W A V E N E T

Wavenet International Limited

ABN 50 087 139 428

2014 Annual Report

Wavenet International Limited ABN 50 087 139 428
Annual Report - 30 June 2014

Contents

Directors	E H Stroud *Executive Chairman* L S Holyoak *Executive Director* G C Freemantle *Non Executive Director*
Company Secretary	L S Holyoak
Registered office	45 Quarry Street Fremantle, Western Australia 6160 Telephone: +61 8 9435 3800 Facsimile: +61 8 9435 3899 Web-site: www.wal.au.com ABN 50 087 139 428
Share registry	Computershare Investor Services Pty Ltd Level 2 45 St George's Terrace Perth, Western Australia 6000 Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033 E-mail: perth.services@computershare.com.au Web-site: www.computershare.com.au
Auditors	Moore Stephens Perth
Solicitors	Thompson Downey Cooper Perth
Bankers	Westpac Banking Corporation Limited National Australia Bank Limited
Stock exchange listing	Shares in Wavenet International Limited are quoted on the Australian Securities Exchange (ASX trading code: WAL).

Directors' report

The directors of Wavenet International Limited ("Wavenet" or "Company") present their report on the results and state of affairs of Wavenet and the consolidated entity for the financial year ended 30 June 2014.

Directors
The names of the directors in office during the course of the financial year and at the date of this report are as follows:
Mr E H Stroud
Mr L S Holyoak
Mr G C Freemantle

Unless otherwise indicated, all directors held their position as a director throughout the entire financial year and up to the date of this report.

Information on directors:

Edward Hoskin Stroud
Director of Wavenet since December 1999. Non Executive Chairman since October 2002 and Executive Chairman since May 2008. Vast business experience through executive roles in several private and unlisted public companies.
Current or former directorships in last 3 years: Nil
Interests in shares: 17,492,810 ordinary shares in Wavenet International Limited
Options: 8,000,000 ordinary share options in Wavenet International limited

Laurence Stuart Holyoak CPA
Executive Director since May 2009. Certified Practicing Accountant with over 40 years experience in both the profession and commerce with listed entities and private groups. Formerly a registered tax agent and company auditor, most recent experience is financial and administration consulting.
Current or former directorships in last 3 years: Nil
Interests in shares: Nil
Options: 800,000 ordinary share options in Wavenet International limited

Gregg Christopher Freemantle
Non Executive Director appointed July 2012. Has over 20 years experience in the resource sector, both in Australia and Africa. Expertise includes crushing manager, construction supervisor, operations director, non executive chairman, consultant and principal.
Current or former directorships in last 3 years: Nil
Interests in shares: 100,000 ordinary shares in Wavenet International Limited
Options: 100,000 ordinary share options in Wavenet International Limited

Company Secretary
Laurence Stuart Holyoak CPA

Dividends
No dividends were paid during the year and no recommendation is made as to the payment of a dividend.

Meetings of directors
The numbers of meetings of the Board of Directors of Wavenet held during the year ended 30 June 2014, and the numbers of meetings attended by each director are as follows

	Meetings Held	
	A	**B**
E Stroud	10	10
L Holyoak	10	10
G Freemantle	10	10

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

Nature of Operations and Principal activities
Wavenet has continued its investigation and evaluation of polymetallic tenements in West Kalimantan, Indonesia and to a lesser extent its coal tenements in Queensland.

In Queensland the Company continued to evaluate its holdings., The Company now holds four granted tenements.

In West Kalimantan, Indonesia, Wavenet has surrendered the Selaup tenement and is actively carrying out exploration activities in Sintang.

Wavenet has renegotiated the sale of its 30% interest in the Preston Vale Vineyard. The renegotiation was necessary in the light of possible default by the purchaser. The renegotiation resulted in the Company selling 20% of its interest in Preston Vale and lifting the unit price. All funds were received prior to 30 June 2014.

Review and Results of Operations
The Company recorded an operating after tax loss of $793,206 for the 2014 financial year (2013: $4,723,858). The Company's revenue is predominantly profit from the sale of shares of $591,935. There was also a profit from the renegotiation of the sale of Wavenet's interest in Preston Vale Vineyard of $2,752,933, which contrasted with the loss returned last year of $2,065,119, on the original agreement. Major expenses were the impaired exploration costs of $1,744,627 and penalty expense from the Australian Taxation Office of $465,750. Other corporate operating activities and overheads were again substantially less than last year, down by 23%. The reduction represents the active cost reduction initiatives by the directors.

During the year, Wavenet renegotiated its sale agreement for part of its share in Preston Vale Vineyard. The renegotiation was initiated by the directors on strong indications of possible default by the purchaser. The result of the renegotiations was that the Company achieved a greater return per unit for the sale of less of its equity investment in Preston Vale Vineyard. The company has retained 30% of its equity in the total entity. The sale consideration amounted to $3,120,125 with full payment received prior to June 2014.

The Company continued to review its coal tenements in Queensland. During the year, the Company abandoned its application on a coal tenement at Proserpine. The Company has reviewed all exploration data at the Selaup gold project project in Indonesia. It has concluded that the hard rock mineralization is very localised and sporadic and does not provide sufficient tonnage to support open pit mining. Further, the grade and tonnage of the alluvial area does not justify an economic alluvial project. The exploration permit has been surrendered with no further exploration planned for this area.

In Sintang, West Kalimantan, an area of approximately 4 kilometres long on the Bangun river has been identified as potential for alluvial gold mining. A reconnaissance sampling program on this area proved gold occurrences in many of the panned concentrates.An initial Banka drilling program of 20 holes has been completed with a further 10 holes planned. 62 samples have been submitted for assay in Jakarta.

Significant changes in the state of affairs
No matters or circumstances have arisen since the end of the previous financial year, which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

Matters subsequent to the end of the financial year
Wavenet is pursuing its exploration activities in Sintang Indonesia. Delays in drilling have been experienced due to heavy rains and flooding in the river catchment.

The Company is exploring options to obtain value from its Queensland coal tenements. This program is continuing with interested parties.

The directors are currently examining ways to rationalise assets to provide more regular and stable working capital.

Likely developments and expected results of operations
The Company is actively exploring its resource tenements and will assess results as they become available. At the date of this report there is no information available on any likely developments which may materially affect the operations of the consolidated entity and the expected results of those operations in subsequent

Exploration Risk
Mineral exploration and development are high-risk undertakings and there is no assurance that exploration of the tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

Environmental regulations
The Company has assessed whether there are any particular or significant environmental regulations that apply to it and has determined that it is conducting operations well within the environmental regulatory systems applicable to all its mineral tenements.

Remuneration report
The report sets out the current remuneration arrangements and practices for directors and executives of Wavenet International Limited. The information provided in this remuneration report has been audited pursuant to requirements of the Corporations Act 2001:

Principles used to determine the nature and amount of remuneration
Directors and executives remuneration
Overall remuneration policies are determined by the Board of Directors and are adapted to reflect competitive market and business conditions where it is in the interests of Wavenet and shareholders to do so. Within this framework, the Board considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior management. Executives may be provided with long term incentives through participation in option schemes, which serve to align the interests of executives with those of shareholders. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and independent expert advice.

Wavenet's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Wavenet. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations. Executive management receive a base remuneration which is market related.

Wavenet's remuneration policies are designed to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:
- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:
- a fixed sum base salary payable monthly in cash;
- short term incentives where considered appropriate, through eligibility to participate in performance bonus plans;
- long term incentives through executive directors being eligible to participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders; and
- other benefits, including participation in superannuation schemes.

The proportion of fixed and variable remuneration is established for each executive by the Board. The objective of any short term incentives is to link achievement of Wavenet's operational targets with the remuneration received by executives charged with meeting those targets. The objective of any long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

Non-executive directors
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors' remuneration
In accordance with current corporate governance practices, the structure of the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The Board determines the actual payments to directors.

