

## JUNE 2020 QUARTERLY ACTIVITY REPORT

Cervantes Corporation Ltd (ASX:CVS) (“the Company” or “Cervantes”) is pleased to provide the June quarter activity report.

### **HIGHLIGHTS**

#### ***PRIMROSE GOLD PROJECT***

- Discussions with a local Mining Company and Mill continue, regarding exploitation of the Primrose shear and the Pansy Pit for potential short term cash flow.
- Commenced preliminary resource modelling of the drilling around the central historic Paynes Find mining area, referred to as the Blue Heaven, which has defined a gold exploration target. Please refer to 16 July 2020 ASX release for progress to date.
- Field visit undertaken by the board and an independent consulting Geologist to;
  - Provide insight into controls on gold mineralisation to allow for a more informed model to be built for the Blue Heaven area and direct a targeted exploration programme to support a possible resource estimate.
  - Inspect the Pansy Pit to assess for bulk sampling of a central quartz lode and guide a targeted drilling campaign to support a possible resource estimate.
  - Inspect the alluvial plant to establish a cost of refurbishment to consider the potential for a start-up of a joint venture alluvial mining programme.

#### ***ALBURY HEATH GOLD PROJECT***

- Completion of the sale and settlement of the Albury Heath Gold Project to Big Bell Gold Operations Pty Ltd, a wholly owned subsidiary of Westgold Resources Limited.

### **CORPORATE**

Cervantes continues discussions with parties who are expressing interest in the Company, the Company assets and structure by way of either exploration, ore sale or toll treatment, possible joint ventures and or part sale of assets and capital injections. The Company is considering the enquiries, whilst continuing to pursue the lifting of the ASX suspension, to allow the market to determine the value of the exceptional Primrose Gold Project at Paynes Find. Cervantes is also assessing additional gold projects being offered for joint venture, farm-in and or outright purchase.

Cervantes received \$700,000 of Westgold shares from the sale of the Albury Heath Project, as outlined in the 23 April 2020 ASX release. Cervantes holds in excess of \$330,000 of Westgold shares at June 30, which continue to increase in value as the gold price and Westgold’s share price strengthen.

Cervantes retains a 1% Net Smelter Royalty on the Meekatharra tenement E51/1721, sold to Ora Gold Limited in the previous quarter.



