Norwood Systems Pty Limited

ACN 149 094 039

Annual Financial Report for the year ended 30 June 2014

Contents

Corporate Information

This annual report includes the financial statements and notes of Norwood Systems Pty Ltd. The Company's functional presentation currency is AUD ($).

A description of the Company's operations and of its principal activities is included in the review of operations and activities in the Directors' report. The Directors' report is not part of the financial report.

Directors

Mr Paul Ostergaard
Chairman

Ms Fiona Meiklejohn
Director

Company Secretaries

Mr Paul Ostergaard
Ms Fiona Meiklejohn
Ms Sarah Smith

Registered Office

Grange Consulting
945 Wellington Street
West Perth WA 6005

Principle Place of Business

4 Leura Street
Nedlands WA 6009

Website

www.norwoodsystems.com

Auditors

Ernst and Young
11 Mounts Bay Road
Perth WA 6000

Bankers

Bankwest
150 Rokeby Road
Subiaco WA 6008

Solicitors

King Wood and Mallesons
Level 30
250 St Georges Terrace
Perth WA 6000

Directors' Report

Your Directors present the following report on Norwood Systems Pty Ltd ("Norwood" or "the Company") for the year ended 30 June 2014.

Directors

The names of the Directors in office during the financial year and until the date of this report are as follows:

Mr Paul Ostergaard	Chairman
Ms Fiona Meiklejohn	Director

All Directors were in office for the entire period unless otherwise stated.

Principal Activities

The principle activity of the Company for the year ended 30 June 2014 was the provision of global mobility and roaming services for mid to large size organisations.

Dividends

There were no dividends paid during the year.

Review of Operations

The Statement of Profit or Loss and Other Comprehensive Income shows a loss attributable to shareholders of $1,170,081 for the financial year ended 30 June 2014 (30 June 2013: loss of $615,237).

Matters subsequent to the end of the period

The Company is in the process of being acquired by Monteray Mining Group ("Monteray"), an ASX listed entity having signed a binding term sheet on 9 December 2014. The transaction is subject to a number of conditions as follows:

- Mutual due diligence (completed on 21 January 2015);
- All outstanding convertible notes being either converted into ordinary shares or cancelled;
- 100% of the offers by Monteray to the Company shareholders and convertible noteholders;
- Execution of a formal sale and purchase agreement;
- The Company creditors at the completion of the Transaction not exceeding $280,000;
- Monteray raising a minimum of $3.75 million in conjunction with re-complying with Chapters 1 and 2 of the ASX Listing Rules; and
- Monteray shareholder approval.

At the date of this report, these conditions and the transaction has not been completed. In February 2015, Monteray have confirmed their intention to waive the condition precedent that Norwood creditors not exceed $280,000.

Approximately $355,000 of the Company's convertible notes matured on 31 January 2015 with an additional $338,719 maturing on the 7 March 2015. The Company expects all convertible notes to be cancelled and converted to shares in Monteray as part of the transaction noted above and as at the date of signing these financial statements the Company is in the process of implementing formal agreements with the note holders to this effect. Convertible note holders are supportive of the Monteray transaction and none have demanded repayment of their notes as at the date of signing these financial statements.

Directors' Report (cont'd)

Matters subsequent to the end of the period (cont'd)

Between 30 June 2014 and the date of signing these financial statements, the Company has issued a further 489,085, $1 par value convertible notes on the same terms and conditions as described at note 13.

In July 2014 the Company entered into a $280,000 loan agreement with Innovative Technology Funding Pty Ltd under which $259,000 was drawn by the Company as at the date of this report. Interest is payable on the loan monthly at an annual rate of 16%. The loan is secured against any future income tax refunds received by the Company and is repayable on the earlier of the date that the Company receives a tax refund in relation to the year ending 30 June 2014 or 20 months from the date of draw down.

Likely developments and expected results of operations

The Company will continue to develop its CORONA platform reducing corporate international roaming expenses and improving staff contactability and communications security for its customers.

The Company will also continue its rapid growth expanding its customer base and hiring as necessary.

Significant changes in the state of affairs

As described in the "Matters subsequent to the end of the period" section on the previous page, the Company in the process of being acquired by ASX listed entity Monteray Mining Group ("Monteray").

There have been no other significant changes in the state of affairs of the Company during the financial year and up to the date of this report.

Environmental regulations and performance

The Company does not carry out any operations that are subject to environmental regulations. The Company is not aware of any breaches in relation to environmental matters."

Financial Position

At 30 June 2014 the Company has a net deficit of $1,001,042 (30 June 2013: net assets of $169,039). The Company's working capital, being current assets less current liabilities as at 30 June 2014 is ($1,002,310) (30 June 2013: $167,228).