Non-executive directors are entitled to statutory superannuation benefits. Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework of any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders. All directors are entitled to have their indemnity insurance paid by the Company.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124).

The key management personnel of the consolidated entity are the directors of Wavenet and the other senior executives who report directly to the Board. There were no other executives within the consolidated entity other than the directors and other key management personnel. The key management personnel are the same for the Company and consolidated entity. The other key management personnel and executives are:

E Stroud – Executive Chairman appointed on 20 May 2008
L Holyoak – Executive Director appointed on 4 May 2009

G Freemantle – Non-Executive Director appointed 18 July 2012

Key management personnel of Wavenet International Limited

2014	Short-term benefits		Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Options $	Total $
Non-executive directors					
G Freemantle	24,996	-	2,543	2,480	30,019
Sub-total non-executive directors	**24,996**	**-**	**2,543**	**2,480**	**30,019**
Executive directors					
E Stroud	265,833	-	5,338	198,434	469,605
L Holyoak	106,250	-	-	19,844	126,094
Sub-total executive directors	**372,083**	**-**	**5,338**	**218,278**	**595,699**
Totals	**397,079**	**-**	**7,881**	**220,758**	**625,718**

2013	Short-term benefits		Post-employment benefits	Share-based payment	
Name	Cash salary and fees	Cash bonus	Super-annuation	Options	Total
	$	$	$	$	$
Non-executive directors					
G Freemantle	28,568	-	2,796	2,323	33,687
K Gavin (Resigned 11 June 2012)	20904	-	-	-	20,904
Sub-total non-executive directors	**49,472**	**-**	**2,796**	**2,323**	**54,591**
Executive directors					
E Stroud	250,000	-	5,400	185,884	441,284
L Holyoak	106,000	-	-	18,588	124,588
Sub-total executive directors	**356,000**	**-**	**5,400**	**204,472**	**565,872**
Totals	**405,472**	**-**	**8,196**	**206,795**	**620,463**

Service agreements

The terms of employment for executive directors and key management personnel are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.

E Stroud, *Executive Chairman*

- Term of agreement – 12 months to 30 November 2014.
- $255,400 inclusive of superannuation and chairman fees.
- No termination benefit stipulated.

L Holyoak, *Executive Director*

- Term of agreement – 12 months to 30 November 2014.
- $106,000 inclusive of directors' fees.
- No termination benefit stipulated.

Share-based compensation

The Board has adopted the Wavenet International Limited Employee Option Plan (the Plan). The primary purposes of the Plan are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Wavenet and its shareholders and to reward employees who contribute to the growth of Wavenet. At the annual general meeting held on 14 November 2011, shareholders authorised the issue of options under the Plan. To date 9,300,000 options have been issued under the Plan and 400,000 options have been forfeited.

No options were granted during the year ended 30 June 2014.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows;

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE AND VEST
14 November 2011	31 August 2016	$0.40	$0.1175	Market based vesting when share price target based on 10 days VWAP
				2,325,000 at 60 cents
				2,325,000 at 80 cents
				4,650,000 at 120 cents

Options are off market and are not transferable

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2014	**2013**	**2014**	**2013**
Directors of Wavenet International Limited				
E H Stroud	-	-	-	-
L S Holyoak	-	-	-	-
G C Freemantle	-	100,000	-	-

Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward is designed to promote superior performance and long-term commitment to the consolidated entity based on remuneration which is market related, at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations, together with an element of performance based remuneration.

Options granted over unissued shares

At the date of this report, there are 8,900,000 ordinary fully paid shares which are subject to options.

2014 Name	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Options				
E H Stroud	8,000,000	-	-	8,000,000
L S Holyoak	800,000	-	-	800,000
G C Freemantle	100,000	-	-	100,000

2013 Name	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Options				
E H Stroud	8,000,000	-	-	8,000,000
L S Holyoak	800,000	-	-	800,000
G C Freemantle	-	100,000	-	100,000

Share Holding
The numbers of shares in the company held during the financial year by each director of Wavenet International Limited is set out below. There were no shares granted during the reporting period as compensation.

2014 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Ordinary shares				
E H Stroud	17,492,810	-	-	17,492,810
L S Holyoak	-	-	-	-
G C Freemantle	100,000	-	-	100,000

2013 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Ordinary shares				
E H Stroud	17,267,763	-	225,047	17,492,810
L S Holyoak	-	-	-	-
G C Freemantle	-	-	100,000	100,000

Insurance of officers
During the financial year, Wavenet paid a premium of $17,800 to insure the directors and company secretary of the Company and its controlled entities. This premium insures these officers for liability claims of up to $5 million per claim.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of Wavenet, its related practices and non-related audit firms:

	Consolidated	
(a) Assurance services	**2014**	2013
Audit services	**$**	$
Auditor:	**Moore Stephens**	**Moore Stephens**
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**63,912**	**38,385**
Total remuneration for audit services	**63,912**	**38,385**
Non-Audit services		
Extraordinary general meeting assurance services	**-**	**-**
Accounting Assistance	**-**	**-**
Total remuneration for audit related services	**-**	**-**
(b) Taxation services		
Tax compliance services, including review of company income tax returns	**22,510**	**82,443**
Tax consulting services on acquisition/disposal of assets	**-**	**-**
Total remuneration for taxation services	**22,510**	**82,443**

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

Auditor

Moore Stephens continues in office in accordance with section 327 of the Corporations Act.

This report is made in accordance with a resolution of directors.

E.H Stroud
Director
Perth
30 September 2014

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF WAVENET INTERNATIONAL LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

MOORE STEPHENS

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 30th day of September 2014

Corporate Governance Statement

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies are available in the corporate governance section of the Company's web-site at www.wal.au.com.

Corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. The Company is presently evaluating new business and investment opportunities and operates with two full-executive directors, including the Chairman.

BOARD OF DIRECTORS

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management for the benefit of shareholders.

The Company has established functions reserved for the Board and those delegated to senior management, as set out in the Company's Board charter. The Board is responsible for:

- appointing and removing the chief executive officer and any other executive directors, monitoring their performance and approving their remuneration.
- establishing the goals and strategy for the Company and monitoring the performance of the Company in meeting those objectives.
- approving the annual strategic plan and major operating plans.
- adopting operating and capital expenditure budgets and monitoring the progress of both financial and non-financial key performance indicators.
- approving and monitoring financial and other reporting to shareholders and regulatory bodies.
- ensuring that satisfactory arrangements are in place for auditing the Company's financial affairs.
- formulating and monitoring the corporate governance policies and practices of the Company.
- reviewing and ratifying systems of risk management and internal compliance and control.

Due to the level and nature of the Company's present activities, there is presently no designated chief executive position within the Company. A chief executive officer will be appointed for the Company when the level of activities and circumstances warrant. Upon the appointment of a chief executive officer, day to day management of the Company's affairs and the implementation of corporate strategies will be formally delegated by the Board to the chief executive officer.

Board composition

The Board charter states that:

- the Board is to comprise an appropriate mix of both executive and non-executive directors.
- the roles of chairman and chief executive officer are not combined.
- the chairman is elected by the full Board and is required to meet regularly with the chief executive officer.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders and executives being represented on the Board. Under present circumstances there is not a majority of directors classified as being independent, according to ASX guidelines. However, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions or to vote on the matter.

The Company has a three member Board comprising two executive directors and one non-executive directors. Mr Stroud is not considered independent by virtue of his executive role and major shareholding in the Company. Mr Holyoak holds an executive role and is therefore not considered to be independent. Mr Freemantle is an independent non-executive director based on the principles set out below.

The current composition of the Board is considered adequate for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's business. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report.

