2 Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

Group and Parent:

As a result of exploration operations in Indonesia it is likely the Group's future performance could be affected significantly by movements in exchange rates.

Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The carrying amounts of the Group's and parent entity's financial assets and liabilities are denominated in Australian dollars except for its net investment in its Indonesian subsidiaries equivalent to $70,762 (2014: $397,094) as at 30 June 2015.

A change in the AUD:IDR exchange rate of +/-10% would have impacted equity by -/+ $7,076 (2014: $39,709)

(ii) Price risk

The Group and parent entity are exposed to listed equity securities price risks on available-for-sale assets. A change in the price of securities held at balance date of +/- 10% would have impacted equity by +/- $1,888 (2014: $20,750).

(iii) Cash flow and fair value interest rate risk

Group and Parent:

The Group has a material interest bearing asset and interest bearing liabilities such as external bank borrowings and outstanding ATO debt. As in the past the Group's income, expenses and operating cash flows have not been materially exposed to changes in market interest rates and attempted to mitigate the risk through a mix of short term and medium term arrangements.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Consolidated	
	2015	2014
	100 bp increase	100 bp increase
Variable rate instruments - assets	**30,306**	11,446
Variable rate instruments - borrowings	**(13,600)**	(13,550)
Variable rate instruments – ATO debt	**(11,204)**	(17,899)

(b) Credit risk

Group and Parent:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk for the Group and parent is concentrated in 1 party at 30 June 2015. Credit risk is managed for these counter parties by assessing their credit worthiness prior to transacting. The Group does not hold any collateral. The Group has policies in place to ensure that sales of products and services are made to customers with appropriate credit history. Cash transactions are limited to high quality financial institutions.

The carrying amounts of financial assets recognised in the balance sheet best represent the Group's maximum exposure to credit risk at the reporting date. There are no guarantees in place.

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

(i) Financial assets past due & impaired

		Consolidated	
		2015	2014
Trade and other receivables (Note 9)		**$**	$
Current			
GST receivable		**4,858**	31,158
Loan receivables		**3,030,600**	1,144,579
Less: impairment provision		**(2,185,036)**	-
		850,422	1,175,737
Non-current		-	-
Cash and term deposits	(a)	88	789,270

(a) Cash at bank is held with the NAB & Westpac Banking Corporation.

(c) Liquidity risk

Group and Parent:

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

Financing arrangements

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

Maturities of financial liabilities

All the Group's and the parent entity's current trade payables and accrued expenses, as at 30 June 2015 and 30 June 2014 were non-interest bearing and due for payment within 3 to 12 months. The Group has interest bearing borrowings of $1,360,000 (2014: $1,355,000) with retirement of these borrowings expected when the properties secured against these borrowings are sold within 12 months, notwithstanding that one of the loan facilities (NAB) expire only in Feb 2027. The weighted average interest rate is 5.27% on the two bank loans. General interest (GIC) of 9.61% (2014: 9.66%) is also charged by the ATO on any outstanding tax liabilities.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) Fair value measurement of financial instruments

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

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

The Group's financial assets and liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014 on a recurring basis are as follows:

30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available for sale financial assets – listed investments	18,880			18,880

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

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

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.
Critical accounting estimates and / or assumptions made during the preparation of the financial report are as follows;

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

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

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

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

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

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

4 Segment information

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

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

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

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

Operations by segment

Mineral resource exploration

Basis of accounting for purposes of reporting by operating segments

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

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

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

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

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

Unallocated Items
The following items of revenue, expenses, assets and liabilities are not allocated to other operating segments as they are not considered part of the core operations of the Group. These are separately identifiable on the face of the statement of profit or loss & other comprehensive income and statement of financial position:

- Inventories & any related impairment expenses
- Current & deferred tax liabilities
- Financial assets
- Investment in and loan to associate (including any share of associate loss & impairment on loans)
- Non-current assets classified as held for sale and liabilities directly associated with these assets
- Impairment of property
- Profit/(loss) on sale of and impairment of financial assets

Business Segments
Other than the unallocated items mentioned above, the total revenue, results, assets, liabilities and cashflows reported for the group as a whole represent the mineral resource exploration segment.

