W A V E N E T

Wavenet International Limited

ABN 50 087 139 428

2017 Annual Report

Wavenet International Limited ABN 50 087 139 428
Annual Report - 30 June 2017

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Corporate Directory

Directors	E H Stroud *Executive Chairman* G C Freemantle *Non-Executive Director* S A Becker *Non-Executive Director*
Company Secretary	EH Stroud
Registered office	2 Sherman Street Canning Vale, Western Australia 6155 Web-site: www.wal.net.au ABN 50 087 139 428
Share registry	Computershare Investor Services Pty Ltd Level 2 45 St George's Terrace Perth, Western Australia 6000 Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033 E-mail: perth.services@computershare.com.au Web-site: www.computershare.com.au
Auditors	Moore Stephens Perth Level 15, 2 The Esplanade, Perth WA 6000
Solicitors	Blackwall Legal
Bankers	Westpac Banking Corporation Limited National Australia Bank Limited
Stock exchange listing	Shares in Wavenet International Limited are quoted on the Australian Securities Exchange (ASX trading code: WAL).

Directors' report

The directors of Wavenet International Limited ("Wavenet" or "Company") present their report on the results and state of affairs of Wavenet and the consolidated entity for the financial year ended 30 June 2017.

Directors
The names of the directors in office during the course of the financial year and at the date of this report are as follows:
Mr E H Stroud
Mr G C Freemantle
Mr S A Becker

Unless otherwise indicated, all directors held their position as a director throughout the entire financial year and up to the date of this report.

Information on directors:

Edward Hoskin Stroud
Director of Wavenet since December 1999. Non-Executive Chairman since October 2002 and Executive Chairman since May 2008. Vast business experience through executive roles in several private and unlisted public companies.
Current or former directorships in last 3 years: Nil
Interests in shares: 55,683,255 ordinary shares in Wavenet International Limited
Options: Nil ordinary share options in Wavenet International limited (expired 31 August 2016)

Gregg Christopher Freemantle
Non-Executive Director appointed July 2012. Has over 20 years' experience in the resource sector, both in Australia and Africa. Expertise includes crushing manager, construction supervisor, operations director, non-executive chairman, consultant and principal.
Current or former directorships in last 3 years: Nil
Interests in shares: 200,000 ordinary shares in Wavenet International Limited
Options: Nil ordinary share options in Wavenet International Limited (expired 31 August 2016)

Stuart Alan Becker
Non-Executive Director appointed 30 September 2015. Has over 30 years as a journalist, communications and on line sales and marketing throughout South East Asia
Current or former directorships in last 3 years: Nil
Interests in shares: Nil
Options: Nil

No dividends were paid during the year and no recommendation is made as to the payment of a dividend.

Meetings of directors
The numbers of meetings of the Board of Directors of Wavenet held during the year ended 30 June 2017, and the numbers of meetings attended by each director are as follows

	Meetings Held	
	A	**B**
E Stroud	9	9
G Freemantle	9	9
S Becker (by phone)	1	9

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

Nature of Operations and Principal activities
Tenement E28/2571 near Kurnalpi in the Eastern Goldfields has been granted to Wavenet International Limited by the Department of Mines and Petroleum, WA
This tenement, situated within 3km of the Kurnalpi townsite will be explored for gold and base metals
The tenement contains highly prospective geology and is part of the gold-bearing Kurnalpi greenstone belt
Analysis of historical exploration in the area will be completed so that geochemical and geological targets can be identified
Assessment of potential gold and base metal projects in the goldfields of Western Australia is continuing

Wavenet has maintained its 30% interest in its associate, the Preston Vale Vineyard.

Chairman's Statement
It has been a long year, guiding Wavenet through a difficult period. Over the past 15 months which includes September 2017, the Company has reduced ATO debt by $324,793, and bank borrowings by $768,564, or a combined total of $1,093,357**.**
The Directors have during the past 12 months continued to explore opportunities moving forward, and are optimistic that they can once again bring real value back into the Company.

Review and Results of Operations
The Company recorded an operating pre-tax loss of $661,991 for the 2017 financial year (2016: $2,125,880).
The equity accounted share of the associate's loss of $671,797 was recognised which amounted to $201,539 (2016: $519,670)

Significant changes in the state of affairs
There have been no significant changes in the Company's state of affairs which remains focused on the selldown of inventories and non-core property asset to fund the Company's working capital requirements. No matters or circumstances have arisen since the end of the previous financial year, which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

Matters subsequent to the end of the financial year
On 11 September 2017, the Company announced the sale and settlement of the Wilga property for consideration of $1.1 million before selling costs to an unrelated third party. There are no other matters subsequent to the end of the financial year.

Likely Developments and expected results of operations
The Directors have during the past 12 months continued to explore opportunities moving forward, and are optimistic that they can once again bring real value back into the Company.

Exploration Risk
Mineral exploration and development are high-risk undertakings and there is no assurance that exploration of the tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

Environmental regulations
The Company has assessed whether there are any particular or significant environmental regulations that apply to it and has determined that it is conducting operations well within the environmental regulatory systems applicable to all its mineral tenements.