Directors' independence

Having regard to the share ownership structure of the Company, it is considered by the majority of the Board that a major shareholder may be represented on the Board and if nominated, hold the position of chairman. Such appointment would not be deemed to be independent under ASX guidelines.

The chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. Financial materiality thresholds used in the assessment of independence are set at 10% of the annual gross revenue of the Company and/or 30% of the annual income or business turnover of the director.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the chairman, which shall not be unreasonably withheld.

Performance assessment

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. Due to the limited level of activities of the Company and changes in the composition of the Board during the period, no formal assessment was undertaken during the year ended 30 June 2014. However, the chairman assesses the performance of the Board, individual directors and senior management on an ongoing basis.

The performance of senior executives will be reviewed annually by the chief executive officer or Board through a formal performance assessment and interview. Currently, the Board is collectively responsible for the evaluation of senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and where appropriate, expert advice. No formal evaluation of senior executives was undertaken during the year.

Corporate reporting

The chief executive officer (or equivalent) and chief financial officer provide a certification to the Board on the integrity of the Company's external financial reports.

The Board does not specifically require an additional certification that the financial statements are founded on a sound system of risk management and that the system is operating effectively in relation to financial risks. The Board considers that that the current activities and financial affairs of the Company are not of sufficient complexity to require an additional certification by management.

Board committees

The current size of the operations and the stage of development of the Company do not warrant the establishment of separate audit, remuneration or nomination committees. The directors as a whole are responsible for the functions normally undertaken by these committees.

In circumstances where the growth or complexity of the Company changes, the establishment of separate Board committees will be reconsidered.

The Board oversees accounting and reporting practices and is also responsible for:

- co-ordination and appraisal of the quality of the audits conducted by the Company's external auditors;
- determination of the independence and effectiveness of the external auditors;
- assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- reviewing the adequacy of the reporting and accounting controls of the Company.

The Board reviews all remuneration policies and practices for the Company, including overall strategies in relation to executive remuneration policies, compensation arrangements for executive directors, senior management and non-executive directors and all equity based remuneration plans. Details of the Company's remuneration policies are set out in the Remuneration Report section of the Directors' Report.

The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders.

The responsibility for the selection of potential directors and to review membership lies with the full Board of the Company and consequently no separate nomination committee has been established. When a Board vacancy occurs, the Chairman, acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness and then undertakes a process to identify candidates who can meet those criteria.

EXTERNAL AUDITORS

The performance of the external auditor is reviewed annually. Moore Stephens were appointed as the external auditors in 2008. It is both the Company's and the auditor's policy to rotate audit engagement partners at least every five years.

The external auditors provide an annual declaration of their independence to the Board. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

RISK MANAGEMENT

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management will be delegated to the appropriate level of management within the Company with the chief executive officer (or equivalent) having ultimate responsibility to the Board for the risk management and control framework. As the Board currently has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively.

The Company's risk management systems are evolving and it is recognised that the extent of the systems will develop with the growth in the Company's activities. As the level of Company's business activities expand in the future, areas of significant business risk to the Company will be reported in a key risk analysis to be presented to the Board each year.

CODE OF CONDUCT

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Trading in the Company's securities by directors, senior executives and other designated persons is not permitted in the four weeks immediately preceding the release of the Company's annual and half-year financial results. Any transactions to be undertaken must be notified to the chairman or chief executive officer in advance. In the event that the Company grants securities under an equity based remuneration scheme, participants will be prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The chairman and company secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

All shareholders are entitled to receive a copy of the Company's annual report. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's web-site.

Contents

This financial report covers both the separate financial statements of Wavenet International Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Wavenet International Limited and its subsidiaries. The financial report is presented in the Australian currency.

Wavenet International Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Wavenet International Limited
45 Quarry Street
Fremantle
Western Australia 6160

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities section and in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on date of signing of the Declaration by the Directors. The directors have the power to amend and reissue the financial report.

	Notes	Consolidated 2014	2013
Revenue	5	**687,565**	1,541,661
Employee benefits expense		**(201,153)**	(178,106)
Depreciation and amortisation expense	6	**(13,485)**	(16,045)
Consulting expenses		**(328,891)**	(350,416)
Legal		**(48,469)**	(148,466)
Regulatory expenses		**(17,265)**	(25,056)
Repairs & Maintenance		**(816)**	(11,751)
Travel expenses		**(11,883)**	(57,759)
Insurance expenses		**(23,149)**	(45,877)
Exploration costs expensed/impaired	12	**(1,744,627)**	(16,567)
Other expenses		**(181,369)**	(284,643)
Option expense		**(220,758)**	(206,795)
Interest expense		**(176,669)**	(84,155)
Profit/(loss) on sale of investment		**2,752,933**	(2,065,119)
Asset Devaluation Expense		**-**	(2,334,764)
Share of loss of Associate	22	**(446,166)**	-
Penalty expense (Australian Taxation Office)		**(465,750)**	-
(Loss) profit before income tax		**(439,952)**	(4,283,858)
Income tax (expense)/benefit	7	**(353,254)**	(440,000)
(Loss) profit from continuing operations		**(793,206)**	(4,723,858)
(Loss) profit for the year		**(793,206)**	(4,723,858)
Other comprehensive income			
Revaluation of available for sale assets		**(88,458)**	(2,125,647)
Exchange differences on translating foreign operations		**(430,863)**	(98,661)
			-
Comprehensive income (loss) attributable to members of Wavenet International Ltd		**(1,312,527)**	(6,948,166)
Profit per share for profit from continuing operations attributable to the ordinary equity holders of the company:		**Cents**	Cents
Basic Profit per share	25	**(1.43)**	(8.51)
Diluted profit per share	25	**(1.43)**	(8.51)
(Profit) earnings per share for (Profit) profit attributable to the ordinary equity holders of the company:			
Basic profit (Loss) earnings per share		**(1.43)**	**(8.51)**
Diluted profit (Loss) earnings per share		**(1.43)**	**(8.51)**

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	8	**789,270**	416,420
Trade and other receivables	9	**1,175,737**	3,812,873
Inventory	11	**3,210,051**	-
Total current assets		**5,175,058**	4,229,293
Non-current assets			
Property, plant and equipment	10	**2,714,705**	2,741,267
Inventory	11	**-**	-
Deferred exploration & evaluation expenditure	12	**1,344,031**	3,153,624
Available-for-sale assets	13	**207,503**	1,221,385
Investment accounted for using the equity method	22	**3,202,299**	2,432,310
Total non-current assets		**7,468,538**	9,548,586
Total assets		**12,643,596**	13,777,879
LIABILITIES			
Current liabilities			
Trade and other payables	14	**2,035,534**	2,404,858
Borrowings	15	**635,000**	-
Total current liabilities		**2,670,534**	2,404,858
Non-current liabilities			
Deferred tax liability	7	**331,810**	-
Borrowings	15	**720,000**	1,360,000
Total non-current liabilities		**1,051,810**	1,360,000
Total liabilities		**3,722,344**	3,764,858
Net assets		**8,921,252**	10,013,021
EQUITY			
Contributed equity	16	**14,496,558**	14,496,558
Reserves	17(a)	**92,602**	391,165
Outside equity interest		**-**	-
Accumulated profits(losses)	17(b)	**(5,667,908)**	(4,874,702)
Total equity		**8,921,252**	10,013,021

The above statements of financial position should be read in conjunction with the accompanying notes.

