size of the Company. This is however a matter for regular review and consideration by the Board.
4 The Executive Chairman is the chairperson of the Audit Committee.	The makeup of the Board makes strict compliance impractical. All directors are members of the Audit Committee. The Company Secretary is also a member of the committee.
7.1 & 7.2 Formal policies on risk management have not been adopted.	The management of risk is part of the everyday responsibility of the Executive Chairman, and of the full Board on a regular basis. The Company's currently small operation makes this practical at the moment. Internal financial controls are assessed regularly through the audit process.
8.1 & 8.2 Substantive compliance in relation to remuneration disclosures has been achieved with a detailed remuneration report.	The Board determined all matters of remuneration in accordance with the Corporations Act requirements, especially in respect of related party transactions and personal interest in matters before the Board. As the Company progresses and employs additional staff it is recognised that a more detailed policy and process will be required.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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CORPORATE GOVERNANCE STATEMENT**

Board Composition

The Board comprises of three directors. The names, qualifications and relevant experience of each director are set out in the Directors' Report. The Executive Chairman is charged with the overall management of the Group however the rest of the Board is consulted on the activities of the Group on a regular (daily or weekly) basis and consider this an appropriate way to ensure good governance.

Name of Director	Year Appointed	Executive	Independent	Member of Remuneration Committee	Member of Audit Committee	Member of Technical & Environment Committee
Collin Vost, Executive Chairman	2007	Yes	No	Yes	Yes	Yes
Justin Vost Non-Executive Director	2011	No	Yes	Yes	Yes	Yes
Timothy Clark Non-Executive Director	2012	No	Yes	Yes	Yes	Yes

Assessing the Independence of Directors

An independent director is a non-executive director and:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
4. is not a material supplier or customer of the Company or another Group member, or an officer or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

Materiality Thresholds

The Board considers that:

- § a supplier is material if the Company or the Group accounts for more than 2% of the supplier's consolidated gross revenue;
- § a material customer is a customer of the Company or Group member which accounts for more than 2% of the Company's gross revenue; and
- § service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to, materially interfere with a Director's ability to act in the best interests of the Company.

Ethical Standards

The Directors are responsible for protecting the rights and interest of the shareholders through the implementation of sound strategies and action plans and development of an integrated framework of controls over the Group's resources, functions and assets. Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation and development) and provide accountability and control systems commensurate with the risks involved.

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CORPORATE GOVERNANCE STATEMENT**

Good corporate governance will evolve with the changing circumstances of a Group and must be tailored to meet these circumstances. The Group currently operates with only one permanent staff and relies on additional specialist consultants and casual field staff to assist in the formulation and implementation of development programs. On the corporate side, the management team consists of the Executive Chairman and the Company Secretary.

The Company's Board and management are committed to a high standard of corporate governance, ensuring that the Company complies with the Corporations Act 2001, Listing Rules of the ASX, Company Constitution and other applicable laws and regulations. However, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance and Best Practice Recommendations, whilst fully supported, is not practical in every instance.

Trading Policy

Current practice requires Directors to advise the Company of any transactions conducted by them in the shares of the Company in accordance with the Corporations Act 2001 and the Listing Rules of the ASX. Officers and employees are also required to advise the Company of any transactions conducted by them in the shares of the Company in accordance with the Corporations Act 2001.

A copy of Cervantes' *Policy on Dealing with Cervantes Securities* can be accessed via the Company's website.

Audit Committee

The Executive Chairman, Chairman of the Audit Committee, and the Company Accountant formally state to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with the relevant Australian Accounting Standards.

The Company has appointed an audit committee whose role it is to:

- Assess the appropriateness of the accounting policies, practices and disclosure and whether the quality of the financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report and financial statements;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures; and
- Nominate the external auditors.

All the directors of the Company are members of the Audit Committee.

A copy of Cervantes' *Audit Committee Charter* can be accessed via the Company's website.

Performance Evaluation

Executive Directors and Non-Executive Directors are remunerated by way of consulting fee, receiving a fixed monthly amount for their services. This remuneration package is reviewed annually by the Board. No specific performance evaluation is conducted; however the Chairman does speak to each director individually regarding their role as director.

Board Roles and Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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CORPORATE GOVERNANCE STATEMENT**

addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Executive Chairman and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Executive Chairman and the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure that this is achieved. In addition to the establishment of the committees referred to in the table below, these mechanisms include the following:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- The Board being actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the Company;
- Implementation of operating plans and budgets by management and Board monitoring of progress against budgets; and
- The ability for Directors to seek independent professional advice at the Company's expense, in the furtherance of their duties.

Shareholders Rights

Effective Communication

The Company's communications strategy includes the communication with shareholders through:

- Announcements to the market via the Australian Securities Exchange;
- The Company's website;
- The annual report, which is distributed to shareholders; and
- The annual general meeting and other meetings so called to obtain approval for the Boards action as appropriate.

Participation in General Meetings

The external auditor attends meetings to respond to specific questions from shareholders.

A copy of Cervantes' *Shareholder Communication Policy* and *Code of Conduct* can be accessed via the Company's website.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risk. The Executive Chairman has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The worsening economic environment has emphasised the importance of managing and assessing its key business risks.

Remuneration Policies

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

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CORPORATE GOVERNANCE STATEMENT**

Remuneration Committee

Directors and key executives are remunerated in accordance with market conditions and performance as judged by the Board. The Executive Chairman's remuneration and directors' fees are detailed in the Remuneration Report contained in the Directors' Report on page 12. There are no termination entitlements.

Timely and Balanced Disclosures

In accordance with the Company's obligations under the Listing Rules of the ASX material information is lodged immediately with the ASX and on acknowledgment by the ASX is disseminated by posting to the Company website. The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency achieved through a dedicated spokesperson.

A copy of Cervantes' *Continuous Disclosure Policy* can be accessed via the Company's website.

Other Information

The core principles contemplate establishment of the role of the Board and senior executives, with a balance of skills, experience and independence appropriate to the nature and extent of operations, and the need for integrity among those who influence strategy and financial performance, together with responsible and ethical decision-making. Presenting the Group's financial and non-financial position requires processes that safeguard, both internally and externally, the integrity of Group reporting and its provision in a timely and balanced manner. The rights of Company shareholders must be recognised and upheld. Risk must be managed through effective oversight and internal control. Board and management effectiveness must be encouraged. Remuneration must attract and maintain talented and motivated directors and employees with a clear relationship to corporate and individual performance.