Shares under Option

There were no unissued ordinary shares of Norwood Systems Pty Ltd under option at the date of this report.

At 30 June 2014, the Company has on issue 694,219, $1 par value convertible notes which may converted to shares in the Company as described at note 13. Between 30 June 2014 and the date of signing these financial statements, the Company has issued a further 489,085, $1 par value convertible notes on the same terms and conditions as described at note 13.

Shares Issued on the Exercise of Options

There were no options exercised during the financial year.

Directors' Report (cont'd)

Information on Directors

Paul Ostergaard	-	Executive Chairman
Appointed	-	2 February 2011
Experience	-	Paul holds a Bachelor of Electronic Engineering from the University of Western Australia and an MBA from INSEAD. Paul has a 25 years experience in the high-technology sector, having worked in senior executive roles in start-ups and large corporations across the North American, European and Asia-Pacific regions. Prior to Norwood Systems, Paul founded several companies in the wireless communications sector including the original Norwood Systems Ltd, the award-winning technology pioneer in fixed mobile convergence platforms, founded in 1999. Previously, Paul headed the global platform marketing strategy for a $1 billion systems platform at 3Com Corporation, leading the platform's brand and core technology development across seven divisions and 37 product lines. During his tenure at 3Com, worldwide market share for this platform increased to an all-time peak of 35% with sales increasing at an average of 50% p.a. to reach $1.2 billion in annual revenues.
Interest in Shares and Options	-	1,000,000 Ordinary fully paid shares and 172,175 AA class shares
Current directorships	-	None
Former directorships held in past three years	-	None

Fiona Meiklejohn	-	Non-Executive Director
Appointed	-	2 February 2011
Experience	-	Fiona Meiklejohn has been a Director of Norwood Systems since 2011. Prior to Norwood Systems, Fiona was Company Secretary of the original Norwood Systems Ltd, an award-winning technology pioneer in fixed-mobile convergence platforms, founded in 1999. Fiona is currently a Senior Consultant at FTI Consulting, a global management consultancy and has been a non-executive director of Ocean Broadband Ltd since 2005. Previously she was a Partner at the London headquarters of Financial Dynamics, a global corporate communications and investor relations consultancy. Fiona holds a BA in Politics with honours from the University of Western Australia.
Interest in Shares and Options	-	None
Current directorships	-	None
Former directorships held in past three years	-	None

Directors' Report (cont'd)

Director Meetings

There were no formal director meetings held during the year.

Proceedings on Behalf of the Company

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

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-Audit Services

The Company may decide to employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important.

During the year the following fees were paid or payable for services provided by the auditor of the Company:

	2014 $
Audit services	
Amounts received or due and receivable by Ernst and Young:	
- An audit or review of the financial reports of the entity	15,000
Non-Audit services	
Amounts received or due and receivable by Ernst and Young:	
- Research and development tax services	46,906
Total remuneration	61,906

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* has been included as part of the financial report.

Directors' Report (cont'd)
Remuneration report (Unaudited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Shareholdings of Key Management Personnel
F Loans from Key Management Personnel or their related parties
G Other transactions with Key Management Personnel or their related parties

A Principles used to determine the nature and amount of remuneration

The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings.

The following items are considered and discussed as deemed necessary at the board meetings:

- make specific recommendations to the board on remuneration of Directors and senior officers;
- recommend the terms and conditions of employment for the Director;
- undertake a review of the Director's performance, at least annually, including setting the Director goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the recommendations of the Director on the remuneration of all Directors; and
- develop and facilitate a process for Board and Director evaluation.

Directors' Fees

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the directors. Directors' fees and payments are reviewed annually by the Board.

Directors do not receive performance-based pay.

Additional fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Retirement allowances for directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the directors' overall fee entitlements where applicable.

Benefits

No benefits other than noted above are paid to Directors or Management except as incurred in normal operations of the business.

Directors' Report (cont'd)
Remuneration report (cont'd)

A Principles used to determine the nature and amount of remuneration (cont'd)

Long term incentives

Options are to be issued at the Board's discretion. There have been no options issued to employees at the date of this financial report.