Wavenet International Limited
Statements of changes in equity
For the year ended 30 June 2014

	Share Capital	Accumulated Losses)	Share Options Reserve	FX Translation Reserve	Available For Sale Asset Reserve	Non Controlling Interest	Total
Balance at 1 July 2012	14,496,558	205,403	283,031	-	2,125,647	3,468,961	20,579,600
Loss attributable to members of parent entity	-	(4,723,858)	-	-	-	-	(4,723,858)
Fair value movement of available for sale assets	-	-	-	-	(2,125,647)	-	(2,125,647)
Profit/(Loss) attributable to de-recognition of non-controlling interest		(356,247)	-	-	-	356,247	-
Share option expense	-	-	206,795	-	-	-	206,795
De-recognition of non-controlling interest	-	-	-	-	-	(3,825,208)	(3,825,208)
FX translation movement	-	-	-	(98,661)	-	-	(98,661)
Balance at 30 June 2013	14,496,558	(4,874,702)	489,826	(98,661)	-	-	10,013,021
Balance at 1 July 2013	**14,496,558**	**(4,874,702)**	**489,826**	**(98,661)**	**-**	**-**	**10,013,021**
Loss attributable to members of parent entity	**-**	**(793,206)**	**-**	**-**	**-**	**-**	**(793,206)**
Fair value movement of available for sale assets	**-**	**-**	**-**		**(88,458)**	-	**(88,458)**
Share option expense	**-**	**-**	**220,758**	**-**	**-**	**-**	**220,758**
FX translation movement	**-**	**-**	**-**	**(430,863)**	**-**	**-**	**(430,863)**
Balance at 30 June 2014	**14,496,558**	**(5,667,908)**	**710,584**	**(529,524)**	**(88,458)**	**-**	**8,921,252**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		**-**	-
Payments to suppliers and employees		**(1,306,141)**	(1,418,163)
Dividends received		**-**	-
Interest received		**95,629**	216
Finance costs		**(67,343)**	-
Payments made to ATO		**(976,669)**	(30,000)
Net cash provided by (used in) operating activities	24	**(2,254,524)**	(1,447,947)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**-**	-
Proceeds from sale of investments		**1,517,359**	3,149,541
Proceeds from sale of Old Valley units		**3,120,125**	-
Loans to other entities		**(2,005,110)**	-
Payments for property, plant and equipment		**-**	(81,741)
Payments for purchase of investments		**-**	(474,785)
Purchase of non-current assets		**-**	(1,042,159)
Net cash provided by (used in) investing Activities		**2,632,374**	1,550,856
Cash flows from financing activities			
Proceeds from issue of shares		**-**	-
Proceeds from /(repayment) of borrowings		**(5,000)**	-
Dividends paid		**-**	-
Net cash provided by (used in) financing activities		**(5,000)**	-
Net increase in cash held		**372,850**	102,909
Cash at the beginning of the financial year		**416,420**	313,511
Cash and cash equivalents at end of year	8	**789,270**	416,420

The above cash flow statements should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant 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 years presented, unless otherwise stated. The separate financial statements of the parent entity, Wavenet International Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. The financial statements were authorised for issue on the 30th September 2014 by the Company's directors.

(a) Basis of preparation
This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Wavenet International Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation
(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wavenet International Limited ("company" or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Wavenet International Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) 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 there are separately identifiable cash flows (cash generating units).

1 Summary of significant accounting policies (continued)

(d) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group 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 receivables in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.
They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.
Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Wavenet International Limited’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

1 Summary of significant accounting policies (continued)

(iii) Group Companies
The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows;

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit and loss in the period in which the operation is disposed of.

(g) 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 differences 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. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No 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 probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences 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.

Wavenet International Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

Tax consolidation legislation

Wavenet International Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The head entity, Wavenet International Limited, and the controlled entities in the tax consolidated group, continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Wavenet International Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets and liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sales

A sale is recorded when goods have been despatched to a customer pursuant to a sales order or contract and the associated risks have passed to the customer.

(ii) Interest

Interest income is recorded on an effective rate basis.

1 Summary of significant accounting policies (continued)

(iii) Fee income
Fee income represents contributions from customers towards product development costs.

(i) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. All trade receivables are due for settlement no more than 45 days from the date of recognition for sales.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Inventories
(i) Raw materials
Raw materials are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
(ii) Inventory
Inventories are measured at the lower of cost and net realisable value. Bulk wine inventory has been valued at net realisable value.

(k) Deferred exploration and Evaluation expenditure
Exploration and evaluation expenditure incurred (including tenement acquisition costs) is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale) or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward capitalised costs.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs on a discounted basis.

(l) Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated on a diminishing value basis to allocate the net cost of each item of plant and equipment, net of their residual values, over their estimated useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

The following rates of depreciation are applied:

Plant and equipment	20% - 40%

1 Summary of significant accounting policies (continued)

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Advance receipts represent deposits paid by customers to the Group in advance of the production and sale of goods and services to the customer to secure orders. The amounts are those deposits outstanding for which goods and services have yet to be provided at the end of the financial year.

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the consolidated entity to employee superannuation funds.

(iii) Employee Option Plan

Share-based compensation benefits are provided to employees under the Wavenet International Limited Employee Option Plan.

Shares options granted after 7 November 2002 and vested after 1 January 2005.

The fair value of options granted under the Wavenet International Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity over the period during which the employees become entitled to the shares.

There was no expense recognised for options granted prior to 7 November 2002.

1 Summary of significant accounting policies (continued)

(p) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Contributed equity

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Intangible assets

(i) Research and development

Expenditure on research and development activities, undertaken with the prospect of obtaining new technical knowledge is recognised in the income statement as an expense when it is incurred.

Where government or other grants are received or receivable by the company as reimbursement for costs incurred on research and development activities the grant is recognised as other income in the income statement.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost. Such investments include both investment in shares and other parent entity interests that in substance form part of the parent entity's investment in subsidiaries. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

(v) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.
The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.
Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

1 Summary of significant accounting policies (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(w) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

– *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

1 Summary of significant accounting policies (continued)

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 2
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(x) (i) New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: *Consolidated Financial Statements*;
- AASB 12: *Disclosure of Interests in Other Entities*; and
- AASB 127: *Separate Financial Statements*.

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was - not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The first-time application of AASB 10, 12 and 127 did not result in any changes to the group's financial statements.

Employee benefits

The group adopted AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 108: *Accounting Policies Changes in Accounting Estimates and Errors* and the transitional provisions of AASB 119.

The adoption of these Standards does not affect the group's financial statements as the group does not operate any defined benefit employee plans.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

AASB 12
commenc

In the current year, the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001.

1 Summary of significant accounting policies (continued)

(ii) New Accounting Standards for Application in Future Periods

- AASB 9*: Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements..

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

  AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

(y) Going concern

As at 30 June 2014, the Group has reported a net loss after tax of $793,206 (2013: Loss of $4,723,858), current tax liabilities of $1.79 million and net operating cash outflows in excess of $2 million (2013: $-1,447,947). The cash position at balance date was $789,270 (2013: $416,240).
The financial statements have been prepared on the going concern basis of accounting which assumes that the Group will be able to meets its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

1 Summary of significant accounting policies (continued)

In arriving at this position, the Directors recognise the Company is dependent upon the following funding initiatives to meet these commitments:

- Future share placements or capital raisings from shareholders;
- Further sell down of the Group's interest in the Old Valley Unit Trust and available for sale assets;
- Repayment of the outstanding loan receivable from Old Valley Unit Trust;
- Ongoing support of the Company's bankers, including the renewal of a $635,000 loan facility which matures in Dec 2014;
- Sale of its bulk wine inventory at or above its stated realisable values

The Directors believe that at the date of signing the financial statements, there are reasonable grounds to believe that having regard to the matters set out above, the Group will be able to raise sufficient funds to meets its obligations and reduce existing debt levels as and when they fall due.
In the event that the Group does not achieve the matters as set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amount stated in the financial statements.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market risk
(i) Foreign exchange risk
Group and Parent:
As a result of exploration operations in Indonesia it is likely the Group's future performance could be affected significantly by movements in exchange rates.
Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The carrying amounts of the Group's and parent entity's financial assets and liabilities are denominated in Australian dollars except for its net investment in its Indonesian subsidiaries, equivalent to AUD $332,808 as at 30 June 2014.