Please refer to the Company's website for further details on the Corporate Governance documents.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
DIRECTOR'S REPORT**

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entity, for the year ended 30 June 2012.

Principal Activities and Significant Change in Nature of Activities

The principal activities of the Group during the financial year was operating in the seafood and aquaculture industry in Western Australia and the exploration and evaluation of mineral resource projects.

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

Operating Results and Review of Operations for the Year

Operating Results

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

Year ended 30 June 2012	Year ended 30 June 2011
\$ (245,910)	\$ 40,350

The consolidated loss of the Group amounted to \$245,910, after providing for income tax. The significant reduction was largely due to the decrease in the value of the Company's financial investments. Further discussion on the Group's operation now follows.

Review of Operations

The Lobster pots licences continue to be a source of income for the Group during the Lobster Season.

The Group continues to buy and sell shares in an active market and continues to assess various projects, including projects in the Resource and Energy sector, for a possible diversification of the Group's operations.

The Group continues to carry out various tests and assessments of methods to maximize the recovery, treatment and exploitation of the gold tailings project in Western Australia containing substantial gold values, which the Group have been involved in, and reporting on since 9 January 2009.

These tests are as a result of a substantial drilling program carried out by Cervantes Corporation Ltd's (Cervantes) subsidiary, Cervantes Gold Pty Ltd, and include testing by local metallurgical groups and testing of the material by Chinese treatment groups at their specialised treatment plants in China.

Cervantes has been approached by a listed company to treat the tailings on a royalty basis utilising their plant currently under construction, and this is also under consideration as an alternative positive cash flow opportunity.

The Board will continue to assess projects, offers and opportunities which it believes will add value to Cervantes shares, based on market conditions, sector activity and ASX compliance requirements as well as ensuring the risk to reward ratio favours the Company and its shareholders.

Financial Position

The net assets of the Group have decreased by \$245,910 from \$489,124 at 30 June 2011 to \$243,214 at 30 June 2012. This decrease was largely due to the increase in borrowings of \$250,000.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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DIRECTOR'S REPORT**

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

On 27 September 2011, the Company arranged a loan facility of up to \$250,000, unsecured, at lesser of 5.6%pa or the 90 days term deposit rate of the National Australia Bank. These funds have been used to acquire listed securities and additional working capital.

Dividends Paid or Recommended

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

Events after the Reporting Date

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

Future Developments, Prospects and Business Strategies

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

Environmental Issues

The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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DIRECTOR'S REPORT**

Information on Directors

Barry MacKinnon AM JP	CHAIRMAN (Non-executive) (resigned 23 November 2011)
Qualifications	Bachelor of Economics, Fellow of the Australian Society of Certified Practising Accountants.
Experience	Chairman since 2001. Mr MacKinnon has a wide range of experience in corporate finance and business management. Mr MacKinnon was appointed to the Board on 28 August 2001.
Interest in shares	250,000 ordinary shares.
Special responsibilities	Mr MacKinnon was a member of the audit committee
Directorships held in other listed entities during the three years prior to the current year	Baraka Energy & Resources Ltd (appointed 18 May 2009 resigned 23 November 2011)
Collin Vost	EXECUTIVE CHAIRMAN (Executive) (from 23 November 2011) MANAGING DIRECTOR (Executive) (until 23 November 2011)
Qualifications	Diploma of Financial Services, Licenced Securities Dealer.
Experience	Mr Vost has been involved in public companies for the past 30 years and has served on the Board of several, mostly junior resource companies as well as being involved in the securities dealing business since 2001. Mr Vost was appointed to the Board on 9 October 2007.
Interest in shares and options	47,320,000 ordinary shares and options to acquire a further 5,000,000 shares.
Special responsibilities	Mr Vost is a member of the audit committee
Directorships held in other Listed entities during the three years prior to the current year	Baraka Energy & Resources Ltd (appointed 18 May 2009) JV Global Ltd (appointed 29 May 2009)
Graeme Armstrong	DIRECTOR (Non-executive) (resigned 3 July 2012)
Experience	Mr Armstrong was appointed to the Board on 16 January 2008. From 1990 to 1997 he was a director and shareholder of Scarboro Toyota and when this entity purchased Galleria Toyota, Mr Armstrong was appointed dealer principal and director, a position he held until retirement in March 2007.
Interest in shares	5,550,000 ordinary shares.
Special responsibilities	Mr Armstrong was a member of the audit committee
Directorships held in other Listed entities during the three years prior to the current year	None.

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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Justin Vost Experience	DIRECTOR (Non-executive) (appointed 23 November 2011) Mr Justin Vost has experience in mining, manufacturing and capital markets.
Interest in shares	10,337,223 ordinary shares.
Special responsibilities	Mr Vost is a member of the audit committee
Directorships held in other Listed entities during the three years prior to the current year	Baraka Energy & Resources Ltd (appointed 23 November 2011) JV Global Ltd (appointed 19 April 2011)

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Patrick O'Neill – Bachelor of Business, Chartered Accountant. Mr O'Neill is a partner in the accounting firm Jackson Greeve. He has acted as Company Secretary for several public companies. Mr O'Neill was appointed Company Secretary on 16 January 2008.

Meetings of Directors

During the financial year, 2 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Barry MacKinnon	1	1
Collin Vost	2	2
Graeme Armstrong	2	2
Justin Vost	1	1

Indemnifying Officers or Auditor

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

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

Options

At the date of this report, the unissued ordinary shares of Cervantes Corporation Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under option
2 December 2010	31 December 2013	\$0.03	5,000,000
			5,000,000

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DIRECTOR'S REPORT**

Option holders do not have any rights to participate in any issue of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under options of any controlled entity within the Group during or since the end of the reporting period.

For details of option issued to directors and executives as remuneration, refer to the remuneration report.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

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

Non-Audit Services

Rothsay did not provide non-audit services to the Group during 2012.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 54 of the financial report.

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CERVANTES CORPORATION LTD (ABN 79 097 982 235)
AND CONTROLLED ENTITY
REMUNERATION REPORT - AUDITED

Remuneration Policy

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

Fixed Remuneration

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

Performance Linked Remuneration and Entitlements

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

Director Remuneration and Incentives

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

No securities were issued to Directors or key management personnel of the Group during or since the end of the year as remuneration.

Post-Employment Benefits

The Group does not have any scheme relating to retirement benefits for Directors or key management personnel.

