

Wavenet International Limited

ABN 50 087 139 428

Interim Financial Report

For the half-year ended 31 December 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Wavenet International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Wavenet International Limited

Your directors present their report on the consolidated entity consisting of Wavenet International Limited and the entities controlled at the end of, or during, the half year ended 31 December 2016

Directors

The following persons were directors of Wavenet International Limited during the whole of the half year and up to the date of this statement.

E H Stroud
S A Becker
G C Freemantle

Review of operations

During the half year to 31 December 2016 tenement E28/2571 near Kurnalpi in the Eastern Goldfields was granted to WAL by the Department of Mines and Petroleum, WA.

This tenement, situated within 3km of the Kurnalpi townsite is being explored for gold and base metals.

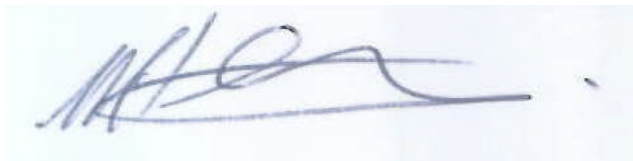
Analysis of historical exploration on tenement E28/2571 has led to the identification of exploration targets worthy of follow-up work programs. Work is continuing to further refine the exploration target areas and formulate a sampling program to evaluate the potential mineralisation.

Assessment of potential gold and base metal projects in the goldfields of Western Australia is continuing

The company has been funding its operation over the last 6 months by:

- Proceeds from livestock and wine sales acquired through its investment in an associated entity.
- Funds from its investment in an associated entity.

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

A handwritten signature in blue ink, appearing to read 'E H Stroud', is written over a light blue horizontal line.

E H Stroud
Chairman
Perth
15 March 2017

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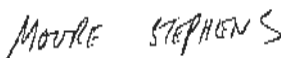
AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF WAVENET INTERNATIONAL LIMITED

As lead auditor for the review of Wavenet International Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 15th day of March 2017

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Wavenet International Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	31 December 2016 \$	31 December 2015 \$
Revenue	162,071	134,140
Gross Profit	(70,793)	-
Employee benefits	(4,185)	27,451
Depreciation	(3,731)	(5,884)
Professional services	(128,922)	(123,308)
Legal fees	(1,800)	15,709
Regulatory	(16,126)	(14,528)
Travel	-	(2,744)
Insurance expense	1,550	(9,952)
Exploration expenses written off	-	(10,247)
Option expense	-	(99,141)
Share of loss from associated entity	(51,785)	(147,116)
Impairment of inventories	256	(260,807)
Loss on Sale of Assets	-	(41,177)
Impairment of property held for sale	(205,000)	(111,675)
Other expenses	(66,713)	(47,457)
Operating Result	(547,249)	(830,876)
Other operating income	112,039	115,377
Earnings Before Interest, Taxes and Amortisation (EBITA)	(435,210)	(715,499)
Amortisation	-	-
Earnings Before Interest and Taxes (EBIT)	(435,210)	(715,499)
Net financial (expense)	(52,276)	(76,434)
Earnings Before Taxes	(487,486)	(791,933)
Income tax benefit / (expense)	-	-
Net (loss)	(487,486)	(791,933)
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Exchange differences foreign operation	-	-
Revaluation of Available for Sale Assets	-	-
Total Other Comprehensive Income	-	-
Comprehensive Income for the Period	-	-
Profit / (Loss) attributable to shareholders of Wavenet International Limited	(487,486)	(791,933)
Earnings per share attributable to the ordinary equity holders of the company:	\$	\$
Basic (loss)/earnings per share	(0.004)	(0.007)
Diluted (loss)/earnings per share	(0.004)	(0.007)

