WAVENET INTERNATIONAL LIMITED

ACN 087 139 428

Notice of Annual General Meeting

Explanatory Statement

and

Proxy Form

Date of Meeting
Tuesday, 23 December 2014

Time of Meeting
10.30am (WST)

Place of Meeting
The Albion Hotel Function Centre,
533 Stirling Highway, Cottesloe, Western Australia

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Wavenet International Limited (**Wavenet** or the **Company**) will be held on Tuesday, 23 December 2014, commencing at 10.30am (WST) at The Albion Hotel Function Centre, 533 Stirling Highway, Cottesloe, Western Australia.

The enclosed Explanatory Statement accompanies and forms part of this Notice of Meeting.

AGENDA

BUSINESS OF THE MEETING

1 REVIEW FINANCIAL STATEMENTS AND REPORTS

To consider the annual financial report for the Company for the period ended 30 June 2014 together with the declaration of the Directors, the directors' report, the remuneration report and the auditor's report.

2 RESOLUTION 1 – RE-ELECTION OF DIRECTOR

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, Mr Gregg Freemantle, a Director of the Company retiring in accordance with clause 11.3 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company".

3 RESOLUTION 2 – REMUNERATION REPORT

To consider, and if thought fit, to pass with or without amendment the following as a non-binding resolution:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained within the annual financial report of the Company for the period ended 30 June 2014."

Short Explanation: The directors' report is contained within the Annual Financial Report of the Company for the period ended 30 June 2014. The Remuneration Report is contained in the directors' report. Whilst the Corporations Act requires this resolution to be put to the vote, the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

(a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or

(b) the Voter is the Chair and the appointment of the Chair as proxy:

(i) does not specify the way the proxy is to vote on this Resolution; and

(ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

SPECIAL BUSINESS

4 RESOLUTION 3 - APPROVAL OF THE ACQUISITION OF SHARES BY WESTWALL HOLDINGS PTY LTD UNDER AN UNDERWRITING AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E and of Item 7 of Section 611 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the acquisition by Westwall Holdings of a relevant interest of up to 55,477,660 Shares (resulting in a voting power in the Company, which voting power controlled by Edward Hoskin Stroud, immediately following the Rights Issue, of up to 65.77%), pursuant to the Rights Issue and the terms of the Underwriting Agreement as it relates to any shortfall under the Rights Issue on the terms and conditions set out in the accompanying Explanatory Statement."

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International for the purposes of the Shareholder approval required under Item 7 of Section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders. The Independent Expert has determined that the issue of Shares to a company associated with Edward Hoskin Stroud is **not fair but reasonable** to the non-associated Shareholders.

Voting Exclusion: Under Item 7 of Section 611 of the Corporations Act, no votes may be cast in favour of the resolution by:

(a) the person proposing to make the acquisition and their associates; or

(b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Westwall Holdings Pty Ltd and any of its associates.

Voting at General Meeting

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5.00pm (WST) Sunday, 21 December 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of Meeting.

BY ORDER OF THE BOARD

Laurie Holyoak
Company Secretary
13 November 2014

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Wavenet International Limited ("**the Company**") in connection with the business to be conducted at the general meeting of Shareholders to be held at The Albion Hotel Function Centre, 533 Stirling Highway, Cottesloe, Western Australia on Tuesday, 23 December 2014 at 10.30am (WST).

An Independent Expert's Report prepared by Stantons International comments on whether the proposal the subject of Resolution 3 is fair and reasonable to the non-associated shareholders of the Company.

The Directors recommend that shareholders read this Explanatory Statement and the Independent Expert's Report in full before making any decision in relation to Resolution 3.

Shareholders should note that Stantons International has concluded that the proposal the subject of Resolution 3 is* not fair but reasonable *to the non-associated shareholders of the Company.

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of Meeting.

Action to be Taken by Shareholders
Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

Proxies
All Shareholders are invited and encouraged to attend the Meeting. If a Shareholder is unable to attend in person, they can appoint a representative (or "proxy") to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form. The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 10:30am (WST) on 21 December 2014. Any Proxy Form received after that time will not be valid for the Meeting.
A Proxy Form may be lodged in the following ways:

BY MAIL	BY FAX	BY HAND
Wavenet International Limited, PO Box 1314, Fremantle, WA, 6959	+61 8 9435 3899	Wavenet International Limited, 45 Quarry Street, Fremantle, WA, 6160

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

a) if proxy holders vote, they must cast all directed proxies as directed; and
b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote
Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
c) if the proxy is the chair of the meeting at which the resolution is to be voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances
Section 250BC of the Corporations Act provides that, if:
a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
b) the appointed proxy is not the chair of the meeting; and
c) at the meeting, a poll is duly demanded on the resolution; and
d) either of the following applies:
   i) the proxy is not recorded as attending the meeting;
   ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Corporate representatives
Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

Eligibility to vote
The Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 5pm (WST) on 21 December 2014.

Financial statements and Reports
The Corporations Act requires the Company to lay its Financial Report and the reports of the directors and auditor for the last financial year before the Annual General Meeting.
No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the reports and the management and performance of the Company.
The Company's auditor will also be present at the Meeting and Shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

RE-ELECTION OF DIRECTOR (Resolution 1)

Clause 11.3 of the Constitution requires that at the Company's Annual General Meeting in every year, one-third of the Directors for the time being, or, if their number is not 3 nor a multiple of 3, then the number nearest one-third, must retire from office, provided always that no Director except a Managing Director shall hold office for a period in excess of 3 years of until the third annual general meeting following his appointment, whichever is the longer, without submitting himself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by lot.

A Director who retires by rotation under Clause 11.3 of the Constitution is eligible for re-election.
The Company currently has three Directors and accordingly one must retire.

Mr Gregg Freemantle has been in office for two years and is therefore retiring by rotation. As a retiring Director is eligible for re-election under Clause 11.3 of the Constitution, Mr Freemantle is put up for re-election.

REMUNERATION REPORT (Resolution 2)

1.1 General

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of Key Management Personnel.

The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

1.2 Voting Consequences

Under changes to the Corporations Act that came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors of the Company who were in office when the directors' report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company's previous annual general meeting, the votes cast against the remuneration report at that general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

1.3 Proxy Restrictions

Shareholders appointing a proxy for Resolution 3 should note the following:

If you appoint a member of the Key Management Personnel as your proxy
If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, **you <u>must</u> direct the proxy how they are to vote**. Undirected proxies granted to these persons will not be included in any vote on Resolution 3.

If you appoint the Chair as your proxy
If you elect to appoint the Chair as your proxy, you **<u>do not</u>** need to direct the Chair how you wish them to exercise your vote on Resolution 3, however if you do not direct the Chair how to vote, **you <u>must</u> tick the acknowledgement on the Proxy Form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 3 is connected directly or indirectly with the remuneration of Key Management Personnel**.

If you appoint any other person as your proxy
You **<u>do not</u>** need to direct your proxy how to vote, and you **<u>do not</u>** need to tick any further acknowledgement on the Proxy Form.

2. ISSUE OF SHARES PURSUANT TO UNDERWRITING AGREEMENT (Resolution 3)

2.1 Background

Wavenet accumulated accounting losses over a ten year period to the 30 June 2010 amounting to $8.8 million.

In the years ended 30 June 2011 and 2012 the company returned accounting profits before income tax of $4.7 million and $6.1 million respectively. There was no profit in the year ended 30 June 2013.

In order to determine the company's tax liability it is necessary to calculate the amount of losses available to deduct from profits for income tax purposes, which varies from accounting profits and is subject to ownership and business tests. The ownership test was particularly onerous for Wavenet as it is a public company with over 800 shareholders and loss testing to the ultimate individual shareholder was extremely difficult over the ten-year period. These deliberations resulted in significant losses being disallowed for tax purposes causing substantially larger income tax assessments than anticipated.

While the directors had provided for this worst-case scenario in the financial statements the result was not expected and has caused liquidity difficulties. The Company has secured repayment arrangements with the Australian Taxation Office that expire in November 2014 with a balloon payment of $1.4 million.

Wavenet proposes to raise immediate working capital sufficient to allow the Company to satisfy the claim from the Australian Taxation Office, by undertaking a rights issue of up to 55,477,660 ordinary shares at a subscription price of 1 cent each.

2.2 Underwriting Agreement

Westwall Holdings Pty Ltd, a company controlled by the executive chairman of the Company, Mr Edward Hoskin Stroud, has agreed to underwrite the rights issue to a minimum of 50% with a right to take up any remaining shortfall to an amount of between $277,388.30 and $554,776.60. Wavenet has entered into an underwriting agreement with Westwall Holdings Pty Ltd on terms more favourable to Wavenet than those commonly in such agreements between persons or entities dealing at arms length.

The principal terms of the Underwriting Agreement are:

1. It is conditional upon Wavenet's shareholders approving the issue of shares the subject of the agreement;

2. It is conditional upon ASX providing its approval to the notice of meeting of shareholders to vote to approve the issue of shares the subject of the agreement.

3. It is conditional upon ASIC not objecting to, or the Company adequately responding to any ASIC objections to, the notice of meeting of shareholders to vote to approve the issue of shares the subject of the agreement.

4. Westwall Holdings Pty Ltd will subscribe for 27,738,830 of the shortfall of shares under the Rights Issue or such lesser amount as exists as shortfall, at a subscription price of 1cent each;

5. Westwall Holdings Pty Ltd may subscribe for (and Wavenet will allot) any such part of the remaining shortfall, at a subscription price of 1 cent each, after taking up its underwritten shares;

6. Westwall Holdings Pty Ltd will not charge the Company a management or underwriting fee but the Company will meet all of the costs of preparation of the underwriting agreement and the issue of shares;

7. The funds subscribed by Westwall Holdings Pty Ltd will be used for the Company's working capital, in particular to satisfy the Company's taxation obligations.

2.3 ASX Listing Rules and Corporations Act 2001

The Company seeks approval pursuant to Item 7 of Section 611 and pursuant to section 208 of the Corporations Act. It also seeks approval pursuant to Listing Rule 10.11.

Approval pursuant to Listing Rule 7.1 is not required for the issue of Shares proposed by Resolution 3 because approval is being obtained under Item 7 of Section 611 of the Corporations Act. Accordingly, the issue of Shares to Westwall Holdings Pty Ltd will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements, which must be satisfied. These are summarised in sections 2.4 to 2.10.

2.4 Item 7 of Section 611 of the Corporations Act 2001

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person; or

  (iii) a body corporate that is controlled by an entity that controls the first person; or

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; or

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs; or

(d) the first person is a body corporate and the second person is:

  (i) a director or secretary of the body; or

  (ii) a related body corporate; or

  (iii) a director or secretary of a related body corporate.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

The associates of Westwall Holdings Pty Ltd and their respective shareholdings in the Company are described in the table appearing below at sub-paragraph 2.5.1.

Pursuant to Section 608(1) of the Corporations Act, a person has a "relevant interest" in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

As at the date of the Notice of Meeting, Edward Hoskin Stroud holds or controls 17,492,810 Shares which represents 31.53% of the issued voting shares of the Company. If Mr Stroud or his associates acquire any further Shares by exercising his right to participate in the Rights Issue or by exercising his rights under the Underwriting Agreement, he will increase his relevant interest in the issued voting shares of the Company from a starting point that is above 20% and below 90%. This acquisition will be captured by the prescriptions of Section 606(1)(c)(ii) of the Corporations Act.

There are various exceptions to the prohibition in section 606, detailed in section 611 of the Corporations Act. In particular, item 10 of section 611 exempts acquisitions resulting from rights issues that meet certain conditions. The Rights Issue meets those conditions and accordingly, any acquisition by Mr Stroud pursuant to his right to participate in the Rights Issue will be exempt from the prohibitions of section 606.

Although item 10 of section 611 expressly extends to an acquisition by a person as underwriter of a rights issue, the Company is concerned that the parameters of any potential acquisition by Mr Stroud under the Underwriting Agreement, and his position as executive chairman of the Company, mean that the shareholders of the Company ought to be given the opportunity to provide an informed vote on the proposed acquisition. This position is consistent with guidelines published by the Australian Securities and Investment Commission.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) of the Corporations Act, whereby a person may acquire a relevant interest in a company's voting shares with the approval of the shareholders of that company.

Accordingly, the Company seeks Shareholder approval under Item 7 of section 611 of the Corporations Act for the issue of the Shares to Westwall Holdings Pty Ltd as a company controlled by Edward Hoskin Stroud as well as the acquisition of a relevant interest in the issued voting shares of the Company by Westwall Holdings Pty Ltd as a company controlled by Edward Hoskin Stroud in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act by virtue of the issue of the Shares.

2.5 Specific Information required by Item 7 of Section 611 of the Corporations Act 2001 & ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act in respect of obtaining approval pursuant to Item 7 of Section 611 of the Corporations Act.

2.5.1 The identity of the acquirer and their associates and any person who will have a relevant interest in the Shares to be acquired

The acquirer is Westwall Holdings Pty Ltd. Westwall Holdings Pty Ltd is controlled by Mr Stroud and he is the executive chairman of the Company and is currently the Company's largest shareholder.

Mr Stroud's shareholding and control of Company shareholding is described in the following table:

Shareholder	Shares currently held	Percentage
Edward Hoskin Stroud	2,039,411	3.67%
Westwall Holdings Pty Ltd	12,230,823	22.05%
Australian Bulk Wine Exchange Pty Ltd	1,022,197	1.84%
Noblecrest Marketing Pty Ltd	1,275,379	2.3%
Anne Louise Stroud (spouse)	925,000	1.67%
Total	**17,492,810**	**31.53%**

2.5.2 Full particulars (including the number and percentage) of the Shares to which Edward Hoskin Stroud or entities he controls or are his associates will be entitled immediately before and after the issue of Shares under the Underwriting Agreement the subject of Resolution 3.

As at the date of the Notice of Meeting, Edward Hoskin Stroud has a relevant interest in 17,492,810 Shares.

