

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Cervantes Corporation Limited

ABN

79 097 982 235

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from customers | 2 | 6 |
| 1.2 Payments for (a) staff costs | (18) | (36) |
| (b) advertising and marketing | | (10) |
| (c) research and development | | (96) |
| (d) leased assets | | |
| (e) other working capital | (42) | |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | | |
| 1.5 Interest and other costs of finance paid | (1) | (1) |
| 1.6 Income taxes paid | | |
| 1.7 Other – | | |
| Net operating cash flows | (59) | (137) |

+ See chapter 19 for defined terms.

For personal use only

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | (59) | (137) |
| 1.9 Cash flows related to investing activities | | |
| Payment for acquisition of: | | |
| (a) businesses (item 5) | | |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | | |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.11 Loans to other entities | | |
| 1.12 Loans repaid by other entities | | |
| 1.13 Other (provide details if material) | | |
| Net investing cash flows | | |
| 1.14 Total operating and investing cash flows | (59) | (137) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | | |
| 1.16 Proceeds from sale of forfeited shares | | |
| 1.17 Proceeds from borrowings | 210 | 270 |
| 1.18 Repayment of borrowings | | |
| 1.19 Dividends paid | | |
| 1.20 Other (provide details if material) | | |
| Net financing cash flows | 210 | 270 |
| Net increase (decrease) in cash held | 151 | 133 |
| 1.21 Cash at beginning of quarter/year to date | 9 | 27 |
| 1.22 Exchange rate adjustments to item 1.20 | | |
| 1.23 Cash at end of quarter | 160 | 160 |

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 34 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | |

1.26 Explanation necessary for an understanding of the transactions

Director's fees, serviced office and bookkeeping.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | N/A | N/A |
| 3.2 | Credit standby arrangements | N/A | N/A |

+ See chapter 19 for defined terms.

For personal use only

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|--------------------------|----------------------------|-----------------------------|
| 4.1 | Cash on hand and at bank | 159 | 2 |
| 4.2 | Deposits at call | 1 | 7 |
| 4.3 | Bank overdraft | | |
| 4.4 | Other (provide details) | | |
| Total: cash at end of quarter (item 1.23) | | 160 | 9 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|-----|---|-----------------------------|
| 5.1 | Name of entity | |
| 5.2 | Place of incorporation or registration | |
| 5.3 | Consideration for acquisition or disposal | |
| 5.4 | Total net assets | |
| 5.5 | Nature of business | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~ give a true and fair view of the matters disclosed.



Sign here: Date: 31 January 2013.
 (Company secretary)

Print name:Patrick Joseph O'Neill.....

Notes

+ See chapter 19 for defined terms.

For personal use only

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
- 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

Notes Attached to this Report

The Lobster pots licences have recently been re-leased for a further 15 months and 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 the various projects, including projects in the Resources 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 maximise the recovery, treatment and exploration 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. Whilst this project is currently suspended due to litigation, Cervantes continues to meet its obligations in accordance with the agreement by seeking and reviewing treatment methods and other options to generate a fair and equitable revenue to both Cervantes shareholders and the joint venture partner.

Cervantes has been approached by a nearby miner to transport the tailings for treatment at their premises on a royalty basis as an alternative to self processing. These discussions are ongoing, however the licence holder has attempted to terminate the agreement on what the Board consider to be unlawful conditions. The Company has lodged a caveat over the licences, the subject of the agreement, and may need to force the Licence holder to arbitration in accordance with the agreement or pursue legal action. Legal action is now being prepared and will reluctantly be pursued in the near future to protect Cervantes shareholders interests and investment to date.

Cervantes was recently offered an opportunity to provide interim financial assistance to a group in a distressed situation involving a very prospective iron sands project, but could not comply within the immediate time frame. The Company did however arrange for a listed company to take up this opportunity, in return for a possible financial reward to Cervantes subject to the venture being successful. In addition, Cervantes was granted first right of refusal in the event that the party wished to joint venture or dispose of part or all of the venture in the near future, on terms that are mutually acceptable to both parties. The third party has now invited Cervantes to enter into discussions with regard to the possible exercise of its "First Right of Refusal" over the funding and profit sharing agreement the third party has finalised on an Iron Sands project, and to participate in the due diligence process for a possible participation in due course.

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.

The Company has cash and liquid assets in excess of \$496,000, being shares in listed companies, cash on hand and lobster pot licences, all of which can be progressively sold to meet commitments as and when required. The Company, based on its current assets and cash, has sufficient reserves to meet its costs and expenses for the next 2 quarters, as and when they fall due.

+ See chapter 19 for defined terms.