(ii) Price risk
The Group and parent entity are exposed to listed equity securities price risks on available-for-sale assets. A change in the price of securities held at balance date of +/- 10% would have impacted equity by +/- $20,750 (2013:$365,369).

(iii) Cash flow and fair value interest rate risk
Group and Parent:
The Group no longer has any material interest internal bearing assets; as in the past the Group's income, expenses and operating cash flows have not been materially exposed to changes in market interest rates and attempted to mitigate the risk through a mix of short term and medium term arrangements.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	Consolidated	
	2014 100 bp increase	2013 100 bp increase
Variable rate instruments - assets	**-**	-
Variable rate instruments - borrowings	**(13,550)**	(13,600)

(b) Credit risk
Group and Parent:
Credit risk for the Group and parent is concentrated in 1 party at 30 June 2014. Credit risk is managed for these counter parties by assessing their credit worthiness prior to transacting, as well as obtaining collateral and contractual warranties for amounts owed. The Group has policies in place to ensure that sales of products and services are made to customers with appropriate credit history. Cash transactions are limited to high quality financial institutions. The Group has policies that limit the amount of credit exposure to any one customer.

2 Financial risk management (continued)

The carrying amounts of financial assets recognised in the balance sheet best represent the Group's maximum exposure to credit risk at the reporting date.

An analysis of financial assets is provided in the following table.

(i) Financial assets past due but not impaired		**Consolidated**	
		2013	2013
Trade and other receivables		**$**	$
Current			
GST receivable		**31,158**	1,510
Prepayments		**-**	-
Other receivables		**1,144,579**	3,811,363
Interest receivable		**-**	-
		1,175,737	3,812,873
Non-current			
		-	-
Cash and term deposits	(a)	**789,270**	416,420

(a) Cash and term deposit is held with the National Australia Bank Limited and Westpac Banking Corporation.

(c) Liquidity risk
Group and Parent:
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
The Group and the parent entity does not have access to undrawn borrowing facilities at the reporting date or any time during the past three financial years.

Maturities of financial liabilities
All the Group's and the parent entity's current trade payables and accrued expenses, as at 30 June 2014 and 30 June 2013 were non-interest bearing and due for payment within twelve months. Financial liabilities comprising interest bearing borrowings of $1,355,000 (2013: $1,360,000) are interest only with principal repayments of $635,000 due within the next 5 months and the balance not due within the next 5 years.

(d) 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 reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group 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 fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. 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 Group for similar financial instruments.

2 Financial risk management (continued)

(e) Fair value measurement of financial instruments

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group's financial assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis are as follows:

30 June 2014	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Available for sale financial assets – listed investments	207,503	-	-	207,503

30 June 2013	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Available for sale financial assets – listed investments	1,221,385	-	-	1,221,385

Methods and valuation techniques

Included within Level 1 for the current and previous reporting periods are ASX listed investments. The fair value of these assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and / or assumptions made during the preparation of the financial report are as follows;

Deferred exploration and evaluation expenditure.

The future recoverability of capitalised exploration and evaluation assets is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation assets are determined not to be recoverable in the future, this will reduce profit and net assets in the period in which this determination is made.

In addition, exploration and evaluation assets are capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which the determination is made.

3 Critical accounting estimates and judgements (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes pricing model taking into account the terms and conditions upon which the instruments were granted.

No critical judgements have been made in applying the group's accounting policies.

4 Segment information

Identification of reportable segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of business type. There is limited degree of diversification of the Group's operations within its mineral resource operations, with similar risk profiles and performance assessment criteria being in place.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar characteristics and are also similar with respect to the following:

- the services provided by the segment;
- the service delivery process;
- the type or class of customer for the services;
- the delivery method; and
- any external regulatory requirements.

Operations by segment

Mineral resource exploration
Viticulture (ceased during 2013 financial year)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, amounts now reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Inter-segment transactions
Inter segment sales are made on an arms length basis between group businesses and segments. Revenues are attributed to geographic areas based on the location of the assets producing the revenues. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated Items
The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment unless incurred by a business within the relevant operating segment.

- Inventories
- Current tax liabilities and borrowings
- Financial assets and investment in associate (including any share of loss)
- Profit/(loss) on sale of financial assets

4 Segment information (continued)

Business Segments - 2014

The total revenue, results, assets, liabilities and cashflows reported for the group as a whole represent the mineral resource exploration segment revenue, assets, liabilities, results and cashflows for the year ended 30 June 2014. The Company only operated in this segment during the year ended 30 June 2014, in all material respects. In 2013, the information relating to the viticulture segment has not been disclosed as the segment was deconsolidated during the first half of the 2013 year and the segment results were not material to the Group

Revenue by geographic region

There is no revenue attributable to external customers located outside Australia for the year ended 30 June 2014 (2013: Nil)

Assets by geographic region

The only segment assets located outside Australia is in relation to capitalised exploration and evaluation expenditure and plant and equipment in Indonesia. This amounted to $397,095 (2013: $1,788,191)

5 Revenue

	Consolidated	
	2014	2013
(1) Australian Resource Company	**$**	$
Other revenue		
Interest received	**819**	216
Interest accrued	**94,811**	195,265
Miscellaneous		69
Profit on sale of assets	**591,935**	1,346,111
Total Revenue	**687,565**	1,541,661

6 Expenses

	Consolidated	
	2014	2013
Profit before income tax includes the following specific expenses:	**$**	$
Depreciation		
Plant and equipment	**13,485**	16,045
Total depreciation	**13,485**	16,045
Impairment of capitalised exploration costs	**1,744,627**	16,567

7 Income tax expense

	Consolidated	
	2014	2013
	$	$
(a) Income tax expense/(benefit)		
Current tax	**-**	144,692
Deferred tax	**331,810**	-
Under/(over) provided in prior years	**21,444**	295,308
	353,254	440,000

	2014	2013
	$	$
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) profit from continuing operations before income tax expense	**(439,952)**	(4,283,858)
Tax at the Australian tax rate of 30% (2013: 30%)	**(131,986)**	(1,285,157)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net deferred tax balances (including losses) not recognised and non-deductible expenses	**463,796**	549,314
Under/over provision in prior years	**21,444**	295,308
Prior year revenue and capital losses recouped not previously recognised	**-**	880,535
Income tax expense / (benefit)	**353,254**	440,000
(c) Deferred Tax Liabilities		
Exploration & evaluation expenditure	**303,367**	-
Other	**28,443**	-
Income tax expense/(benefit)	**331,810**	-

(d) Revenue and capital losses
Unused revenue and capital losses (if any) have not been verified at this time and have therefore not been disclosed.

(e) Tax consolidation legislation
Wavenet International Limited and its Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(g).

(f) Comparative
The 2013 comparative has been adjusted to be consistent with 2014. Other than a change to net deferred tax balances (including losses) not recognised and non-deductible expenses, there has been no change to the 2013 current and deferred taxes.

8 Current assets - Cash and cash equivalents

	Consolidated	
	2014	2013
	$	$
Cash at bank and in hand	**789,270**	416,420
Deposits at call	**-**	**-**
	789,270	416,420

(a) Cash at bank and in hand
Cash is interest bearing at floating interest rates between 0.00% and 0.75% (2013: 0.01% and 2.75%)

9 Current assets - Trade and other receivables

	Consolidated 2014 $	2013 $
Net other receivables		
GST receivable	**31,158**	1,510
Loan – controlled entity		
Other receivables	**1,144,579**	3,811,363
Interest receivable		
	1,175,737	3,812,873

(a) Fair values

The carrying amounts of other receivables approximate the fair value.