Revenue by geographic region
There is no revenue attributable to external customers located outside Australia for the year ended 30 June 2015 (2014: Nil)

Assets by geographic region
The only segment assets located outside Australia is in relation to capitalised exploration and evaluation expenditure and plant and equipment in Indonesia. This amounted to $70,762 (2014: $397,095)

5 Revenue

	Consolidated	
	2015	2014
	$	$
Other revenue		
Interest received	65	819
Interest accrued	156,292	94,811
Profit on sale of financial assets	109,949	591,935
Total Revenue	266,306	687,565

6 Expenses

	Consolidated	
Loss before income tax includes the following specific items:	**2015** **$**	2014 $
Depreciation		
Plant and equipment	**12,843**	13,485
Loss/(profit) on sale of other financial assets	**15,344**	(2,752,933)
Impairment of inventories	**815,305**	-
Impairment of loan receivable	**2,185,036**	-
Impairment of property asset	**166,540**	-
Impairment of capitalised exploration costs	**1,321,640**	1,744,627
Share of loss of associate	**574,224**	446,166

7 Income tax expense

	Consolidated	
	$	$
(a) Income tax expense/(benefit)		
Current tax	**-**	-
Deferred tax	**(170,238)**	331,810
Under/(over) provided in prior years	**(280,584)**	21,444
Income tax expense/(benefit) for the year	**(450,822)**	353,254

	2015 **$**	2014 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) profit from continuing operations before income tax expense	**(6,157,054)**	(439,952)
Tax at the Australian tax rate of 30% (2014: 30%)	**(1,847,116)**	(131,986)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Nat deferred tax balances (including losses) not recognised and non-deductible expenses	**1,676,878**	463,796
Under / Over provision in prior years	**(280,584)**	21,444
Income tax expense/(benefit)	**(450,522)**	353,254
(c) Deferred Tax Liabilities		
Exploration & Evaluation Expenditure	**-**	303,367
Other	**161,572**	28,443
	161.572	331,810

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

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

8 Current assets - Cash and cash equivalents

	Consolidated 2015	2014
	$	$
Cash at bank and in hand	**88**	789,270
Bank overdraft – note 15	**(1,850)**	-
Net cash position	**(1,762)**	789,270

Cash is interest bearing at floating interest rates between 0.00% and 0.75% (2014: 0.01% and 2.75%)

9 Current assets - Trade and other receivables

	Consolidated 2015	2014
	$	$
Net other receivables		
GST receivable	**4,858**	31,158
Loan receivable	**3,030,600**	1,144,579
Impairment provision	**(2,185,036)**	-
	850,422	1,175,737

(a) Fair values

The carrying amounts of other receivables/loans approximate the fair value.

(b) Interest rate risk

2015	Floating interest rate	Non-interest bearing	Total
	$	$	$
Other receivables	**845,537**	**4,858**	**850,422**
Cash and cash equivalents	**88**		**88**
	845,625	**4,858**	**850,483**
Weighted average interest rate	2.5% - 7.5%		