Remuneration report (audited)
The report sets out the current remuneration arrangements and practices for directors and executives of Wavenet International Limited. The information provided in this remuneration report has been audited pursuant to requirements of the Corporations Act 2001:

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration

Overall remuneration policies are determined by the Board of Directors and are adapted to reflect competitive market and business conditions where it is in the interests of Wavenet and shareholders to do so. Within this framework, the Board considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior management. Executives may be provided with long term incentives through participation in option schemes, which serve to align the interests of executives with those of shareholders. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and independent expert advice.

Wavenet's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Wavenet. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations. Executive management receive a base remuneration which is market related.

Wavenet's remuneration policies are designed to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- short term incentives where considered appropriate, through eligibility to participate in performance bonus plans;
- long term incentives through executive directors being eligible to participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders; and
- other benefits, including participation in superannuation schemes.

The proportion of fixed and variable remuneration is established for each executive by the Board. The objective of any short term incentives is to link achievement of Wavenet's operational targets with the remuneration received by executives charged with meeting those targets. The objective of any long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure of the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The Board determines the actual payments to directors.

Non-executive directors are entitled to statutory superannuation benefits. Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework of any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders. All directors are entitled to have their indemnity insurance paid by the Company.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124).

The key management personnel of the consolidated entity are the directors of Wavenet and the other senior executives who report directly to the Board. There were no other executives within the consolidated entity other than the directors and other key management personnel. The key management personnel are the same for the Company and consolidated entity. The other key management personnel and executives are:

E Stroud – Executive Chairman appointed on 20 May 2008
G Freemantle – Non-Executive Director appointed 18 July 2012
S Becker – Non Executive Director appointed 30 September 2015

Key management personnel of Wavenet International Limited

2017	Short-term benefits		Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Options $	Total $
Non-executive directors					
S Becker	2,500	-	-	-	2,500
G Freemantle	10,000	-	-	-	10,000
Sub-total non-executive directors	**12,500**	**-**	**-**	**-**	**12,500**
Executive directors					
E Stroud	220,000	-	-	-	220,000
Sub-total executive directors	**220,000**	**-**	**-**	**-**	**220,000**
Totals	**232,500**	**-**	**-**	**-**	**232,500**

2016	Short-term benefits		Post-employment benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Options $	Total $
Non-executive directors					
S Becker	1,875				1,875
G Freemantle	5,000	-	-	2,448	7,448
Sub-total non-executive directors	**6,875**	**-**	**-**	**2,488**	**9,323**
Executive directors					
E Stroud	175,389	-	-	195,838	371,227
L Holyoak (resigned 30 Sep 2015)	3,125	-	-	-	3,125
Sub-total executive directors	**178,514**	**-**	**-**	**195,838**	**374,352**
Totals	**185,389**	**-**	**-**	**198,286**	**383,675**

Service agreements
The terms of employment for executive directors and key management personnel are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.
E Stroud, *Executive Chairman*

- Term of agreement – 12 months to 30 November 2017, extended to a month-to-month basis.
- $220,000 inclusive of chairman fees.
- No termination benefit stipulated.
- Termination of agreement by the Company or director requires 1 month and 3 months written notice respectively.

Share-based compensation

The Board has adopted the Wavenet International Limited Employee Option Plan (the Plan). The primary purposes of the Plan are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Wavenet and its shareholders and to reward employees who contribute to the growth of Wavenet. At the annual general meeting held on 14 November 2011, shareholders authorised the issue of options under the Plan. To date 9,300,000 options have been issued under the Plan and 400,000 options were forfeited previously.

No options were granted during the years ended 30 June 2017 or 30 June 2016.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows;

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE AND VEST
14 November 2011	31 August 2016	$0.40	$0.1175	Market based vesting when share price target based on 10 days VWAP:
				2,325,000 at 60 cents
				2,325,000 at 80 cents
				4,650,000 at 120 cents

The above unvested options expired on 31 August 2016.

Options are off market and are not transferable

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2017	2016	2017	2016
Directors				
E H Stroud	-	-	-	-
L S Holyoak	-	-	-	-
G C Freemantle	-	-	-	-
S Becker	-	-	-	-

Additional information
Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance
The overall level of executive reward is designed to promote superior performance and long-term commitment to the consolidated entity based on remuneration which is market related, at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations, together with an element of performance based remuneration.

Other transactions with key management personnel

During the year a company to which a director Mr EH Stroud is a shareholder charged storage fees on bulk wine stocks to the value of $11,831. An amount of $36,416 was also invoiced to this related company for livestock sales. The Directors consider these transactions to be on arms' length commercial terms.

Options granted over unissued shares

Options granted over unissued shares are tabled below.

All share options expired on 31 August 2016

2017 Name	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Option Holdings				
E H Stroud	8,000,000	-	(8,000,000)	-
G C Freemantle	100,000	-	(100,000)	-
S Becker	-	-	-	-

2016 Name	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Option Holdings				
E H Stroud	8,000,000	-	-	8,000,000
L S Holyoak	800,000	-	(800,000)	-
G C Freemantle	100,000	-	-	100,000
S Becker	-	-	-	-

Share Holding

The numbers of shares in the company held during the financial year by each director of Wavenet International Limited is set out below. There were no shares granted during the reporting period as compensation.

