

DECEMBER 2017 QUARTERLY ACTIVITY REPORT

Cervantes Corporation Ltd (ASX:CVS) ("the Company" or "Cervantes") has been intentionally focused on creating a portfolio of very good gold projects all located in Western Australia, in what the Company considers one of the safest mining provinces. The board is very pleased with the quality of the current projects but continues to look for other opportunities that will add further value to the portfolio. The December quarter has been a significant milestone for the Company with the two highlights being; the appointment of Marcus Flis as Non-Executive Director and Exploration Manager and the settlement of the Paynes Find Gold Project as the Company progresses ever closer to the commencement of its first exploration program since converting to an Exploration Company.

PAYNES FIND GOLD

The Paynes Find Gold Project located in the Mid-West Region of WA and only half a day's travel North East of Perth. It covers an area of some 700 hectares, with an estimated 10 kilometre Primrose Fault strike length. The tenement holding represents the major portion of the historical Paynes Find Gold Field, discovered in 1911, which is in close proximity to the Great Northern Highway (*Figure 1*).

During the period the Company advised that the Paynes Find Gold Project acquisition had settled as of 21 December 2017. Mr Marcus Flis, Cervantes Exploration Manager, is currently preparing the exploration program for the project area which is expected to commence around the end of the first quarter, start of the second quarter of 2018.

The primary goal is to target the areas of highest potential which are highlighted in the data to date, move towards obtaining a resource estimate as soon as possible together with a focused exploration target. Cervantes holds the view that previous work carried out on the project area has indicated not only potential for a significant

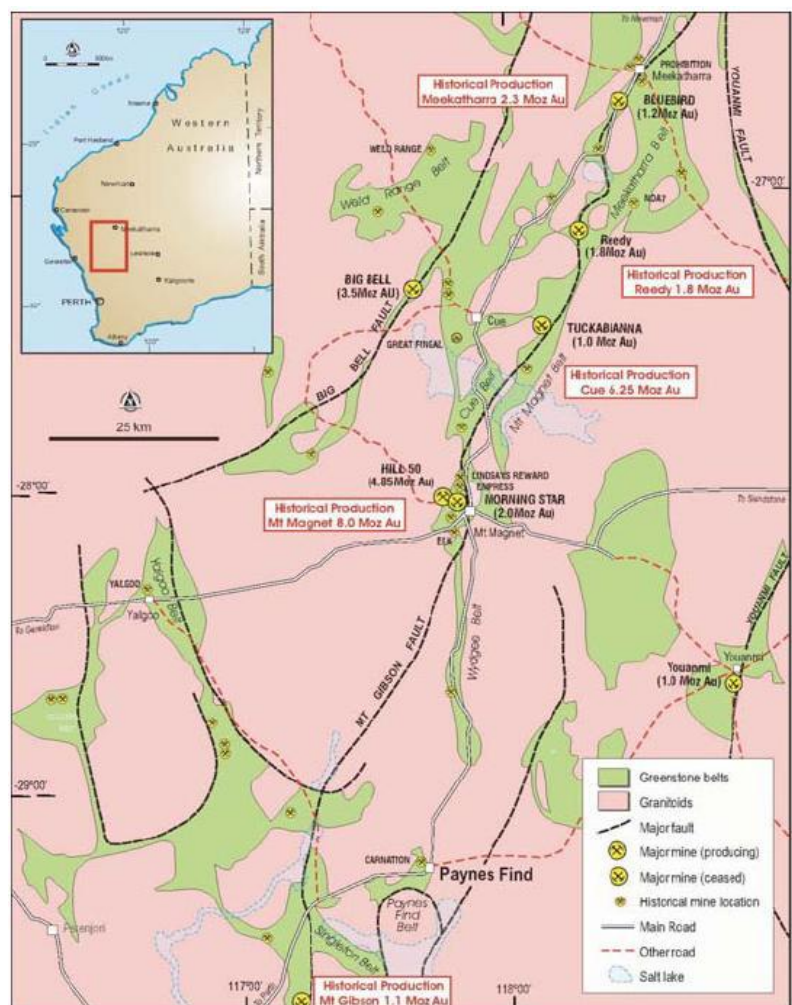


Figure 1. Location (Paynes Find Gold 2010)

near surface, high grade gold resource, but deeper higher tonnage targets, especially along the Primrose Fault.