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

10a Non-current assets - Property, plant and equipment

Consolidated	Indonesian mining $	Vineyard property $	Land & buildings $	Plant & equipment $	Total $
Year ended 30 June 2014					
Opening net book amount	79,877	-	2,608,217	53,173	2,741,267
Additions		-	-	2,514	2,514
FX adjustment	(15,591)	-	-	-	(15,591)
Depreciation charge		-	-	(13,485)	(13,485)
Closing net book amount	64,286	-	2,608,217	42,202	2,714,705
At 30 June 2014					
Cost	64,286	-	2,608,217	91,855	2,764,358
Accumulated depreciation	-	-	-	(49,653)	(49,653)
Net book amount	64,286	-	2,608,217	42,202	2,714,705
Year ended 30 June 2015					
Opening net book amount	64,286	-	2,608,217	42,202	2,714,705
Additions	-	-	-	2,257	2,257
FX adjustment	6,476	-	-	-	6,476
Impairment expense	-	-	(166,540)	-	(166,540)
Reclassification adjustment	-	-	(2,441,677)	-	(2,441,677)
Depreciation charge	-	-	-	(12,843)	(12,843)
Closing net book amount	70,762	-	-	31,616	102,378
At 30 June 2015					
Cost	70,762	-	-	94,112	164,874
Accumulated depreciation	-	-	-	(62,496)	(62,496)
Net book amount	70,762	-	-	31,616	102,378

10b Non-current assets classified as held for sale – Land & Buildings

	Consolidated 2015 $	Consolidated 2014 $
Land & Buildings – at lower of carrying amount and fair value less cost to sell	**2,441,677**	-

The Board is committed to the sale of its real estate assets so as to unlock capital and retire debt (Note 15b).

Land & building has been impaired by $166,540 which is based on the contracted selling price of one of the property assets. Settlement is expected to occur in October 2015.

Expressions of interest have been sought for the other property and the directors are hopeful that a sale can be finalised within twelve months.

11 Inventories

	2015 $	2014 $
Bulk wine inventories – at lower of cost and net realisable value	**1,424,707**	3,210,051

12 Exploration and evaluation expenditure

	2015 $	2014 $
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	-	1,344,031
Balance at beginning of reporting period	**1,344,031**	3,153,624
Exploration expenditure capitalised during the period	**62,827**	350,717
Impairment of exploration costs – Putussibau Project	-	(253,561)
Impairment of exploration costs – Selaup Project	-	(1,070,201)
Impairment of Exploration Costs – Sintang Project	**(303,238)**	-
Impairment of exploration costs – Australian tenements	**(1,018,402)**	(420,865)
Foreign translation movements	**(85,218)**	(415,683)
Balance at end of reporting period	-	1,344,031

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

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

13 Available for sale financial assets

	Consolidated 2015 $	2014 $
Non-Current		
Available for sale investments – ASX listed investments at fair value	18,880	207,503
	18,880	207,503

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

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

14 Current liabilities - Trade and other payables

	2015 $	2014 $
Trade payables	**29,878**	17,082
Accrued expenses	**566,860**	201,071
PAYG withholding	**3,958**	27,530
Loan from a director	**259,992**	-
Current tax liability	**1,120,424**	1,789,851
	1,981,112	2,035,534

15(a) Borrowings

Current	2015 $	2014 $
Bank overdraft	1,850	-
Bank loan – secured [(a)]	640,000	635,000
Reclassification* - note 15(b)	(640,000)	-
	1,850	635,000

Non current	2015 $	2014 $
Bank loan - secured [(a)]	720,000	720,000
Reclassification* - note 15(b)	(720,000)	-
	-	720,000

Notes:

	2015	2014
(i) Secured loans are expected to be settled:		
- within 12 months	1,360,000	635,000
- 12 months or more	-	720,000
(ii) Total current and non-current secured liabilities	1,360,000	1,355,000
(iii) The carrying amounts of current and non-current assets pledged as security are:		
First mortgage		
Freehold land and buildings	2,441,677	2,608,217
Total assets pledged as security	2,441,677	2,608,217

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

15(b) Current Liabilities directly associated with non-current assets classified as held for sale

	2015 $	2014 $
Bank loans* - secured	1,360,000	-

These liabilities represent the bank loans secured over the properties detailed in note 10(b), and reclassified from note 15(a) above

16 Contributed equity

	2015 Shares	2014 Shares	2015 $	2014 $
(a) Share capital				
Ordinary shares				
Fully paid	**110,955,320**	55,477,660	**15,051,334**	14,496,558
Total contributed equity - parent entity				

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$
1 July 2013	Opening balance	55,477,660	14,496,558
30 June 2014	Balance	55,477,660	14,496,558
1 July 2014	Opening Balance	55,477,660	14,496,558
	Rights issue at $0.01 / Share	55,477,660	554,776
30 June 2015	Balance	110,955,320	15,051,334

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

There were 8,900,000 share options outstanding at 30 June 2015 (2014: 8,900,000). Options on issue at 30 June 2015 are exercisable at 40 cents per share.