2017 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Ordinary share holdings				
E H Stroud	55,683,255	-	-	55,683,255
G C Freemantle	200,000	-	-	200,000
S Becker	-	-	-	-

2016 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Wavenet International Limited Ordinary share holdings				
E H Stroud	55,683,255	-	-	55,683,255
L S Holyoak	-	-	-	-
G C Freemantle	200,000	-	-	200,000
S Becker	-	-	-	-

Insurance of officers

Directors Insurance was not renewed subsequent to the 30 June 2017 financial 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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of Wavenet, its related practices and non-related audit firms:

	Consolidated	
(a) Assurance services	**2017**	2016
Audit services	**$**	$
Auditor:	**Moore Stephens**	Moore Stephens
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**29,154**	39,956
Total remuneration for audit services	**29,154**	39.956
(b) Taxation services		
Assistance with tax compliance services.	**1,800**	12,395
Total remuneration for taxation services	**1,800**	12,395

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

Auditor

Moore Stephens continues in office in accordance with section 327 of the Corporations Act.

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

E.H Stroud
Director
Perth
29 September 2017

MOORE STEPHENS

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

Suan-Lee Tan | MOORE STEPHENS

SUAN-LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 29th day of September 2017

Corporate Governance Statement

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies are available in the corporate governance section of the Company's web-site at http://www.wal.net.au/corporate/?task=gov

Corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. The Company is presently evaluating new business and investment opportunities and operates with three directors, including the Executive Chairman.

BOARD OF DIRECTORS

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management for the benefit of shareholders.

The Company has established functions reserved for the Board and those delegated to senior management, as set out in the Company's Board charter. The Board is responsible for:

- appointing and removing the chief executive officer and any other executive directors, monitoring their performance and approving their remuneration.
- establishing the goals and strategy for the Company and monitoring the performance of the Company in meeting those objectives.
- approving the annual strategic plan and major operating plans.
- adopting operating and capital expenditure budgets and monitoring the progress of both financial and non-financial key performance indicators.
- approving and monitoring financial and other reporting to shareholders and regulatory bodies.
- ensuring that satisfactory arrangements are in place for auditing the Company's financial affairs.
- formulating and monitoring the corporate governance policies and practices of the Company.
- reviewing and ratifying systems of risk management and internal compliance and control.

Due to the level and nature of the Company's present activities, there is presently no designated chief executive position within the Company. A chief executive officer will be appointed for the Company when the level of activities and circumstances warrant. Upon the appointment of a chief executive officer, day to day management of the Company's affairs and the implementation of corporate strategies will be formally delegated by the Board to the chief executive officer.

Board composition

The Board charter states that:

- the Board is to comprise an appropriate mix of both executive and non-executive directors.
- the roles of chairman and chief executive officer are not combined.
- the chairman is elected by the full Board and is required to meet regularly with the chief executive officer.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders and executives being represented on the Board. Under present circumstances there is not a majority of directors classified as being independent, according to ASX guidelines. However, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions or to vote on the matter.

The Company has a three member Board comprising one executive director and two non-executive directors. Mr Stroud is not considered independent by virtue of his executive role and major shareholding in the Company. Mr Freemantle and Mr Becker are independent non-executive directors based on the principles set out below.

The current composition of the Board is considered adequate for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's business. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report.

Directors' independence

Having regard to the share ownership structure of the Company, it is considered by the majority of the Board that a major shareholder may be represented on the Board and if nominated, hold the position of chairman. Such appointment would not be deemed to be independent under ASX guidelines.

The chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. Financial materiality thresholds used in the assessment of independence are set at 10% of the annual gross revenue of the Company and/or 30% of the annual income or business turnover of the director.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the chairman, which shall not be unreasonably withheld.

Performance assessment

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. Due to the limited level of activities of the Company and changes in the composition of the Board during the period, no formal assessment was undertaken during the year ended 30 June 2017. However, the chairman assesses the performance of the Board, individual directors and senior management on an ongoing basis.

The performance of senior executives will be reviewed annually by the chief executive officer or Board through a formal performance assessment and interview. Currently, the Board is collectively responsible for the evaluation of senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and where appropriate, expert advice. No formal evaluation of senior executives was undertaken during the year.

Corporate reporting

The chief executive officer (or equivalent) and chief financial officer provide a certification to the Board on the integrity of the Company's external financial reports.

The Board does not specifically require an additional certification that the financial statements are founded on a sound system of risk management and that the system is operating effectively in relation to financial risks. The Board considers that that the current activities and financial affairs of the Company are not of sufficient complexity to require an additional certification by management.

Board committees

The current size of the operations and the stage of development of the Company do not warrant the establishment of separate audit, remuneration or nomination committees. The directors as a whole are responsible for the functions normally undertaken by these committees.

In circumstances where the growth or complexity of the Company changes, the establishment of separate Board committees will be reconsidered.

The Board oversees accounting and reporting practices and is also responsible for:

- co-ordination and appraisal of the quality of the audits conducted by the Company's external auditors;
- determination of the independence and effectiveness of the external auditors;
- assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- reviewing the adequacy of the reporting and accounting controls of the Company.