Remuneration consultants

Remuneration consultants have not been used in determining the remuneration paid.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the following directors and the key management personnel of the Company are found below:

	Short- term employee benefits			Post-employment benefits		Share-based pay-ments	Total	Total Remun-eration Represen-ted by
30 June 2014	Cash salary & Fees	Other	Non Monetary Benefits	Super-annuation Pensions	Retire-ment Benefits	Options		Options
Directors	$	$	$	$	$	$	$	%
Paul Ostergaard	120,000	-	-	11,100	-	-	131,100	-
Fiona Meiklejohn	-	-	-	-	-	-	-	-
Sub-total Directors	120,000	-	-	11,100	-	-	131,100	
Total key management personnel compensation	120,000	-	-	11,100	-	-	131,100	-

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	Performance Based Remuneration
	2014	2014
Director		
Paul Ostergaard	100%	0%
Fiona Meiklejohn	n/a	n/a

C Service agreements

There were no service agreements with Directors as at the date of this financial report.

D Share-based compensation

No shares were issued during the year as share based compensation.

Directors' Report (cont'd)
Remuneration report (cont'd)

E Shareholdings of Key Management Personnel

The numbers of shares in the Company held during the period by each director of Norwood Systems Pty Ltd and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Ordinary shares

2014 Name	Balance at start of the period	Received during the period on the exercise of options	Other changes	Balance at the end of the period
Directors				
Paul Ostergaard	1,000,000	-	-	1,000,000
Fiona Meiklejohn	-	-	-	-
Total	1,000,000	-	-	1,000,000

AA class shares

2014 Name	Balance at start of the period	Received during the period on the exercise of options	Other changes	Balance at the end of the period
Directors				
Paul Ostergaard	172,175	-	-	172,175
Fiona Meiklejohn	-	-	-	-
Total	172,175	-	-	172,175

F Loans from Key Management Personnel or their related parties

At 30 June 2014 the Company owed Ocean Broadband Pty Ltd, a Company related through the common control of Paul Ostergaard, $128,259. Details of the movements in the loan account during the year are as follows:

Loans to related parties	**2014**
Beginning of the year	142,743
Loans advanced	57,516
Loan repayments made	(72,000)
End of the year	**128,259**

At 30 June 2014 the Company owed ChillCast Pty Ltd, a Company related through the common control of Paul Ostergaard, $nil. Details of the movements in the loan account during the year are as follows:

	2014
Loans to related parties	
Beginning of the year	40,000
Loans advanced	-
Loan repayments made	(15,000)
Transferred	-
End of year	**25,000**

The loan is non-interest bearing and repayable on demand, however has not been called on at the date of this report.

Directors' Report (cont'd)
Remuneration report (cont'd)

G Other transactions with Key Management Personnel or their related parties

There were no other transactions made or outstanding to directors of Norwood Systems Pty Ltd and other key management personnel of the Company, including their personally related parties.

END OF UNAUDITED REMUNERATION REPORT

This report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors.

Paul Ostergaard

Paul Ostergaard
Director
Perth, Western Australia
6 March 2015

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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Norwood Systems Pty Ltd

In relation to our audit of the financial report of Norwood Systems Pty Ltd for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

G Lotter
Partner
6 March 2015

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $	2013 $
Interest income	3	1,434	2,558
Government grant income	3	331,074	299,590
Employee and director benefits expense	4	(767,443)	(588,678)
Consultancy and subcontractor fees		(187,745)	(31,453)
Travel and entertainment		(127,724)	(68,766)
Legal fees		(121,972)	(2,656)
Rent		(84,016)	(88,446)
Research and development expenses		(75,682)	(49,256)
Other expenses		(49,190)	(25,136)
Accountancy costs		(48,856)	(30,537)
Interest expense		(16,382)	-
Administration expenses		(14,694)	(2,657)
Electricity and telephone		(7,209)	(5,205)
Licence fees		(1,132)	(20,418)
Depreciation		(544)	(4,177)
Loss before income tax		**(1,170,081)**	**(615,237)**
Income tax benefit	5	-	-
Loss for the period attributable to the members of Norwood Systems Pty Ltd		**(1,170,081)**	**(615,237)**
Other comprehensive income		-	-
Total comprehensive (loss) for the period attributable to the members of Norwood Systems Pty Ltd		**(1,170,081)**	**(615,237)**
Basic and diluted earnings/(loss) per share (cents per share)	6	(0.75)	(0.43)

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Statement of Financial Position
As at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	25,365	109,214
Other receivables	9	331,074	300,020
Total Current Assets		**356,439**	**409,234**
Non-Current Assets			
Plant and equipment		1,268	1,812
Total Non-current Assets		1,268	**1,812**
TOTAL ASSETS		**357,707**	**411,046**
LIABILITIES			
Current Liabilities			
Trade payables	10	314,914	24,117
Other payables	11	203,192	48,252
Borrowings	12	131,255	169,638
Convertible notes	13	709,388	-
Total Current Liabilities		1,358,749	**242,007**
TOTAL LIABILITIES		1,358,749	**242,007**
NET ASSETS/(LIABILITIES)		(1,001,042)	**169,039**
EQUITY			
Issued capital	14	1,250,224	1,250,224
Accumulated losses		(2,251,266)	(1,081,185)
TOTAL EQUITY/(DEFICIT)		(1,001,042)	**169,039**