Description	**Relevant Interest of Edward Hoskin Stroud**
No. of Shares (% of voting power) held as at the date of the Notice of Meeting (Total Shares = 55,477,660)	17,492,810 (31.53%)
Assuming Mr Stroud acquires all of the Shares available to him pursuant to the Rights Issue and no-one else subscribes to the Rights Issue	
The **increase** in the no. of Shares (% of voting power) held after Rights Issue (Total Shares = 72,970,470)	17,492,810 (+ 17,492,810 = 34,985,620) (increase in voting power of 16.4% to 47.9%)
Assuming Mr Stroud acquires all of the Shares available to him pursuant to the Rights Issue and the remainder of the Rights Issue is fully subscribed	
The **increase** in the no. of Shares (% of voting power) held after Rights Issue (Total Shares = 110,955,320)	17,492,810 (+ 17,492,810 = 34,985,620) (increase in voting power of NIL to 31.53%)
Assuming no-one else subscribes to the Rights Issue and Mr Stroud acquires all Westwall is obliged to under the Underwriting Agreement	
The **increase** in the no. of Shares (% of voting power) held after Rights Issue (Total Shares = 83,216,490)	27,738,830 (+ 17,492,810 = 45,231,640) (increase in voting power of 22.82% to 54.35%)
Assuming no-one else subscribes to the Rights Issue and Mr Stroud acquires all of the shortfall of Shares the subject of the Rights Issue	
The **increase** in the no. of Shares (% of voting power) held after the Rights Issue (Total Shares = 110,955,320)	55,477,660 (+ 17,492,810 = 72,970,470) (increase in voting power of 30.87% to 65.76%)

As the figures above include any associates of Edward Hoskin Stroud who independently hold Shares:

(a) the maximum extent of the increase in the voting power of each of Edward Hoskin Stroud's associates that would result from the acquisition; and

(b) the voting power that each of Edward Hoskin Stroud's associates would have as a result of the acquisition, is the same as the:

(c) the maximum extent of the increase in Edward Hoskin Stroud's voting power in the Company that would result from the acquisition; and

(d) the voting power that Edward Hoskin Stroud would have or control as a result of the acquisition,

as set out above.

2.5.3 The identity, associations (with Edward Hoskin Stroud and any of his associates) and qualifications of any person who it is intended will become a Director if Shareholders approve the Share Issue.

Mr Stroud is the executive chairman of the Company.

There are no new proposed directors as a result of the proposed transaction.

2.5.4 Details of other relevant agreements.

Please refer to the description of the Underwriting Agreement at paragraph 2.2 above.

2.5.5 A statement of Edward Hoskin Stroud's intentions regarding the future of the Company if Shareholders agree to the Share Issue.

Mr Stroud has been a director of the Company since 1999 and is currently the executive Chairman. He is supportive of the Company's current direction and his intentions regarding the future of the Company will be unchanged if Shareholders agree to the Share Issue. In particular Mr Stroud:

- Has no intention to change the business of Company. It's focus will remain as a diverse company able to respond quickly to opportunities in mining and agriculture.
- Does not anticipate any need to inject further capital into the Company provided the Company's arrangements with the Australian Taxation Office conclude as expected;
- Intends to retain present employees of the Company;
- Has no intention to transfer any assets from the Company to any of Mr Stroud's entities;
- Otherwise continues to investigate positive opportunities to convert real property assets of Wavenet; and
- Does not intend to change any financial or dividend distribution policies of the Company.

2.6 Reasons for the Share Issue

2.6.1 Advantages

(a) The Share Issue will raise sufficient capital for the Company to attend to its obligations to the Australian Taxation Office.

(b) The Shares will be issued to a current and supportive Shareholder.

2.6.2 Disadvantages

(a) Dilution of non-associated Shareholders' interests from approximately immediately following the proposed transaction.

2.7 Recommendations of Directors

The Directors (other than Mr Stroud) do not have any personal interests in the outcome of Resolution 3 and recommend that Shareholders vote in favour of the Resolution as they consider the proposed issue of Shares to Edward Hoskin Stroud to be in the best interests of Shareholders for the following reasons:

(a) after assessment of the advantages and disadvantages referred to in Section 2.6; and

(b) the Independent Expert has determined the issue of Shares to Edward Hoskin Stroud to be not fair but reasonable to the non-associated Shareholders.

2.8 Independent Expert's Report

The Directors of the Company commissioned Stantons International to prepare a report on the question of whether the proposal is fair and reasonable to shareholders not associated with Edward Hoskin Stroud and his associates. That report is attached to this Explanatory Statement.

The Independent Expert's Report prepared by Stantons International sets out a detailed examination of the proposed Issue of Shares to enable non-associated Shareholders to assess the merits and decide whether to approve the issue of Shares to Westwall Holdings Pty Ltd.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Note conversion and concludes that the issue of Shares to Westwall Holdings Pty Ltd is not **fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report set out in Annexure B to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

Stantons International has consented to the use of its report and opinion in the form and context in which it appears.

The Independent Expert's Report relies partly upon an Independent Geology Valuation Report from Geologica Pty Ltd. Geologica Pty Ltd has consented to the use of its report and opinion in the form and context in which it appears. Geologica Pty Ltd has provided to Wavenet electronic copies of the source data upon which it relies and Wavenet is able to make that data available to Shareholders upon request.

2.9 Effect on Capital Structure

Based on the current capital structure of the Company and the proposed Share Issue as outlined in this section, the new capital structure and Mr Stroud's interest in the Company following Share Issue will be as follows:

	Pre-Share Issue		**Post-Share Issue**	
	Number	**%**	**Number**	**%**
Shares				
Current shareholders (excluding Stroud)	37,984,850	68.47	(min) 37,984,850	(min) 34.24
Stroud and Associates	17,492,810	31.53	(max) 72,970,470	(max) 65.76
Total	55,477,660	100	110,955,320	100
Options				
Current optionholders (31/08/2016; $0.40)	8,900,000		8,900,000	
Stroud and Associates	8,000,000		8,000,000	

2.10 Chapter 2E of the Corporations Act 2001

The issue of Shares pursuant to the Underwriting Agreement may be characterised as a financial benefit to a related party.

2.11 Specific Information required by Section 219 of the Corporations Act 2001

The following information is required to be provided to Shareholders under section 219 of the Corporations Act in respect of obtaining approval pursuant to Section 208 of the Corporations Act.

2.11.1 The related parties to whom the proposed resolution would permit financial benefits to be given

The acquirer is Westwall Holdings Pty Ltd. Westwall Holdings Pty Ltd is controlled by Mr Stroud.

2.11.2 The nature of the financial benefit

The subject benefit is the issue of shares pursuant to the Underwriting Agreement. The volume of shares will depend upon the shortfall after shareholders take up their entitlements. Assuming Mr Stroud and his associates subscribe for all of their entitlements under the Rights Issue, the volume will be between zero and 37,984,850 (55,477,660 - 17,492,810). The price of the shares will be 1 cent each.

2.11.3 In relation to each director of the Company

If the director wanted to make a recommendation to members about the proposed resolution – the recommendation and his or her reasons for it:

> Mr Stroud declines from making any recommendation because he controls the company which is the subject of the resolution; and
> The non-associated directors (Mr Greg Freemantle and Mr Laurence Holyoak) recommend that shareholders vote in favour of the resolution as it will allow the Company to raise immediate critical funds to satisfy the claim by the Australian Taxation Office without the need to liquidate any of the Company's assets.

2.11.4 In relation to each such director

Whether the director has an interest in the outcome of the proposed resolution and if so – what it is.

> Mr Stroud controls Westwall Holdings Pty Ltd;
> Mr Freemantle has no interest in the outcome of the proposed resolution.
> Mr Laurence Holyoak has no interest in the outcome of the proposed resolution.

2.11.5 All other information that is reasonably required by members in order decide whether or not it is in the Company's interests to pass the proposed resolution and is known to the Company or its directors

Refer to paragraphs 2.5.1 to 2.5.5 and 2.7 to 2.9 as well as the Independent Expert Report.

In addition:
<u>Dilution Effects</u>
If the resolution is passed it may have the effect of diluting the shareholding of any shareholder who does not participate in the Rights Issue by up to 50%.

<u>Opportunity Costs</u>
The Company is not aware of any opportunity costs associated with passing the Resolution.

<u>Taxation Consequences</u>
The Company is not aware of any adverse or beneficial taxation consequences associated with passing the Resolution.

<u>Benefits Forgone by Company</u>
The Company is not aware of any benefits foregone by the Company associated with passing the Resolution

Dispersion Strategy
The Rights Offer will allow all eligible Shareholders to apply for additional Shares in excess of their entitlement, at the same price as the Shares in the Offer. The issue of additional Shares is at the discretion of the Directors of the Company but will be allocated first in proportion to the current shareholdings of those applying.

The Underwriter’s entitlement to take up any further shortfall is limited to any Shortfall Shares remaining after applications from shareholders for additional Shares have been satisfied.

2.12 Specific Information required by Listing Rule 10.13

The following information is required to be provided to Shareholders under Listing Rule 10.13 in respect of obtaining approval pursuant to Listing Rule 10.11.

2.12.1 The name of the person to whom securities will be issues

The acquirer is Westwall Holdings Pty Ltd. Westwall Holdings Pty Ltd is controlled by Mr Stroud and he is the executive chairman of the Company and is currently the Company’s largest shareholder.

2.12.2 The maximum number of securities to be issued to the person

55,477,660 Ordinary Shares

2.12.3 The date by which Wavenet will issue the securities (which must be not more than 1 month after the date of the meeting)

18 January 2015

2.12.4 The issue price of the securities and a statement of the terms of the issue

The issue price is 1 cent per Ordinary Share payable in full on subscription.

2.12.5 The intended use of the funds raised

To allow the Company to satisfy the claim from the Australian Taxation Office.

3. DEFINITIONS

ASX	means ASX Limited ABN 98 008 624 691.
Constitution	means the Company's constitution.
Corporations Act	means the Corporations Act 2001 (Cth).
Directors	means the current directors of the Company.
Explanatory Statement	means this Explanatory Statement.
Independent Expert	means Stantons International.
Listing Rules	means the official listing rules of ASX.
Meeting	means the meeting convened by the Notice of Meeting.
Notice of Meeting	means the notice of general meeting which forms part of this Explanatory Statement.
Option	means an option to acquire a Share.
Optionholder	means a holder of an Option.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
Underwriting Agreement	means the Underwriting Agreement dated October 2014, as varied, between the Company and Westwall Holdings Pty Ltd, the key terms of which are set out in Section 2.2 of the Explanatory Statement.
Wavenet or the Company	means Wavenet International Limited ACN 087 139 428

W A V E N E T

Wavenet International Limited

ABN 50 087 139 428

Lodge your vote:

By Mail:
Wavenet International Limited
PO Box 1314
Fremantle WA 6959

By Hand:
Wavenet International Limited
45 Quarry Street
Fremantle WA 6160

Alternatively you can fax your form to
(within Australia) 08 9435 3899
(outside Australia) +61 8 9435 3899

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 746 355
(outside Australia) +61 3 9938 4337

Proxy Form

For your vote to be effective it must be received by 10:30am (WST) Wednesday, 26 November 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: If you are entitled to cast two or more votes at the meeting, you may appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting they will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View the annual report, 24 hours a day, 7 days a week:

www.wal.wa.com

Review and update your securityholding:

www.investorcentre.com

Your secure access information is:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Wavenet International Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Wavenet International Limited to be held at The Albion Hotel Function Centre, 533 Stirling Highway, Cottesloe, Western Australia on Friday, 28 November 2014 at 10.30am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolution: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 2 (except where I/we have indicated a different voting intention below) even though Resolution 2 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 2 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Re-election of Director - Mr Gregg Freemantle			
Resolution 2	Remuneration Report			
Resolution 3	Approval of the acquisition of shares by Westwall Holdings Pty Ltd under an Underwriting Agreement			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ Contact Daytime Telephone ______________________ Date ____ / ____ / ____

PO Box 1908
West Perth WA 6872
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12 November 2014

The Directors
Wavenet International Limited
45 Quarry Street
FREMANTLE WA 6160

The Independent Expert has concluded that the transaction relating to the potential issue of up to 55,477,660 Rights Issue Shares to Westwall Holdings Pty Ltd via an Underwriting Agreement, the subject of Resolution 3 outlined in the Notice of General Meeting is not fair but reasonable to the shareholders of the Company (not associated with the Stroud Group as defined below) as at the date of this report.

Dear Sirs

Re: WAVENET INTERNATIONAL LIMITED (ABN 50 087 139 428) ("WAVENET" OR "THE COMPANY") ON THE PROPOSAL TO ALLOW WESTWALL HOLDINGS PTY LTD TO TAKE UP TO 55,477,660 RIGHTS ISSUE SHARES UNDER THE RIGHTS ISSUE AND THE TERMS OF THE UNDERWRITING AGREEMENT - SHAREHOLDERS MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001

1. Introduction

1.1 We have been requested by the Directors of Wavenet to prepare an Independent Expert's Report to determine the fairness and reasonableness of the proposed issue of shares as noted in Resolution 3 to a Notice of Meeting of Shareholders of Wavenet ("Notice") and the accompanying Explanatory Statement ("ES") to be forwarded to shareholders in November 2014 for a meeting of shareholders in December 2014.

The Company proposes to undertake a non-renounceable rights issue ("Rights Issue") which will be 50% underwritten by Westwall Holdings Pty Ltd ("Westwall" or "Underwriter"). The Rights Issue will consist of one new share for every one share at a price of 1 cent each (approximately 55,447,660 shares may be issued- the "Rights Issue Shares").

The underwritten shares will consist of 27,738,830 shares ("Underwritten Shares"). Westwall is wholly controlled by Edward Hoskin Stroud ("Stroud"), the executive chairman of Wavenet. Stroud's direct shareholding in Wavenet and the shares he controls via his spouse and other companies ("Stroud Group"), including Westwall, total 17,492,810 shares or 31.53% of the 55,447,660 shares on issue.