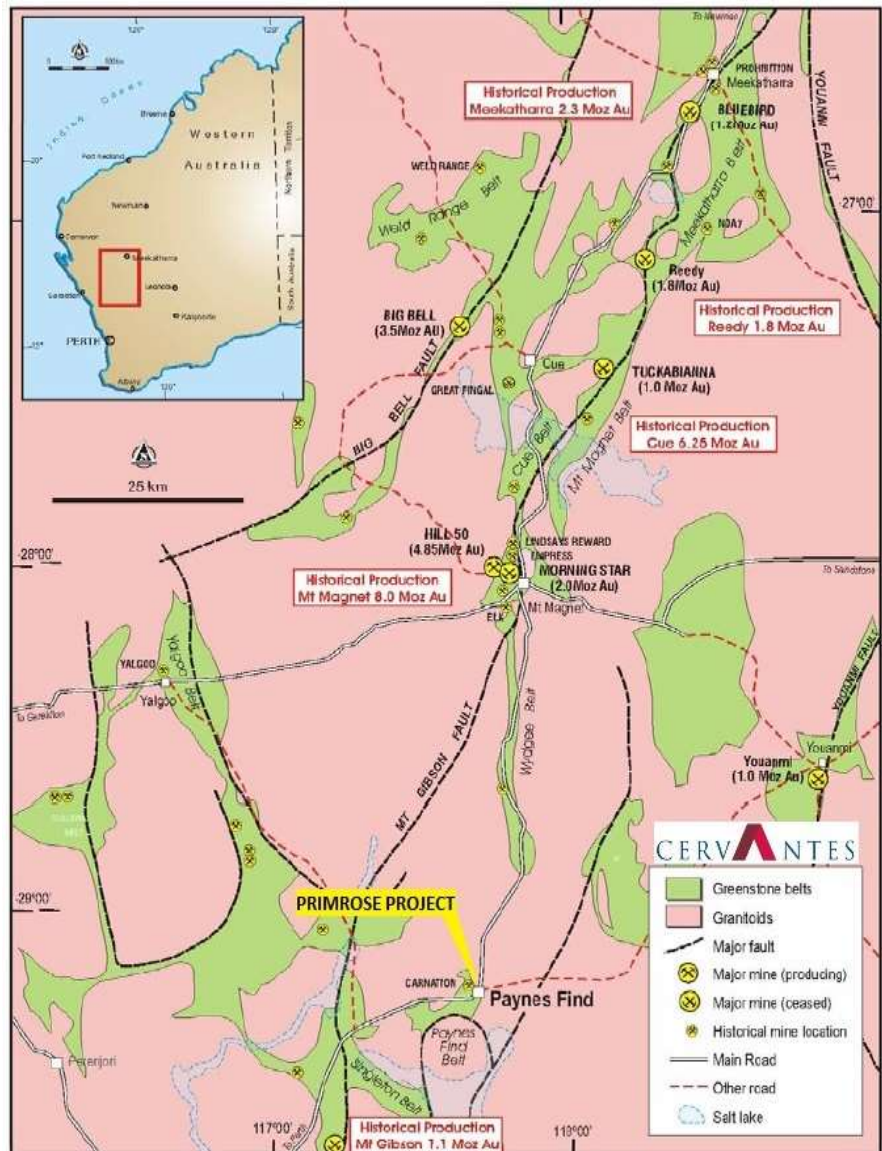
## **PRIMROSE PROJECT**

The Cervantes “Primrose Project” (Figure 1) contains some 37 historical workings that produced high-grade gold that resulted in a State Battery being built by the State Government for the miners of the day, that still stands today as a tourist attraction. Most exploration companies would be happy to be exploring near or under one historical mine, let alone 37, where major discoveries and new major mines have since been developed.

The Company has been working towards establishing a preliminary Mineral Resource Estimate at the Blue Heaven and the Pansy Pit, however further exploration activities are required to achieve this, as outlined in the Exploration Target release of the 16<sup>th</sup> July 2020. These activities have already been authorised to commence. The recent site visit has enabled an

independent geologist to gain insight into the controls on the form of the gold mineralisation for a more informed model to be built. As additional exploration is required to establish a preliminary resource estimate, an exploration programme at the Blue Heaven area and the Pansy Pit is being developed to progress towards a preliminary resource. The Company has, post June 30, released an Exploration Target Estimate, please refer to 16 July 2020 ASX release. In conjunction with this exploration programme, the Company has also commenced assessing costs to refurbish the alluvial plant for a potential joint venture and production restart. Alluvial testing of a number of the tenements has commenced. This will test the potential gold grades indicated in historical data.

The Murchison Province hosts many significant gold deposits, including the million-ounce gold camps at Big Bell, Mount Magnet (Hill 50), and Meekatharra, as well as numerous smaller gold camps at Cue, Kirkalocka, Mt Gibson, and locally Rothsay, Fields Find and Pinyalling. The geological potential of the Payne’s Find area, as previously outlined in ASX releases and reports by consulting and in-house geologists, outlines this. In addition to gold, the felsic volcanic area has potential for



**Figure 1: Primrose Project location on regional geology; showing regional historical gold production.**

volcanogenic massive sulphide mineralisation (VMS) similar to the Golden Grove deposits located to the west in the Yalgoo Greenstone Belt. In addition, elevated nickel and cobalt results have been identified in the Payne's Find area.

The Company has also noted a **comment made by a well-respected Geologist E de C Clark who worked for the Mine Department in 1920**; *"The goldfield contains epidiorite, hornblende schist, serpentine, and foliated quartz porphyries, in addition to hornblende-biotite gneiss forming the matrix of the ore body. The gold quartz veins are found mainly in the epidiorites and hornblende schists, and only rarely in the serpentine. The gold bearing gneiss is east of the greenstone belt, and are of two lithological types 1) biotite dominant with quartz parallel to the foliation planes 2) mica subordinate to the hornblende. He compares the geology as similar to Westonia (Edna May Mine) elsewhere in the State."* (sourced: Mindat website "Paynes Find Goldfield (Goodingnow)").