(e) Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains at an adequate level. The gearing ratios for the years ended 30 June 2015 and 30 June 2014 are as follows:

	Note	Consolidated 2015 $	Consolidated 2014 $
Total borrowings	12	1,360,000	1,355,000
Add/(Less): cash & cash equivalents / (bank overdraft)	8	1,762	(789,270)
Net debt		1,361,762	565,730
Total equity		3,961,674	8,921,252
Total capital		5,323,436	9,486,982
Gearing ratio		34%	6.0%

17 Reserves and accumulated losses

	Consolidated 2015 $	Consolidated 2014 $
(a) Reserves		
Share-based payments reserve	**928,448**	710,584
Available-for-sale investment revaluation reserve	**(37,330)**	(88,458)
FX Translation reserve	**(606,638)**	(529,524)
	284,480	92,602

Movements	2015	2014
Available–for–sale investment revaluation reserve	$	$
Balance 1 July	**(88,458)**	-
Disposal of Listed shares	**85,288**	-
Fair value movements	**(34,160)**	(88,458)
Balance 30 June	**(37,330)**	(88,458)
Share-based payments reserve		
Balance 1 July	**710,584**	489,826
Option expense	**217,864**	220,758
Balance 30 June	**928,448**	710,584
FX Translation reserve		
Balance 1 July	**(529,524)**	(98,661)
FX Expense	**(77,114)**	(430,863)
Balance 30 June	**(606,638)**	(529,524)

(b) Accumulated Losses

Movements in accumulated losses were as follows:

Opening accumulated losses	**(5,667,908)**	(4,874,702)
Net (loss) / profit for the year	**(5,706,232)**	(793,206)
Closing accumulated losses	**(11,374,140)**	(5,667,908)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

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

18 Key management personnel disclosures

(a) Directors

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

(i) Chairman - executive
E H Stroud

(ii) Executive director
L S Holyoak

(iii) Non-executive director
G C Freemantle

(b) Key management personnel compensation

	Consolidated	
	2015	2014
	$	$
Short-term employee benefits	370,771	397,079
Post-employment benefits	1,900	7,881
Share-based payments	217,864	220,758
	590,535	625,718

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

19 Remuneration of auditors

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

(a) Assurance services	Consolidated	
Audit services	**2015**	2014
	$	$
Auditor:	**Moore Stephens**	Moore Stephens
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**43,433**	63,912
Total remuneration for audit services	**43,433**	63,912
Non-Audit services		

(b) Taxation services

Assistance with tax compliance services	**44,210**	22,511
Total remuneration for taxation services	**44,210**	22,511

20 Contingencies & Commitments

(a) Contingent liabilities

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

(b) Commitments

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programs and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and those which cover the following twelve month period amount to $Nil (2014:$ 1,054,948). These obligations are also subject to variations by farm-out arrangements, sale of the relevant tenements or seeking expenditure exemption from DNRM.

21 Related party transactions

(a) Parent entities

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

(b) Key management personnel

In July 2011, the company entered into an agreement to purchase a 50% holding in a unit trust that owns a 501 hectare rural property in the South West of Western Australia. The other 50% holding in that unit trust is held by Wavenet's chairman, Mr. Edward Stroud. Consideration for the purchase was $6,080,776 consisting of 3,394,640 Wavenet shares valued at $1,527,588 plus a cash payment of $4,553,188. In November 2012, the company sold 60% of its holding in the unit trust for $1,583,347 under a payment plan to a third party.
The repayment plan failed and the contract was renegotiated during FY2014 with Wavenet selling 40% of its holding for $3,120,125. All these funds were collected prior to 30 June 2014.