1.2 The principal terms of the underwriting agreement between Wavenet and Westwall entered into in October 2014 ("Underwriting Agreement") include the following:

- The Company appoints the Underwriter to underwrite fifty percent of the Rights Issue;
- The total number of the underwritten shares is 27,738,830 ("Underwritten Shares");
- The Underwriter may take up all or any part of the Rights Issue remaining after the take up of the Rights Issue and the Underwritten Shares and must follow the same procedure as for its application to take up the Underwritten Shares.

1.3 Under Section 606 of the *Corporations Act 2001* ('TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

There are various exceptions to the prohibition in section 606, detailed in section 611 of the Corporations Act. In particular, Item 10 of Section 611 exempts acquisitions resulting from rights issues that meet certain conditions. The Rights Issue meets those conditions and accordingly, any acquisition by the Stroud Group pursuant to its right to participate in the Rights Issue will be exempt from the prohibitions of Section 606. Although Item 10 of Section 611 expressly extends to an acquisition by a person as underwriter of a rights issue, the Company is concerned that the parameters of any potential acquisition by the Stroud Group under the Underwriting Agreement, and his position as executive chairman of the Company, mean that the shareholders of the Company ought to be given the opportunity to provide an informed vote on the proposals. This position is consistent with guidelines published by the Australian Securities and Investments Commission.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is therefore required to report on the fairness and reasonableness of the transactions noted pursuant to a Section 611 (Item 7) meeting.

1.4 At the date of finalising this report, the Rights Issue Shares have not been issued as the issue of such Rights Issue Shares is subject to shareholders' approval to allow Westwall as underwriter to the Rights Issue to take up Shortfall Shares and all or any part of the Rights Issue remaining after the take up of the Rights Issue and the Underwritten Shares, as the Stroud Group's shareholding may increase from 31.53% to potentially 65.76% of the issued share capital of Wavenet after completion of the Rights Issue. Westwall's interest may increase from 22.05% to 56.28%. Approval from shareholders is pursuant to a Section 611 (Item 7) meeting under TCA and the meeting.

1.5 If shareholders approve Resolution 3 in the November 2014 Notice, the Stroud Group's shareholding in Wavenet may range between approximately 31.53% and up to 65.76%.

Assuming the Stroud Group takes up their full entitlement of 17,492,810 shares and Westwall is obliged to take up 100% of the shortfall as the underwriter, the Stroud Group's shareholding in Wavenet post the Rights Issue would be 54.35%. In terms of the Underwriting Agreement, Westwall is also entitled to subscribe for any amount of shares up to all of the Rights Issue Shares less any amount of Rights Issue Shares that are taken up or underwritten. Therefore assuming that no person, other than the Stroud Group, subscribes for shares under the Rights Issue, Westwall could acquire under the Underwriting Agreement up to 37,984,850, resulting in Westwall increasing its shareholding in Wavenet to 62,446,496 shares and the Stroud Group (which includes Westwall) increasing its shareholding in Wavenet to 72,970,470 shares or 65.76% of the issued capital of Wavenet after the completion of the Rights issue. This represents an increase in the voting power of the Stroud Group of 34.24%. The shortfall of shares ("Shortfall shares") for the purposes of this report amount to 10,246,020 shares being the difference between 50% of the 55,447,660 Rights Issue Shares and the 17,492,810 Rights Issue Shares that the Stroud Group is entitled to take up, although technically the total Shortfall Shares could be 27,738,830 if the Stroud Group did not take up their entitlement. These percentages assume there will be 110,955,320 shares on issue post the completion of the Rights Issue. The final shareholding of the Stroud Group post the Rights Issue is thus not yet determinable.

1.6 The Wavenet directors have requested Stantons International Securities to prepare an Independent Expert's Report to determine whether the potential issue of any Rights Issue Shares (up to 55,477,660 Rights Issue Shares) in Wavenet to Westwall (part of the Stroud Group) via the Rights Issue and Underwriting Agreement is fair and reasonable to the non associated shareholders of Wavenet. Resolution 3 (there are two other resolutions in the Notice but we are not reporting on them) refers to the issue of up to 55,477,660 Rights Issue Shares and further details are included in the ES attached to the Notice.

1.7 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals pursuant to the Underwriting
- Corporate history and nature of business of Wavenet
- Future direction of Wavenet
- Basis of technical valuation of Wavenet
- Premium for control
- Fairness of the proposed Rights Issue and the issue of potential Shortfall Shares to the Underwriter and allowing the Underwriter to take up any amount of shares up to all of the Rights Issue less any amount of shares that are taken up or underwritten under the Rights Issue
- Reasonableness of the proposed Rights Issue and the issue of potential Shortfall Shares to the Underwriter and allowing the Underwriter to take up any amount of shares up to all of the Rights Issue less any amount of shares that are taken up or underwritten under the Rights Issue
- Conclusion as to fairness and reasonableness

1.8 In determining the fairness and reasonableness of the potential issue of up to 55,447,660 Rights Issue Shares, to Westwall pursuant to the Rights Issue and the Underwriting Agreement, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash.

An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed issue of Rights Issue Shares to Westwall (part of the Stroud Group) do not relate to a takeover offer, we have considered the general principals noted above to determine our opinion on the fairness and reasonableness of the potential issue of the Rights Issue Shares to Westwall.

1.9 **In our opinion, taking into account the factors noted in this report, the proposal to allow Westwall the right to enter into the Underwriting Agreement and take up to 100% of the Rights Issue Shares being issued under the Rights Issue and the Underwriting Agreement as outlined in paragraph 1.5 and Resolution 3, is on balance, taking into account the factors referred to in sections 8 and 9 below and elsewhere in this report, is considered to be <u>not fair but reasonable</u> to the shareholders of Wavenet (not associated with the Stroud Group) as at the date of this report.**

1.10 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report. Each shareholder will need to form his/her own opinion on whether to vote in favour of the resolutions. Each shareholder needs to examine the share price of Wavenet, and market conditions at the time of exercise of vote to ascertain the impact, if any, on Resolution 3.

2. Implications of the Proposals

2.1 As at 31 October 2014, there were 55,477,660 ordinary fully paid shares on issue in Wavenet. The top 20 shareholders list as at 30 September 2014 disclosed the following:

Shareholder	No. of fully paid shares	% of issued shares
Pindan Investments Pty Ltd	12,668,247	22.83
Westwall Holdings Pty Ltd	11,833,809	21.33
Prestige Glory Limited	3,000,000	5.41
Calveen Pty Limited	1,896,940	3.42
Lawston Pty Ltd	1,377,624	2.48
	30,776,620	55.47

The top 20 shareholders as per the top 20 shareholders list at 30 September 2014 owned approximately 76.58% (42,482,809 fully paid shares) of the ordinary issued capital of the Company. Westwall has in addition to the share account noted above, additional share accounts which bring its total shareholding from 11,833,809 shares to 12,230,823 shares as noted below. The total shareholding of the Stroud Group was approximately 31.53%.

As at 31 October 2014, there are 8,900,000 share options on issue with an exercise price of 40 cents expiring on 31 August 2016.

2.2 We set out below a table of the maximum potential shareholder interests of the Underwriters and the Stroud Group.

	Westwall	Other Stroud controlled Companies and Anne Louise Stroud	Total Stroud Group	Other shareholders	Total shares on issue	Note
No. of shares on issue at 31 October 2014	**12,230,823**	**5,261,987**	**17,492,810**	**37,984,850**	**55,477,660**	
Percentage holding	*22.05*	*9.48*	*31.53*	*68.47*	*100*	
Rights taken up by the Stroud Group only	12,230,823	5,261,987	17,492,810	-	17,492,810	1
Shortfall Shares taken up by Underwriter	10,246,020	-	10,246,020	-	10,246,020	
Total shares on issue	**34,707,666**	**10,523,974**	**45,231,640**	**37,984,850**	**83,216,490**	
Percentage holding	*41.71*	*12.64*	*54.35*	*45.65*	*100*	
Balance of shares taken up by the Underwriter	27,738,830	-	27,738,830	-	27,738,830	2
Total shares on issue	**62,446,496**	**10,523,974**	**72,970,470**	**37,984,850**	**110,955,320**	
Percentage holding	*56.28*	*9.48*	*65.76*	*34.24*	*100*	

Note 1- Assumes that only the Stroud Group takes up their shares

Note 2- Assumes that the Underwriter also takes up all the remaining shares which have not been taken up by the Stroud Group or by the Underwriter as Shortfall Shares.

We set out below a table of the minimum potential shareholder interests of the Underwriters and the Stroud Group.

	Westwall	Other Stroud controlled Companies and Anne Louise Stroud	Total Stroud Group	Other shareholders	Total shares on issue	Note
No. of shares on issue at 31 October 2014	**12,230,823**	**5,261,987**	**17,492,810**	**37,984,850**	**55,477,660**	
Percentage holding	*22.05*	*9.48*	*31.53*	*68.47*	*100*	
Rights taken up by the Other Shareholders only	-	-	-	37,984,850	37,984,850	1
Shortfall Shares taken up by Underwriter	-	-	-	-	-	2
Total shares on issue	**12,230,823**	**5,261,987**	**17,492,810**	**75,969,700**	**93,462,510**	
Percentage holding	*13.09*	*5.63*	*18.72*	*81.28*	*100*	

Note 1- Assumes that the Stroud Group does not take up any shares and the other shareholders take up their full entitlement under the Rights Issue

Note 2- There are no Shortfall shares as the number of Rights Issue Shares taken up by the non associated shareholders is in excess of the 27,738,830 shares that have been underwritten by the Underwriter.

2.3 If shareholders approve Resolution 3 in the November 2014 Notice, the Stroud Group's shareholding in Wavenet may range between approximately 18.72% and up to 65.76% as noted in the tables above. Assuming the Stroud Group takes up its full entitlement of 17,492,810 shares under the Rights Issue and Westwall takes up the entire shortfall of 10,246,020 shares as the underwriter, the Stroud Group's shareholding in Wavenet post the Rights Issue will increase from 31.53% to 65.76% and the Underwriter's direct shareholding increases from 22.05% to 56.28%. Assuming the Stroud Group takes does not take up any of its entitlement of 17,492,810 shares under the Rights Issue and the non associated shareholders take up their full entitlement under the Rights Issue, the Stroud Group's shareholding would decrease from 31.53% to 18.72% and if Westwall does not take up any further shares under the Underwriting Agreement, its shareholding interest would decrease from 22.05% to 13.09%.

The Stroud Group's shareholding interest in Wavenet may therefore vary from 18.72% and 65.76% depending on the number of shares taken up by the various shareholders under the Rights Issue, the number of Shortfall Shares and the number of additional shares that the Underwriter may take up under the Underwriting Agreement.

2.4 Post the Rights Issue, the estimated number of shares on issue in Wavenet is expected to be 110,955,320 (assumes no existing share options are exercised). Using the Rights Issue price of 1 cent per share this would result in a market capitalisation of around $11,095,532 (assuming 110,955,320 shares are on issue).

2.5 The number of shares on issue as at 31 October 2014 is 55,477,660. The number of shares offered under the underwritten Rights Issue is 55,477,660. If 55,477,660 shares are issued under the Rights Issue at 1 cent per share, the Company would raise an approximate gross $554,776 before any capital raising costs that may approximate $23,500.

2.6 The current Board of Directors is not expected to change in the near future as a result of the Rights Issue. As at 31 October 2014, the Board comprised of Edward Hoskin Stroud (executive Chairman), Laurie Stuart Holyoak (executive Director and Company Secretary) and Gregg Christopher Freemantle (non-executive Director).

3. **Corporate History and Nature of Businesses**

3.1 Principal Activities and Significant Assets

Wavenet is an ASX listed which has interests in mineral resource exploration and viticulture. The Company was incorporated in 1999 and obtained an ASX listing on 17 March 2000.

Its most significant mineral interests as noted in the quarterly activities reports for the periods ended 31 March 2014 and 30 June 2014 are as follows:

- The Gayndah Coal Project in Queensland comprise of two exploration permits EPC 2044 and EPC 2265 located immediately west of EPC 2044. An estimation of the maiden coal resource on EPC 2044 has been completed in November 2013 with an inferred coal resource of approximately 79 million tonnes exceeding 6000 kcal/kg inferred. The coal has a high ash content but initial recovery tests indicate that about 24% by volume can be recovered as a market product. Exploration is continuing on the two tenements; and

- The Sintang Gold Project is located in West Kalimantan, Indonesia. An area of approximately 4 kilometers in length on the Bangun River drainage has been identified as having potential for alluvial gold mining. An initial Bangka drilling programme of 20 holes has been completed.

Further details on the significant mineral interests are disclosed in the Independent Geology Valuation Report on the Queensland Coal Tenements (“Queensland Valuation Report”) prepared by Geologica Pty Ltd (“Geologica”) and which is attached as Appendix B to the Independent Experts Report. This valuation report is referred to in the Independent Experts Report as the Geologica Valuation Report. A valuation report in respect of the Sintang Indonesian Concession prepared by Geologica has been withdrawn (refer below for further details).

In addition to its interest in mineral resource exploration the company has an interest in viticulture. On 29 November 2012, the Company announced that it had entered into a Heads of Agreement (“HOA”) to sell 60% of its one half interest in Preston Vale Vineyard to LSG Resources Limited for a total purchase price of AUD$4,650,000 in staged payments between November 2012 and June 2014. The Company held its interest in Preston Vale Vineyard via units held in the Old Valley Unit Trust. On 26 June 2014, Wavenet announced to the ASX that the staged payments foreshadowed in the HOA did not fully eventuate, with payments being delayed, short paid or not received at all. The directors entered into further negotiations with the purchaser which resulted in Wavenet reducing its sell down from 60% of its one half interest to 40% of its one half interest. The sale price amounted to $3,100,000 which has now been fully received. The Company now retains a 30% interest in the Preston Vale Vineyard via the units held in the Old Valley Unit Trust.

Wavenet also owns two properties, being Lot 1 on Diagram 51845 C/T 1458 F484 Donnybrook-Boyup Brook Road, Wilga WA (“Strathcluan Property”) and also a property at 45 Quarry Street Fremantle, WA, 6160 (“Quarry Street property”). The Strathcluan Property comprises a farming lot and the Quarry Street Property consists of a residential house and land. The two properties are referred to in this report as the “Properties.”