The Edna May gold mine was sold to Ramelius Resources Ltd on 3<sup>rd</sup> October 2017 for the equivalent of \$90m including royalties as released to the market.

Cervantes supports the view and comments in various reports that the historical mineralisation in the area could be an indicator of a bigger gold system associated with sheared mafic amphibolites intruded by a porphyry. The Primrose Gold Project comprises the vast majority of the historic Paynes Find Gold Field and its interpreted extensions to the north and south. Importantly, it covers tracts of the Primrose Shear which have had little or no modern exploration work done on them.

The Company continues to meet all required expenditures and commitments on the Primrose Project tenements. Cervantes is excited to commence another exploration programme to advance the project sufficiently for a potential resource estimate, and continued development towards providing cashflow.

## **ALBURY HEATH**

The Albury Heath Gold Project sale, which included tenements P51/2937 and P51/2997 – 3001, to Big Bell Gold Operations Pty Ltd, a wholly owned subsidiary of Westgold Resources Limited, was completed 8 May 2020. Please refer to 23 April 2020 ASX release for details.

On settlement of the sale, Cervantes received \$700,000 in Westgold Resources Limited shares, an ASX200 Company. As the strong gold price continues, highest since 2011, Cervantes benefits from an increasing value in the Westgold shareholding. When the Albury Heath project development is commenced by Westgold, Cervantes is confident the project will be able to achieve two performance targets, as outlined in the 23 April 2020 ASX release, potentially providing Cervantes with an additional \$400,000 and further \$200,000 of cash or Westgold shares.

## **Appendix 5B**

The Appendix 5B for the quarter ended 30 June 2020 is attached.



### **About Cervantes Corporation Limited**

*Cervantes is an emerging gold explorer and aspiring gold miner. It has built up a portfolio of gold properties in well-known and historically producing gold districts with a strategy to apply novel exploration and development thinking. Cervantes has identified opportunities in those districts that were overlooked by previous explorers. The company is committed to maximising shareholder value through the development of those opportunities.*

### **About the Primrose Project**

*The Primrose Project covers in excess of 8km of the highly gold mineralised Primrose Shear in the Murchison District of the Eastern Goldfields, Western Australia. Over 37 gold mines operated in this field from 1911 till 1982. Some 63,000 ounces of gold was mined at an average grade of 25g/t during this period. It is generally accepted that significantly more gold than this was won from alluvial and unreported production.*

*Cervantes controls 18 mining leases and prospecting licences that cover the majority of this historic gold field. A large database of drilling, surface geochemistry, geological, and geophysical data has been assembled to allow the field to be better understood than at any time in its history.*

### **Competent Person's Statement**

*The details contained in this report that pertain to exploration results and exploration targets are based upon information compiled by Mr Marcus Flis and fairly represent information and supporting documentation prepared by Mr Flis. Mr Flis, a Director and Exploration Manager of Cervantes Corporation Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Flis consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.*

### **Forward Looking Statement**

*This report contains forward looking statements concerning the projects owned by Cervantes Corporation Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.*

Collin Vost  
Executive Chairman  
(08) 6436 2300  
[cvost@cervantescorp.com.au](mailto:cvost@cervantescorp.com.au)