The Board reviews all remuneration policies and practices for the Company, including overall strategies in relation to executive remuneration policies, compensation arrangements for executive directors, senior management and non-executive directors and all equity based remuneration plans. Details of the Company's remuneration policies are set out in the Remuneration Report section of the Directors' Report.

The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders.

The responsibility for the selection of potential directors and to review membership lies with the full Board of the Company and consequently no separate nomination committee has been established. When a Board vacancy occurs, the Chairman, acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness and then undertakes a process to identify candidates who can meet those criteria.

EXTERNAL AUDITORS

The performance of the external auditor is reviewed annually. Moore Stephens were appointed as the external auditors in 2008.

It is both the Company's and the auditor's policy to rotate audit engagement partners at least every five years.

The external auditors provide an annual declaration of their independence to the Board. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

RISK MANAGEMENT

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management will be delegated to the appropriate level of management within the Company with the chief executive officer (or equivalent) having ultimate responsibility to the Board for the risk management and control framework. As the Board currently has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively.

The Company's risk management systems are evolving and it is recognised that the extent of the systems will develop with the growth in the Company's activities. As the level of Company's business activities expand in the future, areas of significant business risk to the Company will be reported in a key risk analysis to be presented to the Board each year.

CODE OF CONDUCT

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Trading in the Company's securities by directors, senior executives and other designated persons is not permitted in the four weeks immediately preceding the release of the Company's annual and half-year financial results. Any transactions to be undertaken must be notified to the chairman or chief executive officer in advance. In the event that the Company grants securities under an equity based remuneration scheme, participants will be prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The chairman and company secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

All shareholders are entitled to receive a copy of the Company's annual report. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's web-site.

Wavenet International Limited ABN 50 087 139 428
Financial statements - 30 June 2017

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This financial report covers both the separate financial statements of Wavenet International Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Wavenet International Limited and its subsidiaries. The financial report is presented in the Australian currency.

Wavenet International Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Wavenet International Limited
2 Sherman St
Canning Vale, Western Australia 6155

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities section and in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on date of signing of the Declaration by the Directors. The directors have the power to amend and reissue the financial report.

	Notes	Consolidated 2017	2016
Revenue	5	**458,695**	718,675
Costs of goods sold		**(301,506)**	(194,809)
Employee benefits expense		**(4,327)**	(33,435)
Depreciation and amortisation expense	6	**(3,000)**	(9,530)
Consulting expenses		**(216,890)**	(251,238)
Legal		**(3,752)**	15,570
Regulatory expenses		**(28,146)**	(25,414)
Repairs & Maintenance		**-**	(2,143)
Travel expenses		**-**	(877)
Insurance expenses		**888**	(40,127)
Exploration costs expensed		**(6,173)**	(10,247)
Impairment of Indonesian fixed assets		-	(73,477)
Reversal/Impairment of Inventories	6	**-**	568,335
Impairment of Loans	6	**-**	(465,401)
Impairment of investment in associate	6	**816**	(724,484)
Other expenses		**(164,711)**	(345,573)
Share Option expense		**-**	(198,286)
Interest expense		**(97,346)**	(140,174)
Profit/(loss) on sale of property and investments	6	**-**	(281,898)
Impairment of property held for sale	6	**(95,000)**	(111,677)
Share of loss of Associate	22	**(201,539)**	(519,670)
(Loss) profit before income tax		**(661,991)**	(2,125,880)
Income tax (expense)/benefit	7	**-**	-
(Loss) / profit from continuing operations		**(661,991)**	(2,125,880)
(Loss) profit for the year		**(661,991)**	(2,125,880)
Other comprehensive income			
Reversal of revaluation of available for sale assets disposed		**-**	37,330
Exchange differences on translating foreign operations		**-**	(84)
Comprehensive income (loss) attributable to members of Wavenet International Ltd		**(661,991)**	(2,088,634)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:		**Cents**	1Cents
Basic loss per share	24	**(0.59)**	(1.91)
Diluted loss per share	24	**(0.59)**	(1.91)

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

Wavenet International Limited
Statements of financial position
As at 30 June 2017

	Notes	Consolidated 2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	8	**5,951**	14,511
Trade and other receivables	9	**632,070**	850,275
Inventory	11	**146,290**	417,034
		784,311	1,281,820
Non Current Assets classified as held for sale	10b	**1,060,000**	1,155,000
Total Current Assets		**1,844,311**	2,436,820
Non Current assets			
Property, plant and equipment	10a	**35,918**	9,688
Deferred exploration & evaluation expenditure	12	**2,409**	2,409
Available-for-sale assets	13	**-**	-
Investment accounted for using the equity method	22	**1,183,177**	1,383,901
Total non-current assets		**1,221,504**	1,395,998
Total assets		**3,065,815**	3,832,819
LIABILITIES			
Current liabilities8			
Trade and other payables	14	**738,957**	879,921
Borrowings	15a	**-**	-
		738,957	879,921
Liabilities directly associated with assets held for resale	15b	**755,952**	720,000
Total Current Liabilities		**1,494,909**	1,599,921
Non-current liabilities			
Deferred tax liability		**161,571**	161,571
Borrowings	15	**-**	-
Total non-current liabilities		**161,571**	161,571
Total liabilities		**1,656,480**	1,761,493
Net assets		**1,409,335**	2,071,326
EQUITY			
Contributed equity	16	**15,051,334**	15,051,334
Reserves	17(a)	**(606,723)**	520,012
Accumulated profits(losses)	17(b)	**(13,035,276)**	(13,500,020)
Total equity		**1,409,335**	2,071,326