Shareholders should also read announcements made to the ASX by the Company in 2013 and in 2014 to the date of this report

4. **Future Directions of Wavenet**

4.1 We have been advised by the directors and management of Wavenet that:

- There are no proposals currently contemplated either whereby Wavenet will dispose of any properties or assets to the Stroud Group (however Westwall is acting as underwriter to the Rights Issue expected to be completed in December 2014 or January 2105 and the Stroud Group is participating in the Rights Issue as outlined above) or where Wavenet will acquire any property or assets from the Stroud Group;

- The composition of the Board is not expected to change in the short term as noted above;

- The Company may raise further capital and/or loan funds in 2014/15 as the needs arise and subject to market conditions (over and above the proceeds from the Rights Issue);

- No dividend policy has been set;

- The Company will endeavour to evaluate and commercialise its current mineral interests that includes the Gayndah and Sintang Gold Projects; and

- Wavenet intends to sell down its interest in the Old Valley Unit Trust by up to a further 50%, however there are no firm discussions yet taking place.

5. Basis of technical valuation of Wavenet shares

5.1 In considering the proposal with the Underwriter (that includes the ability to take up a maximum of 27,738,830 Shortfall Shares and an additional 27,738,830 Rights Issue Shares assuming no shares were taken up by the Stroud Group or non associated shareholders under the Rights Issue, we have sought to determine if the 1 cent issue price under the Rights Issue is in excess of the current fair value of the shares in Wavenet on issue and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of Wavenet (not associated with the Stroud Group). To do so, we need to consider the fairness and reasonableness of the Rights Issue itself.

5.1.1 The proposals with the Underwriter and the Stroud Group would be fair to the existing non associated shareholders if the issue price under the Rights Issue is greater than or equal to the implicit value of the shares in Wavenet currently on issue. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Wavenet shares for the purposes of this report.

5.1.2 The valuation methodologies we have considered in determining the current technical value of a Wavenet share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market value price of Wavenet shares.

5.2 <u>Capitalised Maintainable Earnings / Discounted Cash Flows</u>

5.2.1 Wavenet currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not appropriate. Per the audited accounts for the year ended 30 June 2013, the Company incurred a comprehensive loss of $6,948,166 and per the audited accounts for the year ended 30 June 2014 the Company incurred a comprehensive loss of $1,312,527. The Company needs funds to further enhance its Gayndah Coal Project, the Sintang Gold Project and also to settle the repayment arrangements with the Australian tax office that expire in November 2014 with a balloon payment of $1,400,000. Per the audited accounts of Wavenet at 30 June 2014, the cash and cash equivalents amount to only $789,270. Currently, Wavenet does not have sufficient funds to repay its ATO debt and to continue to conduct further exploration, evaluation and development on the Gayndah Coal Project and the Sintang Gold Project.

5.3 Takeover Bid

We have been advised by management of Wavenet that the directors believe that there always could be an entity with an interest in taking over 100% of the Company by way of a formal takeover bid. To our knowledge, there are no current bids in the market place and the directors of Wavenet and ourselves have formed the view that there is unlikely to be any takeover bids made for Wavenet in the immediate future. In the event that Westwall subscribed for all of the Wavenet Shortfall Shares up to a maximum of 10,246,020 (assumes the Stroud Group subscribed for 100% of their entitlement of 17,492,810), the maximum percentage owned by the Stroud Group could approximate 54.35% of the expanded issued capital of the Company (the Stroud Group could own up to 45,231,640 shares) (up to 83,216,490 shares could be on issue). Potentially, if the non associated shareholders do not take up any shares under the Rights Issue, Westwall may in addition to the 10,246,020 Shortfall Shares (assumes the Stroud Group subscribed for 100% of their entitlement of 17,492,810) could take up a further 27,738,830 Rights Issue Shares bringing the Stroud Group shareholding to 72,970,470 shares or 65.76% of the expanded share capital of 110,955,320 shares in issue.

5.4 Net Asset Backing and Wind-Up Value

5.4.1 As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We set out below the audited consolidated balance sheet (consolidated statement of financial position) of Wavenet as at 30 June 2014;

a) Balance Sheet "A" - comprises the audited balance sheet as at 30 June 2014;

b) Pro-forma Balance Sheet "B"- comprises Balance Sheet "A" adjusted for:
- the estimated corporate and administration costs of $280,000 for the period from 1 July 2014 to 30 November 2014;
- the estimated capitalised exploration costs for the period from 1 July 2014 to 30 November 2014 of $60,000;
- five payment instalments to the ATO of $100,000 each;
- expected loan repayments from the Old Valley Unit Trust of $300,000;
- Sale proceeds of $126,000 for sale of wine inventory at an estimated cost of $114,000; and
- Sale of 1,580,000 Poseidon Nickel Limited shares for a total amount of $317,000 and a realised profit of approximately $181,000. The balance of Poseidon Nickel Limited shares remain at their fair value as disclosed in the audited 30 June 2014 accounts as the difference between the fair value at 30 June 2014 and at the date of this report is not considered material.

	Audited 30 June 2014 Wavenet Balance Sheet 'A' $000	Audited Adjusted 30 June 2014 Wavenet Balance Sheet 'B' $000
Current Assets		
Cash assets	789	692
Trade and other receivables	1,176	876
Inventory	3,210	3,096
Total Current Assets	5,175	4,664
Non Current Assets		
Property-land and buildings	2,608	2,608
Other, property, plant and equipment	106	106
Other financial assets	208	72
Capitalised exploration and evaluation costs-mineral tenements	1,344	1,404
Investment accounted for using the equity method	3,202	3,202
Total Non Current Assets	7,468	7,392
Total Assets	12,643	12,056
Current Liabilities		
Trade and other payables	245	245
Borrowings	635	635
Income tax liabilities	1,790	1,290
Total Current Liabilities	2,670	2,170
Non Current Liabilities		
Deferred tax liability	332	332
Borrowings	720	720
Total Non Current Liabilities	1,052	1,052
Total Liabilities	3,722	3,222
Net Assets	8,921	8,834
Equity		
Issued Capital	14,496	14,496
Reserves	93	93
Accumulated Losses	(5,668)	(5,755)
Total Equity	8,921	8,834
Number of shares on issue	55,477,660	55,477,660
Estimated net asset value per share	16.08	15.92

5.4.2 The net asset (book value) backing per fully paid ordinary Wavenet share as at 30 June 2014 (Balance Sheet 'A') based on the audited consolidated balance sheet and 55,477,660 fully paid ordinary shares on issue was approximately 16.08 cents (ignoring the value, if any, of non-booked tax benefits). Based on the adjusted statement of financial position (Balance Sheet "B"), the estimated book values of the net assets total $8,834,000 or approximately 15.92 cents per issued share (55,477,660 shares on issue).

5.4.3 In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the mineral tenements to reflect the technical (market) fair value of those assets. We have therefore, in conjunction with the Company, instructed Geologica (the author being Brian Davis) to undertake a valuation of the mineral tenements of Wavenet. On 12 November 2014 Geologica prepared the Queensland Valuation Report in which they have valued the Gayndah mineral tenements on a preferred, low and high value. Additionally on 4 November 2014 Geologica prepared the Sintang Valuation Report in which they have also valued the Sintang mineral tenements on a preferred, low and high value, however this has since been withdrawn and thus we have ascribed nil values to the Sintang Project.

We have used and relied on the Geologica Valuation Report in respect of the Queensland Valuation Report and have satisfied ourselves that:

- Geologica is a suitably qualified consulting firm and has relevant experience in assessing the merits of exploration and mining projects and preparing miming project valuations (also the principal author of the report, Brian Davis is suitably qualified and experienced);
- Geologica is independent from Westwall, Wavenet and the Stroud Group; and
- Geologica has to the best of our knowledge employed sound and recognised methodologies in the preparation of the valuation report on the Wavenet mineral tenements in Queensland.

5.4.4. Geologica has ascribed a range of market values for the Gayndah Coal mineral tenements as follows:

	Low	**Preferred**	**High**
	$000	**$000**	**$000**
Gayndah Project (AU$)	3,370	5,510	6,960
Sintang Project (US$)	nil	nil	nil

Following the release of the Geologica Valuation reports, the valuation in respect of the Sintang Project have been withdrawn. Due to the uncertainties associated with operations on the Sintang Project in Indonesia, we have ascribed a $Nil value to the Sintang Project. The table below sets out the range of market values of the mineral tenements in AUS$ after ascribing a nil value to the Sintang Project.

	Low	**Preferred**	**High**
	$000	**$000**	**$000**
Gayndah Project (AU$)	3,370	5,510	6,960
Sintang Project (AU$)	nil	nil	nil
Total	3,370	5,510	6,960

5.4.5 As noted above, the Company owns two properties which are carried in the audited accounts of the Company at 30 June 2014 at a cost value of $2,608,217. The directors of the Company in July 2014 requested an appraisal of the values of the Strathcluan and Quarry Street Properties from independent real estate agents. The independent real estate agents have ascribed a range of market values from a low to a high as set out below. We have taken the preferred value as the midpoint between the low and high values.

Properties	**Low**	**Preferred**	**High**
	$000	**$000**	**$000**
Strathcluan	1,200	1,225	1,250
Quarry Street	1,372	1,381	1,390
Total	2,572	2,606	2,640

5.4.6 As noted above, the Company has a 30% interest in the Old Valley Unit Trust which owns the Preston Vale Vineyard. In addition to the carrying value of the land, buildings and vineyard of $14,000,000 per the audited balance sheet of the Old Valley Unit Trust there are additional fixed assets with a net book value of approximately $835,000. After adjusting for the net current liabilities of approximately $1,342,000 the total net assets of the Old Valley Unit Trust are shown in the notes to the audited accounts of the Company at 30 June 2014 at approximately $13,943,000. Based on net assets of $13,943,000, a 30% interest would amount to approximately $4,048,000.

There has not been any formal valuation of the Preston Vale Vineyard for a number of years. A property appraisal by an independent valuer in June 2011 appraised the value of the bare land, the vineyard improvements, building improvements and dam and road construction at a value of approximately $17.5 million. They also indicated it may be possible to negotiate a sales price of between $17.5 million to $18.5 million. If we substituted the current net book value of $14 million for the Vineyard land and improvements per the 30 June 2014 audited accounts with the June 2011 appraisal figures of $17.5 million, the net assets of the Old Valley Unit Trust would increase to approximately $16.99 million and a 30% interest would approximate $5.097 million.

As announced on the ASX on 26 June 2014 the directors finalised negotiations with the purchaser which resulted in Wavenet selling a 20% interest for $3,100,000 which has now been fully received. On a simple extrapolation, the equivalent value of the Company's remaining 30% interest in the Preston Vale Vineyard would amount to $4,650,000.

5.4.7 Based on the analysis set out above, it could be argued that the estimated value of a 30% interest in the Old Valley Unit Trust may vary from a low of $4,048,000 to a high of $5,097,000. Based on the recently concluded negotiations that resulted in the confirmation of $3,100,000 as the sale price for a 20% interest our preferred valuation for the remaining 30% interest would be $4,650,000.

	Low $000	**Preferred $000**	**High $000**
30% interest in Old Valley Unit Trust (Preston Vale Vineyard)	4,048	4,650	5,097
Total	4,048	4,650	5,097

5.4.8 We have been advised by the directors of the Company that other than the Gayndah Project, the Sintang Project and the investment in the Old Valley Unit Trust all other assets and liabilities as reflected in the audited accounts of the Company as at 30 June 2014 are stated at fair values.

5.4.9 Using the fair values in Australian Dollars of the mineral tenements as ascribed in the Geologica Valuation Reports (instead of the book values) and ascribing a Nil value to the Sintang Project, the estimated market values of the Properties and the estimated market value of the 30% interest in the Preston Vale Vineyard (via the Company's holding in the Old Valley Unit Trust) and based on the assumptions provided to us of the other assets and liabilities of Wavenet as at 30 June 2014 as per Balance Sheet "B" above, the net technical asset value of Wavenet is expected to lie in the range as follows:

	Paragraph	**Low $000**	**Preferred $000**	**High $000**
Mineral tenements	5.4.4	3,370	5,510	6,960
Properties	5.4.5	2,572	2,606	2,640
Plant and Equipment	5.4.1	106	106	106
Other financial assets	5.4.1	72	72	72
Investment in Old Valley Unit Trust-Preston Vale Vineyard	5.4.7	4,048	4,650	5,097
Other current assets	5.4.1	4,664	4,664	4,664
Other current liabilities	5.4.1	(2,170)	(2,170)	(2,170)
Non current liabilities	5.4.1	(1,052)	(1,052)	(1,052)
Total		11,610	14,386	16,137
Number of shares on issue		55,477,660	55,477,660	55,477,660
Net asset value per share (cents)		**20.93**	**25.93**	**29.09**

5.4.10 Based on the preferred values of the mineral tenements, the Properties and the Preston Vale Vineyard, the adjusted technical net asset value at 30 June 2014 as noted in the above paragraph equates to a value per share (55,477,660 shares) of approximately 25.93 cents (ignoring the value, if any, of non-booked tax benefits).

We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Wavenet and other parties. We also note it is not the present intention of the Directors of Wavenet to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value, is just that, theoretical. The shareholders, existing and future, must acquire shares in Wavenet based on the market perceptions of what the market considers a Wavenet share to be worth.

