**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**
**CERVANTES SEAFOOD LIMITED**
**FOR THE PERIOD ENDED 30 JUNE 2007**

| | | |
|---|---|---|
| Name of Entity: | Cervantes Seafood Limited | |
| | | |
| 1. Details of the current and prior reporting period | | |
| | | |
| Current Period: | 1 July 2006 to 30 June 2007 | |
| Prior Period: | 1 July 2005 to 30 June 2006 | |
| | | |
| 2. Results for announcement to the market | | |
| | $A | |
| | | |
| 2.1 Revenues from ordinary activities | Down 72% to | 10,450 |
| | | |
| 2.2 Profit (loss) from ordinary activities after tax attributable to members | Up 274% to | (426,173) |
| | | |
| 2.3 Net profit (loss) for the period attributable to members | Up 274% to | (426,173) |
| | | |
| 2.4 Dividend distributions | Amount per security | Franked amount per security |
| | | |
| Interim Dividend | Nil | Nil |
| | | |
| Proposed Final Dividend | Nil | Nil |
| | | |
| Previous Corresponding Period | Nil | Nil |
| | | |
| | | |
| 2.5 Record date for determining entitlements to the dividend | | N/A |
| | | |
| 2.6 Explanation of any of the figures in 2.1 to 2.5 that may be required. | | None |
| | | |
| 3. Income Statement with notes | | Refer below |
| | | |
| 4. Balance Sheet with notes | | Refer below |
| | | |
| 5. Statement of Cash Flows with notes | | Refer below |
| | | |
| 6. Details of Dividends or Distributions | | |
| | | |
| Interim Dividend paid | Nil | Nil |
| | | |
| | | |
| 7. Details of dividend reinvestment plan | | None |
| | | |
| 8. Statement of Retained earnings showing movements | | Refer below |
| | | |

| | Current Period | Previous Corresponding Period |
|---|---|---|
| 9. Net tangible asset backing per ordinary security | 0.0071 cents | 0.001 cents |
| | | |
| | | |
| 10. Control Gained or lost over entities during the period | | N/A |
| | | |
| 10.1 Name of entity (Gained) | | N/A |
| | | |
| 10.2 The date of the gain of control | | N/A |
| | | |
| 10.3 Name of entity (Lost) | | N/A |
| | | |
| 10.4 The date of the loss of control | | N/A |
| | | |
| 10.5 Where material, the contribution of above entities to the consolidated result. | | N/A |
| | | |
| 11 Details of associates and joint venture entities | | N/A |
| | | |
| 12. Other Significant Information | | Nil |
| | | |
| 13. Accounting Standards used by foreign ent | | N/A |
| | | |
| 14. Commentary on the result | | None. |
| | | |
| 14.1 Earnings per share | 2007 – (0.0024 cents) | 2006 – (0.0009 cents) |
| | | |
| | | |
| 14.2 Distributions to Shareholders | | Nil |
| | | |
| | | |
| | | |
| 14.3 Significant features of operating performa | | Nil |
| | | |
| 14.4 Segment Results | | N/A |
| | | |
| 15. Audit / review of accounts upon which this is based | | Audit in Progress |
| | | |
| | | |
| 16. Accounts not yet audited or reviewed | | Audit not yet complete |
| | | |
| 17. Qualifications of audit / Review | | Yes |

**CERVANTES SEAFOOD LIMITED**
**INCOME STATEMENT**
**FOR THE YEAR ENDED 30 JUNE 2007**

| | Note | 2007 $ | 2006 $ |
|---|---|---|---|
| Revenue from sale of goods | | - | - |
| Other income | | 10,450 | 36,642 |
| **Total revenue** | 2 | **10,450** | **36,642** |
| Cost of goods sold | | - | - |
| | | 10,450 | 36,642 |
| Operational and marketing expenses | | | - |
| Property, plant and equipment, and intangibles written down | | (280,000) | - |
| Doubtful debts written off | | - | - |
| Administrators Fees and Expenses | | (101,514) | (111,627) |
| Administrative expenses | | (55,109) | (39,059) |
| Depreciation and amortisation expenses | | - | - |
| Borrowing costs | | - | (15) |
| Goodwill written off | | - | - |
| Loss on Disposal of Assets | | - | - |
| | | (436,623) | (150,701) |
| **Loss from ordinary activities before related income tax benefit** | | **(426,173)** | **(114,059)** |
| Income tax benefit relating to ordinary activities | | **-** | **-** |
| **Loss from ordinary activities after related income tax benefit** | 14 | **(426,173)** | **(114,059)** |