As at 30 June 2015, Mr Stroud has provided a loan to the Company for $259,992 (2014: Nil). There are accrued consulting/director fees payable to Mr Stroud and Mr G Freemantle of $380,400 (2014: $271,234) and $24,996 respectively.

(c) Subsidiaries

Interests in subsidiaries are set out in note 22.

(d) Associates

As at 30 June 2015, the company has an investment in an associate, Old Valley Unit Trust, of $2,628,055 (2014: $3,202,299) and a loan receivable of $845,564 (2014: $1,144,579) after recognising an impairment provision of $2,185,036. The loan accrues interest at the rate of 7.5% per annum with total interest accrued of $156,292. During the 2014 financial year, the Company and Old valley Unit Trust agreed to offset part of the loan receivable from Old Valley Unit Trust via the transfer of bulk wine inventory with a net realisable value of $3,210,051 to the Company. During the 2015 financial year, bulk wine with a realisable value of $970,039 was transferred back to Old Valley.

22 Subsidiaries and Associated Companies

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

Name of Entity	**Country of Incorporation**	**Class of Shares**	**Equity Holding 2015 %**	**2014 %**
Wave Connect Pty Ltd*	Australia	Ordinary	**100**	100
PT Mineral Indosin	Indonesia	Ordinary	**95**	95
PT Wavenet Westindo	Indonesia	Ordinary	**80**	80

*-dormant

The above entities are engaged in mineral exploration.

Interests are held in the following Associated Companies

Name	Activities	Ownership Interest %		Carrying Amount of Investment	
		2015	2014	**2015**	2014
				$	$
Old Valley Unit Trust	Viticulture	**30%**	30%	**2,628,055**	3,202,299

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

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

	2015	**2014**
	$	**$**
Carrying value at start of financial year	**3,202,299**	2,432,310
Uplift in cost base following renegotiation of sale during FY2014	**-**	1,216,155
Group's share of Associate's loss for the financial year	**(574,244)**	(446,166)
Carrying value at end of financial year	**2,628,055**	3,202,299

(b) Summarised financial information relating to Associate

Extract from Associate's balance sheet	**2015**	2014
	$	$
Current assets	**371,390**	1,385,234
Non-current assets	**14,756,415**	14,835,263
Total assets	**15,127,805**	16,220,497
Current liabilities	**3,542,772**	2,727,616
Non-current liabilities	**-**	-
Total liabilities	**3,542,772**	2,727,616
Net Assets	**11,585,034**	13,492,881
Extract from Associate's Income Statement		
Revenue	**1,342,736**	850,240
Net profit/(loss) after tax	**(1,914,147)**	(1,487,221)

(c) Commitments & Contingent Liabilities in respect of Associate

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

23 Events occurring after the balance sheet date

The company has entered into a contract to sell its Fremantle property. Settlement is expected to occur in October 2015. There are no other events since balance date.

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

	Consolidated	
	2015	2014
	$	$
(Loss) Profit for the year after tax	**(5,706,232)**	(793,206)
Non-Cash flows in profit from ordinary activities		
Interest accrued	**(156,292)**	-
Impairment of E &E costs	**1,321,640**	1,744,627
Impairment of Inventories	**815,305**	-
Impairment of loan	**2,185,036**	-
Depreciation	**12,843**	13,485
Net gain on disposal of investments	**(94,605)**	(591,935)
Share of Associate's loss	**574,244**	446,166
Net gain on disposal of other non-current assets	**-**	(2,752,933)
Share option expense	**217,864**	220,758
Impairment of property / investment	**184,540**	-
Income Tax expense (benefit)	**(280,584)**	-
Other	**22,323**	-
FX translation movement	**(77,115)**	(430,863)
Changes in Assets and Liabilities		
Decrease (Increase) in sundry assets	**26,300**	(43,461)
(Decrease) increase in trade creditors and accruals	**355,013**	(18,823)
(Decrease) increase in deferred tax liabilities	**(170,238)**	331,810
Movement in income taxes payable	**(388,842)**	(380,149)
Cash Flow from operations	**(1,158,800)**	(2,254,524)