5.5 Market Price of Wavenet Shares

5.5.1 Share prices in Wavenet as recorded on the ASX since 1 January 2014 up to and including 12 November 2014 (the last trading day before the date of this report) have been as follows:

	High Cents	Low Cents	Closing Price Cents	Volume
January 2014	6.5	5.5	5.5	96,001
February 2014	5.5	5.1	5.1	59,839
March 2014	6.0	5.1	6.0	8,889
April 2014	6.0	5.7	5.7	35,000
May 2014	5.7	4.1	4.1	208,265
June 2014	4.1	2.5	3.3	236,200
July 2014	3.3	2.7	3.0	82,315
August 2014	3.0	2.5	2.5	24,500
September 2014	2.5	1.7	1.7	64,700
October 2014	n/a	n/a	n/a	0
November (to 12th)	n/a	n/a	n/a	0

6. Preferred value of Wavenet fully paid shares (range) to arrive at fairness conclusion

6.1 In assessing the fair value of Wavenet and a Wavenet share pre the Rights Issue we have selected the net assets on a going concern methodology as the preferred methodology as:

- Wavenet does not generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 30 June 2014, 2013 and 2012. Therefore the capitalisation of future maintainable earnings is not appropriate;
- Wavenet has no foreseeable future net cash inflows and therefore the Discounted Cash Flow methodology is not considered appropriate; and
- Whilst the shares of Wavenet are listed, there have been very few trades in the last 7 months. From 1 January 2014 to 4 November 2014 only 815,709 shares traded representing only 1. 47% of the shares on issue. We consider that the trading market for Wavenet shares is not deep enough to provide a fair market value.

6.2 As stated at paragraph 5.4.9 we have assessed the value of Wavenet prior to the Rights Issue on a net asset basis on a going concern basis as follows:

	Low	Preferred	High
Net asset value per share (cents)	**20.93**	**25.93**	**29.09**

We note that, the net asset value may not necessarily reflect fair values in the current economic circumstances of the Company. If funds can be raised and exploration is successful then arguably the fair value of a Wavenet share may be in excess of the current technical fair value.

However without additional cash the Company will not be able to meet its ATO liabilities and cannot complete exploration and evaluation activities on its tenements.

6.3 As noted above the estimated technical net asset value per share after adjusting for the valuation of the mineral assets, the properties and their interest in the Preston Vale Vineyard varies from 20.93 cents to 29.09 cents with a preferred value of approximately 25.93 cents per share which is greater than the proposed Rights Issue price of 1.0 cent per share as noted above.

6.4 It is noted that over the past several years, the vast majority of mineral exploration companies listed on the ASX are trading at significant discounts (but some at a premium) to appraised technical net asset values and in some cases have traded at a discount to cash asset backing. We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company. If significant additional funds can be raised to successfully exploit the Company's mineral assets or if the Company's existing mineral assets, properties and investment in the Preston Vale Vineyard are sold in excess of the technical asset values, then arguably the fair value of a Wavenet share may be in excess of those values and current market values.

6.5 It is noted that using ASX share prices (as a secondary valuation methodology) the fair market value of a Wavenet share to a shareholder to the date of this report and pre the announcement of the Rights Issue on a minority basis lies mainly in the range of 1.7 cents and 2.5 cents. The Company has not yet made an announcement of the Rights Issue. As stated, the ASX share prices do not necessarily reflect fair values in the current economic circumstances and this is not our preferred basis of assessing the value of a Wavenet share. Our preferred basis is the technical net asset basis.

6.6 **We thus consider the fair value of a Wavenet share on a control basis prior to the announcement of the Rights Issue for the purposes of this report to lie in the range of 20.93 cents and 29.09 cents with a preferred technical value of 25.93 cents (may be more if we ascribed a value to the Sintang Indonesian Concession)**.

It is however noted that the last sale price as traded on ASX immediately prior to the date of this report and before the announcement of the Rights Issue was 1.7 cents per share.

6.7 The future ultimate value of a Wavenet share will depend upon, inter alia:

- the future prospects of its mineral assets;
- the future prospects of its viticulture assets and the demand for wine;
- the state of the coal and gold markets (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the strength of the Board and management and/or who makes up the Board and management;
- general economic conditions;
- foreign exchange rates;
- the liquidity of shares in Wavenet; and
- possible ventures and acquisitions entered into by Wavenet

7. Premium for Control

7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve (increase) control of the Company. It is generally accepted that the premium for control is 20% or above (recognising that some acquirers will attempt to acquire companies as cheaply as possible with premiums below 20%) but normally premiums for control in the junior mineral company space are 20% to 40%. Not paying a premium for control (deemed to be over 20% of the shares in a company) of at least 20% does not necessarily make a proposal to take control not fair.

7.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In the event that Westwall subscribed for all of the Wavenet Shortfall Shares up to a maximum of 10,246,020 (assumes the Stroud Group subscribed for 100% of their entitlement of 17,492,810), the maximum percentage owned by the Stroud Group could approximate 54.35% of the expanded issued capital of the Company (the Stroud Group could own up to 45,231,640 shares) (up to 83,216,490 shares could be on issue). Potentially, if the non associated shareholders do not take up any shares under the Rights Issue, Westwall may in addition to the 10,246,020 Shortfall Shares (assumes the Stroud Group subscribed for 100% of their entitlement of 17,492,810) could take up a further 27,738,830 Rights Issue Shares bringing the Stroud Group's shareholding to 72,970,470 shares or 65.76% of the expanded share capital of 110,955,320 shares in issue. Accordingly, we have addressed whether a premium for control will be paid.

7.3 Whilst we have concluded that the market value of a Wavenet share as traded on the ASX is not the most appropriate basis for determining the fair value of a Wavenet share we have nevertheless still considered this basis in determining whether a premium for control has been paid. The market value of a Wavenet share pre announcement of the Rights Issue and based on shares traded on the ASX lay in the range of approximately 1.7 cents to 3.5 cents. The value of the up to 55,447,660 Rights Issue Shares that could be issued to the Stroud Group at 1 cent per share would lie in the range of $942,610 to $1,940,668 compared with the Rights Issue value of 1 cent per share ($554,476). The Rights Issue price of the Rights Issue Shares of 1 cent each is less than the last traded price of 1.7 cents on 22 September 2014 (the last sale price of a Wavenet share before the date of this report and before any announcement of the Rights Issue with the Stroud Group) and therefore the Rights Issue price is at a discount of 41.2% to the last sale price of a Wavenet share). Therefore, the Stroud Group is considered not to be paying a premium for potential control either on a pre announcement basis or on a post announcement basis.

7.4 Our preferred methodology is to value Wavenet and a Wavenet share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.1 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transaction control basis.

7.5 We set out below the comparison of the low, preferred and high values of a Wavenet share compared to the issue price for the Rights Issue Shares.

	Para.	**Low (cents)**	**Preferred (cents)**	**High (cents)**
Estimated fair value of a Wavenet Share	5.4.9	20.93	25.93	29.09
Issue price of the Rights Issue Shares to Westwall		1.00	1.00	1.00
Excess/(shortfall) between Rights Issue Price and fair value		(19.93)	(24.93)	(28.09)

7.6 On a pre Proposed Transaction control basis, the value of a Wavenet share ranges from 20.93 cents to 29.09 cents with a preferred value of 25.93 cents per share. The Rights Issue Shares are proposed to be issued at 1 cent per share to Westwall and the Stroud Group. Based on the preferred value of 25.93 cents per share, a premium for control of 20% is not being paid by Westwall or the Stroud Group.

7.7 We note that whilst the Stroud Group does not have Board control of Wavenet, even before the proposal pursuant to Resolution 3, the Stroud Group already has an approximate 31.53% interest in Wavenet and arguably controls Wavenet.

8. Conclusion on the Fairness of the proposals pursuant to Resolution 3

8.1 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

(a) the fair market value of a Wavenet share pre-transaction on a control basis; versus
(b) the fair market value of a Wavenet share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction (the Rights Issue).

8.2 The low, preferred and high values of a Wavenet share **pre the Proposed Transaction on a control basis** as noted in paragraph 5.4.9 is:

	Para.	**Low (cents)**	**Preferred (cents)**	**High (cents)**
Estimated fair value of a Wavenet Share	5.4.9	20.93	25.93	29.09

8.3 The preferred fair market value of a Wavenet share has been estimated at 25.93 cents on a pre Proposed Transaction control basis. The Rights Issue Shares are to be issued at 1.0 cent per share to Westwall and the Stroud Group, the difference being 24.93 cents per share. As the preferred fair market value of a Wavenet share is greater than 1.0 cent, on this basis, the proposed issue of the Rights Issue Shares is not fair to the non associated shareholders.

8.4 We set out below the range of estimated technical net asset values of Wavenet based on Pro-forma Balance Sheet "B" as detailed in paragraph 5.4.1 and after adjusting for the following transactions:

- the issue of the Rights Issue Shares at 1 cents to raise a gross $554,776; and
- expensing of the costs associated with the Notice amounting to approximately $23,500.

	Low $000	**Preferred $000**	**High $000**
Mining Tenements	3,370	5,510	6,960
Properties	2,572	2,606	2,640
Plant and equipment	106	106	106
Other financial assets	72	72	72
Investment accounted for using the equity method-Preston Vale Vineyard	4,048	4,650	5,097
Other current assets	5,195	5,195	5,195
Other current liabilities	(2,170)	(2,170)	(2,170)
Non current liabilities	(1,052)	(1,052)	(1,052)
Total net assets	12,141	14,917	16,848
Number of shares on issue	110,955,320	110,955,320	110,955,320
Net asset value per share	10.94	13.44	15.18
Minority interest discount	16.67%	16.67%	16.67%
Minority value per share (cents)	9.11	11.20	12.65
Rights Issue Price (cents)	1.0	1.0	1.0

8.5 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 7.1.

8.6 As noted above the fair market value of a Wavenet share **Post-Transaction on a minority basis**, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction ranges from approximately 9.11 cents to 12.65 cents with a preferred fair value of approximately 11.20 cents.

8.7 We set out below a comparison of:

(a) the fair market value of a Wavenet share pre-transaction on a control basis; versus
(b) the fair market value of a Wavenet share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a Wavenet Share **Pre Transaction on a control basis**	5.4.9	20.93	25.93	29.09
Estimated fair value of a Wavenet Share **Post Transaction on a minority basis**	8.4	9.11	11.20	12.65
Excess/(shortfall) between Pre transaction Price and Post transaction Price		(11.82)	(14.73)	(16.44)

Using the preferred net asset fair values, the estimated fair value of a Wavenet share Pre Transaction on a control basis is more than the estimated fair value of a Wavenet share Post Transaction on a minority basis and on this basis the issue of the Rights Issue Shares to Westwall is considered to be not fair to the non associated shareholders of Wavenet.

8.8 As at 31 October 2014, there are 8,900,000 share options on issue with an exercise price of 40 cents expiring on 31 August 2016. The estimated fair value of a Wavenet share as noted above on a pre transaction basis is 25.93 cents and the latest share price as at 4 November 2014 is 1.7 cents (last sale was on 22 September 2014). On the basis of the share prices the options are therefore significantly out of the money. On a technical asset basis where the preferred value is 25.93 cents, the options are also out the money. As the potential exercise of these options would not have a material impact, we have therefore not considered it necessary to calculate the fair value of a Wavenet share on a fully diluted basis.

8.9 In our opinion, taking into account the factors noted in this report, the proposal to allow Westwall the right to subscribe for up to 100% of the Rights Issue Shares being issued under the Rights Issue and in terms of the Underwriting Agreement as outlined in paragraph 1.3 and Resolution 3 is, on balance, taking into account the factors referred to in section 8 above and elsewhere in this report, considered to be not fair to the shareholders of Wavenet (not associated with Westwall and the Stroud Group) as at the date of this report.

9. Matters considered in arriving at our conclusions as to Reasonableness of the proposals under Resolution 3

9.1 In addition to the matters noted in sections 6 and 8 above, we set out below some of the advantages and disadvantages and other factors pertaining to the proposals with Westwall and the Stroud Group in relation to the Rights Issue in forming our opinion on the proposals under Resolution 3.

Advantages

9.2 By entering into the Rights Issue and underwriting proposals with Westwall and the Stroud Group, Wavenet increases its cash reserves (it will raise $554,776 from the underwritten Rights Issue before costs). Obtaining access to a significant amount of cash funds in the current environment is difficult and thus the Company and its shareholders should benefit. This should assist in alleviating the cash flow concerns in the immediate future, including the requirement to repay the ATO, and will assist the Company to fund its operations (refer paragraph 9.3 below).

9.3 In the event that the Rights Issue is not completed or the Company cannot raise adequate working capital from other sources, there is the likelihood that the further exploration of its Gayndah and Sintang Projects may be curtailed until such time as new funds are raised. In addition and more importantly the Company may not be able to continue as a going concern as it has a liability to the ATO that expires in November 2014 with a balloon payment of $1.4 million. Even after the raising of capital under the proposed Rights Issue, the directors have confirmed that they will not have sufficient ready funds to repay the balloon payment of $1.4 million and will have to enter into negotiations with the ATO to extend the repayment terms. The capital raising under the Rights Issue will enable the Company to continue making some repayments to the ATO whilst negotiations are concluded with the ATO to extend the repayment terms. Unless negotiations are successfully concluded with the ATO, Wavenet may not be able to repay this debt which may result in significant additional interest and penalties and potentially placing the Company in administration.

In the current market it is still difficult for exploration companies such as Wavenet to raise equity. It is not uncommon to have capital raisings at discounts to market and such discounts can be as high as 50% (and on occasions, more) but generally in the range of 20% to 50% for junior mineral exploration companies. By raising these funds the Company should be able to continue to repay some of the ATO debt until renegotiations of revised repayment terms can be concluded with the ATO thereby removing the immediate threat that the Company could be placed in Administration or at a minimum it would reduce the interest and potential penalties that may arise if the ATO debt was not repaid by November 2014 as agreed between the Company and the ATO.

9.4 There is an incentive for Wavenet and the Stroud Group to ensure that the Company remains a going concern so that it can successfully exploit the Gandah and Sintang Projects (and also the Preston Vale Vineyard) as the Stroud Group will have a very significant shareholding interest in Wavenet if Westwall takes up to 55,477,660 Right Issue Shares pursuant to the Underwriting Agreement. The Stroud Group's interest in Wavenet could increase from the current 31.53% to up to 65.76% assuming that the Stroud Group (including Westwall) take up all the Rights Issue Shares.

9.5 If the Company is successful in raising cash and in exploiting its current or new projects in the mining and viticulture sectors, the share price of the Company's shares may increase significantly in the short to medium term such that the 8,900,000 options exercisable at 40 cents each prior to 31 August 2016 are exercised. Should these options be exercised, Wavenet would receive a total of approximately $3,560,000.