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

Wavenet International Limited
Statements of changes in equity
For the year ended 30 June 2017

	Share Capital	(Accumulated Losses)	Share Options Reserve	FX Translation Reserve	Available For Sale Asset Revaluation 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	**-**	**(2,125,880)**	**-**	**-**	**-**	**(2,125,880)**
Fair value movement of available for sale assets	**-**	**-**	**-**	**-**	**37,330**	**37,330**
Share option expense	**-**	**-**	**198,286**	**-**	**-**	**198,286**
FX Translation Movement		**-**	**-**	**(84)**	**-**	**(84)**
Balance at 30 June 2016	**15,051,334**	**(13,500,020)**	**1,126,735**	**(606,723)**	**-**	**2,071,326**
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	**-**	**(661,991)**	**-**	**-**	**-**	**(661,991)**
Fair value movement of available for sale assets	**-**	**-**	**-**	-	**-**	**-**
Transfer to Retained Earnings	**-**	**1,126,735**	**(1,126,735)**	**-**	**-**	**-**
FX Translation Movement	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2017	**15,051,334**	**(13,035,276)**	**-**	**(606,723)**	**-**	**1,409,335**

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

	Notes	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		**112,810**	-
Payments to suppliers and employees		**(125,192)**	(242,648)
Interest received		**-**	-
Finance costs		**(97,346)**	(57,049)
Payments made to ATO		**(124,793)**	(451,971)
Net cash provided by (used in) operating activities	23	**(234,521)**	(751,668)
Cash flows from investing activities			
Proceeds from sale of investments		-	18,691
Proceeds from sale of property		-	1,132,325
Loans repayments from/(loans to) other entities		**190,009**	256,925
Payments for property, plant and equipment		**-**	-
Net cash provided by (used in) investing Activities		**190,009**	1,407,941
Cash flows from financing activities			
Proceeds from issue of shares		**-**	-
Proceeds from /(repayment) of borrowings		**(72,000)**	(640,000)
Net cash provided by (used in) financing activities		**(72,000)**	(640,000)
Net increase in cash held		**(116,512)**	16,273
Cash at the beginning of the financial year		**14,511**	(1,762)
Cash and cash equivalents at end of year	8	**(102,001)**	14,511

The above cash flow statements should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The separate financial statements of the parent entity, Wavenet International Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. The financial statements were authorised for issue on the 29th September 2017 by the Company's directors. The directors have the power to amend and re-issue the financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Wavenet International Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wavenet International Limited ("company" or "parent entity") as at 30 June 2017 and the results of all subsidiaries for the year then ended. Wavenet International Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1 Summary of significant accounting policies (continued)

(d) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.
They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.
Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Wavenet International Limited’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

1 Summary of significant accounting policies (continued)

(iii) Group Companies
The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows;

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit and loss in the period in which the operation is disposed of.

(g) Income tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
Wavenet International Limited and its former wholly-owned Australian controlled entities elected to form a tax consolidated group effective from 1 July 2003. Wavenet International Limited is the head company of the tax consolidated group.

The group has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current and deferred taxes recognised by members of the tax consolidated group. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits and any current tax liability. Deferred tax assets resulting from unused tax losses and tax credits and the current tax liability are assumed and recognised, as appropriate, by the head entity. The group has not entered into any tax sharing or funding agreements

(h) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sales
A sale is recorded when goods have been despatched to a customer pursuant to a sales order or contract and the associated risks have passed to the customer.
(ii) Interest
Interest income is recorded on an effective rate basis.

1 Summary of significant accounting policies (continued)

(iii) Fee income
Fee income represents contributions from customers towards product development costs.

(i) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. All trade receivables are due for settlement no more than 45 days from the date of recognition for sales.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Inventories
(i) Livestock
Livestock is measured at fair value, which has been determined based upon various assumptions including livestock prices, less costs to sell. Any market value movements are recorded in profit and loss.
(ii) Bulk wine
Bulk wine inventory has been valued at lower of cost and net realisable value.

(k) Deferred exploration and Evaluation expenditure
Exploration and evaluation expenditure incurred (including tenement acquisition costs) is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale) or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward capitalised costs.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs on a discounted basis.

(l) Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/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 Group and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated on a diminishing value basis to allocate the net cost of each item of plant and equipment, net of their residual values, over their estimated useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

The following rates of depreciation are applied:

Plant and equipment	20% - 50%

1 Summary of significant accounting policies (continued)

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Advance receipts represent deposits paid by customers to the Group in advance of the production and sale of goods and services to the customer to secure orders. The amounts are those deposits outstanding for which goods and services have yet to be provided at the end of the financial year.