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

Wavenet International Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	31 December 2016 \$	30 June 2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	6,377	14,511
Trade and other receivables	669,626	850,275
Inventory	328,204	417,034
Non-Current asset held for sale	950,000	1,155,000
Total current assets	1,954,207	2,436,820
Non-current assets		
Deferred exploration and evaluation expenditure	2,409	2,409
Property, plant and equipment	5,957	9,688
Investment accounted for using the equity method	1,332,116	1,383,901
Total non-current assets	1,340,482	1,395,998
Total assets	3,294,689	3,832,819
LIABILITIES		
Current liabilities		
Trade and other payables	779,278	879,921
Borrowings	50,000	-
Liabilities directly associated with non-current asset held for sale	720,000	720,000
Total current liabilities	1,549,278	1,599,921
Non-current liabilities		
Deferred tax liability	161,571	161,571
Total non-current liabilities	161,571	161,571
Total liabilities	1,710,849	1,761,493
Net assets	1,583,840	2,071,326
EQUITY		
Contributed equity	15,051,334	15,051,334
Reserves	(606,723)	520,012
Accumulated losses	(12,860,771)	(13,500,020)
Total equity	1,583,840	2,071,326

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

Wavenet International Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share Capital	(Accumulated Losses)	Share Options Reserve	FX Translation Reserve	Available For Sale Asset Reserve	Total
Balance at 1 July 2015	15,051,334	(11,374,140)	928,449	(606,639)	(37,330)	3,961,674
Loss attributable to members of parent entity	-	(791,933)	-	-	-	(791,933)
Other comprehensive Income	-	-	-	-	-	-
Fair value movement of available for sale assets	-	-	-	-	-	-
Shares issued during period	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
Option Expense	-	-	99,140	-	-	99,140
FX translation movement	-	-	-	-	-	-
Balance at 31 December 2015	15,051,334	(12,166,073)	1,027,589	(606,639)	(37,330)	3,268,881
Balance at 1 July 2016	15,051,334	(13,500,020)	1,126,735	(606,723)	-	2,071,326
Loss attributable to members of parent entity	-	(487,486)	-	-	-	(487,486)
Other comprehensive Income	-	-	-	-	-	-
Fair value movement of available for sale assets	-	-	-	-	-	-
Shares issued during period	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
Reclassification of expired Options	-	1,126,735	(1,126,735)	-	-	-
FX translation movement	-	-	-	-	-	-
Balance at 31 December 2016	15,051,334	(12,860,771)	-	(606,723)	-	1,583,840

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

Wavenet International Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	94,889	-
Payment to suppliers and employees	(88,663)	(283,337)
Interest paid	(20,571)	-
Income tax paid	(107,198)	(348,796)
Net cash inflow / (outflow) from operating activities	(121,543)	(632,133)
Cash flows from investing activities		
Proceeds from sales of available for sales assets	-	-
Proceeds from sale of property plant and equipment	-	1,133,823
Purchase of property plant and equipment	-	(1,498)
Proceeds from loans to (from) associated entities	63,409	146,481
Exploration and evaluation expenditure	-	(2,178)
Net cash inflow / (outflow) from investing activities	63,409	1,276,628
Cash flows from financing activities		
Loans received	50,000	-
Loans repaid	-	(640,000)
Net cash (outflow) from financing activities	50,000	(640,000)
Net (decrease)/increase in cash and cash equivalents	(8,134)	4,495
Cash and cash equivalents at the beginning of the half-year	14,511	(1,762)
Cash and cash equivalents at the end of the half-year	6,377	2,733

The above consolidated cash flow statement should be read in conjunction with the accompanying notes

Wavenet International Limited

Notes to the half year financial statements 31 December 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statement was authorized for issue on 15 March 2017.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Wavenet International Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

c. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the June 2016 annual report.

NOTE 2: INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries

Set out below are the Group's subsidiaries at 31 December 2016. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		At 31 December 2016	At 30 June 2016	At 31 December 2016	At 30 June 2016
Wave Connect Pty Ltd ¹	Australia	Nil-%	100%	Nil%	Nil%
PT Mineral Indosin	Indonesia	95%	95%	5%	5%
PT Wavenet Westindo	Indonesia	80%	80%	10%	10%

The above entities are dormant. ¹ - deregistered on 13 November 2016

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements. As noted above, there are no material non-controlling interests.