9.6 No underwriting fee is being charged on the amount to be raised from the Rights Issue. Recent underwriting fees noted have been between 4% and 8% and therefore all shareholders benefit from no underwriting fee being charged. The Company is however expected to reimburse the Underwriter on request for all outgoings, costs, expenses, fees, commissions, disbursements, taxes or duties incurred by the Underwriter together with costs associated with preparation of the Underwriting Agreement and costs and expenses incidental to the issue. These costs, including the costs of the Notice, are expected to amount to approximately $23,500.

9.7 The Rights Issue is a non renounceable rights issue in which all shareholders are being offered the right to subscribe for one new share for every share held on the Record date at an issue price of 1.0 cent per share. Neither the Underwriter nor the Stroud Group are being offered the right to subscribe for shares under the Right Issue at a price that is different to that offered to all other non associated shareholders or on terms that are different to those offered to all other non associated shareholders.

9.8 The Rights Issue price is at a price that is substantially below technical net asset value and also substantially below the latest ASX trading prices. This should therefore be attractive to all shareholders and if all shareholders take up their entitlement, their percentage interest will not be diluted and significant funds would have been raised to go some way to meeting the Company's immediate commitments.

Disadvantages

9.9 The number of fully paid ordinary shares will rise by 55,477,660 if all the Rights Issue shares are taken up, representing a 100% increase in the number of shares on issue. These shares are being issued at 1.0 cent per share which is significantly below the share price at which shares traded immediately before the announcement of the Rights Issue and also significantly below the estimated fair value of the shares on a control basis prior to the Rights Issue of 25.93 cents. Assuming all the Rights Issue shares are subscribed for, the estimated net asset value per share will decrease from 25.93 cents on a pre transaction control basis to 11.20 cents per share on a post transaction minority basis.

9.10 In the event that Westwall subscribed for all of the Wavenet Shortfall Shares up to a maximum of 10,246,020 (assumes the Stroud Group subscribed for 100% of their entitlement of 17,492,810), the maximum percentage owned by the Stroud Group could approximate 54.35% of the expanded issued capital of the Company (the Stroud Group could own up to 45,231,640 shares) (up to 83,216,490 shares could be on issue). Potentially, if the non associated shareholders do not take up any shares under the Rights Issue, Westwall may in addition to the 10,246,020 Shortfall Shares (assumes the Stroud Group subscribed for 100% of their entitlement of 17,492,810) could take up a further 27,738,830 Rights Issue Shares bringing the Stroud Group shareholding to 72,970,470 shares or 65.76% of the expanded share capital of 110,955,320 shares in issue.

Other Factors

9.11 Having a cornerstone investor such as the Stroud Group has advantages but it may also limit the opportunity for other parties to bid for all or part of the shares in Wavenet in the future. However, a takeover bid for the Company cannot be completely ruled out.

9.12 Notwithstanding the prospectivity of the Gayndah Project coal assets and the Sintang assets the Company does not have sufficient funds to spend any meaningful monies on these assets. The raising of approximately $555,000 (before costs) under the proposed Rights Issue is not sufficient to meet the ATO liabilities let alone provide funds to undertake any significant additional exploration. Significant additional new funds will need to be raised in the near future, either through additional capital raisings, repayment of loans advanced to the Old Valley Unit Trust or disposals of assets. There is no certainty that additional funds will be raised.

10. Conclusion as to Reasonableness

10.1 **In our opinion, taking into account the factors noted in this report, the proposal to allow Westwall the right to subscribe for up to 100% of the Rights Issue Shares being issued under the Rights Issue and in terms of the Underwriting Agreement as outlined in paragraph 1.3 and Resolution 3 is, on balance, taking into account the factors referred to in sections 6 and 9 above and elsewhere in this report, considered to be <u>reasonable</u> to the shareholders of Wavenet (not associated with Westwall and the Stroud Group) as at the date of this report.**

11. Shareholder Decision

11.1 Stantons International Securities has been engaged to prepare an independent expert's report setting out whether in its opinion the potential issue of up to 55,477,660 Rights Issue Shares to Westwall via an underwriting agreement is fair and reasonable and state reasons for that opinion. Stantons International Securities has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 3 (but we have been requested to determine whether the proposal pursuant to Resolution 3 is fair and/or reasonable to those shareholders not associated with the Stroud Group. The responsibility for such a voting recommendation lies with the directors of Wavenet.

11.2 In any event, the decision whether to accept or reject Resolution 3 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposals under Resolution 3, shareholders should consult their own professional adviser.

11.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Wavenet. This is an investment decision upon which Stantons International Securities does not offer an opinion and is independent on whether to accept the proposals under Resolution 3. Shareholders should consult their own professional adviser in this regard.

12. Sources of Information

12.1 In making our assessment as to whether the proposed underwriting and Rights Issue dealings with Westwall (and the Stroud Group) as noted in Resolution 3 and the ES is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of Wavenet about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Wavenet.

12.2 Information we have received includes, but is not limited to:

a) Notice and the ES of Wavenet to 4 November 2014;
b) Discussions with management of Wavenet;
c) Details of historical market trading of Wavenet ordinary fully paid shares recorded by ASX for the period 1 January 2014 to 4 November 2014;
d) Shareholding details of Wavenet as at 12 August 2014;
e) Audited balance sheet of Wavenet as at 30 June 2013, half year audit reviewed accounts to 31 December 2013 and audited balance sheet as at 30 June 2014;
f) Audited balance sheet and profit or loss of The Old Valley Unit Trust for the year ended 30 June 2014;
g) Announcements made by Wavenet to the ASX from 1 July 2012 to 4 November 2014;
h) The Underwriting Agreement between Wavenet and Westwall dated October 2014;
i) The cash flow forecasts of Wavenet to 30 June 2015;
j) The Independent Valuation Reports prepared by Geologica dated 30 October 2014 and 4 November 2014 on the Gayndah Coal assets and the Sintang Project (withdrawn by Geologica) respectively;
k) A Market Appraisal Report issued in June 2011 on the valuation of the Preston Vale Vineyard; and
l) Market Appraisal Reports by independent Real Estate Agents on the two properties comprising land and buildings in Fremantle and a farming lot in Wilga.

12.3 Our report includes Appendix A, Appendix B (Gayndah Valuation report) and our Financial Services Guide attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 12 November 2014, relating to the dealings with the Stroud Group on the underwriting and Rights Issue as outlined in Resolution 3 in the Notice of Meeting to Shareholders and the ES proposed to be distributed to the Wavenet shareholders in November 2014.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Wavenet, Westwall or the Stroud Group other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of $25,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in Wavenet or Westwall. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 418019) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Wavenet in order to assist Wavenet shareholders to assess the merits of the proposed underwriting and dealings with the Rights Issue as they relate to Westwall (and the Stroud Group) as outlined in Resolution 3 the ESS to which this report relates. This report has been prepared for the benefit of Wavenet's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd opinion as to the longer term value of Wavenet and its assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of the Wavenet Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolution 3 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 3.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by Wavenet and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), Wavenet has agreed:

(a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Wavenet may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Wavenet; and

(b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Wavenet or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Wavenet or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to Wavenet directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 12 November 2014

1. Stantons International Securities Pty Ltd ABN 42 128 908 289 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licenses.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

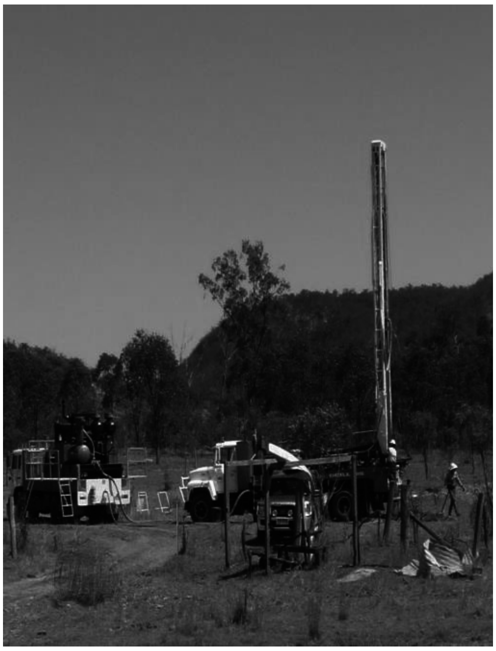
APPENDIX B

Geologica Pty Ltd Independent Geology Valuation Report on Queensland Coal Tenements (Gayndah)

GEOLOGICA Pty Ltd

ABN 99 083 800 300

INDEPENDENT GEOLOGY VALUATION REPORT
on Queensland coal tenements
EPC 2044, EPC 2265 and EPC 2264 at Gayndah
on behalf of
Wavenet International Ltd



Brian Davis
B.Sc., Dip.Ed., RPGeo (AIG), MAusIMM

November 12 2014

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INTRODUCTION

Geologica Pty Ltd (Geologica) was asked to review and assess, in its opinion, the geological value of exploration properties EPC 2044, EPC 2264 and EPC 2265 owned by Wavenet International Ltd (WAL) in the Queensland district of Gayndah. The purpose of this appraisal is to assess a current value of the properties for shareholders of WAL.

This is an independent geological evaluation report, and as such, serves only to comment on the geological setting, initial appraisal and relative economic value and status of exploration and mineralization on the properties reviewed.

The outcomes of this report are limited by:

- data available for inspection
- extent of verified assay, drill log and survey data
- evidence for tenement ownership and agreements
- compliance with QLD government regulations
- Native Title claim,
- environmental sensitivity or other encumbrances

The author has completed field work on site on all three coal tenements and has been consulting to WAL on exploration programs and is therefore familiar with the geology and exploration potential of the area. Contract geologist Michael Whitty conducted the drilling programs. The author also conducted the Inferred Coal Resource estimation using the JORC 2012 framework but under the JORC 2004 regime at the time. The reason for this was that there was that ASX was not accepting JORC 2012 estimations at the time of reporting. Every effort has been made to verify and account for the data used in this report and all data has been compiled to comply with the JORC standards applicable.

This report cannot cover all the financial, investment and market analysis required to give a full economic value assessment and therefore any costs or dollar values within this report should be considered as approximate only.

Geologica has not been asked to comment on the potential economic value or financial considerations pertaining to the value of shares or assets held in relation to these properties. However, an assessment of the value of coal on the properties is presented. Due to the limited nature of the available data and exploration status of the properties only the macro-economics have been addressed.

All work conducted on this data is done in compliance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 edition (the Valmin Code) as well as the Code for Reporting of Exploration Results and Mineral Resources 2012 (the JORC Code). These codes and guidelines are binding upon members of the Australian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG) as well as being part of the legal framework for the Australian Stock Exchange (ASX) Listing Rules.

The author has no material interest in the operating company or mineral properties described in this report. Brian Davis, Principal of Geologica Pty Ltd is conducting this work solely as a professional consultant to the client and the report was prepared for professional fees at agreed commercial rates.

Fees paid for this report amounted to $2,500.00. Brian Davis does not hold any shares, directorships or operating positions in WAL and has been offered no financial incentive to complete this work other than the agreed professional fees.

This report is based upon data from previous company exploration reports, fieldwork, information on IRTM, MINEDEX, and GSQ on-line databases. A bibliography of references used is shown at the end of this report.

SUMMARY

Data and historic reports from the WAL database were available for assessment. The project involves leases in Queensland described in section 1.2.

This report was prepared with the knowledge that the tenements are in good standing at the time of writing (November 12 2014). The various merits of the tenements are assessed in this report. All tenements at Gayndah were valued for this assessment and all are owned by Wavenet. All endeavours to assess independently the current status of tenements through tenement managers Hetheringtons of Brisbane and by site visits, as well as checks through the Queensland Government online databases have been made and Geologica is satisfied that all the Exploration Permits for Coal mentioned in this report are currently owned and operated in good standing by Wavenet.

The principal points associated with the tenements are:

- The tenements are easily accessible by bitumen or good quality gravel roads off the highway that provides good access to the lease. The gravel access roads are in good condition and unless there are rare heavy rainfall events access is unrestricted throughout the year.
- The geological setting of the tenements is favourable where historical bores and outcrops proved coal seam occurrence. Prospectivity for coal is therefore proven.
- The potential land tenure risk, including Native Title risk is considered negligible, as is the sovereign risk associated with the tenement.
- There are no perceived natural disaster risks on the tenement. Slope stability is generally good, no earthquakes have been recorded and flood, storm or fire events occur infrequently (less than 1 in 50 years).

The gross value of the property is estimated to occur within the range between $3.37 million and $6.96 million and an arithmetic mean of $5.16 million using two different valuation methods. A realistic and reasonable estimate of a weighted mean value is considered to be **AUD$5.51 million.**

However it is emphasized that this should not be considered a complete or accurate evaluation due to the fact that only one property (EPC2044) has a defined coal resource and the other properties are undeveloped exploration leases and no resource has yet been defined on them. Therefore a conservative approach has been taken.