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, and annual 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) Retirement benefit obligations

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the consolidated entity to employee superannuation funds.

(iii) Employee Option Plan

Share-based compensation benefits are provided to employees under the Wavenet International Limited Employee Option Plan.

The fair value of options granted under the Wavenet International Limited Employee Option Plan 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, vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, 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 options granted 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 balance sheet 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.

Upon exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity over the period during which the employees become entitled to the shares.

1 Summary of significant accounting policies (continued)

(p) Cash and cash equivalents

Cash and cash equivalents includes 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 changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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 year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Contributed equity

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Non-current Assets Held for Sale

Non-current assets are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as “held for sale” occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

Impairment losses are recognised for any initial or subsequent write-down of an asset classified as held for sale to fair value less costs to sell. Any reversals of impairment recognised on classification as held for sale or prior to such classification are recognised as a gain in profit or loss in the period in which it occurs.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost. Such investments include both investment in shares and other parent entity interests that in substance form part of the parent entity's investment in subsidiaries. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

(v) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the associate. In addition, the Group’s share of the profit or loss of the associate is included in the Group’s profit or loss.
The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group’s share of the net fair value of the associate exceeds the cost of investment, is recognised in

profit or loss in the period in which the investment is acquired.
Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

(w)Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 2
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

1(x). **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;

- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's financial statements.

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;

inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's financial statements.

AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: *Business Combinations* to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 July 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(y) Going concern

As at 30 June 2017, the Group has reported a net loss after tax of $661,901 (2016: Loss of $2,125,880), current tax liabilities of $0.63 million (2016: $0.75 million) and net operating cash outflows of $234,521 (2016: $751,668). The net cash position at balance date was a deficit of $102,001 (2016 surplus: $14,511).
The financial statements have been prepared on the going concern basis of accounting which assumes that the Group will be able to meets 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 non-core property asset (which was settled on 8 September 2017)
- Future share placements or capital raisings from shareholders or investors;
- Further sell down of the Group's interest in the Old Valley Unit Trust;
- Recovery of the loan receivable from Old Valley Unit Trust;
- Ongoing support of the Company's bankers.
- Sale of inventories at or above its stated realisable values
- New profitable ventures

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 meets 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.

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) 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 2016.

	Consolidated	
	2017	2016
	100 bp increase	100 bp increase
Variable rate instruments – assets	**31, 518**	34,410
Variable rate instruments – borrowings	**(7,560)**	(7,200)
Variable rate instruments – ATO debt	**(6,267)**	(7,515)

(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 2 parties at 30 June 2017 which includes the loan receivable from Associate. 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. A trade debtors ageing analysis is disclosed in Note 9.

(i) Financial assets past due & impaired

		Consolidated	
		2017	2016
Trade and other receivables (Note 9)		**$**	$
Current			
Trade receivables		**125,831**	-
GST receivable		**4,884**	54,960
Loan receivables		**3,151,792**	3,445,752
Less: impairment provision		**(2,650,437)**	(2,650,437)
		632,070	850,275
Cash and term deposits	(a)	**5,951**	14,495

(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 2017 and 30 June 2016 were non-interest bearing and due for payment within 3 to 12 months. The Group has interest bearing borrowings of $755,952 (2016: $720,000) which was retired on 8 September 2017 when the Wilga property sale was settled. The average interest rate is 5.76% on bank loan. General interest (GIC) of 8.76% (2016: 9.1%) 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.

(e) 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 2017 and 30 June 2016 on a recurring basis are as follows:

30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available for sale financial assets – listed investments	-	-	-	-

30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available for sale financial assets – listed investments	-	-	-	-

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 and trade receivables & their related revenues and expenses
- Current & deferred tax liabilities
- 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 effects of those 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 2017 (2016: Nil)

Assets by geographic region
All assets are located in Australia.

5 Revenue

	Consolidated	
	2017	2016
	$	$
Other revenue		
Interest received	-	272
Interest accrued	**220,054**	399,594
Other income	**238,641**	214,264
Accounting and admin fees charged	-	104,545
Profit on sale of financial assets	-	-
Total Revenue	**458,695**	718,675

6 Expenses

	Consolidated	
Loss before income tax includes the following specific items:	**2017** **$**	2016 $
Depreciation		
Plant and equipment	**3,000**	9,530
Loss on sale of property assets	**-**	55,073
Loss on sale of available for sale assets	**-**	37,520
Loss on sale of other financial assets	**-**	189,305
Impairment / (Reversal of Impairment) of inventories	**-**	(568,335)
Impairment/Reversal of Impairment) of loan receivable	**-**	465,401
Impairment of property asset	**95,000**	111,677
Impairment of investment in associate	**(816)**	724,484
Share of loss of associate	**201,539**	519,670

7 Income tax expense

	Consolidated	
	2017	**2016**
	$	$
(a) Income tax expense/(benefit)		
Current tax	**-**	-
Deferred tax	**-**	-
Under/(over) provided in prior years	**-**	-
Income tax expense/(benefit) for the year	**-**	-

	2017	2016
	$	$
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) profit from continuing operations before income tax expense	**(661,991)**	(2,125,880)
Tax at the Australian tax rate of 27.5% (2016: 30%)	**(182,048)**	(637,764)
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	**182,048**	637,764
Under / Over provision in prior years	**-**	-
Income tax expense/(benefit)	**-**	-
(c) Deferred Tax Liabilities		
Exploration & Evaluation Expenditure	**-**	-
Other	**161,572**	161,572
	161.572	161,572

(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) Corporate Tax Rate
The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2027 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

(f) Tax Consolidation
Wavenet International Limited and its former wholly-owned Australian controlled entities elected to form a tax consolidated group effective from 1 July 2003. Wavenet International Limited is the head entity of the tax consolidated group. The accounting policy in relation to this legislation is set out in Note 1(g).