Nomination and Remuneration Committee

Currently, the full Board together with the Company Secretary, will consider all Nomination and Remuneration matters. The objective when the Board is convened to consider these matters is to ensure that the Group adopts and complies with remuneration policies that:

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

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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REMUNERATION REPORT - AUDITED**

Employment Details of Members of Key Personnel and Other Executives

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

Group Key Management Personnel	Position held as at 30 June 2012 and any change during the year	Proportion of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
		Non-salary cash-based incentives %	Shares/Units %	Options/Rights %	Fixed Salary/Fees %	Total %
Barry MacKinnon	Chairman (Non-executive)	-	-	-	100	100
Collin Vost	Executive Chairman (Executive)	-	-	-	100	100
Graeme Armstrong	Director (Non-executive)	-	-	-	100	100
Justin Vost	Director (Non-executive)	-	-	-	100	100

The service terms and conditions of the key management personnel and Group executives are not formalized in contracts of employments. The service terms and conditions are of no fixed term, no requirement for notice on termination and no entitlement for payment upon termination.

Remuneration Details for the Year Ended 30 June 2012

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

Group Key Management Personnel		Short-Term Benefits		Post-Employment		Equity-settled share-based payments		Total \$
		Salary, Fees & Commissions \$	Other \$	Pension and Super-annuation \$	Other \$	Shares/Units \$	Options/Rights \$	
Barry MacKinnon	2012	10,000	-	-	-	-	-	10,000
	2011	24,000	-	-	-	-	-	24,000
Collin Vost	2012	24,000	54,000	-	-	-	-	78,000
	2011	24,000	51,587	-	-	85,000	23,282	183,869
Graeme Armstrong	2012	24,000	-	-	-	-	-	24,000
	2011	24,000	-	-	-	-	-	24,000
Justin Vost	2012	14,000	-	-	-	-	-	14,000
	2011	-	-	-	-	-	-	-
Total Key Management Personnel	2012	72,000	54,000	-	-	-	-	126,000
	2011	72,000	51,587	-	-	85,000	23,282	231,869
Other Executives								
Patrick O'Neill	2012	30,310	-	-	-	-	-	30,310
	2011	28,046	-	-	-	-	-	28,046

**CERVANTES CORPORATION LTD (ABN 79 097 982 235)
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REMUNERATION REPORT - AUDITED**

There were no long-term, Cash settled share-based payments or termination benefits paid to Key Management Personnel or Other Executives.

Included in other short-term benefits are payments made to New York Securities Pty Ltd (formerly Zurich Securities Pty Ltd) which provides a serviced office including bookkeeping services and is the landlord of Cervantes Corporation Ltd. Mr Collin Vost is a director and shareholder of the securities dealing company. During the financial year \$54,000 (2011: \$47,700) was paid or payable.

Also included in other short-term benefits are payments made to New York Securities Pty Ltd (formerly Zurich Securities Pty Ltd) which is appointed as the Company's securities dealer and advisors on normal commercial terms and conditions. Mr Collin Vost is a director and shareholder of the securities dealing company. During the financial year \$nil (2011: \$3,887) was paid for share trading and investment services.

Share-based Payments

No shares and options were granted as remuneration during the year to key management personnel and other executives.

End of Audited Remuneration Report

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



Collin Vost
Executive Chairman
28 September 2012

CERVANTES CORPORATION LTD (ABN 79 097 982 235)
SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current as at 25 September 2012.

(a) **Distribution of Equity Securities**

The number of holders, by size of holding, in each class of security are:

	Ordinary Shares		Options –unlisted	
	No. of holders	No. of shares	No. of holders	No. of options
1 – 1,000	7	1,298		
1001 – 5,000	43	175,951		
5001 – 10,000	193	1,878,032		
10,001 – 100,000	334	15,770,535		
100,001 and above	238	276,445,296	1	5,000,000
Total	815	294,271,112	1	5,000,000

The number of shareholders holding less than a marketable parcel of shares is 504 (10,525,816 ordinary shares).

(b) **Twenty Largest Holders**

The names of the twenty largest holders, in each class of security are:

Ordinary Shares:

1 New York Holdings Pty Ltd <CV Superannuation Fund A/c>	39,550,000	13.440%
2 J Vost	10,000,000	3.398%
3 PG and JW Crabb <The Crabb S/Fund A/c>	9,800,000	3.330%
4 Jayvee Investments Pty Ltd <Jayvee SP-Pension A/c>	8,000,000	2.719%
5 Laceglen Holdings Pty Ltd <Cadly Superfund A/c>	7,900,000	2.685%
6 Ms DM Vost & Mrs KL Sayers <The Dalma Vost Superfund A/c>	7,820,000	2.657%
7 New York Holdings Pty Ltd	7,770,000	2.640%
8 Bennett (WA) Pty Ltd	6,121,258	2.080%
9 Broken Ridge Pty Ltd	6,000,000	2.039%
10 GA Armstrong Superannuation Pty Ltd <GA Armstrong Superfund A/c>	5,550,000	1.886%
11 Mr San Tiong Ng	4,376,557	1.487%
12 Mr David James O'Reilly	4,120,000	1.400%
13 Allcrest Nominees Pty Ltd <The Riemer A/c>	3,900,000	1.325%
14 Kheng Sing Lim	3,888,562	1.321%
15 Mdm Tee Lian	3,736,350	1.270%
16 Chen Hoong	3,736,349	1.270%
17 Dr Chin Vie Yap	3,115,000	1.059%
18 Quairading Holdings Pty Ltd <The Sacca Family A/c>	3,000,000	1.019%
19 Action Engineering Pty Ltd and Mr E S Cooley	3,000,000	1.019%
20 Mrs Kristie Leanne Sayers	3,000,000	1.019%

Options unlisted:

1 New York Securities Pty Ltd (formerly Zurich Securities Pty Ltd)	5,000,000	100%
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CERVANTES CORPORATION LTD (ABN 79 097 982 235)
SHAREHOLDER INFORMATION

(c) **Substantial Shareholder**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporation Act 2001 is New York Holdings Pty Ltd.

(d) **Voting Rights**

All ordinary shares carry one vote per share without restriction.

(e) **Restricted Securities**

The Company has no restricted securities (held in escrow) on issue.