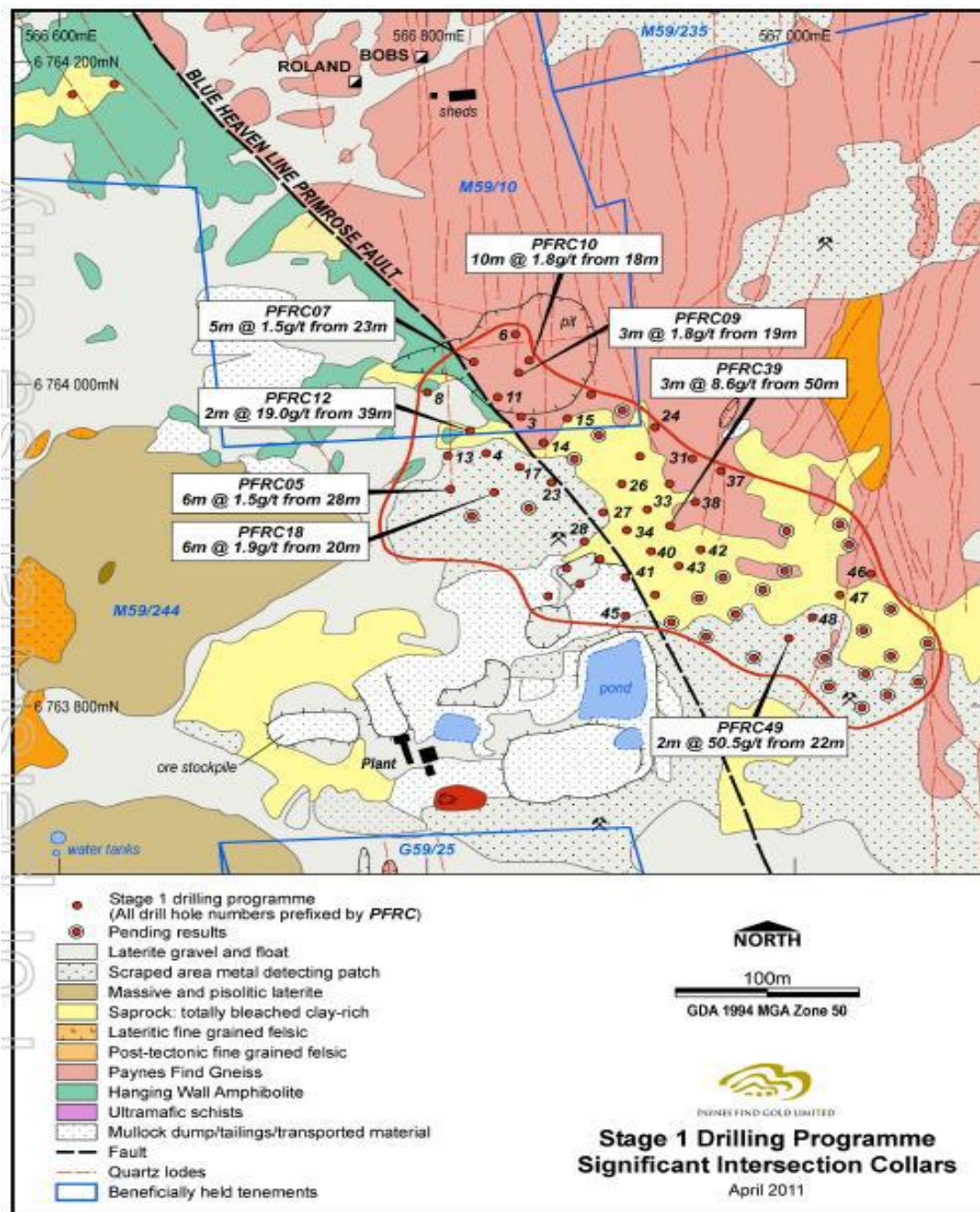


Figure3. Phase 1 Drilling collars and results (Paynes Find Gold Ltd, 10th August 2011)