(b) Interest rate risk

2014	Floating interest rate $	Non-interest bearing $	Total $
Other receivables	**1,144,579**	**31,158**	**1,175,737**
Cash and cash equivalents	**789,270**	-	**789,270**
	1,933,849	**31,158**	**1,965,007**
Weighted average interest rate	2.5% - 7.5%		

2013	Floating interest rate $	Non-interest bearing $	Total $
Other receivables	2,228,016	1,584,857	3,812,873
Cash and cash equivalents	416,420	-	416,420
	2,644,436	1,584,857	4,229,293
Weighted average interest rate	2.75% - 7.5%		

10 Non-current assets - Property, plant and equipment

<u>**Consolidated**</u>	**Indonesian mining $**	**Vineyard property $**	**Land and buildings $**	**Plant and equipment $**	**Leasehold improvements $**	**Total $**
Year ended 30 June 2013						
Opening net book amount	-	8,217,517	2,608,217	1,224,381	-	12,050,115
	79,877	-	-			
Additions				1,864	-	81,741
Depreciation charge	-	-	-	(16,045)	-	(16,045)
Disposals	-	(8,217,517)	-	(1,157,027)	-	(9,374,544)
Closing net book amount	79,877	-	2,608,217	53,173	-	2,741,267
At 30 June 2013						
Cost	79,877	-	2,608,217	309,079	-	2,997,173
Accumulated depreciation	-	-	-	(255,906)	-	(255,906)
Net book amount	79,877	-	2,608,217	53,173	-	2,741,267
Year ended 30 June 2014						
Opening net book amount	79,877	-	2,608,217	53,173	-	2,741,267
Additions		-	-	2,514	-	2,514
FX Adjustment	(15,591)	-	-	-	-	(15,591)
Depreciation charge	-	-	-	(13,485)	-	(13,485)
Closing net book amount	64,286	-	2,608,217	42,202	-	2,714,705

10 Non-current assets - Property, plant and equipment (continued)

Consolidated	**Indonesian mining $**	**Vineyard property $**	**Land and buildings $**	**Plant and equipment $**	**Leasehold improvements $**	**Total $**
At 30 June 2014						
Cost	79,877	-	2,608,217	309,079	-	2,997,173
FX Adjustment	(15,591)					(15,591)
Accumulated depreciation	-	-	-	(266,877)	-	(266,877)
Net book amount	64,286	-	2,608,217	42,202	-	2,714,705

11 Inventories – current

	2014 $	**2013 $**
Bulk wine inventories – at lower of cost and net realisable value	3,210,051	-

12 Exploration and evaluation expenditure

	2014 $	**2013 $**
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	1,344,031	3,153,624
Balance at beginning of reporting period	3,153,624	2,229,724
Exploration expenditure capitalised during the period	350,717	1,042,159
Impairment of exploration costs – Putussibau Project	(253,561)	-
Impairment of exploration costs – Selaup Project	(1,070,201)	-
Impairment of exploration costs – Australian tenements	(420,865)	(16,567)
Foreign translation movements	(415,683)	(101,692)
Balance at end of reporting period	1,344,031	3,153,624

The recoverability / valuation of the carrying amount of exploration assets is dependent upon:

- The continuance of rights to tenure of the area of interest;
- The results of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest or alternatively by their sale.

13 Available for sale financial assets

	Consolidated 2014 $	**2013 $**
Non-Current		
Available for sale investments – ASX listed investments at fair value	207,503	1,221,385
	207,503	1,221,385

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The fair value of listed securities has been determined directly by reference to published price quotations on the Australian Securities Exchange (ASX) at balance date. During the year, the Group fully divested its remaining holdings in Carabella Resources Limited.

The consolidated entity's exposure to price risks is disclosed in Note 2.

14 Current liabilities - Trade and other payables

	2014 $	2013 $
Trade payables	**17,082**	189,652
Accrued expenses	**201,071**	34,927
Employee benefits	**27,530**	10,279
Current tax liability	**1,789,851**	2,170,000
	2,035,534	2,404,858

15 Borrowings

	2014	2013
	$	$
Current	635,000	-
Bank loan – secured [(a)]	635,000	-
	2014	2013
Non current		
Bank loan - secured [(a)]	720,000	-
	720,000	-

Notes:

(i) Secured loans are expected to be settled:		
- within 12 months	635,000	-
- 12 months or more	720,000	1,360,000
(ii) Total current and non-current secured liabilities	1,355,000	1,360,000
(iii) The carrying amounts of current and non-current assets pledged as security are:		
First mortgage		
Freehold land and buildings	**2,608,217**	2,608,217
Total assets pledged as security	**2,608,217**	2,608,217

(a) The bank loans are secured against the properties owned by the Company and a guarantee from the holding company. There are no financial covenants to be complied under the facility terms with the banks.

16 Contributed equity

	2014	2013	**2014**	2013
(a) Share capital	**Shares**	Shares	**$**	$
Ordinary shares				
Fully paid	**55,477,660**	55,477,660	**14,496,558**	14,496,558
Total contributed equity - parent entity				

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$**
1 July 2012	Opening balance	55,477,660	14,496,558
30 June 2013	Closing Balance	55,477,660	14,496,558
1 July 2013	Opening Balance	55,477,660	14,496,558
30 June 2014	Closing Balance	55,477,660	14,496,558

(c) Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options
There were 8,900,000 share options outstanding at 30 June 2014 (2013, 8,900,000). Options on issue at 30 June 2014 are exercisable at 40 cents per share.

(e) Capital management
Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.
The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.
The Group is not subject to any externally imposed capital requirements.

16 Contributed equity (continued)

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.
There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains at an adequate level. The gearing ratios for the years ended 30 June 2014 and 30 June 2013 are as follows:

	Note	Consolidated Group	
		2014	**2013**
		$	**$**
Total borrowings	15	1,355,000	1,360,000
Less cash and cash equivalents	8	(789,270)	(416,420)
Net debt		565,730	943,580
Total equity		8,921,252	10,013,021
Total capital		9,486,982	10,956,601
Gearing ratio		6.0%	8.6%

17 Reserves and accumulated losses

	Consolidated	
	2014	2013
	$	$
(a) Reserves		
Share-based payments reserve	**710,584**	489,826
Available-for-sale investment revaluation reserve	**(88,458)**	-
FX Translation reserve	**(529,524)**	(98,661)
	92,602	391,165
Movements		
Available–for–sale investment revaluation reserve		
Balance 1 July	**-**	2,125,647
Mark to market	**(88,458)**	(2,125,647)
Balance 30 June	**(88,458)**	-
Share-based payments reserve		
Balance 1 July	**489,826**	283,031
Option expense	**220,758**	206,795
Balance 30 June	**710,584**	489,826
FX Translation reserve		
Balance 1 July	**(98,661)**	-
FX Expense	**(430,863)**	(98,661)
Balance 30 June	**(529,524)**	(98,661)
(b) Accumulated Losses		
Movements in accumulated losses were as follows:		
Opening accumulated losses	**(4,874,702)**	205,403
Adjust previous consolidation vineyard property	**-**	(356,247)
Net (loss) profit for the year	**(793,206)**	(4,723,858)
Closing accumulated profits	**(5,667,908)**	(4,874,702)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

18 Key management personnel disclosures

(a) Directors

The following persons were directors of Wavenet International Limited during the financial year:

(i) Chairman - executive
E H Stroud

(ii) Executive director
L S Holyoak

(iii) Non-executive director
G C Freemantle

(b) Key management personnel compensation

	Consolidated	
	2014	2013
	$	$
Short-term employee benefits	**397,079**	405,472
Post-employment benefits	**7,881**	8,196
Share-based payments	**220,758**	206,795
	625,718	620,463

Detailed remuneration disclosures are provided in sections A-C of the remuneration report.