25 Earnings Per Share

	2015	2014
	Cents per share	
(a) Basic earnings per share		
(Loss) Profit from continuing operations attributable to the ordinary equity holders of the company	**(7.52)**	(1.43)
(b) Diluted earnings per share		
(Loss) Profit from continuing operations attributable to the ordinary equity holders of the company	**(7.52)**	(1.43)
(Loss) Profit from discontinued operations	**-**	-
(Loss) Profit attributable to the ordinary equity holders of the company	**(7.52)**	(1.43)

(c) Earnings used in calculating basic and diluted earnings per share

	Consolidated	
(Loss) / Profit from continuing operations	**(5,706,232)**	(793,206)
(Loss) / Profit from discontinued operations	**-**	-
(Loss) / Profit from operations	**(5,706,232)**	(793,206)

(d) Weighted average number of shares used as the denominator

	2015	2014
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**75,844,401**	55,477,660

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

26 PARENT INFORMATION

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

	2015 $	2014 $
STATEMENT OF FINANCIAL POSITION.		
ASSETS		
Current assets	**4,735,776**	6,288,478
TOTAL ASSETS	**8,594,666**	13,363,171
LIABILITIES		
Current liabilities	**2,779,676**	2,639,376
TOTAL LIABILITIES	**3,499,676**	3,691,186
EQUITY		
Issued capital	**15,051,334**	14,496,558
Asset revaluation reserve	**(37,330)**	(88,458)
Option reserve	**928,448**	710,584
(Accumulated losses)	**(10,847,462)**	(5,446,699)
TOTAL EQUITY	**5,094,990**	9,671,985
STATEMENT OF FINANCIAL PERFORMANCE		
Profit/(loss) for the year	**(5,400,764)**	(663,144)
Total comprehensive income / (loss)	**(5,349,636)**	(751,602)

Guarantees

There is a guarantee from the Company and a deed of subordination in relation to its bank borrowings which are secured by the Company's properties as detailed in Note 15.

Contingent liabilities

There were no contingent liabilities as at 30 June 2015 (2014: none).

Contractual commitments

	2015 $'000	2014 $'000
Plant and equipment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total	-	-

27 Disposal of Controlled Entity

2015: There were no disposals or acquisitions of controlled entities during the year ended 30 June 2015.

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

	2014 $
Consideration received	3,120,125
Net assets held at original disposal date	7,473,674
Outside equity interest at disposal date	(3,825,208)
Net loss on original disposal	(2,065,119)
Uplift in cost base of investment (increase holding from 20% to 30%)	(1,216,155)
Net gain on renegotiation	2,752,933
	3,120,125

28 Share based payments

(i) On 14 November 2011, 9,200,000 options were granted to the Company's directors under the Wavenet International Limited Employee Option Plan to take up ordinary shares at an exercise price of $0.40 each. The options are unlisted and are not transferable. The options lapse when a director ceases their employment with the Group. During the year ended 30 June 2012, 400,000 options were forfeited when a non-executive director left the Company. During the financial year, none of the options on issue have vested with key management personnel (2014: Nil) as the achievement criteria outlined below have not been satisfied. The options are exercisable on or before 31 August 2016 and a specific number of options per director vest only when the following conditions are met:-

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

* - based on a 10 day volume weighted average price

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

There were no options granted during the year ended 30 June 2015 (30 June 2014: Nil).