ALBURY HEATH

The Albury Heath tenement package (P51/2937, P51/2997 - 3001) is located approximately 23 kilometres South East of the mining town of Meekatharra in Western Australia (*Figure 4.*). The board

has been very pleased with the progression of the Albury Heath Project. An exploration program is currently being prepared by the Exploration Manager, Marcus Flis, which is expected to commence around the end of the first quarter, start of the second quarter of 2018, together with the Paynes Find Project. Access to Albury Heath is via a high quality sealed road from Perth and Kalgoorlie to Meekatharra, with a short extent of good quality gravel road into the project area. The project can therefore be regarded to be readily accessible under most circumstances. Native Title approval is currently still pending for P51/2997 – 3001, however this is expected to be finalised in the near term.

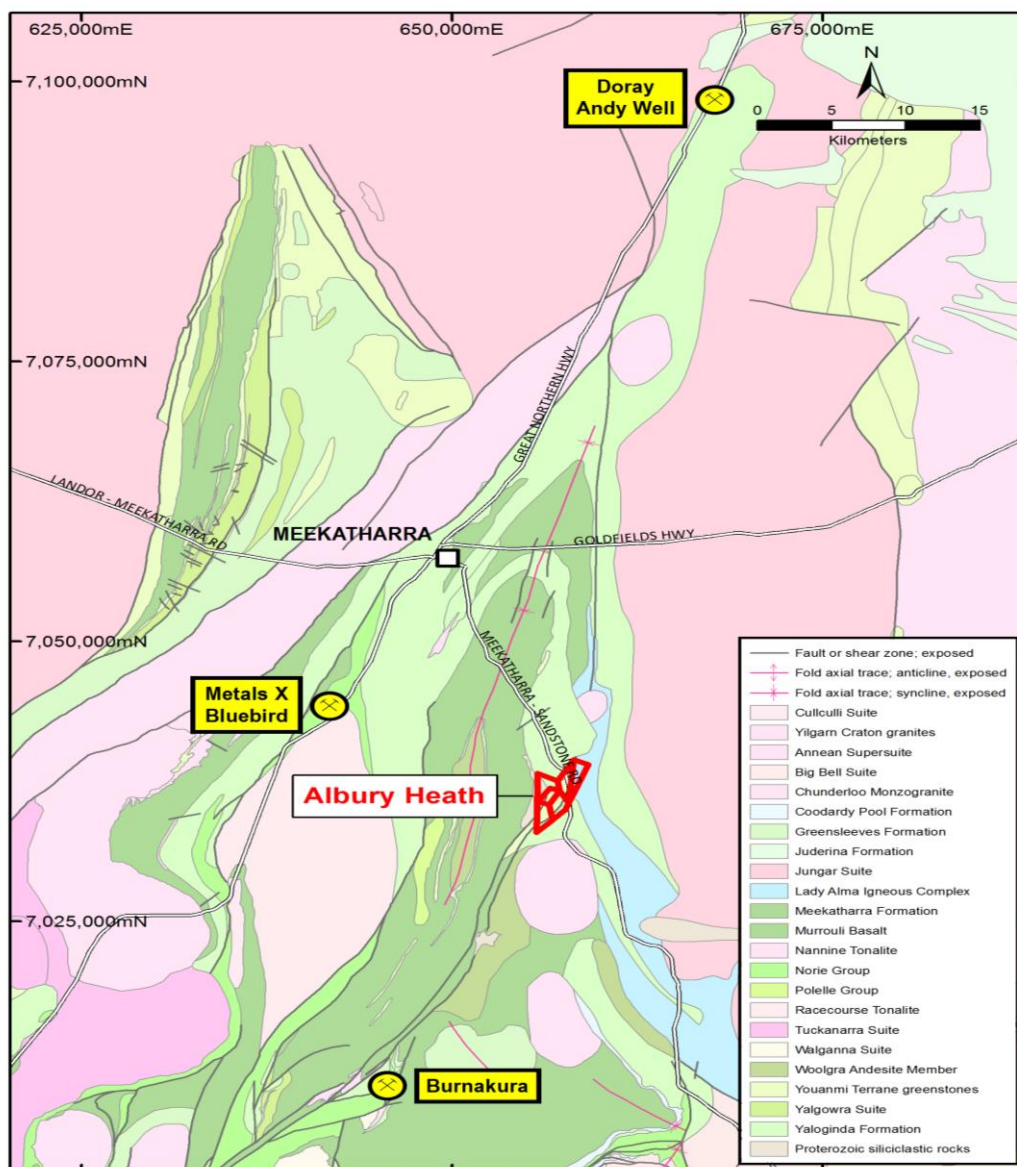


Figure 4. Location, Albury Heath Project

This project was strategically acquired by the company for its near term production potential and having reached a number of milestones during the previous quarters the potential is gradually coming to fruition.

As announced on 7 February 2017, Continental Resource Management (CRM) estimated a Maiden JORC Resource of Indicated and Inferred Resources of 390,000t at 2.15g/t Au, for a total of 27,000oz of contained gold above a cut-off grade of 0.5g/t Au. This is an 80% increase in estimated ounces since the last published (1999 JORC) Resource Estimate of 164,500t @ 2.87 g/t Au for 15,200oz.

	Tonnes	Grade (g/t)	Au (ounces)
Indicated	300,000	2.25	21,500
Inferred	90,000	1.9	5,500
Totals	390,000	2.15	27,000

Table 1. Resource Summary– above lower cut off of 0.5g/t