(f) **Business Objective**

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

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CERVANTES CORPORATION LTD (ABN 79 097 982 235)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
Continuing Operation			
Revenue			
Interest income	2a	565	139
Other income	2b	9,840	378,510
Impairment reversal of intangible assets	13	24,000	20,000
		34,405	398,649
Net loss on revaluation of other financial assets	3	(73,526)	-
Employee benefits expenses		(72,000)	(186,175)
Depreciation expenses		(47)	(57)
Occupancy expenses	3	(39,226)	(40,453)
Exploration & evaluation expenditure written off	3	(10,164)	(25,250)
Administration expenses		(82,326)	(104,652)
Other expenses		(3,026)	(1,712)
		(245,910)	40,350
Profit/(Loss) before income tax		(245,910)	40,350
Income tax (expense) / benefit	4	-	-
		-	-
Profit/(Loss) after tax		(245,910)	40,350
Other comprehensive income		-	-
		-	-
Total comprehensive income net of income tax		(245,910)	40,350
Basic loss per share (cents per share)	7	(0.090)c	0.013c
Diluted loss per share (cents per share)	7	(0.088)c	0.013c

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	Consolidated Group	
		2012	2011
		\$	\$
Current Assets			
Cash and cash equivalents	8	26,994	67,089
Trade and other receivables	9	1,502	1,650
Other financial assets	10	290,195	264,488
Total Current Assets		318,691	333,227
Non-Current Assets			
Property, plant and equipment	12	3,113	3,160
Intangible assets	13	188,670	164,670
Total Non-Current Assets		191,783	167,830
Total Assets		510,474	501,057
Current Liabilities			
Trade and other payables	14	17,260	11,933
Borrowings	15	250,000	-
Total Current Liabilities		267,260	11,933
Total Liabilities		267,260	11,933
Net Assets		243,214	489,124
Equity			
Issued capital	16	12,068,070	12,068,070
Reserves	24	23,282	23,282
Accumulated losses		(11,848,138)	(11,602,228)
Total Equity		243,214	489,124

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 AS AT 30 JUNE 2012**

Consolidated Group	Share Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2010	11,983,070	(11,642,578)	-	340,492
Shares issued during year	85,000	-	-	85,000
Transaction costs	-	-	-	-
Options issued to employees	-	-	23,282	23,282
Net loss attributable to members of the parent entity	-	40,350	-	40,350
Balance at 30 June 2011	12,068,070	(11,602,228)	23,282	489,124
Shares issued during year	-	-	-	-
Transaction costs	-	-	-	-
Options issued to employees	-	-	-	-
Net loss attributable to members of the parent entity	-	(245,910)	-	(245,910)
Balance at 30 June 2012	12,068,070	(11,848,138)	23,282	243,214

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 YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		9,840	10,640
Payments to suppliers and employees		(195,526)	(197,747)
Interests received		565	139
Net cash used in operating activities	20	<u>(185,121)</u>	<u>(186,968)</u>
Cash Flows from Investing Activities			
Proceeds from held for trading investments		-	291,974
Proceeds from the sale of equipment		-	7,300
Purchase of held for trading investments		(99,233)	-
Payments for exploration & evaluation		<u>(5,741)</u>	<u>(65,800)</u>
Net cash used in investing activities		<u>(104,974)</u>	<u>233,474</u>
Cash Flows from Financing Activities			
Proceeds of issue of shares		-	-
Costs of share issue		-	-
Proceeds from borrowings		<u>250,000</u>	-
Net cash provided by financing activities		<u>250,000</u>	-
Net outflow in cash held for the year		(40,095)	46,504
Cash at the beginning of the year		<u>67,089</u>	<u>20,585</u>
Cash at the end of the year	8	<u>26,994</u>	<u>67,089</u>

The accompanying notes form part of these financial statements

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

This financial report includes the consolidated financial statements and notes of Cervantes Corporation Ltd and its controlled entity ('Consolidated Group' or 'Group').

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

a Principles of Consolidation

A controlled entity is any entity over which Cervantes Corporation Ltd has the power to govern the financial and operating policies so as to obtain benefit from its activities. In assessing the power to govern, the existence and effect of holding actual and potential voting rights are considered.

Details of the controlled entity are contained in Note 11 to the financial statements. The controlled entity has a 30 June financial year-end.

As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as its results for the year ended. Where a controlled entity has entered or left the Group during the year, its operating results have been included from the date control was obtained or until the date control ceased.

All inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with those adopted by the parent entity.

b Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

c Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on the taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movement in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are measured on the cost basis.

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

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	0 – 11.0%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

e Exploration and Development Expenditure

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

Accumulated costs in relation to an abandon area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A regular review is undertaken of each of the area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

f Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For the financial asset, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at fair value. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(i) Financial assets at fair value through profit and loss

A financial asset is classified at 'fair value through the profit and loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedge purposes or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with in the investment strategy. Such assets are subsequently measured at fair value with changes in the carrying value being included in the profit and loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuations techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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 an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of the cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

g Going Concern

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

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

Notwithstanding cash outflows from operations of \$185,121, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. However, should the held for sale investment not be realised as necessary or capital raising not occur, there is significant uncertainty whether the Group would be able to continue as a going concern.

h Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i Intangibles

Licences and Leases

Licences and leases are recognised at director valuation. Licences and leases have an indefinite life as they are a right to fish within zones established by Government authorities. Licences and leases are carried at director valuation less any impairment losses.

Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development cost are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

j Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

k Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is possible that an outflow of economic benefits will result and that outflow can be reliably measured.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

I Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m Revenue and Other Income

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

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the annual lease of licences is recognised at the beginning of the lease period.

All revenue is stated net of the amount of goods and services tax (GST).

n Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o Comparative Figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest comparative period will be disclosed

Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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 – Impairment/Revaluation

Based on the Group's current use of the craypot licences the directors have estimated the recoverable amount of the craypot licences as the fair value of these licences less costs to sell which is higher than value in use. The fair value was determined by reference to information obtained from external industry sources on prices at which craypot licences are sold currently in an active market. The revaluation has led to a decrease in the provision for impairment of intangible assets of \$24,000 for the year ended 30 June 2012.

Key Judgment – Exploration and Evaluation Expenditure

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

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

exploration in specific areas will not lead to the discovery of viable quantities of mineral resources and the Group has decided to discontinue such activity in the specific areas while alternative treatment methods are being investigated. Such capitalised expenditure is carried at reporting date at \$0 and the amount written off through the statement of comprehensive income as exploration and evaluation written off for projects abandoned amounted to \$10,164.

p New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

simplifying the requirements for embedded derivatives;

removing the tainting rules associated with held-to-maturity assets;

removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

Tier 1: Australian Accounting Standards; and

Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

for-profit private sector entities that have public accountability; and

the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2011-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012)

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011/1 January 2013)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2011–7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2011–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

AASB 1054: Australian Additional Disclosures (applies to periods beginning on or after 1 January 2013)

This Standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This Standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

compliance with Australian Accounting Standards;
the statutory basis or reporting framework for financial statements;
whether the financial statements are general purpose or special purpose;
audit fees; and
imputation credits.