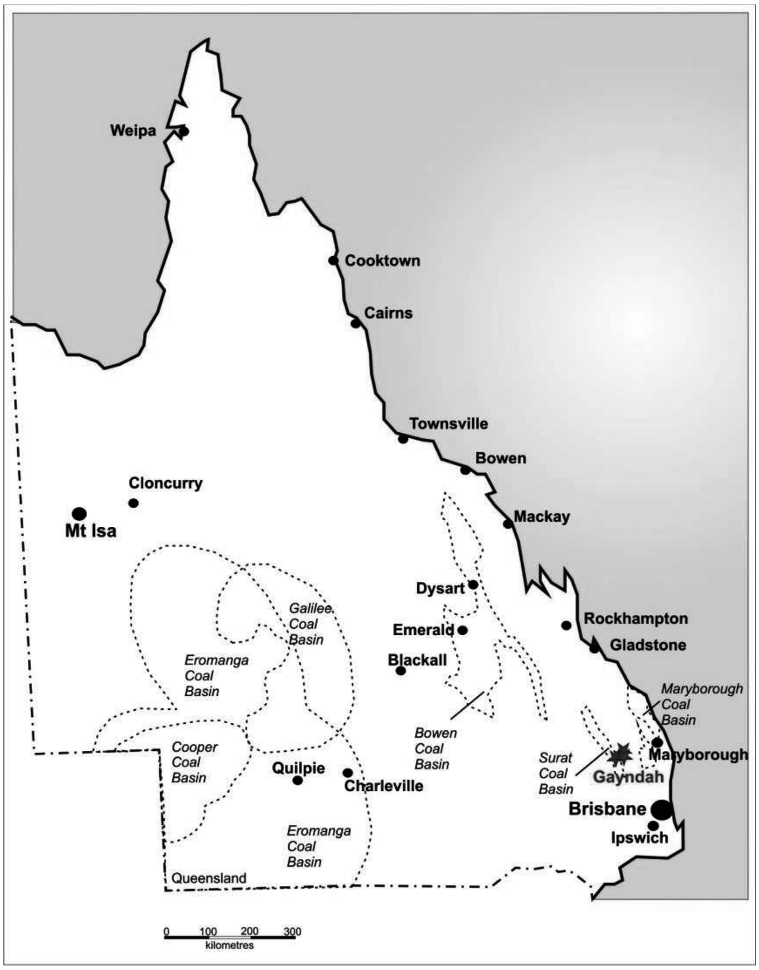
The general conclusion is that the exploration projects are likely to lead to a successful mining operation provided that the following milestones are achieved:

- Successful exploration and drilling programs
- JORC-compliant estimation of resources and reserves
- A sustainable commodity price
- No regulatory or legal encumbrances

***Note**: throughout the report values are in $AUD*

Current export coal price as at 30 September 2014 is US$65.94 or AUD$74.83 (0.8811 conversion to AUD as at 31 October 2014). Source: ycharts.com

1.1 Location



Location Map for Gayndah leases

1.2 Tenure

The current tenement holding and status is listed below:

Tenement	Status	Registered Licensor	Application Date	Area	Annual Rent	2010-2014 Expenditure	2010-2014 Minimum Expenditure
EPC 2044	Granted	Wavenet	22/1/2010	200 blocks	21,744.00	825,641	720,000
EPC 2264	Granted	Wavenet	4/11/2010	247 blocks	26,908.20	432,244	800,000
EPC 2265	Granted	Wavenet	4/11/2010	300 blocks	40,770.00	35,670*	250,000
			TOTAL	**747 blocks**	**89,422.20 per year**	**1,293,555**	1,770,000

**estimate only – newly granted tenement*

Two Exploration Permits (EPC 2264 and EPC 2265) near Gayndah in the Maryborough district are adjacent to the historic Gayndah coal seams which are centred on EPC 2044.

Wavenet has completed a resource drilling program on EPC 2044 and defined an Inferred Mineral Resource. Exploration drilling intersected coal seams on EPC2264 but there was insufficient information to estimate a resource.

1.3 Native Title

EPC 2044, EPC 2264 and EPC 2265 are granted due to the determination of total extinguishment of native title.
Geologica concludes that Native Title issues should not, under current circumstances, provide an impediment to exploration or mining on the tenement.

1.4 Environmental Considerations

There are no areas of the tenements considered environmentally sensitive. There are no registered protected ecosystems and there are scattered populations of common indigenous fauna and flora on the tenements due to the scrubland and grassland open nature of the areas. However, many years of farming have already depleted the stock of native fauna and flora common to the land.

The tenement has been extensively grazed or cropped as it is held under pastoral stations. Much of the original vegetation has been stripped and in many places there is only remnant scrubland without a permanent understory flora. The pastoralists at Gayndah are fully aware of Wavenet's exploration for coal and are mostly fully supportive, having given permission to drill on several different properties. The town of Gayndah and the North Burnett Shire are also supportive and interested in developing the area for mining alongside the beef cattle production.

There are no areas such as state forest where access is restricted but there are pastoral properties.

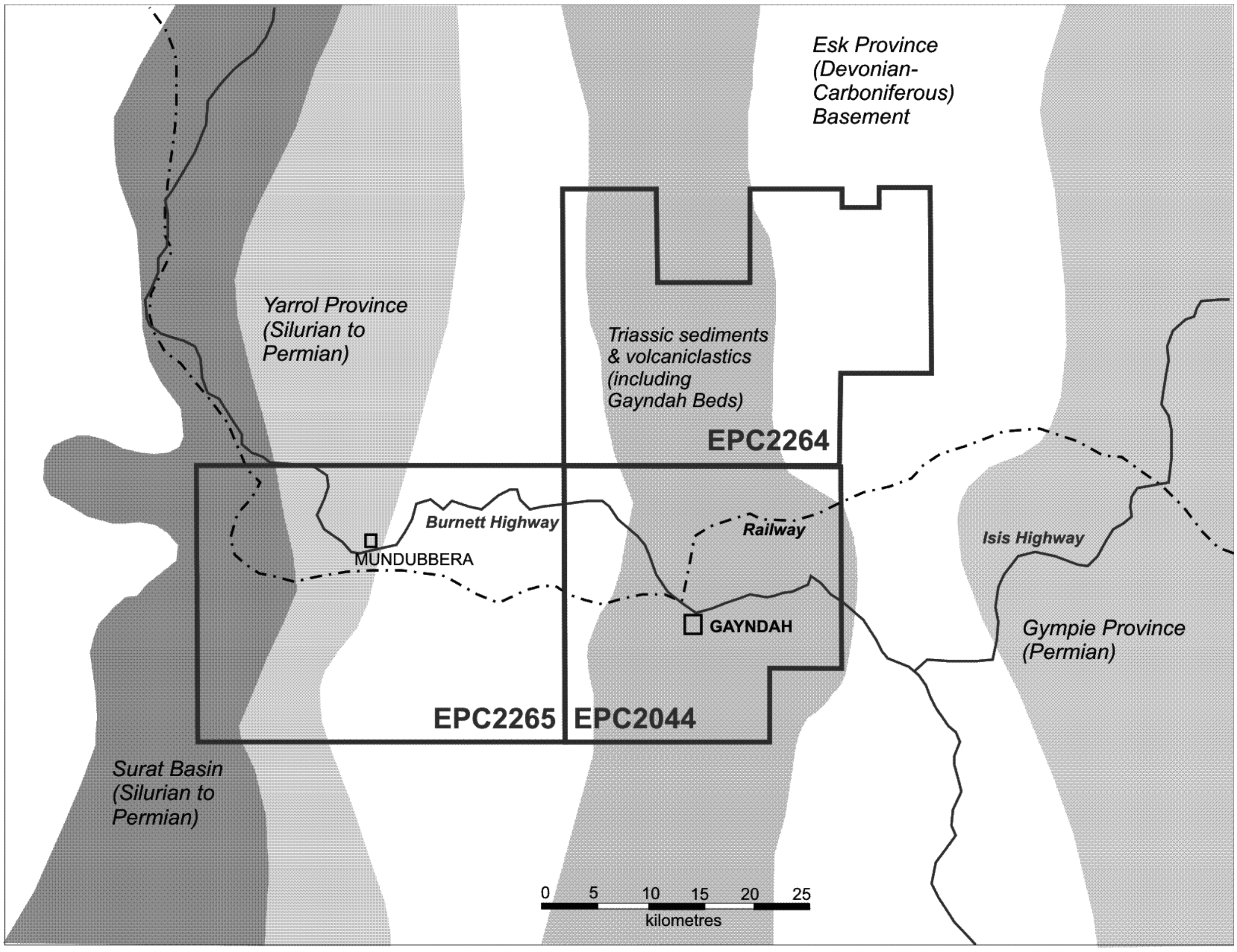
Low impact exploration and best practice land care techniques, through the government agencies and environmental consultants will ensure that a continuing and staged approach for evaluation of the tenements is completed.

Geologica concludes that there is negligible environmental risk associated with the tenement.

1.5 Regional Geology

The tenements are located in an area where coal was located in the Gayndah Beds and in historical water bores into the Triassic sequence.

The coal seams have been intersected on EPC 2044 in several boreholes described by Pacific Coal in 1980 at depths ranging from 44 to 148 metres below surface and varying in thickness from 0.4 to 3.0 metres.
In this area the coal-bearing Gayndah Beds overly a Lower Palaeozoic sequence represented by greywacke, siltstone and shale with some andesites and cherts.
There are also Tertiary basalts resting unconformably on both sequences.
There is potential for the location of coal seams on both tenements within the Gayndah Beds as well as beneath the Tertiary Basalts.



Gayndah leases with simplified basement geology (excludes post-Triassic sequence)

1.6 Tenement Prospectivity

Tenement	Status	Coal Occurrence	Relative Future Potential
EPC 2044	Granted	Water Bores and outcrops in Gayndah Formation	Very good
EPC 2264	Granted	Water bores in Gayndah Formation	good
EPC 2265	Granted	Water bores in Surat Basin rocks	good

The above table shows the relative prospectivity of the lease as measured by coal occurrence and relative potential for mineralization.
Geologica concludes that the geological setting with its mixture of lithologies is favourable for the discovery of further coal resources.
In conclusion the potential for locating coal on the tenements is good and some data compilation, geological mapping and initial drilling of exploratory bores is expected to confirm their economic value.

1.7 Coal Mineralisation

Evidence of coal is known from water bores and outcrops in the Gayndah district in the Triassic Gayndah Beds and in the nearby Surat and Maryborough Basins of similar age. Therefore the potential for locating coal on the tenement is high.

An estimation of the Maiden coal resource on EPC 2044 at Gayndah was completed and an Inferred Coal Resource of approximately 79 million tonnes exceeding 6000 kcal/kg has been identified.

CATEGORY	Volume (m^3)	Tonnes (wet t)	Density	Moisture (ar) %	GCV (adb) kcal/kg	Ash (adb) %	VM %	FC %	HGI
INFERRED	**38,254,232**	**79,569,000**	**2.08**	**8.38**	**6242**	**42.39**	**14.27**	**39.10**	**46**

This resource estimation was announced by WAL on 7th November 2013 and relates to JORC 2004 guidelines. See Resources & Reserves Governance statement below.

Mineral Resources & Reserves Governance

Wavenet has appropriate systems in place and suitably qualified and competent geological consultants to complete any resource estimation or review to the required standards as shown in the 2012 JORC Code Guidelines. The Quality Assurance, Sampling Systems, Assay Procedures, Data Recording, Interpretation Standards and Resource Estimation Methods and other parameters as set out in Table 1 of the JORC Code 2012 Guidelines are closely followed. The Company policy is that all steps are recorded during the resource drilling program and then the estimation stage. All results from field logs and assays to database entries and modelling data are validated, reviewed and checked by independent and qualified geological personnel.

However, the current resource was completed under the 2004 guidelines and, since there has been no additional data added and no material change since then, this resource has not yet been revised with reference to the JORC Code 2012 Guidelines. Therefore Geologica considered that it is not necessary to re-report under JORC 2012 criteria.

The Company will report any future Mineral Resources and Reserves Estimates in accordance with the JORC Code 2012.

Due to the high ash content in core, samples were sent for recovery tests to Recycoal Ltd in UK. Results indicate that about 24% is recoverable and a standard coal product can be obtained by minimal upgrading processes.

Although EPC 2264 and 2265 are considered highly prospective due to the exploration status of the tenements they can only be considered as partial contributors to in-ground assets compared to a fully-compliant resource estimate.

1.8 Valuation Methods

Commonly used valuation methods
As identified in the Valmin Code 2005 there are several methods for valuing mineral assets e.g.:

1. **Multiples of exploration expenditure**
2. **Ratings systems applied to perceived prospectivity**
3. "Rule of Thumb" or "Yardstick" method
4. Discounted Cash Flow
5. Capitalisation of Earnings
6. "Real Estate value" compared to a viable property
7. Joint Venture and Farm-In terms for "arms length" transactions
8. Precedents from sales or valuations of similar assets

The Multiples of Expenditure method (1) has some merit and will apply to any lease. It is considered a good general method but may often understate value. This method is being considered in this report.

The Prospectivity ratings system as in Method **2** (similar to Kilburn's Method) is more applicable to exploration tenements and does not apply to areas where coal reserves are defined and therefore has been considered in this report.

The Yardstick Method (3) has a global application and is multi-factored and relies on a knowledge and understanding of the local geology and geochemistry as a guide to prospectivity and thus value. This method is better tailored to advanced exploration and resource projects and is not suitable for new exploration areas.

The Discounted Cash Flow and Capitalisation of Earnings Methods (4) and (5) are more appropriate for assessing the value of properties with known mineral reserves and infrastructure. The DCF and CE methods were not considered appropriate for exploration properties where no trial mining has taken place and therefore cannot be applied with any reasonable degree of confidence.

The Real Estate value method (6) is not considered to be a reliable indicator due to its simple cash value approach and difficulty of application to mining tenements since there are no set guidelines for this type of land value.

The Joint Venture method (7) is not considered applicable to this valuation due to lack of public corporate data being available to use for comparison.

Precedents (Method 8) for the sale of a similar set of tenements are rare and often unique therefore this method has not been used here.

My preferences are for the Multiples of Expenditure Method (1) and the Prospectivity Ranking Method (2) because they are more readily applicable to this type of valuation.

1.9 Risks and Limitations

Any valuation of an exploration tenement has inherent risks associated with it for example:

- Further exploration may not locate a viable coal source
- A discovered resource may not be economic to mine
- The exploration company may be financially incapacitated
- Access to the area may be denied (e.g. by landholder)
- A natural disaster may occur (flooding, earthquake etc)
- Government policy may prohibit development
- Exploration and mining costs may be incorrectly assessed
- Metal unit price or in-ground metal values are subject to market changes

1.10 Assumptions

The following factors are normally considered when assessing economic value of a mineral deposit:

- Economic cut off grade for the mineral
- In situ tonnage of mineral above cut-off grade (therefore length of mine life)
- Distribution of mineral in resource (selective mining vs bulk mining)
- Mining costs (dependent on strip ratio, mining method, equipment needed)
- Treatment and mineral extraction required
- Transport and shipping costs (a function of distance and method)
- Access to transport routes (remoteness)
- Infrastructure required to develop mine (maturity of area)
- Current commodity price and future forecast
- "Marketability" and demand of the mineral on world markets
- Negative weighting factors e.g. Native Title, Environmental or Government constraints
- Positive weighting factors e.g. cheap local labour, high mineral recovery rate, good market price.
- Exploration and development costs or cost multiples

The basis of my assumptions is described in more detail in section 1.11 (Valuation) below.