Beyond the mineral resource estimated by mining industry consultant CRM the modelling exercise threw up several factors inherent in the drilling technology used at the time and in the resource modelling process, that open the potential for additional exploration potential that may be delineated by a small drilling program. Cervantes is undertaking a process to develop an exploration plan to examine these matters at the earliest possible time. Potential upside exists through three sources;

- 1) **Mineralisation – Open at Depth**
- 2) **No Samples Beneath Open Stopes (RC Cross-over method)**
- 3) **Depth Extensions of High Grade Lodes**

As mentioned above, the Company is planning a small drilling program to target the issues mentioned above related to potential resource upside, but also to collect fresh material for metallurgical testing and to provide geotechnical information to assist in pit design. With fresh material and results from this small exploration program, Cervantes expects to be in a stronger position to continue discussions with nearby mills regarding treatment of the ore.

GARDEN GULLY

Cervantes tenement E63/1721, is strategically located and wholly-owned, it immediately adjoins to the North of Thundelarra Ltd's exciting Garden Gully project in Meekatharra (*Figure 5.*). It's approx 10km South West of Doray Mining Ltd's Andy Well project area and mill, is approx 20km North West of the Meekatharra Township and is approx 40km north of the Bluebird mill. Thundelarra has achieved excellent results so far, including 7m @ 24.5g/t AU, from a drilling programme at the Lydia prospect and recently confirmed a gold discovery at Crown Prince.

Thundelarra have expressed considerable excitement as they continue to drill and explore the area. An extension of gold mineralisation to the north of Thundelarra's tenement area adds to the



enthusiasm of our tenement. Cervantes does not currently have a work program planned for its Garden Gully Project but discussions and planning are underway.