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(764,857)	(804,839)
Interest received		171	2,558
Net cash flows (used in) operating activities		(764,686)	(802,281)
Cash flows from investing activities			
Purchase of plant & equipment		-	(3,401)
Net cash flows (used in) investing activities		-	(3,401)
Cash flows from financing activities			
Proceeds from issue of shares		-	750,000
Proceeds from issue of convertible notes		694,219	-
Proceeds from related party borrowings		57,515	27,540
Repayment of related party borrowings		(72,000)	(15,000)
Proceeds from borrowings		1,103	-
Net cash flows from financing activities		680,837	762,540
Net (decrease)/increase in cash and cash equivalents		(83,849)	(43,142)
Cash and cash equivalents at beginning year		109,214	152,356
Cash and cash equivalents at end year	8	25,365	109,214

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the year ended 30 June 2014

	Issued Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 July 2012	500,224	(465,948)	34,276
Loss for the year	-	(615,237)	(615,237)
Transaction with owners, directly recorded in equity:			
Issue of Ordinary Shares	-	-	-
Issue of AA Preference Shares	750,000	-	750,000
Total transactions with owners	750,000	-	750,000
Balance at 30 June 2013	**1,250,224**	(1,081,185)	**169,039**

	Issued Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 July 2013	1,250,224	(1,081,185)	169,039
Loss for the year	-	(1,170,081)	(1,170,081)
Balance at 30 June 2014	**1,250,224**	**(2,251,266)**	**(1,001,042)**

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Corporate information

Norwood Systems Pty Ltd is an unlisted private company, incorporated and domiciled in Australia. Norwood Systems Pty Ltd is a for-profit entity for the purpose of preparing the financial statements. These financial statements are for the period 1 July 2013 to 30 June 2014 and was authorised for issue in accordance with a resolution of the Directors on 6 March 2015.

These financial statements are for Norwood Systems Pty Ltd Limited (the Company) referred to as 'Norwood' or the Company.

The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company incurred a net loss after tax for the year ended 30 June 2014 of $1,170,081 and experienced net cash outflows from operating activities of $764,686 and net cash inflows for financing activities of $680,837. At 30 June 2014, the Company had a net current liability position of $1,002,310 and cash and cash equivalents balance of $25,365. Notwithstanding this, the Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern, after consideration of the following:

Notes to the Financial Statements

2. Summary of significant accounting policies (cont'd)

(b) Going concern (cont'd)

- The Company is in the process of being acquired by Monteray Mining Group ("Monteray"), an ASX listed entity) having signed a binding term sheet on the 9 December 2014. The transaction is subject to a number of conditions as follows:
  - Mutual due diligence (completed on 21 January 2015);
  - All outstanding convertible notes being either converted into ordinary shares or cancelled;
  - 100% of the offers by Monteray to the Company shareholders and convertible noteholders;
  - Execution of a formal sale and purchase agreement;
  - The Company creditors at the completion of the Transaction not exceeding $280,000;
  - Monteray raising a minimum of $3.75 million in conjunction with re-complying with Chapters 1 and 2 of the ASX Listing Rules; and
  - Monteray shareholder approval.

  At the date of this report, these conditions and the transaction have not been completed. In February 2015, Monteray have confirmed their intention to waive the condition precedent that Norwood creditors not exceed $280,000.

- At 30 June 2014 the Company owed Ocean Broadband Pty Ltd, a Company related through the common control of Paul Ostergaard, $128,259. The loan is repayable on demand however has not been called on at the date of this report. In July 2014 the Company entered into a $280,000 loan agreement with Innovative Technology Funding Pty Ltd under which $259,000 was drawn by the Company as at the date of this report. Interest is payable on the loan monthly at an annual rate of 16%. The loan is secured against any future income tax refunds received by the Company and is repayable on the earlier of the date that the Company receives a tax refund in relation to the year ending 30 June 2014 or 20 months from the date of draw down. The balance of the loan will be drawn down to pay remaining trade payables that do not have a deferral arrangement and for working capital until funds are raised via an equity raising as detailed in the above Monteray transaction.

- Approximately $355,000 of the Company's convertible notes matured on 31 January 2015 with an additional $338,719 maturing on the 7 March 2015. The Company expects all the notes on issue to be converted to shares in the Company as part of the Monteray transaction noted above and as at the date of signing these financial statements the Company is in the process of implementing formal agreements with the note holders to this effect. Between 30 June 2014 and the date of signing these financial statements, the Company has issued a further 489,085, $1 par value convertible notes on the same terms and conditions as described at note 13, raising a $489,085 to fund the working capital requirements of the Company.