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated	
(a) Assurance services	**2014**	2013
Audit services	**$**	$
Auditor:	**Moore Stephens**	Moore Stephens
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**63,912**	38,385
Total remuneration for audit services	**63,912**	38,385
Non-Audit services		
Extraordinary general meeting assurance services	**-**	**-**
Accounting Assistance	**-**	**-**
Total remuneration for audit related services	**-**	**-**
(b) Taxation services		
Tax compliance services, including review of company income tax returns	**22,511**	82,443
Tax consulting services on acquisition/disposal of assets	**-**	-
Total remuneration for taxation services	**22,511**	82,443

20 Contingencies & Commitments

(a) Contingent liabilities

The company and its subsidiaries are not aware of any contingent liabilities or contingent assets that existed at balance date or have since come to their knowledge.

(b) Commitments

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programs and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and those which cover the following twelve month period amount to $1,054,948 (2013: $952,593). These obligations are also subject to variations, sale or discontinuation of the relevant tenements. The Company may seek expenditure exemption from the relevant authorities in Queensland, and Indonesia.

There are no contractual capital commitments at 30 June 2014.

21 Related party transactions

(a) Parent entities

The ultimate parent entity within the wholly owned group is Wavenet International Limited.

21 Related party transactions (continued)

(b) Key management personnel

In July 2011, the company entered into an agreement to purchase a 50% holding in Old Valley Unit Trust, a unit trust that owns a 501 hectare rural property in the South West of Western Australia. The other 50% holding in that unit trust is held by Wavenet's chairman, Mr. Edward Stroud. Consideration for the purchase was $6,080,776 consisting of 3,394,640 Wavenet shares valued at $1,527,588 plus a cash payment of $4,553,188. In November 2012, the company sold 60% of its holding in the unit trust for $1,583,347 under a payment plan. The repayment plan failed and the contract was renegotiated during the 2014 financial year with Wavenet selling 40% of its holding for $3,120,125. All these funds were collected prior to 30 June 2014.

(c) Subsidiaries

Interests in subsidiaries are set out in note 22.

(d) Associated Companies

Interests in associated companies are set out in note 22. As at 30 June 2014 the company had an investment in an associate, Old Valley Unit Trust, of $3,202,299 (2013: $2,432,310) and a loan receivable of $1,144,579 (2013: $2,228,016). The loan accrues interest at the rate of 7.5% per annum with interest accrued during the year of $94,811 (2013: $195,265). During the financial year, the Company and Old valley Unit Trust agreed to offset part of the loan receivable from Old Valley Unit Trust via the transfer of bulk wine inventory with a net realisable value of $3,210,051, to the Company.

22 Subsidiaries and Associated Companies

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

			Equity Holding	
Name of Entity	**Country of Incorporation**	**Class of Shares**	**2014 %**	2013 %
Wave Connect Pty Ltd*	Australia	Ordinary	**100**	100
Old Valley Unit Trust	Australia	Units	**30**	20
PT Mineral Indosin	Indonesia	Ordinary	**95**	95
PT Wavenet Westindo	Indonesia	Ordinary	**80**	80

*-dormant

With the exception of Old Valley Unit Trust, all above entities are engaged in mineral exploration.

Interests are held in the following Associated Companies

Name	**Activities**	**Ownership Interest %**	**Carrying Amount of Investment 2014**	**Carrying Amount of Investment** 2013
Old Valley Unit Trust	Viticulture	30	**3,202,299**	2,432,310

During the year ended 30 June 2014 the company renegotiated its previous sale of units in Old Valley Unit Trust increasing its holding from 20% to 30%. The company did not equity account for its interest in Old Valley Unit Trust for the year ended 30 June 2013, on the basis that it was not material.

The Trust, which trades as Preston Vale Vineyard, was first established in 1999 and is located 25 kilometres east of the township of Donnybrook. Preston Vale has been supplying Western Australia's leading premium wineries quality fruit since 2001 and currently produces for both the bulk wine market and private labels. As an Associate, the Group adopts the equity method of accounting by recognising its share of the Associate's results for the year.

22 Subsidiaries and Associated Companies (continued)

(a) Movements in the carrying amount of the Group's investment in associate

	2014	2013
	$	$
Carrying value at start of financial year	2,432,310	-
Uplift in cost base following renegotiation of sale during the year	1,216,155	-
Initial recognition of Associate following partial sell down of Group's ownership interest in prior year	-	2,432,310
Group's share of Associate's loss for the financial year	(446,166)	-
Carrying value at end of financial year	3,202,299	2,432,310

(b) Summarised financial information relating to Associate

	2014	2013
Extract from Associate's Balance Sheet	$	$
Current assets	1,385,234	3,584,370
Non-current assets	14,835,263	15,368,509
Total assets	16,220,497	18,952,879
Current liabilities	2,727,616	3,972,777
Non-current liabilities	-	-
Total liabilities	2,727,616	3,972,777
Net Assets	13,492,881	14,980,102
Extract from Associate's Income Statement	**2014**	**2013**
Revenue	850,240	1,929,463
Net profit/(loss) after tax	(1,487,221)	(622,418)

(c) Commitments & Contingent Liabilities in respect of Associate

There are no commitments or contingent liabilities arising from the Group's interest in the associate which the Group is liable for.

23 Events occurring after the balance sheet date

The company is actively pursuing its exploration projects of Sintang in Indonesia. Sintang geochemical sampling revealed strong gold, silver and lead anomalies and the company is now proceeding with field mapping to identify mineralized structures. Wavenet has abandoned its tenement at Selaup with results not commercial. There are no other events since balance date.

24 Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2014	2013
	$	$
(Loss) Profit for the year	**(793,206)**	(4,723,858)
Non-Cash flows in profit from ordinary activities		
Impairment of E &E costs	**1,744,627**	16,567
Depreciation	**13,485**	16,045
Net gain on disposal of investments	**(591,935)**	(1,346,111)
Share of Associate's loss	**446,166**	-
Net gain on disposal of other non current assets	**(2,752,933)**	2,065,119
Share option expense	**220,758**	206,795
Asset devaluation expense	**-**	2,334,764
FX translation movement	**(430,863)**	-
Changes in Assets and Liabilities		
Decrease (Increase) in trade and sundry debtors	**-**	(540,047)
Increase (Decrease) in deferred tax liability	**331,810**	-
Decrease (Increase) in other assets	**(43,461)**	-
(Decrease) increase in trade creditors and accruals	**(18,823)**	112,563
Movement in income taxes payable	**(380,149)**	410,216
Cash Flow from operations	**(2,254,524)**	(1,447,947)

25 Earnings per share

	Consolidated	
	2014	2013
(a) Basic earnings per share	**Cents**	Cents
(Loss) Profit from continuing operations attributable to the ordinary equity holders of the company	**(1.43)**	(8.51)

(b) Diluted earnings per share		
(Loss) Profit from continuing operations attributable to the ordinary equity holders of the company	**(1.43)**	(8.51)
(Loss) Profit from discontinued operations	**-**	-
(Loss) Profit attributable to the ordinary equity holders of the company	**(1.43)**	(8.51)

(c) Earnings used in calculating basic and diluted earnings per share	Consolidated	
	2014	2013
	$	$
(Loss) / Profit from continuing operations	**(793,206)**	(4,723,858)
(Loss) / Profit from discontinued operations	**-**	-
(Loss) / Profit from operations	**(793,206)**	(4,723,858)

(d) Weighted average number of shares used as the denominator	Consolidated	
	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**55,477,660**	55,477,660

There are 8.9 million share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

26 Parent Information

	2014	2013

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards

STATEMENT OF FINANCIAL POSITION.