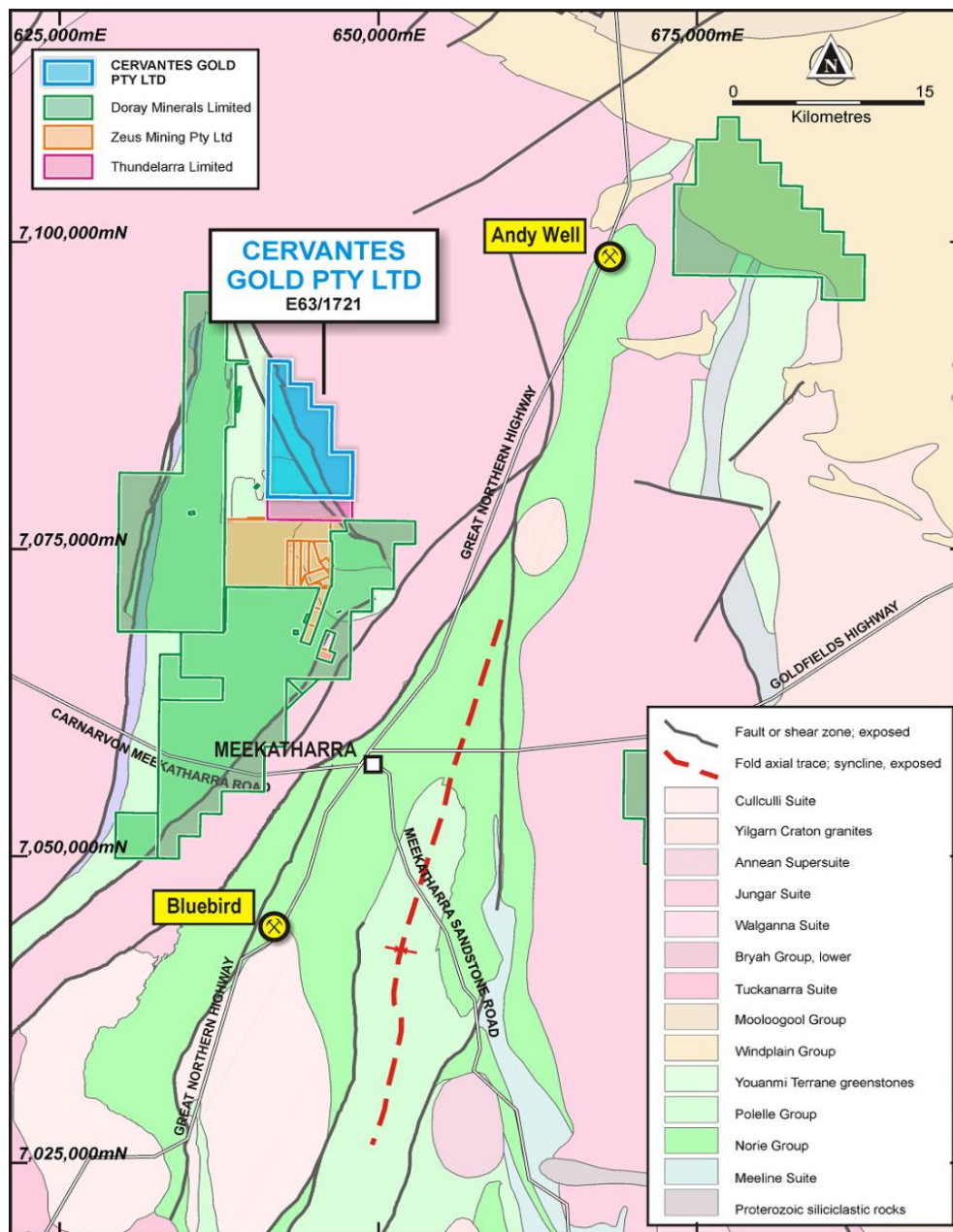


Figure 5. Location, Cervantes Garden Gully Project area.

