

**WAVENET INTERNATIONAL LIMITED**

**ABN 50 087 139 428**



2 Sherman Street  
Canning Vale WA 6155  
PO Box 1314, Fremantle WA 6959

5 April 2017

Mr Wade Baggott  
Principal Adviser, Listings Compliance (Perth)  
ASX Compliance Pty Ltd  
Level 40, Central Park  
152 – 158 St Georges Terrace  
Perth WA 6000

**By email:** [wade.baggott@asx.com.au](mailto:wade.baggott@asx.com.au)

Dear Wade

**RE: Financial condition query**

We refer to your letter dated 15 March 2017 wherein you pose a number of questions regarding the financial condition of Wavenet International Limited (**WAL** or **Company**). The Company responds to those questions as follows, using the numbering in your letter:


1. The Directors have no reason to believe that the Financial Report does not comply with the relevant Accounting Standards or does not give a true and fair view of the financial performance and position of the Company. However, given the auditor's qualified conclusions, the Directors have resolved to take steps to remove any uncertainty regarding those matters (see answer to Question 2).
2. The Company has engaged a licensed valuer to undertake a formal valuation of the Associate's land and buildings and expects to be in a position to provide the auditor with that valuation before 30 June 2017.
3. The Directors have had market appraisals done on the property and the carrying value of the land and buildings of the Associate are in line with these appraisals. Accordingly, the Directors have no reason to believe that the carrying value of the investment in and loan to the Associate, as set out in the Financial Report, is not true and fair. However, given the auditor's qualified conclusions, the Directors have resolved to take steps to remove any uncertainty regarding those matters (see answer to Question 2).
4. The Company's continuing activities in the resources sector are problematic given the downturn in investor interest in exploration activity and the associated difficulty is raising fresh capital to fund those activities. As a consequence, the Company has significantly reduced its operational activity to conserve funds whilst it reviews a range of opportunities which may, or may not, involve a

change in strategic direction. The Directors acknowledge that the Company's current level of activity is at low ebb but are confident that the Company will be able to take opportunities as they emerge and that are consistent with the Company's principal objective of providing enhanced value to shareholders.

The Directors expect to be in a position to update the market on the Company's future direction during the course of calendar 2017.

5. Yes - the Company is of the view that its current financial condition warrants continued listing on the ASX.
6. The Company's current financial position is a function of its net asset position and its future cash flows. As set out above, the Directors are comfortable with the Company's balance sheet position but are taking steps to provide the market with the necessary comfort in respect of the quantum of those balances. In respect of future cash flows, the Directors are confident that cash inflows from a combination of asset sales and continuing shareholder support (in the form of unsecured loans to the Company) will be sufficient to place the Company in a positive cash flow position for the short-to medium-term. Of course, it is the Directors' objective to engage in business activities that result in positive recurrent cashflows and it is to that end that the Company is considering opportunities that may satisfy that criterion.
7. Not applicable.
8. The Company confirms it is in compliance with listing rules, in particular 3.1 and 12.2.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'EH Stroud', is written over a light blue rectangular background.

EH Stroud  
Chairman



15 March 2017

Peter Vowles  
Wavenet International Limited  
Suite 3, 1 Howard Street  
Fremantle WA 6160

**By Email**

Dear Mr Vowles

**Wavenet International Limited (the "Company") – Financial Condition Query**

ASX Limited ("ASX") refers to the following;

1. The Company's Half Year Financial Report for the year ended 31 December 2016, lodged with ASX on 15 March 2017 (the "Financial Report").
2. The Independent Auditor's Report set out on pages 35 to 37 of the Financial Report which contains a Qualified Conclusion (the "Qualified Conclusion"), stating the following:

***Basis for Qualified Conclusion***

*As detailed in Note 3(b) to the financial statements, the assets of the company's (equity-accounted) Associate entity include non-current assets of approximately \$5.9 million. Of this balance, approximately \$5.3 million relates to land and buildings which have not been formally valued by an independent licensed property valuer for several years. Given the poor trading history of the Associate, there is an elevated risk that the carrying value of the land and buildings may be significantly impaired. Owing to a lack of alternative means of determining the fair value of the Associate's land and buildings, we were unable to determine whether any further impairment adjustments were required to the respective carrying values of the company's investment in and loan to Associate of \$1,332,116 and \$664,823.*

***Qualified Conclusion***

*Except for the effects of the matter described above, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wavenet International Limited is not in accordance with the Corporations Act 2001 including:*

*(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and*

*(ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.*

***Emphasis of Matter – Inherent Uncertainty Regarding Going Concern***

*Without qualifying our conclusion above, we draw attention to Note 7 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 7, 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.*

**Relevant listing rules and guidance**

ASX also refers to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity, the accounts may be prepared to other standards agreed by ASX.
- Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*“3.1A.1 A reasonable person would not expect the information to be disclosed.*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

*3.1A.3 One or more of the following applies.*

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret.”*

## Questions for response

In light of the information contained in the Financial Report, and referring to the listing rules above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Commenting specifically on the Qualified Conclusion, can the Company confirm that in the Directors' opinion the Financial Report:
  - (a) complies with the relevant Accounting Standards; and
  - (b) give a true and fair view of the financial performance and financial position of the Company?
2. Given the Qualified Conclusion relates to the Auditor's inability to obtain sufficient appropriate audit evidence regarding the fair value of the Associate's land and buildings and the inability to determine whether any further impairment adjustments were required to the carrying value of the Company's investment in and loan to the Associate, what steps does the Company intend to take to obtain an unqualified audit/review report for future financial periods?
3. How has the Company satisfied itself that the carrying value of the investment in and loan to the Associate is true and fair?
4. Does the Company consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please also explain the basis for this conclusion.
5. Is the Company of the view that the financial condition of the Company would be sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2?
6. If the answer to questions 4 or 5 is "Yes", please explain the basis on which the Company has formed the conclusion that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rules 12.2. Specifically, the Company should submit the reasons (including any previous disclosures made to the market) it considers relevant given the matters outlined in the Independent Auditor's Review Report resulting in the Qualified Conclusion.
7. If the answer to question 4 or 5 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
8. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rules 3.1 and 12.2.

## When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 3:00 pm AWST on Wednesday, 5 April 2017**. If we

do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3. Your response should be sent to me by return e-mail, copying [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au). It should not be sent to the Market Announcements Office.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely,

*[sent electronically without signature]*

Wade Baggott

**Principal Adviser, Listings Compliance (Perth)**