## SCHEDULE OF TENEMENTS

As at 30 June 2020

Project / Tenement		Interest at Start of Quarter	Interest at End of Quarter	Acquired During the Quarter	Disposed During the Quarter
<b>Albury Heath Project - Western Australia</b>					
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%
<b>Primrose Project - Western Australia</b>					
Paynes Find	M59/002	100%	100%	-	-
Paynes Find	M59/010	100%	100%	-	-
Paynes Find	M59/235	100%	100%	-	-
Paynes Find	M59/244	100%	100%	-	-
Paynes Find	M59/396	100%	100%	-	-
Paynes Find	M59/662	100%	100%	-	-
Paynes Find	M59/663	100%	100%	-	-
Paynes Find	P59/1941	100%	-	-	100%
Paynes Find	P59/2076	100%	100%	-	-
Paynes Find	P59/2094	100%	100%	-	-
Paynes Find	P59/2101	100%	100%	-	-
Paynes Find	P59/2130	100%	100%	-	-
Paynes Find	P59/2151	100%	100%	-	-
Paynes Find	P59/2152	100%	100%	-	-
Paynes Find	P59/2153	100%	100%	-	-
Paynes Find	P59/2159	100%	100%	-	-
Paynes Find	P59/2160	100%	100%	-	-
Paynes Find	P59/2161	100%	100%	-	-
Paynes Find	P59/2174	100%	100%	-	-

Payments to related parties of the entity and their associates

Payment made during the quarter and included in item 6.1 and 6.2 of the Appendix 5B – Mining exploration entity quarterly cash flow report comprise:

6.1 Aggregate amount of payment to related parties and their associates included in the cash flows from operating activities – \$33,096.

This includes payments of directors' remuneration for services to the economic entity \$21,000, and payment to directors' associates for services provided to the economic entity - \$12,096.

6.2 Aggregate amount of payment to related parties and their associates included in the cash flows from investment activities – nil.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Cervantes Corporation Ltd

ABN

79 079 982 235

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(67)	(183)
(b) development	-	-
(c) production	-	-
(d) staff costs	(17)	(60)
(e) administration and corporate costs	(36)	(146)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(121)</b>	<b>(390)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	(700)	(700)
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	700	730
(c) property, plant and equipment	-	-
(d) investments	402	402
(e) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>402</b>	<b>432</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	3	185
3.6 Repayment of borrowings	(163)	(186)
3.7 Transaction costs related to loans and borrowings	(10)	(10)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(170)</b>	<b>(11)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	38	118
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(121)	(390)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	402	432
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(170)	(11)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>149</b>	<b>149</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	149	52
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>149</b>	<b>52</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
33

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments included in item 6.1 are related to Directors fees, bookkeeping and Serviced Offices provided by a Directors company, other services provided by a Director including some Company Secretarial and Consulting services.



<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	900	900
7.2 Credit standby arrangements	-	-
7.3 Other ( <i>New York Securities Pty Ltd</i> )	350	224
<b>7.4 Total financing facilities</b>	<b>1,250</b>	<b>1,124</b>
<b>7.5 Unused financing facilities available at quarter end</b>		126
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
7.1 Global Vanadium Limited (ASX:GLV) provided Cervantes a two year interest free non-current unsecured loan facility, maturing on June 2021. 50% may be extended for a further 12 months to 2022 by payment of a nominal fee.		
7.3 New York Securities Pty Ltd, a private company of which Collin Vost is also a director, continues to provide financial support to the Company. This financing facility of \$350, 000 is secured. Whilst the secured facility has been utilised and a 7% interest applies from January 2020, New York Securities is continuing to provide unsecured financial support at 7% interest per annum as required.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(121)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(121)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	149
8.5 Unused finance facilities available at quarter end (Item 7.5)	126
8.6 Total available funding (Item 8.4 + Item 8.5)	275
<b>8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>2.3</b>
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: Yes, but of course that depends on the continued discussions regarding any potential capital raising, sale of or parts of assets during the next quarter. The Company holds a substantial quantity of highly liquid shares in an ASX200 listed company, received from the sale of Albury Heath project, that can be sold as required to assist with operating cashflows.</p>	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	

Answer: Yes. Discussions continue with a number of strategic parties on various methods of involvement, incorporating capital raising, sale of part of the assets including joint ventures and potential processing arrangements. Based on the quality of the assets and market conditions for Gold assets in strategic and low sovereign risk locations, we believe it is very likely. The Company also holds a substantial quantity of highly liquid shares in an ASX200 listed company that can be sold to assist with funding operations.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, on the basis of the comments and activity in 1 and 2 above.

## 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.

Date: .....31 July 2020.....

Authorised by: ..... "By the Board" .....

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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