In considering the above, the directors have reviewed the Company's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Monteray transaction will complete and will be successful in securing additional funds through an equity issue, which will be used to repay the debts of the company.

Should the Company not achieve the matters set out above, there is significant uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Company not be able to continue as a going concern.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(c) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Details of the Company's operating lease commitments are disclosed in Note 17.

(d) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Norwood Systems Pty Ltd as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Norwood Systems Pty Ltd.

(e) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

• the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
• by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares (note 6).

(f) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives
or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:
— Computer equipment: 3 years
— Office furniture and equipment: 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Financial Statements

2. Summary of significant accounting policies (cont'd)

(f) Property, plant and equipment (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(g) Patents & development expense

The Company expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Company has received formal notification that a patent has been granted. The Company believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Company will only record a development asset when there is certainty that the Company will be able to patent the technology it has created, as demonstrated by the approval of the patent application and as a result expect future economic benefits to flow to the Company.

Following initial recognition of development expenditure as an development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the patent. Amortisation is recorded in other expenses. During the period of development, the asset is tested for impairment annually.

(h) Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(i) Income tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(i) Income tax (cont'd)

Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(j) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Employee Benefits

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

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(k) Employee Benefits (cont'd)

departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Share-based payments*
Share-based compensation benefits are provided to employees at the Directors' discretion

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

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

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision die to the passage of time is recognised as interest expense.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in rate and bank overdrafts

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Financial liabilities

Financial liabilities are recognised initially on the date the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liabilities when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

A financial instrument is recognised if the Company become a party to the contractual provisions of the instrument. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(q) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(r) Critical accounting estimates and judgments

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results.

Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Policy - Development costs

The Company capitalises research and development costs once a patent has been granted in line with its accounting policy. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the patent assets and the expected period of benefits.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Executive Director, in consultation with the Board of Directors.

The Company operates in one industry, mobile international roaming services and in one main geographical segment, being Australia. Refer to Note 16 for details.

(t) Changes in accounting policies and disclosures

In the year ended 30 June 2014, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business except for disclosure purposes and, therefore, no change is necessary to Company accounting policies.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(t) Changes in accounting policies and disclosures (cont'd)

The following standards and interpretations would have been applied for the first time for entities with the year ending 30 June 2014:

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Consequential amendments were also made to other standards via AASB 2011-8.

AASB 119 Employee Benefits

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.

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

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (cont'd)

(u) New accounting standards and interpretations issued but yet effective

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Company for the year ended 30 June 2014, and no change to the Company's accounting policy is required:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	The Company has determined the likely impact on the Company's financial statements will be not material.	1 July 2014
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	The Company has determined the likely impact on the Company's financial statements will be not material.	1 July 2014
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be	The Company has not yet determined the likely impact on the Company's financial statements.	1 July 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ▸ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▸ The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or		

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time 3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018		
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	The Company has determined the likely impact on the Group's financial statements will be not material.	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging	The Company has determined the likely impact on the Company's financial statements will be not material.	1 July 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.		
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference	The Company has determined the likely impact on the Company's financial statements will be not material.	1 July 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		between the gross and net carrying amounts. ▸ IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.		
Annual Improvements 2011–2013 Cycle	Annual Improvements to AASBs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting. Standards (AASB) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ▸ AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of IAS 39 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ▸ IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the	The Company has determined the likely impact on the Company's financial statements will be not material.	1 July 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.		
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework* (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	The Company has determined the likely impact on the Company's financial statements will be not material.	1 July 2014
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	The Company has not yet determined the likely impact on the Group's financial statements.	1 July 2015
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that	The Company has not yet determined the likely impact on the Company's financial statements.	1 July 2016

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
AASB 15	Revenue from Contracts with Customers	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods	The Company has not yet determined the likely impact on the Company's financial statements.	1 July 2017

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.		

The Company has decided not to early adopt any of the new and amended pronouncements.