	2014	2013
ASSETS		
Current assets	6,288478	4,229,293
TOTAL ASSETS	13,809,337	13,967,687
LIABILITIES		
Current liabilities	2,639,376	2,404,858
TOTAL LIABILITIES	3,691,186	3,764,858
EQUITY		
Issued capital	14,496,558	14,496,558
Asset revaluation reserve	(88,458)	-
Option reserve	710,584	489,826
(Accumulated losses)	(5,000,533)	(4,783,555)
TOTAL EQUITY	10,118,151	10,202,829

STATEMENT OF FINANCIAL PERFORMANCE

	2014	2013
Profit/(loss) for the year	(216,978)	(4,632,711)
Total comprehensive income / (loss)	(305,436)	(6,758,358)

Guarantees

Wavenet has not provided any guarantees on behalf of Old Valley Unit Trust

Contingent liabilities

There were no contingent liabilities as at 30 June 2014 (2013: none).

Contractual commitments

	2014 $'000	2013 $'000
Plant and equipment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total	-	-

27 Disposal of Controlled Entity

During the prior year ended 30 June 2013, the company sold units in its controlled entity (Old Valley Unit Trust) reducing its holding from 50% to 20%. As a result, the Old Valley Unit Trust was deconsolidated in 2013. Aggregate details of this transaction are as follows:

	$
Consideration receivable at 30 June 2013	**1,583,347**
Net assets held at disposal date	**7,473,674**
Outside equity interest	**(3,825,208)**
Net loss on disposal	**(2,065,119)**
	1,583,347

During the year ended 30 June 2014, the company entered into an amended sale agreement for the previous sale of units in its associated entity (Old Valley Unit Trust). The renegotiation amended the Company's holding from 20% to 30%. Aggregate details of the amended transaction are as follows;

	$
Consideration received	**3,120,125**
Net assets held at original disposal date	**7,473,674**
Outside equity interest at disposal date	**(3,825,208)**
Net loss on original disposal	**(2,065,119)**
Uplift in cost base of investment (increase holding from 20% to 30%)	**(1,216,155)**
Net gain on renegotiation	**2,752,933**
	3,120,125

28 Share based payments

(i) On 14 November 2011, 9,200,000 options were granted to the Company's directors under the Wavenet International Limited Employee Option Plan to take up ordinary shares at an exercise price of $0.40 each. The options are unlisted and are not transferable. The options lapse when a director ceases their employment with the Group. During the year ended 30 June 2012, 400,000 options were forfeited when a non-executive director left the Company. During the financial year, none of the options on issue have vested with key management personnel (2013: Nil) as the achievement criteria outlined below have not been satisfied. The options are exercisable on or before 31 August 2016 and a specific number of options per director vest only when the following conditions are met:-

No. of options vesting on the satisfaction of the achievement criteria listed below:	**E H Stroud**	**L S Holyoak**	**G Freemantle**	**Total**
Share price target of 60 cents* is met	2,000,000	200,000	25,000	2,225,000
Share price target of 80 cents* is met	2,000,000	200,000	25,000	2,225,000
Share price target of 120 cents* is met	4,000,000	400,000	50,000	4,450,000
Total	8,000,000	800,000	100,000	8,900,000

* - based on a 10 day volume weighted average price

On 23 November 2012, 100,000 options were granted to a non-executive director, Mr. Gregg Freemantle, on the same terms.

There were no options granted during the year ended 30 June 2014.

(ii) Options granted to key management personnel are as follows:

Grant Date	**Number**
14 Nov 2011	9,200,000
23 Nov 2012	100,000

Further details of these options are provided in the directors' report.

(iii) The company established the Employee Share Option Scheme as a long-term incentive scheme to recognise talent and motivate executives to strive for group performance. Employees are granted options which vest over approximately 5 years, subject to meeting specified performance criteria. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group.

28 Share based payments (continued)

If the option holder's tenure as an office holder of the Company is terminated for any reason, the options may be exercised by the holder within 90 days of the termination of the holder's office with the company provided the options have not lapsed and the achievement criteria outlined above has been met.

The total share based payment recognised in the statement of profit or loss during the year was $220,758 (2013: $206,795)

A summary of the movements of all company options issues is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2012	8,800,000	$0.40
Granted	100,000	$0.40
Forfeited	-	
Exercised	-	
Expired	-	
Options outstanding as at 30 June 2013	8,900,000	$0.40
Granted	-	
Forfeited	-	
Exercised	-	
Expired	-	
Options outstanding as at 30 June 2014	8,900,000	$0.40
Options exercisable as at 30 June 2014	8,900,000	$0.40
Options exercisable as at 30 June 2013	8,900,000	$0.40

No options were exercised during the year (2013: Nil).

The weighted average remaining contractual life of options outstanding at year-end was 1.17 years. The exercise price of outstanding shares at the end of the reporting period was $0.40.

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

The fair value of the options granted were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.40
Weighted average life of the option:	4.8 years
Expected share price volatility:	80%
Risk-free interest rate:	3.72%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(iv) No shares were granted to key management personnel as share-based payments during the year (2013: Nil)

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes of the Company and the controlled entity are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the executive directors required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

L S Holyoak
Director

Perth
30 September 2014

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVENET INTERNATIONAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Wavenet International Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Wavenet International Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

a. the financial report of Wavenet International Limited is in accordance with the *Corporations Act 2001*, including:

    i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

    ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(y) to the financial statements, which indicate that the consolidated entity is dependent upon various funding alternatives in order to discharge its liabilities in the ordinary course of business. This condition, along with other matters as set forth in Note 1 (y), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Wavenet International Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

MOORE STEPHENS

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 30th day of September 2014

SHAREHOLDER INFORMATION

The following information was reflected in the records of the Company as at 30 September 2014.

Distribution of shareholders			**Number of holders Fully paid shares**
1	-	1,000	96
1,001	-	5,000	362
5,001	-	10,000	119
10,001	-	100,000	163
100,001	and over		43
			783
Including holdings of less than a marketable parcel			616

Classes of shares and voting rights

At meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, every person present in person or by proxy has one vote for each ordinary share held.

Substantial shareholders

The following shareholders have lodged a notice of substantial shareholding in the Company.

Shareholder	**Number of shares**	**%**
Edward Hoskin Stroud	17,492,810	31.53
Pindan Investments Pty Ltd	12,668,247	22.83

Twenty largest holders of fully paid shares

Shareholder		**Shares**	**%**
1.	Pindan Investments Pty Ltd	12,668,247	22.83
2.	Westwall Holdings Pty Ltd	12,230,823	22.05
3.	Prestige Glory Limited	3,000,000	5.41
4.	Edward Hoskin Stroud	2,039,411	3.68
5.	Calveen Pty Ltd	1,896,940	3.42
6.	Lawston Pty Ltd	1,377,624	2.48
7.	ABN Amro Clearing Sydney Nominees Pty Ltd	1,254,008	2.26
8.	Noblecrest Marketing Pty Ltd	1,275,379	2.30
9.	Australian Bulk Wine Exchange Pty Ltd	1,022,197	1.84
10.	Ice Cold Investments Pty Ltd	1,000,000	1.80
11.	LSG Resources Pty Ltd	1,000,000	1.80
12.	Rimban Pty Ltd	979,501	1.77
13.	Anne Louise Stroud	925,000	1.67
14.	Lanza Holdings Pty Ltd	555,000	1.00
15.	Aspen Gold Investments Pty Ltd	500,000	0.90
16	Leslie Innes	457,293	0.82
17.	James Dempster & Sons Pty Ltd	403,400	0.73
18.	Dr John Harold Moran & Mrs Sandy Helen Moran	400,000	0.72
19.	Mr Hugh Sargant & Mrs Gail Annette Sargant	320,000	0.58
20.	Oakwood Nominees Limited	300,000	0.54
		43,604,823	78.60