As a result of the recently successful capital raising, the company is now well positioned to further advance a priority drilling program for each of Cervantes gold projects. Further details will be released as they become available.

With a strengthening gold price and increased market interest in junior gold explorers we look forward to an exciting year ahead.

Appendix 5B

The Appendix 5B for the quarter ended 31 December 2017 is attached.

Forward-Looking Statements

This press release may contain forward-looking information that involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Cervantes, including, without limitation, statements pertaining to management's future plans and operations. All statements included herein, other than statements of historical fact, are forward-looking information and such information involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in such information. Any forward-looking statements are made as of the date of this release and Cervantes does not assume any obligation to update or revise them to reflect new events or circumstance.



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Cervantes Corporation Ltd

ABN

79 079 982 235

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(10)	(37)
(b) development	-	
(c) production	-	
(d) staff costs	(18)	(32)
(e) administration and corporate costs	(5)	(57)
1.3 Dividends received(see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(33)	(126)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(50)	(170)
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(50)	(170)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	100	260
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	100	260

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9	62
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(33)	(126)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(50)	(170)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	100	260
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	26	26

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	26	9
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	26	9

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
18
-

Directors fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities		
8.2	Credit standby arrangements	100	
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Cervantes continues its discussions with a number of parties in relation to a capital raising to complete the acquisition of the Paynes Find Gold Project, fund exploration of existing assets, assessment of new assets and to meet working capital requirements. Until this has been finalised, Cervantes continues to have a credit standby arrangement with Baraka Energy & Resources who benefits from an interest rate of 5.5% or the equivalent of NAB 90day deposit rate on the funds advanced.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	25
9.2	Development	-
9.3	Production	-
9.4	Staff costs	18
9.5	Administration and corporate costs	25
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	68

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased		Refer to 'Schedule of Tenements' below		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2018

Print name: Collin Vost
(Executive Chairman)

Notes

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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SCHEDULE OF TENEMENTS

As at 31 December 2017

Project / Tenement		Interest at Start of Quarter	Interest at End of Quarter	Acquired During the Quarter	Disposed During the Quarter
Western Australia					
Garden Gully Project					
Garden Gully, Meekatharra	E51/1721	100%	100%	-	-
Albury Heath Project					
Albury Heath, Meekatharra	P51/2937	100%	100%	-	-
Albury Heath, Meekatharra	P51/2997*	100%*	100%*	-	-
Albury Heath, Meekatharra	P51/2998*	100%*	100%*	-	-
Albury Heath, Meekatharra	P51/2999*	100%*	100%*	-	-
Albury Heath, Meekatharra	P51/3000*	100%*	100%*	-	-
Albury Heath, Meekatharra	P51/3001*	100%*	100%*	-	-
Paynes Find Project (*subject to final payments)					
Paynes Find	P59/2101*	-	-	100%*	-
Paynes Find	P59/1959*	-	-	100%*	-
Paynes Find	P59/1958*	-	-	100%*	-
Paynes Find	P59/1957*	-	-	100%*	-
Paynes Find	P59/1956*	-	-	100%*	-
Paynes Find	P59/1942*	-	-	100%*	-
Paynes Find	P59/1941*	-	-	100%*	-
Paynes Find	P59/1924*	-	-	100%*	-
Paynes Find	M59/663*	-	-	100%*	-
Paynes Find	M59/662*	-	-	100%*	-
Paynes Find	M59/396*	-	-	100%*	-
Paynes Find	M59/244*	-	-	100%*	-
Paynes Find	M59/235*	-	-	100%*	-
Paynes Find	M59/10*	-	-	100%*	-
Paynes Find	M59/2*	-	-	100%*	-
Paynes Find Project					
Paynes Find	E59/2242	-	-	100%	-
Paynes Find	E59/2130	-	-	100%	-

* Denotes, as indicated above, particular tenements that are secured, however they remain subject to Native Title Approval, Settlement of acquisition, application approval and/or finalisation of acquisition.