Notes to the Financial Statements (cont'd)

3. Revenue from continuing operations

	2014 $	2013 $
Revenue		
Bank interest	1,434	2,558
Government grant income – research and development grant	331,074	299,590
	332,508	302,148

4. Loss for the period

Loss for the period includes the following items:

	2014 $	2013 $
Employee and Director benefits expense		
Director's fees	120,000	110,000
Employee wages	589,796	430,441
Superannuation	57,647	48,237
Total employee and director benefits expense	767,443	588,678

5. Income Tax

	2014 $	2013 $
Accounting loss before income tax	**(1,170,081)**	**(615,237)**
Income tax benefit at the Company's statutory rate of 30%	(351,024)	(184,571)
Research and development grant	(99,307)	(89,877)
Non-deductible differences	364	-
Temporary differences	(72,185)	(52,161)
Total income tax benefit for the year	**(522,152)**	**(326,609)**
Deferred tax asset not brought to account	**(522,152)**	**(326,609)**

As at 30 June 2014, the Company has an unrecognised deferred tax asset of $848,761 in relation to historical losses incurred by the Company (30 June 2013: $437,089).

No deferred tax assets have been bought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- there are no changes in tax legislation in Australia which will adversely affect the Company in realising the benefit from the deductions for the losses.

Notes to the Financial Statements (cont'd)

6. Earnings/(loss) per Share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2014 $	2013 $
Loss after income tax	1,170,081	615,237$
Basic earnings/(loss) per share attributable to equity holders	(0.75)	(0.43)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	1,558,243	1,446,013

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

As the Company is loss making, there is no diluted EPS calculated.

7. Dividends Paid or Proposed

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

8. Cash and Cash Equivalents

	2014 $	2013 $
Current		
Cash at bank and in hand	25,365	109,214

Cash at bank earns interest at floating rates based on daily bank rates.

Refer to note 15 on financial instruments for details on the Company's exposure to risk in respect of its cash balance.

9. Other Receivables

	2014 $	2013 $
Current		
Debtors	-	430
Research and development grant receivable	331,074	299,590
	331,074	**300,020**

As at the end of the financial period, no other receivables are past due or impaired.

Notes to the Financial Statements (cont'd)

10. Trade Payables

	2014 $	2013 $
Current		
Trade creditors	314,914	24,117

Trade payables are non-interest bearing and are normally settled on 60-day terms. All amounts are expected to be settled within 12 months. Please refer to note 15 on Financial Instruments for further discussion on risk management.

11. Other Payables

	2014 $	2013 $
Current		
Accruals	154,330	26,905
Provisions	48,862	21,347
	203,192	**48,252**

All amounts are expected to be settled within 12 months.

12. Borrowings

	2014 $	2013 $
Loan – ChillCast Pty Ltd	-	25,000
Loan – Ocean Broadband Ltd	128,259	142,743
Loan – employee	2,996	1,895
	131,255	**169,638**

At 30 June 2014 the Company owed Ocean Broadband Pty Ltd, a Company related through the common control of Paul Ostergaard, $128,259 (30 June 2013: $142,743). The loan is non-interest bearing and repayable on demand, however has not been called on at the date of this report. The carrying value of the loans approximate the fair value.

13. Convertible Notes

	2014 $	2013 $
Proceeds from issue of convertible notes (694,219 notes at $1 par value)	694,219	-
Accrued interest	15,169	-
Carrying amount of liability at 30 June 2014	**709,388**	-

The following convertible notes were issued during the year:

- 355,500 unsecured convertible notes were issued on 31 January 2014 with a maturity date of 31 January 2015; and
- 338,719 unsecured convertible notes were issued on 7 March 2014 with a maturity date of 7 March 2015.

Notes to the Financial Statements (cont'd)

13. Convertible Notes (cont'd)

As noted above, approximately $355,000 of the Company's convertible notes matured on 31 January 2015 with an additional $338,719 maturing on the 7 March 2015. The Company expects all convertible notes to be cancelled and converted to shares in Monteray as part of the transaction noted above and as at the date of signing these financial statements the Company is in the process of implementing formal agreements with the note holders to this effect. Convertible note holders are supportive of the Monteray transaction and none have demanded repayment of their notes as at the date of signing these financial statements.

Each note bears interest at the rate of 6% per annum.

The notes may be converted voluntarily or mandatorily into ordinary shares. A mandatory conversion would occur if either the Company issues Preferred Shares to raise not less than $2,000,000 (being Preferred Financing) or the Company lodges an IPO prospectus. The mandatory conversion is based on the following:

The Mandatory Conversion Price is:
(a) in the case of a Preferred Financing, a 26% discount to the price of the Preferred Shares issued as part of the Preferred Financing; and
(b) in the case of an IPO, a 20% discount to the price of Ordinary Shares offered pursuant to the prospectus.

The Mandatory Conversion Date is:
(a) in the case of a Preferred Financing, the date of the decision of the board of the Company to issue and allot the Preferred Shares to applicants in connection with the Preferred Financing; and
(b) in the case of an IPO, the date that the Company lodges a prospectus with the Australian Securities and Investments Commission in connection with the IPO.