This Standard is not expected to impact the Group.

AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101 & AASB 1054] (applies to periods beginning on or after 1 July 2013)

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying

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**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

AASB 1053.

This Standard is not expected to impact the Group.

AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)

This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Group.

AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group has not yet determined any potential impact on the financial statements.

AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has not yet determined any potential impact on the financial statements.

AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013)

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

Consequential amendments were also made to other standards via AASB 2011-10.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 2: Revenue and Other Income		
2a. Interest revenues		
- other persons	565	139
	565	139
	565	139
2b. Other income		
Lease revenue	9,840	10,640
Corporate Services	-	1,171
Profit on disposal of shares	-	160,928
Fair value adjustment	-	198,471
Profit on the sale of equipment	-	7,300
	9,840	378,510
	9,840	378,510

NOTE 3: Loss for the Year

The profit for the year included the following expenses:

Fair value adjustment	73,526	-
Rental expense on operating leases		
- rental expense for sublease	39,226	40,453
Exploration and evaluation expenditure written off	10,164	25,250

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	Consolidated Group	
	2012	2011
	\$	\$
NOTE 4: Income Tax		
Prima facie tax benefit on profit/(loss) before income tax @ 30%.	(73,773)	12,105
Add tax effect:		
<i>Non-allowable items</i>		
Impairment of assets	(7,200)	(6,000)
Fair value adjustment	22,058	(59,541)
<i>Allowable items</i>		
Capital raising cost	-	(11,082)
Project assessment cost	(4,968)	(4,968)
Tax losses not brought to account	63,883	69,486
Income tax attributable to entity	-	-
Unrecognised deferred tax balances:		
Unrecognised deferred tax asset losses	2,750,633	2,681,782
Unrecognised deferred tax asset other	187,480	192,448
Unrecognised deferred equity adjustment	-	-
Unrecognised deferred tax liabilities	-	-
Net deferred tax asset not brought to account	2,938,113	2,874,230

Unrecognised deferred tax asset losses include deferred tax asset losses relating to Cervantes Gold Pty Ltd in the amount of \$422,483 (2011: \$422,483). These are available for offset against the unrecognised deferred tax loss in Cervantes Gold Pty Ltd.

The Unrealising deferred tax assets will only be available if:

- a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- b) the conditions for deductibility imposed by the tax legislation continue to be complied with; and
- c) no changes in tax legislation adversely affect the Company in realising the benefit.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2012	2011
	\$	\$
Short-term employment benefits	156,310	259,915
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	156,310	259,915
	156,310	259,915

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2012

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year
Collin Vost	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000

30 June 2011

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year
Collin Vost	-	5,000,000	-	-	5,000,000
	-	5,000,000	-	-	5,000,000
	-	5,000,000	-	-	5,000,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: Interests of Key Management Personnel (KMP) (cont'd)

KMP Shareholdings

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

30 June 2012

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Barry MacKinnon	250,000	-	-	(250,000)	-
Collin Vost	47,320,000	-	-	-	47,320,000
Graeme Armstrong	4,550,000	-	-	-	5,550,000
Justin Vost	-	-	-	10,337,223	10,337,223
Patrick O'Neill	400,000	-	-	-	400,000
	<u>53,520,000</u>	<u>-</u>	<u>-</u>	<u>10,087,223</u>	<u>63,607,223</u>

30 June 2011

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Barry MacKinnon	250,000	-	-	-	250,000
Collin Vost	30,620,000	-	-	16,700,000	47,320,000
Graeme Armstrong	4,550,000	-	-	1,000,000	5,550,000
Patrick O'Neill	200,000	-	-	200,000	400,000
	<u>35,620,000</u>	<u>-</u>	<u>-</u>	<u>17,900,000</u>	<u>53,520,000</u>

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP refer to Note 22: Related Party Transactions.

Consolidated Group

2012	2011
\$	\$

NOTE 6: Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report

<u>17,800</u>	<u>26,520</u>
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**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group	
2012	2011
\$	\$

NOTE 7: Earnings per Share

(a) Reconciliation of earnings to profit or loss

Profit(Loss)		
Earnings used to calculate basic EPS	(245,910)	40,350
Earnings used in the calculation of dilutive EPS	(245,910)	40,350

No.	No.
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(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

Weighted average number of dilutive options outstanding

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

	294,271,112	292,147,824
	-	-
	294,271,112	292,147,824

Consolidated Group	
2012	2011
\$	\$

NOTE 8: Cash and cash Equivalents

Cash at bank & in hand	5,566	3,157
Interest bearing deposit	21,428	63,932

	<u>26,994</u>	<u>67,089</u>
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Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

Cash & cash equivalents	26,994	67,089
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	<u>26,994</u>	<u>67,089</u>
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**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
NOTE 9: Trade and Other Receivables			
Current			
Amounts receivable		1,100	1,650
Input tax credits		402	-
		1,502	1,650

The terms of the amounts receivable are non-interest bearing, payable on 30 day terms. At the date of this report all amounts outstanding at the 30 June 2012 had been received.

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, all the Group credit risk exposure is in Australia.

At the date of this report all the amounts receivable had been repaid in full.

Financial assets classified as loans and receivables

Trade and other receivable			
- Total current		1,502	1,650
- Total non-current		-	-
Financial assets	23	1,502	1,650

NOTE 10: Other Financial Assets

Current

Opening balance		264,488	197,064
Purchase		99,233	-
Less: Cost of sales		-	(131,047)
Fair value adjustment		(73,526)	198,471
Financial assets at fair value		290,195	264,488

Financial assets at fair value through profit and loss

Held for trading listed shares		290,195	264,488
		290,195	264,488

Shares held for trading are traded for the purpose of short term profit taking. Changes in fair value are included in the statement of comprehensive income.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2012	2011
Subsidiary of Cervantes Corporation Ltd:			
Cervantes Gold Pty Ltd	Aust	100	100

Consolidated Group

2012	2011
\$	\$

NOTE 12: Property, Plant and Equipment

Plant & equipment

- At cost	423	423
- Less: accumulated depreciation	(210)	(163)
	213	260

Office equipment

- At cost	2,900	2,900
- Less: accumulated depreciation	-	-
	2,900	2,900

Total Property, Plant & Equipment

	3,113	3,160
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Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment.