Wavenet International Limited

NOTE 3: INVESTMENT IN ASSOCIATE

Name	Principal Place of Business	Ownership Interest Held by the Group		Measurement Method
		At 31 December 2016	At 30 June 2016	
Old Valley Unit Trust	Australia	30%	30%	Equity method

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

	31 Dec 2016	30 Jun 2016
	\$	\$
Carrying value at start of financial period	1,383,901	2,628,055
Impairment of Investment in Associate	-	(724,484)
Share of Associate's loss for the financial period	(51,785)	(519,670)
Closing value at end of financial period	1,332,116	1,383,901

(b) Summarised financial information relating to Associate

	31 Dec 2016	30 Jun 2016
<i>Extract from Associate's Balance Sheet</i>	\$	\$
Current assets	216,006	366,382
Non-current assets	5,898,509	5,951,975
Total assets	6,114,515	6,318,357
Current liabilities	4,321,851	4,355,793
Non-current liabilities	-	-
Total liabilities	4,321,851	4,355,793
Net Assets	1,792,664	1,962,564

Wavenet International Limited

<i>Extract from Associate's Income Statement</i>	6 months to 31 Dec 2016	6 months to 31 Dec 2015
Revenue	153,042	360,972
Net profit/(loss) for the period	(172,618)	(490,385)
30% share of loss (31 Dec 2015: 30% share of loss)	(51,785)	(147,116)

NOTE 4: OTHER OPERATING INCOME

	31 Dec 2016 \$	31 Dec 2015 \$
Includes;		
Interest revenue accrued	112,039	115,104

NOTE 5: 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 31 December 2016 and 30 June 2016 on a recurring basis are as follows:

31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Available for sale financial assets – listed investments	-	-	-	-

30 June 2016				
Assets				
Available for sale financial assets – listed investments	-	-	-	-

Methods and valuation techniques

Included within Level 1 for the current and previous reporting periods are 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.

NOTE 6: SEGMENT INFORMATION

Wavenet International Limited

During the half year, the group operated primarily in mineral resource exploration.

NOTE 7: GOING CONCERN

As at 31 December 2016, the Group has reported a net loss after tax of \$487,486 (2015: Loss of \$791,933), and net operating cash outflows of \$121,543 (2015: \$632,133). The cash position at balance date was \$6,377 (30 June 2016: \$14,511).

The financial statements have been prepared on the going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. In arriving at this position, the Directors recognise the Company is dependent upon the following funding initiatives to meet these commitments:

- Sale of surplus real estate asset
- Further sell down of the Group's interest in the Old Valley Unit Trust and other non-core assets;
- Ongoing support of the Company's bankers and executive director;
- Repayment of outstanding loan receivable from Old Valley Unit Trust
- Sale of inventories at or above its stated realisable values
- Capital raisings from shareholders;

The Directors believe that at the date of signing the financial statements, there are reasonable grounds to believe that having regard to the matters set out above, the Group will be able to raise sufficient funds to meet its obligations and reduce existing debt levels as and when they fall due.

In the event that the Group does not achieve the matters as set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amount stated in the financial statements.

NOTE 8: DIVIDENDS

No dividends were declared or paid from the end of the previous financial year until the date of this statement.

NOTE 9: CONTINGENCIES

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

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstance have arisen since 31 December 2016 which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

Wavenet International Limited

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4-11 :
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors

A handwritten signature in blue ink, appearing to read 'E H Stroud', is written over a light blue horizontal line.

E H Stroud
Director

15 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WAVENET INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Wavenet International Limited which comprises the consolidated condensed statement of financial position as at 31 December 2016, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Wavenet International Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Wavenet International Limited's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Wavenet International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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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:

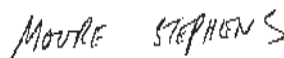
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

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.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 15th day of March 2017