The holder may choose to voluntarily convert the Notes on or before the maturity date. If not converted, the principal amount together with the interest becomes due and payable.

Fair value
As the amounts are due to be settled within 12 months, there is no material difference between the carrying value as stated above and fair value at 30 June 2014.

14. Issued Capital

Date	Details	No. of Shares ORD	No. of Shares AA	Issue Price	$
Opening Balance		**1,120,000**	**184,500**		**500,224**
14 July 2012	Issue of shares	-	18,450	$2.71	50,000
20 December 2012	Issue of Shares	-	235,293	$2.97	700,000
30 June 2013		**1,120,000**	**438,243**		**1,250,224**
30 June 2014		**1,120,000**	438,243		**1,250,224**

Each Share carries one vote per share and carries equal rights to dividends. AA class shareholders will be entitled to capital distributions prior to holders of ordinary shares upon winding up of the Company.

Notes to the Financial Statements (cont'd)

15. Financial Instruments

Financial Risk Management

The Company's activities expose it to a variety of financial risks including interest rate risk, price risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments; however the Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external and internal advisors. Further policies will evolve commensurate with the evolution and growth of the Company.

(a) Market risk

(i) Foreign exchange risk

The Company operated in Australia in the period ended 30 June 2014 and had minimal exposure to foreign exchange risk.

(ii) Price risk

The Company's exposure to commodity and equity securities price risk is minimal.

(iii) Interest rate risk

The Company's only interest rate risk arises from cash and cash equivalents. Term deposits and current accounts held with variable interest rates expose the Company to cash flow interest rate risk. Management have assessed this risk as insignificant.

	Weighted average Interest rate	2014 Carrying Amount $	2013 Carrying Amount $
Financial assets			
Cash	0%	25,365	109,214
Total		**25,365**	**109,214**

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any Group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2014 $	2013 $
Cash and cash equivalents	25,365	109,214
Other receivables	331,074	300,021
Total	**356,439**	**409,235**

Notes to the Financial Statements (cont'd)

15. Financial Instruments (cont'd)

Other receivables relate to government grants from the Australian government.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profits of financial assets and liabilities. As at reporting date the Company had sufficient cash reserves to meet its requirements. The Company therefore had no credit standby facilities or arrangements for further funding in place.

2014		Fixed Interest rate maturing in			Non-interest Bearing	Total	Weighted average effective interest rate
Financial Instrument	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years			
	$	$	$	$	$	$	
Financial Assets							
Cash	-	-	-	-	25,365	25,365	0%
Other debtors	-	-	-	-	331,074	331,074	
Total financial assets	-	-	-	-	356,439	356,439	
Financial Liabilities							
Trade payables	-	-	-	-	314,914	314,914	
Other payables	-	-	-	-	203,192	203,192	
Borrowings	-	-	-	-	131,255	131,255	0%
Convertible notes	-	694,219	-	-	-	694,219	6%
Convertible note interest	-	-	-	-	15,169	15,169	
Total financial liabilities	-	694,219	-	-	664,530	1,358,749	

2013		Fixed Interest rate maturing in			Non-interest Bearing	Total	Weighted average effective interest rate
Financial Instrument	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years			
	$	$	$	$	$	$	
Financial Assets							
Cash	-	-	-	-	109,214	109,214	0%
Other debtors	-	-	-	-	300,021	300,021	
Total financial assets	-	-	-	-	409,235	409,235	
Financial Liabilities							
Trade payables	-	-	-	-	24,117	24,117	
Other payables	-	-	-	-	48,252	48,252	
Borrowings	-	-	-	-	169,638	169,638	0%
Total financial liabilities	-	-	-	-	242,007	242,007	

Notes to the Financial Statements (cont'd)

15. Financial Instruments (cont'd)

(d) Capital Risk Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Because the Company is a start-up company, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet development programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2014 was a deficit of $1,002,310. The Company currently has $25,365 of cash and cash equivalents to fund its commitments in the immediate future.

16. Operating Segments

The Company operates as a single segment which is global mobility and roaming services within Australia. The Company is domiciled in Australia.

17. Commitments and Contingent Liabilities

Operating lease commitments

The Company leases an office under non-cancellable operating leases expiring 31 January 2016. On renewal, terms of the lease are renegotiated. Commitments for minimum lease payments in relation to non-cancellable operating leases are payment as follows:

	2014 $	2013 $
Lease commitments payable:		
Within one year	88,056	88,056
Later than one but not later than five years	51,366	139,422
Later than five years	-	-
Total	**139,422**	**227,478**

Other than the above, the Company has no commitments or contingent liabilities as at the date of report.

Notes to the Financial Statements (cont'd)

18. Related Party Disclosure

(a) Key Management Personnel

See Note 21 for all director and key management personnel related disclosure.