Consolidated Group

	Plant & Equip.	Office Equip.	Total
Year ended 30 June 2011			
Balance at the beginning of year	317	2,900	3,217
Revaluation increment	-	-	-
Additions	-	-	-
Depreciation expense	(57)	-	(57)
Carrying amount at the end of the year	260	2,900	3,160
Year ended 30 June 2012			
Balance at the beginning of year	260	2,900	3,160
Revaluation increment	-	-	-
Additions	-	-	-
Depreciation expense	(47)	-	(47)
Carrying amount at the end of the year	213	2,900	3,113

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 13: Intangibles Assets		
Non-Current		
Licences and leases		
At valuation	490,000	490,000
Less provision for impairment	(302,000)	(326,000)
Company formation expenditure	670	670
	188,670	164,670

Consolidated Group	Licences & leases	Company formation expenditure
Year ended 30 June 2011		
Balance at the beginning of the year	144,000	670
Reversal of impairment	20,000	-
	164,000	670
Year ended 30 June 2012		
Balance at the beginning of the year	164,000	670
Reversal of impairment	24,000	-
Closing value at 30 June 2012	188,000	670

The effective date for the revaluation of the licences and leases was 9 August 2012. The carrying amount that would have been recognised had licences and leases been measured using the cost model would have been \$800,000. Refer to Note 1, Critical Accounting Estimates and Judgments for impairment considerations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

2012

2011

\$

\$

NOTE 14: Trade and other payable

Current

Unsecured liabilities

- Trade creditors

17,260

11,933

17,260

11,933

Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables

- Total Current

17,260

11,933

NOTE 15: Borrowings

Non-Current

Borrowings

250,000

-

250,000

-

On 27 September 2011, the Company arranged a loan facility of up to \$250,000, from an ASX listed company of which the company's directors Mr Collin Vost and Mr Justin Vost are also directors. The lender has the option to secure the loan but has not done so to date. Interest is at the rate of 5.5%pa or the equivalent of the NAB 90 day deposit rate whichever is the lesser with a cap of 7%, for the exposure period and loan period, plus a profit on each venture as mutually agree between the parties-. These funds have been used to acquire listed securities and additional working capital.

NOTE 16: Issued Capital

294,271,112 (2011: 294,271,112)

Fully paid ordinary shares

12,068,070

11,983,070

12,068,070

11,983,070

**2012
No.**

**2011
No.**

Ordinary shares

At the beginning of reporting period

294,271,112

289,271,112

Shares issued during the year:

2 December 2010

-

5,000,000

294,271,112

294,271,112

At the end of reporting period

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: Issued Capital (cont'd)

On 2 December 2010 the Company issued 5,000,000 ordinary shares to a director as a share based payment.

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.

Options

On 2 December 2010 the Company issued 5,000,000 unlisted options to a director as a share based payment.

	2012	2011
	No.	No.
Options		
Opening number of options issued	5,000,000	-
Number of options issued during the year	-	5,000,000
Number of option exercised during the year	-	-
Number of options lapsed during the year	-	-
Closing Number of Options Issued	5,000,000	5,000,000

Capital Management

Management control the capital of the Group in order to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Groups financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. Total borrowings below represents trade and other payables.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Consolidated Group	
2012	2011
\$	\$

NOTE 17: Capital and Leasing Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable: minimum lease payments

- not later than 12 months	54,000	54,000
- between 12 months and 5 years	-	-
- greater than 5 years	-	-

A serviced office including bookkeeping service and business premises are provided by New York Securities Pty Ltd (formerly Zurich Securities Pty Ltd) at a fee of \$4,500 per calendar month (2011:\$4,500).

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: Contingent Liabilities

There are no contingent liabilities as at balance date or as at the date of the report.

**NOTE 19: Segment Reporting
Segment Information**

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on this basis.

Reportable segment disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and also similar with respect to the following:

- the product sold and/or services provided by the segment;
- the type or class of customer for the product or service; and
- the external regulatory requirements

Types of products and services by segment

Seafood and Aquaculture

The seafood and aquaculture segment lease craypot licences and evaluates seafood and aquaculture projects.

Mineral exploration and evaluation

The mineral exploration and evaluation segment evaluates projects in the mining industry.

Share Trading

The share trading segment buys and sells shares through the Australian Securities Exchange.

Basis of accounting for the purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: Operating Segments (cont'd)

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives
- impairment of assets and other non-recurring items of revenue or expense
- other financial liabilities
- intangible assets

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the standard.

(i) Segment performance

	Seafood & aquaculture \$	Exploration & evaluation \$	Share trading \$	Corporate \$	Total \$
Year ended 30.06.2012					
Revenue					
External sales	9,840	-	-	-	9,840
Revaluation of intangible asset	24,000	-	-	-	24,000
Dividends	-	-	-	-	-
Interest revenue	-	-	-	565	565
Total segment revenue	33,840	-	-	565	34,405
<i>Reconciliation of segment revenue to group revenue</i>					
Total group revenue					34,405
Segment net profit before tax	31,825	-	(73,526)	(193,998)	(235,699)
<i>Reconciliation of segment results to group net profit/(loss) before tax</i>					
Amount not included in segment results but reviewed by the Board:					
Depreciation expenses	-	(47)	-	-	(47)
Write off of exploration & evaluation expenditure	-	(10,164)	-	-	(10,164)
Net loss before tax from continuing operations					<u>(245,910)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: Operating Segments (cont'd)

(ii) Segment performance

	Seafood & Aquaculture \$	Exploration & evaluation \$	Share Trading \$	Corporate \$	Total \$
For the year ended 30.06.2011					
Revenue					
External sales	17,940	-	359,399	1,171	358,510
Revaluation of intangible asset	20,000	-	-	-	20,000
Dividends	-	-	-	-	-
Interest revenue	-	-	-	139	139
Total segment revenue	37,940	-	359,399	1,310	378,649
<i>Reconciliation of segment revenue to group revenue</i>					
Total group revenue					378,649
Segment net profit before tax	36,025	-	359,399	(329,765)	65,657
<i>Reconciliation of segment results to group net profit/(loss) before tax</i>					
Amount not included in segment results but reviewed by the Board:					
Depreciation & amortisation	-	(57)	-	-	(57)
Write off of exploration & evaluation expenditure	-	(25,250)	-	-	(25,250)
Net loss before tax from continuing operations					<u>40,350</u>