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

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

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

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

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

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

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2014	8,900,000	$0.40
Granted	-	
Forfeited	-	
Exercised	-	
Expired	-	
Options outstanding as at 30 June 2015	8,900,000	$0.40
Granted	-	
Forfeited	-	
Exercised	-	
Expired	-	
Options outstanding as at 30 June 2015	8,900,000	$0.40
Options exercisable as at 30 June 2015	8,900,000	$0.40
Options exercisable as at 30 June 2014	8,900,000	$0.40

No options were exercised during the year (2014: Nil).

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

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

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

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

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

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

(iv) No shares were granted to key management personnel as share-based payments during the year (2014: Nil)

Directors' Declaration

In the directors' opinion:

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

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

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the financial year ended on that date; and

(iii) complying with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as described in Note 1(a) to the financial statements.

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

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

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

E.H Stroud
Director

Dated this 30 September 2015, Perth, Western Australia

MOORE STEPHENS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 5785, St Georges Terrace
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Wavenet International Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter – Material Uncertainty Regarding Going Concern

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

Report on the Remuneration Report

We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Wavenet International Limited for the year ended 30 June 2015 complies with s 300A of the *Corporations Act 2001*.

Moore Stephens

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 30th day of September 2015

SHAREHOLDER INFORMATION

The following information was reflected in the records of the Company as at 30 September 2015.

Distribution of shareholders			Number of holders Fully paid shares
1	-	1,000	89
1,001	-	5,000	351
5,001	-	10,000	114
10,001	-	100,000	145
100,001	and over		60
			759
Including holdings of less than a marketable parcel			616

Classes of shares and voting rights

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

Substantial shareholders

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

Shareholder	Number of shares	%
Edward Hoskin Stroud	53,858,255	48.54
Pindan Investments Pty Ltd	25,336,494	22.83

Twenty largest holders of fully paid shares

	Shareholder	Shares	%
1.	Westwall Holdings Pty Ltd	49,124,254	44.27
2.	Pindan Investments Pty Ltd	25,336,494	22.83
3.	Lawston Pty Ltd	3,322,642	2.99
4.	Prestige Glory Limited	3,000,000	2.70
5.	Mr Edward Hoskin Stroud	2,039,411	1.83
6.	Ice Cold Investments Pty Ltd	2,000,000	1.80
7.	Calveen Pty Ltd	1,896,940	1.71
8.	Anne Louise Stroud	1,800,000	1.62
9.	ABN Amro Clearing Sydney	1,254,008	1.13
10.	Noblecrest Marketing Pty Ltd	1,195,379	1.08
11.	Australian Bulk Wine Exchange Pty Ltd	1,022,197	0.92
12.	LSG Resources Pty Ltd	1,000,000	0.90
13.	Leslie Innes	857,293	0.77
14.	Rimban Pty Ltd	638,500	0.58
15.	Lanza Holdings Pty Ltd	555,000	0.50
16	Mr James Dempster	537,968	0.48
17.	Aspen Gold Investments Pty Ltd	500,000	0.45
18.	James Dempster & Sons Pty Ltd	403,400	0.36
19.	Michael & Sally Hendriks	400,000	0.36
20	Dr John Harold Moran & Mrs Sandy Helen Moran	400,000	0.36
		97,283,486	87.68

Additional Information

At the 30 June 2015 the Company has an interest in the following tenements

Tenement ID	Country	Location	Economic Interest	Notes
EPC1067	Australia	Queensland - Dysart	100%	Surrendered
EPC1958	Australia	Queensland – Blackwater	100%	Surrendered
EPC2044	Australia	Queensland – Gyandah	100%	Surrendered
EPC2264	Australia	Queensland – Gyndah North	100%	Surrendered
EPC2265	Australia	Queensland – Gyndah West	100%	Surrendered
Selaup	Indonesia	West Kalimantan	80%	Surrendered
Sintang	Indonesia	West Kalimantan	80%	