(b) Loans to/from related parties

At 30 June 2014 the Company owed Ocean Broadband Pty Ltd, a Company related through the common control of Paul Ostergaard, $128,259. Details of the movements in the loan account during the year are as follows:

	2014 $	2013 $
Loans to related parties		
Beginning of the year	142,743	115,203
Loans advanced	57,515	27,540
Loan repayments made	(72,000)	-
End of year	**128,258**	**142,743**

At 30 June 2014 the Company owed ChillCast Pty Ltd, a Company related through the common control of Paul Ostergaard, $nil. Details of the movements in the loan account during the year are as follows:

	2014 $	2013 $
Loans to related parties		
Beginning of the year	25,000	40,000
Loans advanced	-	-
Loan repayments made	-	(15,000)
Transferred	(25,000)	-
End of year	-	**25,000**

19. Events after the Reporting Date

The Company is in the process of being acquired by Monteray Mining Group ("Monteray"), an ASX listed entity having signed a binding term sheet on 9 December 2014. The transaction is subject to a number of conditions as follows:

- Mutual due diligence (completed on 21 January 2015);
- All outstanding convertible notes being either converted into ordinary shares or cancelled;
- 100% of the offers by Monteray to the Company shareholders and convertible noteholders;
- Execution of a formal sale and purchase agreement;
- The Company creditors at the completion of the Transaction not exceeding $280,000;
- Monteray raising a minimum of $3.75 million in conjunction with re-complying with Chapters 1 and 2 of the ASX Listing Rules; and
- Monteray shareholder approval.

At the date of this report, these conditions and the transaction has not been completed. In February 2015, Monteray have confirmed their intention to waive the condition precedent that Norwood creditors not exceed $280,000.

Notes to the Financial Statements (cont'd)

19. Events after the Reporting Date (cont'd)

Approximately $355,000 of the Company's convertible notes matured on 31 January 2015 with an additional $338,719 maturing on the 7 March 2015. The Company expects all convertible notes to be cancelled and converted to shares in Monteray as part of the transaction noted above and as at the date of signing these financial statements the Company is in the process of implementing formal agreements with the note holders to this effect. Convertible note holders are supportive of the Monteray transaction and none have demanded repayment of their notes as at the date of signing these financial statements.

Between 30 June 2014 and the date of signing these financial statements, the Company has issued a further 489,085, $1 par value convertible notes on the same terms and conditions as described at note 13.

In July 2014 the Company entered into a $280,000 loan agreement with Innovative Technology Funding Pty Ltd under which $259,000 was drawn by the Company as at the date of this report. Interest is payable on the loan monthly at an annual rate of 16%. The loan is secured against any future income tax refunds received by the Company and is repayable on the earlier of the date that the Company receives a tax refund in relation to the year ending 30 June 2014 or 20 months from the date of draw down.

20. Auditor's Remuneration

	2014 $	2013 $
Audit services		
Amounts received or due and receivable by Ernst and Young:		
- An audit or review of the financial reports of the entity	15,000	15,000
Non-Audit services		
Amounts received or due and receivable by Ernst and Young:		
- Research and development tax services	46,906	29,551
Total remuneration for non-audit services	**61,906**	**44,551**

21. Directors and Key Management Disclosures

(a) Directors

The following persons were directors of Norwood Systems Pty Ltd during the period ended 30 June 2014:

Name	**Position**
Paul Ostergaard	Director
Fiona Meiklejohn	Director

(b) Other key management personnel

There were no further key management personnel of the Company.

(c) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	120,000	110,000
Other employee expense (superannuation)	11,100	9,900
Total	131,100	119,900

Directors' Declaration

The Directors declare that:

(a) the attached financial statements and accompanying notes, are in accordance with the *Corporations Act 2001* including:

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

(ii) giving a true and fair view of the financial position as at 30 June 2014 and of the performance for the period ended on that date of the Company;

(iii) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2(a) to the financial statements; and

(b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, subject to note 2(b);

(c) the remuneration disclosures included in pages 6 to 9 of the directors' report (as part of the unaudited Remuneration Report), for the period ended 30 June 2014, comply with section 300A of the *Corporations Act 2001;* and

(d) the Directors have been given the declarations as required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Paul Ostergaard
Chairman

Perth, Western Australia
6 March 2015

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Independent auditor's report to the members of Norwood Systems Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Norwood Systems Pty Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' report.

Opinion

In our opinion:

a. the financial report of Norwood Systems Pty Ltd is in accordance with the Corporations Act 2001, including:

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

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report which describes the principal conditions that raise doubt about the company's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
6 March 2015