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: Operating Segments (cont'd)

(iii) Segment assets

	Seafood & Aquaculture \$	Exploration & evaluation \$	Share Trading \$	Corporate \$	Total \$
As at 30.06.2012					
Segment assets	188,000	213	290,195	32,048	510,474
Segment assets increased for the period					
Capital expenditure	-	10,164	-	-	10,164
Less capital expenditure written off	-	(10,164)	-	-	(10,164)
Reversal of impairment of intangible asset	24,000	-	-	-	24,000
Acquisitions/(disposals)	-	-	99,233	-	99,233
	<u>24,000</u>	<u>(47)</u>	<u>99,233</u>	<u>-</u>	<u>123,186</u>
<i>Reconciliation of segment assets to group assets</i>					
Total group assets					<u><u>510,474</u></u>

As at 30.06.2011

Segment assets	164,000	260	264,488	73,309	501,057
Segment assets increased for the period					
Capital expenditure	-	25,307	-	-	25,307
Less capital expenditure written off	-	(25,250)	-	-	(25,250)
Impairment of intangible asset	20,000	-	-	-	20,000
Acquisitions/(disposals)	-	-	67,424	-	67,424
	<u>20,000</u>	<u>(57)</u>	<u>67,424</u>	<u>-</u>	<u>87,367</u>
<i>Reconciliation of segment assets to group assets</i>					
Total group assets					<u><u>501,057</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: Operating Segments (cont'd)

	Seafood & Aquaculture \$	Exploration & evaluation \$	Share Trading \$	Corporate \$	Total \$
(iv) Segment liabilities					
As at 30.06.2012					
Segment liabilities	-	-	-	267,260	267,260
<i>Reconciliation of segment liabilities to group liabilities</i>					
Total group liabilities					<u>267,260</u>
As at 30.06.2011					
Segment liabilities	-	-	-	11,933	11,933
<i>Reconciliation of segment liabilities to group liabilities</i>					
Total group liabilities					<u>11,933</u>

(v) Revenue by geographical region

All Group revenue attributable to external customers was generated in Australia.

(vi) Assets by geographical region

The Group operated only in Australia.

(vii) Major customers

The Group supplies a single external customer in the seafood and aquaculture segment who accounts for 100% of external revenue (2011: 10%).

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Group	
	2012	2011
	\$	\$
NOTE 20: Cash Flow Information		
Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit/(Loss) after income tax	(245,910)	40,350
Non-cash flows in profit/(loss) after income tax		
Impairment of intangible assets	(24,000)	(20,000)
Profit on sale of equipment	-	(7,300)
Net gain on disposal of financial assets	125	(160,928)
Fair value adjustment	73,401	(198,471)
Depreciation	47	57
Write down of exploration & evaluation expenditure	5,741	65,803
Directors Fees	-	108,282
<i>Changes in Assets and Liabilities, net of the effect of purchase of subsidiary</i>		
(Increase)/decrease in trade & term receivables	148	2,537
Increase/(decrease) in trade & other payables	5,327	(17,298)
<i>Cash flow from operations</i>	(185,121)	(186,968)

NOTE 21: Events After Balance Sheet Date

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

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

	2012	2011
	\$	\$

NOTE 22: Related Party Transactions

Transactions with related parties:

Director or related entities

i) Serviced office fees paid and accrued to New York Securities Pty Ltd (formerly Zurich Securities Pty Ltd), a securities dealing firm where Mr Collin Vost is the director and shareholder

	54,000	47,700
--	--------	--------

ii) Brokerage fees paid and accrued to New York Securities Pty Ltd (formerly Zurich Securities Pty Ltd), a securities dealing firm where Mr Collin Vost is a director and shareholder

	-	3,887
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Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 23: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to subsidiary.

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

		Consolidated Group	
	Note	2012	2011
		\$	\$
Financial Assets			
Cash and cash equivalents	8	26,994	67,089
Financial assets at fair value through profit or loss			
-Held for trading	10	290,195	264,488
Loans and receivables	9	1,502	1,650
		318,691	333,227
Financial Liabilities			
-Trade and other payables	14	17,260	11,933
		17,260	11,933

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: Financial Risk Management (cont'd)

Financial Risk Management Policies

The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors, in its function as Audit Committee, oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for the developing and monitoring the Group's risk management policies.

Interest rate risk

The Group has cash subject to interest and therefore the interest rate risk impact is minimal. Management continually monitors the exposure to interest rate risk. The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk.

	< 1 Year	Total	Weighted average
	\$	\$	effective interest rate
Year ended 30 June 2012			
<i>Floating rate</i> Cash assets	26,994	26,994	0.01%
Year ended 30 June 2011			
<i>Floating rate</i> Cash assets	67,089	67,089	0.32%

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group's overall objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities.

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

The table below summarises the maturity profiles of the Group's financial liabilities based on contractual undiscounted payments.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: Financial Risk Management (cont'd)

	Less than 3 months \$	3 to 12 Months \$	More than 12 months \$	Total \$
Year ended 30 June 2012				
Trade and other creditors	17,260	-	-	17,260
	<u>17,260</u>	<u>-</u>	<u>-</u>	<u>17,260</u>
Year ended 30 June 2011				
Trade and other creditors	11,933	-	-	11,933
	<u>11,933</u>	<u>-</u>	<u>-</u>	<u>11,933</u>

The Group also has an office service agreement. The future contracted commitments at year end are disclosed in Note 16.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. In most cases, the Group requires full and final payment either prior to, or upon delivery of the goods to the customer. In limited cases where credit is provided, the Group trades on credit terms with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivables balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

All amounts past due in excess of 30 days are individually assessed and provided for as doubtful if reasonable doubt as to collectability exists.

With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents and receivables, the Group's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, as disclosed in the balance sheet and notes to the financial statements.

Included in receivables is the amount for GST refundable, this amount is not past due nor impaired.