CERVANTES SEAFOOD LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 $ | 2006 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 3 | 1,273,052 | 63,147 |
| Trade and other receivables | 4 | - | - |
| Inventories | 5 | - | - |
| Other current assets | 9 | - | 30,352 |
| **Total Current Assets** | | **1,273,052** | **93,499** |
| **NON CURRENT ASSETS** | | | |
| Property, plant & equipment | 6 | 1,500 | 1,500 |
| Other financial assets | 7 | - | - |
| Intangible assets | 8 | 210,000 | 490,000 |
| **Total Non Current Assets** | | 211,500 | 491,500 |
| **TOTAL ASSETS** | | **1,484,552** | **584,999** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | 10,425 | - |
| Interest bearing liabilities | 11 | - | - |
| Provisions | 12 | - | - |
| **Total Current Liabilities** | | **10,425** | **-** |
| **NON CURRENT LIABILITIES** | | | |
| Interest bearing liabilities | 11 | - | - |
| **Total Non Current Liabilities** | | **-** | **-** |
| **TOTAL LIABILITIES** | | **10,425** | **-** |
| **NET ASSETS** | | **1,474,127** | **584,999** |
| **EQUITY** | | | |
| Issued capital | 13 | 11,949,170 | 10,633,869 |
| Retained earnings | 14 | (10,475,043) | (10,048,870) |
| **TOTAL EQUITY** | | **1,474,127** | **584,999** |

**CERVANTES SEAFOOD LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2007**

| | SHARE CAPITAL | RETAINED EARNINGS | TOTAL |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2005** | 10,633,869 | (9,934,811) | 699,058 |
| Net loss for the year | - | (114,059) | (114,059) |
| **Balance at 30 June 2006** | 10,633,869 | (10,048,870) | 584,999 |
| Shares Issues during the year | 1,315,301 | - | 1,315,301 |
| Net loss for the year | - | (426,173) | (426,173) |
| **Balance at 30 June 2007** | 11,949,170 | (10,475,043) | 1,474,127 |

CERVANTES SEAFOOD LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 $ | 2006 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | - | 60,982 |
| Cash payments in the course of operations | | (125,693) | (630,340) |
| Dividends received | | - | - |
| Interest received | | | - |
| Interest paid | | - | (15) |
| **Net cash used in operating activities** | 15(b) | **(105,396)** | **(569,373)** |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | | - | - |
| Payments for intangibles | | - | - |
| Proceeds from sale of property, plant and equipment | | - | 2,178,216 |
| Cash acquired through INF acquisition | | - | - |
| Loans to other entities | | - | - |
| Loans repaid by other entities | | - | - |
| **Net cash used in investing activities** | | **-** | **23,636** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 1,315,301 | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| **Net cash provided by financing activities** | | **1,315,301** | **-** |
| **NET (DECREASE)/INCREASE IN CASH HELD** | | **1,209,905** | **(545,737)** |
| **Cash at the beginning of the financial year** | | **63,147** | **608,884** |
| **Cash at the end of the financial year** | 15(a) | **1,273,052** | **63,147** |

## 1. SUMMARY OF ACCOUNTING POLICIES

**Financial Reporting Framework.**
The financial report is a general-purpose financial report that has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations, other authorative pronouncements of the Australia Accounting Standards Board and complies with other requirements of the law.

**Accounting policies**
The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property. A summary of the company's significant accounting policies is set out below.

### (a) Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

### (b) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at nominal value. For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 90 days, net of outstanding bank overdrafts.

### (c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary difference at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probably that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the

temporary differences and it is probable that the difference will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(d) Property, Plant and Equipment**

Property, plant and equipment is stated at cost and is depreciated at rates based upon their expected useful lives using both prime cost and reducing balance methods. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. Expected net cash flows have not been discounted in determining recoverable amount. The depreciation rates used for each class of depreciable assets are:

The expected useful lives are as follows:

| | |
|---|---|
| Computer equipment | 3 - 5 years |
| Motor vehicles | 5 - 7 years |
| Plant and equipment | 5 - 15 years |

**(e) Leases**

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are changes as expenses in the periods in which they are incurred.

**(f) Non-derivative financial instruments**

Financial instruments are initially measured at cost on trade date, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

(i) *Financial assets at fair value through profit or loss*
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

*(ii) Loans and receivables*
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quotes in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in the balance sheet.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sale of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value though profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Company assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### (g) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provision is made in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provision made in respect of long service leave which is not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by the employees up to reporting date.

**(h) Revenue Recognition**

Revenue from the disposal of assets is recognised when the Company has passed control of the good or other assets to the buyer. Interest on bank deposits is recognised as income as it accrues.

**(i) Accounts Payable**

Trade payables and other accounts are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

**(j) Recievables**

Other receivables are recorded at amounts due less any specific provisions for doubtful debts.