1.11 Valuation

The development status of the tenements makes a VALMIN and JORC-compliant statement about the probable monetary worth of the deposit difficult to make. But there are some methods commonly in use to estimate value of such a property. Four of these methods are demonstrated below:

Method 1 Multiples of Expenditure Method

I have based this method on the drilling results to date that indicate there is a good chance of locating more coal. The assumptions are:

- The Gayndah district has shown evidence of coal seam occurrences. The prospectivity of the district is well above average compared to surrounding areas, therefore there is a real chance of locating coal. The chances for additional coal discovery are therefore good.
- Although coverage is not extensive, several of the regional water bores drilled within the properties have returned intercepts of Triassic coal seams, therefore the chances of intersecting further coal on the properties are considered to be high.

For evaluation of all tenements, 2 being still under exploration status, and only 1 with defined resources, the importance of the samples can only be ranked on a relative scale. Expenditure completed to achieve the current status may be used as a basis for comparison of value and then a prospectivity-based multiplier applied. There is also merit in assessing planned future exploration program expenditure and whether this is valid for the tenements. However, this additional input has not been used for this valuation.

A Prospectivity Enhancement Multiplier (PEM) method may be used to establish a multiplier factor for each lease. This method takes into account the valuer's interpretation of prospectivity and a PEM range is used from the following criteria:

PEM Range	Criteria
0.2 - 0.5	Current and previous exploration has downgraded the prospectivity (no mineralization identified)
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by regional mapping (EPC2265)
1.0 – 1.3	Exploration activity has maintained, or slightly enhanced prospectivity
1.3 – 1.5	Exploration has increased prospectivity considerably (mapping, geochemical or geophysical results)
1.5 – 2.0	Scout drilling has identified interesting intersections of coal (EPC2044 & EPC2264 have strong intercepts of coal seams)
2.0 – 2.5	Detailed drilling has defined targets with potential economic interest (EPC2044)
2.5 – 3.0	An Inferred Mineral Resource has been defined, no feasibility yet completed (EPC2044)
3.0 – 4.0	Indicated Mineral Resources have been defined and are likely to lead to pre-feasibility
4.0 – 5.0	Indicated and Measured Mineral Resources have been identified and economic parameters are available

It is believed that the tenements fall into the PEM range between 0.5 and 3.0.

Therefore for the evaluation analysis the tenements are assigned value ratings based on drill coverage and results as follows:

Tenement	Number of completed drill holes on property	Significant coal intercepts	Approximate cost of previous exploration (from Expenditure Statements 2010 - 2014)	PEM (prospectivity enhancement multiplier) applied	Estimated Value
EPC 2044	25 RC 5 DDH	18 5	$825,641	3.0	$2,476,923
EPC 2264	5 RC	2	$432,244	2.0	$864,488
EPC 2265	0	0	$35,670	1.0	$35,670
TOTAL			**$1,293,555**	**2.69 avg**	**$3,377,081**

The intrinsic value of the coal within any deposit can only be accurately quantified by completing a resource estimate to international (JORC) standards and re-assessing the operating economics of mining, milling and transport for each location. Because some of the tenements have no resources only certain methods for valuation are applicable.

The value as discussed above can be estimated by using an approximate figure for exploration expenditure on the leases to date. This totals $1,239,555. Therefore after a Prospectivity Enhancement Multiplier factor weighting at an average value of 2.69 is applied for the leases the resulting value is

$3,377,081

Method 2 – Prospectivity Rating and exploration factor analysis

This method is a modern derivative of the Kilburn Geological Engineering method, originating from four key technical factors that impact on the property value. The original factors used by Kilburn were off-property attributes, on-property attributes, mineral anomalies and geological setting. These factors were then applied as integers, incrementals or fractions to the tenement acquisition cost or to the tenement land area value (e.g. rent and rate value) to derive a "prospectivity value". The Kilburn rating was a sliding scale of "value factors" from 1 to 10 applied to each of the 4 categories and related to a base cost per hectare of US$400.
NOTE: Geologica has been conservative in applying a base cost of $10 per hectare and assessing the individual exploration criteria as listed below.
Geologica has adapted and expanded this method over the last 20 years by assessing "prospectivity" potential using the following criteria:

- Suitability of geological environment;
- Previous exploration discoveries/anomalies;
- Proximity to other coal deposits;
- Political/government factors;
- Environmental considerations;
- Access and logistics;
- Available area for exploration;
- Risks;
- Tenement size; and
- Ownership/granted and legal status.

Using the criteria above for prospectivity rating, Geologica has developed a system based on 10 points allocated to each criterion and a ranking on a scale of 0 to 10 applied to each criterion. The ranking was estimated from the knowledge of the area, the knowledge of the geology and the exploration history. Points are tabulated for all tenements and scaled with a factor weighting of between 0 and 10 (10 = best) on the following table:

Tenement	Geology	Expl Hist	Proximity	Political	Env	Access	Risks	Size	Ownership	Sum Points
EPC 2044	9	8	6.5	7	8	10	9	7	10	74
EPC 2264	8	7	5.5	7	8	10	9	7	10	72
EPC 2265	7	6	5	7	8	10	9	7	10	69
TOTAL			**5.66**							**71.6**
			EPF							

With the point score method the tenements will be assessed as being 71.6% of the Land Value (commitment expenditure required by Mines Department) multiplied by an Exploration Factor* (scale 1-10 of significance for a coal find) e.g.
Based on exploration areas of the tenements 175,160 Ha land value is calculated as:

LV of $1,751,600 x point score of 0.71 x EPF of 5.6
= approximately **$6,964,361**

See notes below:

NOTES

- *LV Land Value is a total value applied to all leases and assigning a minimum expenditure requirement of $10 per Hectare (NOTE: Kilburn used US$400/Hectare).*
- **Exploration Proximity Factor weighting. This is a scale 0-10 representing likelihood of a resource discovery. 0 represents no chance, 5 represents a 50% chance and 8 represents an 80% chance of resource discovery based on proximity to producing mines. (Note that EPC2044 already has an Inferred Coal Resource and the nearest producing coal mines are within 50 kilometres at Monto and Maryborough - both in similar coal formations)*
- *A producing mine is considered to have 100% EPF weighting, ground within 1 kilometre 90% EPF weighting, ground within 4 kilometres 80% EPF weighting and ground within 8 kilometres 70% EPF weighting. A defined coal resource is considered to have a rating of between 6 and 7. NOTE This is different to the Kilburn ratings scale in that it not only assesses the exploration and resource status (equivalent of Kilburn PEM) but also a prospectivity factor derived from proximity to known deposits and therefore the probability of occurrence.*
- *Note that there are several other methods of completing these types of "back of the envelope" calculations.*
- *Averages are used so that there is an empirical, non-biased method of assigning equal weighting to all factors. This has the effect of "smoothing" the results and not assigning undue weighting to one factor and therefore reducing all factors to the same base line.*
- *Geology – The prospectivity of the geological setting is considered very good due to the presence of coal-bearing successions in the Triassic Gayndah Beds on EPC2044 and EPC2264 as well as potentially within the Jurassic Surat Basin sequence on EPC2265 which is thought to be a continuation of the Mulgabiddy sediments of the Monto coal mine to the north.*
- *Exploration History is relatively well documented for the region and water bore data is available for some localities. The outcropping coal beds at Gayndah were used for the railway and for local power generation in the early 1900s.*
- *Political – the political scene for this area is relatively pro-mining with mainly low priority crops and beef cattle farming. The town of Gayndah as well as the North Burnett Shire are active in promoting the mining industry and are keen to get a group of miners to utilize the existing rail and road routes to improve the area and provide employment.*
- *Environmental – there are few major environmental issues such as protected areas, national parks, preserved sites, heritage or tourist areas. Where these are found in the district they will not be impacted by the coal exploration or mining area.*
- *Access – road and light rail access is well established and no parts of the leases are inaccessible. Compensation to some of the landowners has already been paid in kind by building new access tracks or upgrading others to improve local access.*
- *Risks – perceived risks for development of a mine at Gayndah are low and mainly relate to economic conditions such as coal price, infrastructure costs and transport costs for coal export.*
- *Size – this is just a measure of the available land for a viable mine and infrastructure. Due to the rural nature of the area there is plenty of space for development.*
- *Ownership – the tenements are 100% owned by Wavenet International Ltd.*

Geologica believes that this method, as described above is a suitable variant of the Kilburn Engineering method that covers the same identified factors and on an equal 1-10 scale as identified by Kilburn. The exception is that Kilburn in his 1990 paper assigned relative percentages to each of the four main categories which were then applied as a weighting to the overall result.

1.12 Method Comparison and Preferred Valuation

According to the Valmin Code 2005 Section 32: *"If more than one Valuation method is used and, in consequence, different Valuations result, the Expert or Specialist should comment on how the Valuations compare and on the reason(s) for selecting the value adopted."*

There is a wide range for value assignment. It is therefore important to compare the valuation methods and use the suggested weighted average derived from the applicability of individual methods.
On reviewing each method it was felt that the Prospectivity Ranking method (2) is considered the most applicable because it takes into consideration the Inferred Resource and relates better to the current stage of the project. Therefore it has a preferred weighting of 60%. The Multiples of Exploration Expenditure method (1) is also considered applicable and was weighted at 40%.
See table below:

Method	**Description**	**Value $ million**	**Preferred weighting**	**Result $ million**
1	Multiple of Expenditure	**3.37**	40%	1.34
2	Prospectivity Ranking	**6.96**	60%	4.17
		Average at equal weight = 5.16		Average at preferred weight = 5.51

After consideration of the weighting of the two methods to reflect the relative applicability of each method the preferred valuation figure considered fair and reasonable is **$5.51 million.**

1.13 Conclusions

- The tenements assessed are in good standing, enclose favourable geology and show good coal discovery potential.
- In the author's opinion, exploration of the areas is likely to lead to coal discovery.
- Provided that the future resource tonnes and grades are validated, that future mining and processing costs remain low and that the commodity price remains stable, the tenements will remain good value.
- By comparing four different valuation methods for the properties, a range of values can be expected to reflect the total value.
  The range is between $3.37 million and $6.96 million with the arithmetic average at $5.16 million but a fair and reasonable attributed value of $5.51 million from preferred weighting of methods is acceptable to the author.

DECLARATION

This is a true and independent record of the reviewed and verified geological data and, as such represents the status of the tenements as of November 12 2014. Any interpretations of the data are opinions of the writer and should not be construed as representing a legal opinion or the opinion of any other person.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information supplied to, or in the possession of Brian Davis, who is a Member of The Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Brian Davis is employed by Geologica Pty Ltd.

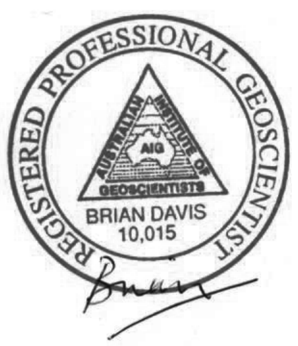
Geologica accepts full responsibility for the accuracy or validation of the material supplied in so far as, and within the limitations of, information that could be checked against field locations, personal geological knowledge, available financial data and survey, geology and assay database information used as a basis for this report. The data forming the basis of this report have been checked, generated, analysed or investigated by Geologica to the fullest extent possible. Geologica concludes that there are reasonable grounds to verify and accept the Wavenet data and that there is every reason to believe that the data is sound and verifiable. We advise that all due caution, with a conservative and pragmatic approach, has been applied when extrapolating this information for the purposes of indicating the monetary worth of the properties described above.

Brian Davis has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.
The Company has completed an annual review of the Gayndah Resource and concluded that at this time, there is no immediate requirement to update or revise the Gayndah Resource Estimation since there has been no material change to the database since the last estimation. There is insufficient data generated on the coal resource since the original reporting date to add to the current knowledge.

Geologica Pty Ltd has consented to the inclusion of this report in documents accompanying Wavenet's Notice of Meeting to Shareholders in the form and context in which it is included.

Brian Davis BSc, DipEd, RPGeo, MAusIMM
Principal Consultant
GEOLOGICA PTY LTD

November 12 2014



Mineral Resources & Reserves Governance
Wavenet has appropriate systems in place and suitably qualified and competent geological consultants to complete any resource estimation or review to the required standards as shown in the 2012 JORC Code Guidelines. The Quality Assurance, Sampling Systems, Assay Procedures, Data Recording, Interpretation Standards and Resource Estimation Methods and other parameters as set out in Table 1 of the JORC Code 2012 Guidelines are closely followed. The Company policy is that all steps are recorded during the resource drilling program and then the estimation stage. All results from field logs and assays to database entries and modelling data are validated, reviewed and checked by independent and qualified geological personnel.

However, the current resource was completed under the 2004 guidelines and, since there has been no additional data added, this resource has not yet been revised with reference to the JORC Code 2012 Guidelines.

The resource report was compiled by Geologica and contract geologist Michael Whitty in November 2013.

The Company has completed an annual review of the Gayndah Resource and concluded that at this time, there is no immediate requirement to update or revise the Gayndah Resource Estimation since there has been no material change to the database since the last estimation. There is insufficient data generated on the coal resource since the original reporting date to add to the current knowledge.

The Company will report any future Mineral Resources and Reserves Estimates in accordance with the JORC Code 2012.

Details of the resource were announced to ASX on November 7 2013 and will be made available from Geologica on request.

References

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Lilford, EV; Minitt, RCA — A Comparative Study of Valuation Methodologies for Mineral Developments. Journal of the South African Institute of Mining and Metallurgy. January 2005

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CR7981	Final Report AtP 252C Gayndah. Pacific Coal Pty Ltd. July 1980
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