Net Fair Value

Fair Value Estimation

The fair values of the financial assets and financial liabilities are presented in the following can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information from markets that are actively traded. In this regard, fair value for listed securities are obtained from quoted market bid price

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: Financial Risk Management (cont'd)

	2012		2011	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	\$	\$	\$	\$
Consolidated Group				
Financial Assets				
Cash and cash equivalents	26,994	26,994	67,089	67,089
Financial assets at fair value through profit or loss				
-Held for trading	290,195	290,195	264,488	264,488
Loans and receivables	1,502	1,502	1,650	1,650
	<u>318,691</u>	<u>318,691</u>	<u>333,227</u>	<u>333,227</u>
Financial Liabilities				
- Trade and other payables	17,260	17,260	11,933	11,933
	<u>17,260</u>	<u>17,260</u>	<u>11,933</u>	<u>11,933</u>

The fair values disclosed in the above table have been determined based on the following methodologies.

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payable exclude amounts provided for relating to annual leave which is not considered a financial instrument.
- (ii) For listed held-for-trading financial assets, closing quoted bid prices at reporting date have been used.

Price Risk

Price risk relates to the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is exposed to securities price risk on investments held for trading or for medium to longer term. Such risk is managed through diversification of investments across industries and geographical location.

The Group's investments are held in the following sectors at reporting date.

	Consolidated Group	
	2012	2011
Energy	61%	88%
Materials	6%	2%
Capital Goods	23%	10%
Real Estate	10%	-
	<u>100%</u>	<u>100%</u>

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 23: Financial Risk Management (cont'd)
Sensitivity Analysis**

The following table illustrates sensitivity to the Group's exposures to changes in the interest rate. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

	Consolidated Group	
	Profit	Equity
	\$	\$
2012		
+/- 2% in interest rate	+/- 941	+/- 941
2011		
+/- 2% in interest rate	+/- 880	+/- 880

NOTE 24: Reserves

Option Reserve

The option reserve records item recognized as expenses on valuation of employee share options.

NOTE 25: Share-based Payments

(i) On 2 December 2010, 5,000,000 ordinary shares and 5,000,000 options were granted to a director for provide dedicated and ongoing commitment and effort to the Company. The options have an exercise price of \$0.03 each and are exercisable on or before 31 December 2013. The options hold no voting or dividend rights are unlisted and are transferable.

(ii) Options granted to key management personnel are as follows:-

Grant Date	Number
2 December 2010	5,000,000

The options are issued with a strike price that was not discounted to the average market price of the underlying shares determined over the previous five trading days.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 25: Share-based Payments (cont'd)

A summary of the movements of all company options issued is as follows:

	Consolidated Group		Parent Entity	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Options outstanding as at 30 June 2010		\$		\$
Granted	5,000,000	0.03	5,000,000	0.03
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Options outstanding as at 30 June 2011	5,000,000	0.03	5,000,000	0.03
Granted				
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Options outstanding as at 30 June 2012	5,000,000	0.03	5,000,000	0.03

The weighted average remaining contractual life of options outstanding at year end was one and a half years. The exercise price of outstanding shares at the end of the reporting period was \$nil (2011: \$150,000).

The fair value of the options granted to the director is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$nil (2011: \$23,282). These values were calculated using the Black Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.03
Weighted average life of the option:	3 years
Expected share price volatility:	59%
Risk free interest rate:	4.50%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(iii) Shares granted to key management personnel as share based payments are as follows:-

Grant Date	Number
2 December 2010	5,000,000

The weighted average fair value of those equity instruments, determined by reference to market price, was \$nil (2011: \$85,000).

These shares were issued as compensation to key management of the Group. Further details are provided in the Directors' Report.

Included under employee benefits expense in the statement of comprehensive income is \$nil which relates to equity settled share based payment transactions (2011: \$85,000).

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 26: Company Details

The registered office and principal place of business of the Company is:

Shop 11 "South Shore Piazza"
85 South Perth Esplanade
South Perth WA 6151

NOTE 27: Parent Entity Information

Information relating to Cervantes Corporation Ltd:	2012 \$	2011 \$
Current assets	313,797	331,384
Total assets	504,698	498,285
Current liabilities	262,837	11,933
Total liabilities	262,837	11,933
Issued capital	12,068,070	12,068,070
Reserves	23,282	23,282
Retained earnings	(11,849,491)	(11,605,000)
Total shareholders' equity	241,861	486,352
Profit or loss of the parent entity	(244,490)	27,847
Total comprehensive income of the parent entity	(244,490)	27,847

Provision for Impairment of Receivables

Non-current trade and other receivables are assessed for recoverability based on the successful exploration and sale of gold recovered from the retreatment projects currently being assessed by the Group. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. Refer to Note 1, Critical Accounting Estimates and Judgments for recoverability.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1.7.2011 \$	Charge for the year \$	Amount Written Off \$	Closing Balance 30.6.2012 \$
Parent Entity				
i) Non-current wholly owned subsidiary	430,058	11,347	-	441,405
	<u>430,058</u>	<u>11,347</u>	<u>-</u>	<u>441,405</u>
	Opening Balance 1.7.2010 \$	Charge for the year \$	Amount Written Off \$	Closing Balance 30.6.2011 \$
Parent Entity				
i) Non-current wholly owned subsidiary	389,508	40,550	-	430,058
	<u>389,508</u>	<u>40,550</u>	<u>-</u>	<u>430,058</u>

There are no balances within trade and other receivables that are impaired and are past due. It is expected these balances will be received when due.

**CERVANTES CORPORATION LTD ABN 79 097 982 235
AND CONTROLLED ENTITY
DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. the financial statements and notes as set out on pages 17 to 52 and the remuneration disclosures that are contained in the Remuneration Report within the Directors' Report on pages 12 to 14, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporate Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June, 2012 and of the performance for the year ended on that date of the Company and Group; and
 - (e) complies with International Financial Reporting Standards as disclosed in Note 1.
2. the Chief Executive Officer and the Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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

28 September 2012

*R*OTHSAY

Level 18, Central Park Building, 152-158 St Georges Terrace, Perth WA 6000
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 6364 5076 www.rothsay.com.au

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

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2012 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated *28 September 2012*



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CERVANTES CORPORATION LIMITED

Report on the financial report

We have audited the accompanying financial report of Cervantes Corporation Limited (the Company) which comprises the balance sheet as at 30 June 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants

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Audit opinion

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

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 paragraph (g) in the financial report which indicates the basis for preparing the accounts on a going concern basis. We note the consolidated entity had net cash outflows from operating activities for the year ending 30 June 2012 of \$185,121. In the event the consolidated entity is unable to issue additional share capital or dispose of held for sale trading listed shares, there is significant uncertainty as to whether the consolidated entity could continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and for the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Cervantes Corporation Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan
Partner

Dated 28 September 2012

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