8 Current assets - Cash and cash equivalents

	Consolidated	
	2017	2016
	$	$
Cash at bank and in hand	**5,951**	14,511
Bank overdraft – note 15b	**(107,952)**	-
Net cash position	**(102,001)**	14,511

Cash is interest bearing at floating interest rates between 0.00% and 0.75% (2016: 0% and 0.75%)

9 Current assets - Trade and other receivables

	Consolidated 2017 $	2016 $
Net other receivables		
Trade Debtors	**125,831**	-
GST receivable	**4,884**	54,960
Loan receivable	**3,151,792**	3,445,752
Impairment provision	**(2,650,437)**	(2,650,437)
	632,070	850,275

The aging of the trade debtors at balance date was:

	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	-	-	-	-
Past due 0-30 days	-	-	-	-
Past due 31-90 days	-	-	-	-
Past due 91-180 days	125,831	-	-	-
	125,831	-	-	-

(a) Fair values

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

(b) Interest rate risk

2017	Floating interest rate $	Non-interest bearing $	Total $
Other receivables	**501,355**	**130,715**	**632,070**
Cash and cash equivalents	**5,951**	-	**5,951**
	507,306	**130,715**	**638,021**
Weighted average interest rate	5% - 7%		

2016	Floating interest rate $	Non-interest bearing $	Total $
Other receivables	795,315	54,960	850,275
Cash and cash equivalents	14,511	-	14,511
	809,826	54,960	864,786
Weighted average interest rate	5% - 7%		

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

<u>**Consolidated**</u>	**Indonesian mining $**	**Land & buildings $**	**Plant & equipment $**	**Total $**
Year ended 30 June 2016				
Opening net book amount	70,762	-	31,616	102,378
Additions	-	-	(12,398)	(12,398)
Impairment expense	(73,477)	-	-	(73,477)
FX adjustment	2,715	-	-	2,715
Reclassification adjustment	-	-	-	-
Depreciation charge	-	-	(9,530)	(9,530)
Closing net book amount	-	-	9,688	9,688
At 30 June 2016				
Cost	-	-	62,344	62,344
	-	-		(52656
Accumulated depreciation			(52,656)	)
Net book amount	-	-	9,688	9,688
Year ended 30 June 2017				
Opening net book amount	-	-	9,688	9.688
Additions	-	-	29,230	29,230
Impairment expense	-	-	-	-
FX adjustment	-	-	-	-
Depreciation charge	-	-	(3,000)	(3,000)
Closing net book amount	-	-	35,918	35,918
At 30 June 2017				
Cost	-	-	91,574	91,574
Accumulated depreciation	-	-	(55,656)	(55,656)
Net book amount	-	-	35,918	35,918

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

	Consolidated	
	2017 $	**2016** **$**
Land & Buildings – at lower of carrying amount and fair value less cost to sell	1,060,000	1,155,000

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

As announced on 11 September 2017, the above asset was sold in July 2017 and settled on 8 September 2017. The carrying value at 30 June 2017 was impaired by $95,000 to its contracted sales price net of selling costs.

Please see note 28 regarding the sale of this property.

11 Inventories

	2017 $	2016 $
Bulk Wine Inventories - at the lower of cost and net realisable value	**104,000**	570,268
Less: Impairment provision	**(57,900)**	(246,970)
	46,100	323,298
Livestock at fair value	**100,190**	93,736
Total Inventories –	**146,290**	417,034

Reconciliation of livestock		
Opening balance	93,736	-
Purchases/other movements	14,397	288,545
Sales	(7,943)	(194,809)
Closing balance	100,190	93,736

12 Exploration and evaluation expenditure

	2017 $	2016 $
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	2,409	2,409
Balance at beginning of reporting period	**2,409**	-
Exploration expenditure capitalised during the period	**-**	2,409
Foreign translation movements	**-**	-
Balance at end of reporting period	**2,409**	2409

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 2017 $	2016 $
Non-Current		
Available for sale investments	-	-
	-	-

14 Current liabilities - Trade and other payables

	2017 $	2016 $
Trade payables	**12,536**	23,468
Accrued expenses	**99,362**	95,417
Employee Liabilities	**375**	1,506
Other payables	**-**	8,053
Current tax liability	**626,684**	751,477
	738,957	879,921

15(a) Borrowings

	2017	2016
Current	**$**	$
Bank overdraft	107,952	-
Bank loan – secured [(a)]	648,000	-
Reclassification* - note 15(b)	-	720,000
	755,952	720,000