**(k) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of any asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(l) Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

**(m) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities it the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**(n) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

- AASB 2005-10 Amendments to Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting,* AASB 117 *Leases*, AASB 13 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Report Standards,* AASB 4 *Insurance Contract*, AASB 1023 *General Insurance Contract* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting.* AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company as the standard is only concerned with disclosures.

**(o) Receivables**

Trade account receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest less, where applicable, any unearned income and provision for doubtful accounts.

**(p) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

**(q) Recoverable Amount of Non Current Assets**

The carrying amount of non-current assets is reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the market values or expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows are not discounted to present values in determining recoverable amounts.

## 2. REVENUE FROM ORDINARY ACTIVITIES

| | Note | 2007 $ | 2006 $ |
|---|---|---|---|
| Sale of goods revenue from operating activities | | - | - |
| Other Revenues: | | 1,282 | 18,600 |
| Interest Income | | 9,168 | 18,042 |
| Dividends | | - | - |
| Proceeds from government grant | | - | - |
| **Total revenue from ordinary activities** | | **10,450** | **36,642** |

## 3. CASH AND CASH EQUIVALENTS

| | 2007 $ | 2006 $ |
|---|---|---|
| Cash at bank and on hand | 1,273,052 | 63,147 |

## 4. TRADE AND OTHER RECEIVABLES

| | 2007 $ | 2006 $ |
|---|---|---|
| Trade receivables | 936,894 | 963,894 |
| Less: Provision for doubtful trade receivables | (936,894) | (963,894) |
| | - | - |
| Other receivables | - | - |
| Provision for non-recovery | - | - |
| | - | - |
| | - | - |

| | | Note | 2007 $ | 2006 $ |
|---|---|---|---|---|
| **5.** | **INVENTORIES** | | | |
| | Seafood inventories, at cost | | - | - |
| | Bait and other consumables, at cost | | - | - |
| | | | **-** | **-** |
| **6.** | **PROPERTY, PLANT & EQUIPMENT** | | | |
| | Land and buildings, at cost | | - | - |
| | Less: Accumulated depreciation | | - | - |
| | | | - | - |
| | Plant and equipment, at cost | | - | - |
| | Less: Accumulated depreciation | | - | - |
| | | | - | - |
| | Motor Vehicles, at valuation | | - | - |
| | Less: Accumulated depreciation | | - | - |
| | | | - | - |
| | Office furniture and equipment, at valuation | | 1,500 | 1,500 |
| | Less: Accumulated depreciation | | - | - |
| | | | 1,500 | 1,500 |
| | **Total property, plant and equipment** | | **1,500** | **1,500** |
| **7.** | **OTHER FINANCIAL ASSETS** | | | |
| | Securities in listed entity - at cost | | **-** | **-** |
| **8.** | **INTANGIBLE ASSETS** | | | |
| | Licences and leases, at valuation | | 210,000 | 490,000 |
| | Goodwill, at cost | | - | - |
| | Less: Accumulated amortisation | | - | - |
| | | | 210,000 | 490,000 |
| **9.** | **OTHER CURRENT ASSETS** | | | |
| | Prepayments | | - | 30,352 |
| **10.** | **TRADE AND OTHER PAYABLES** | | | |
| | Trade payables | | - | - |
| | Sundry payables and accrued expenses | | 10,425 | - |
| | | | **10,425** | **-** |

| | | Note | 2007 $ | 2006 $ |
|---|---|---|---|---|
| **11.** | **INTEREST BEARING LIABILITIES** | | | |
| | **Current** | | | |
| | Bank loans - secured | | | - |
| | **Non-Current** | | | |
| | Bank loans - secured | | | - |
| **12.** | **PROVISIONS** | | | |
| | Employee entitlements | | | - |
| | **Number of employees** | | | **Number** |
| | Number of employees at the end of the year | | | - |
| **13.** | **ISSUED CAPITAL** | | | |
| | Issued and paid-up capital | | | |
| | 287,011,112 fully paid ordinary shares (30 June 2006: 122,011,112) | | 11,949,170 | 10,633,869 |

**Terms and Conditions**

Holders of ordinary shares are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

**Options**

The options will be exercisable at 1.5 cents each on or before 31st December 2008

| **14. RETAINED EARNINGS** | **Note** | **2007 $** | **2006 $** |
|---|---|---|---|
| Retained Earnings at the beginning of the year. | | (10,048,870) | (9,934,811) |
| Loss for the year | | (426,173) | (114,059) |
| Retained Earnings at the end of the year | | 10,475,043 | (10,048,870) |

## 15. CASHFLOW INFORMATION

(a) Reconciliation of Cash
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:-

| | | |
|---|---|---|
| Cash Assets (refer note 3) | 1,273,052 | 63,147 |