

16 October 2012

ASX Announcement/Press Release

Update on Gold Exploration Treatment activities

Cervantes Corporation Ltd (ASX:CVS) (“the Company “ or “Cervantes”) has announced to the market over the last few years, it has been working with a joint venture partner to determine an economical method for the treatment of gold tailings located in Western Australia.

Substantial funds have been invested in drilling, testing, analyst reports, metallurgy tests and reports during that time.

Over the last 12 months the Company has been concentrating on finding any new technology or treatment methods to unlock the gold that would provide an increased recovery rate of these quite reasonable head grades tailings.

Cervantes, as previously announced, had been approached by a listed company who are building a gold plant in the near vicinity and the Company has been working with our joint venture partner to arrive at an agreement for the treatment of the tailings that was equitable and fair to all parties.

However, as Cervantes were not initially able to encourage our joint venture partner to agree on terms very close to what he proposed, he has now attempted to terminate the joint venture agreement.

Cervantes have therefore reluctantly lodged caveats over the licences and given the joint venture partner a limited time frame to respond and comply with the arbitration clause, and, convene further meetings with the listed company and Cervantes to see if any common ground can be found.

Failing this the Cervantes board will initiate legal action to protect the interests of Cervantes and its shareholders.

We will keep the market informed of any progress in this area.

Meanwhile, Cervantes was recently offered by New York Securities Pty Ltd (AFSL 317392) the opportunity to enter into a financing agreement with profit participation on an iron sands project offshore which appears quite attractive, but based on current immediate circumstances could not take advantage of the distressed opportunity.

Cervantes has however offered the opportunity to another group who look for short term distressed opportunities to add value and on sell or joint venture out those opportunities at a later date.

Agreements have since been finalised with that group and subject to the success of the venture, Cervantes will receive a financial reward, yet to be determined, for the introduction when the due diligence process has been finalised.



For personal use only



CERVANTES
Corporation Limited

In addition, Cervantes has been granted the first right of refusal to acquire or joint venture, either partially or wholly the venture, if the group elects to dispose of the venture, either partially or fully, post the due diligence period.

Cervantes has offered to assist with the due diligence, and should this opportunity arise, it will be subject to shareholders approval and the approval of the ASX and any other regulatory authorities.

The board of Cervantes will also keep shareholders and the market informed of any material progress in regards to this venture.

END

Mr Collin Vost
Executive Chairman
Cervantes Corporation Limited
Email: admin@cervantescorp.com.au

For personal use only