	2017	2016
Non current	**$**	**$**
Bank loan - secured [(a)]		720,000
Reclassification* - note 15(b)		(720,000)
	-	-

Notes:

(i) Secured loans are expected to be settled:		
- within 12 months	755,952	720,000
- 12 months or more	-	-
(ii) Total current and non-current secured liabilities	755,952	720,000
(iii) The carrying amounts of current and non-current assets pledged as security are:		
First mortgage		
Freehold land and buildings	1,060,000	1,155,000
Total assets pledged as security	1,060,000	1,155,000

(a) The bank loans are secured by the property 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

	2017	2016
	$	**$**
Bank borrowings* - including overdraft	755,952	720,000

These liabilities represent the bank loans and overdraft secured over the property detailed in note 10(b), and reclassified from note 15(a) above. This balance was fully extinguished on 8 September 2017 following settlement of the Wilga property sale.

16 Contributed equity

(a) Share capital	**2017 Shares**	2016 Shares	**2017 $**	2016 $
Ordinary shares				
Fully paid	**110,955,320**	110,955,320	**15,051,334**	15,051,334

Total contributed equity - parent entity

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$**
1 July 2015	Opening Balance	110,955,320	110,955,320
	Rights issue at $0.01 / Share		
30 June 2016	Balance	110,955,320	110,955,320
1 July 2016	Opening balance	110,955,320	110,955,320
30 June 2017	Balance	110,955,320	110,955,320

(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 no options outstanding as at 30.06.2017 (2016: 8,900,000). All Options have expired as at 31 August 2016.

(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 2017 and 30 June 2016 are as follows:

	Note	Consolidated 2017 $	2016 $
Total borrowings	15	648,000	720,000
Add/(Less): cash & cash equivalents / (bank overdraft)	8	102,001	(14,511)
Net debt		750,001	705,489
Total equity		1,409,335	2,071,325
Total capital		2,159,336	2,776,814
Gearing ratio		53%	34%

17 Reserves and accumulated losses

	Consolidated 2017 $	2016 $
(a) Reserves		
Share-based payments reserve	**-**	1,126,735
Available-for-sale investment revaluation reserve	**-**	-
FX Translation reserve	**(606,723)**	(606,723)
	(606,723)	520,012

Movements	**2017 $**	2016 $
Available–for–sale investment revaluation reserve		
Balance 1 July	**-**	(37,330)
Disposal of Listed shares	**-**	37,330
Fair value movements	**-**	-
Balance 30 June	**-**	-
Share-based payments reserve		
Balance 1 July	**1,126,735**	928,448
Option expense	**-**	198,287
Transfer to Retained Earnings	**(1,126,735)**	-
Balance 30 June	**-**	1,126,735
FX Translation reserve		
Balance 1 July	**(606,723)**	(606,638)
FX Expense	**-**	(84)
Balance 30 June	**(606,723)**	(606,723)

(b) Accumulated Losses

Movements in accumulated losses were as follows:

	2017	2016
Opening accumulated losses	**(13,500,020)**	(11,374,140)
Transfer from Share Option Reserve	**1,126.735**	
Net (loss) / profit for the year	**(661,991)**	(2,125,880)
Closing accumulated losses	**(13,035,276)**	(13,500,020)

(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 director*
E H Stroud

(ii) Non-executive director
G C Freemantle
S A Becker

(b) Key management personnel compensation	**Consolidated**	
	2017	2016
	$	$
Short-term employee benefits	232,500	185,389
Post-employment benefits	-	-
Share-based payments	-	198,286
	232,500	383,675

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:

	Consolidated	
(a) Assurance services	**2017**	2016
Audit services	**$**	$
Auditor:	**Moore Stephens**	Moore Stephens
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**29,154**	39,956
Total remuneration for audit services	**29,154**	39,956
Non-Audit services		
(b) Taxation services		
Assistance with tax compliance services	**1,800**	12,395
Total remuneration for taxation services	**1,800**	12,395

20 Contingencies & Capital Commitments

(a) Contingent liabilities

Other than as disclosed in Note 22(c), 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) Capital Commitments

The company and its subsidiaries have no capital commitments that existed at balance date or have since come to their knowledge.

21 Related party transactions

(a) Parent entities

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

(b) Key management personnel

As at 30 June 2017, there are accrued consulting/director fees payable to Mr Stroud $35,000 (2016 $5,000), and Mr G Freemantle $40,000 (2016: $30,000) and Mr Becker $3,375 (2016:$1,875).

(c) Subsidiaries

Interests in subsidiaries are set out in note 22.

(d) Associates

As at 30 June 2017, the company has an investment in an associate, Old Valley Unit Trust, of $1,183,177 (2016: $1,383,901) and a loan receivable of $ 501,355 (2016: $795,315) net of an impairment provision of $2,650,437. The loan accrues interest at the rate of between 5% and 7%% per annum with total interest accrued of $ 220,054.

(e) Other transactions with related parties

Other transactions with director-related entities are as detailed in the Remuneration Report.

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):

			Equity Holding	
	Country of		**2017**	2016
Name of Entity	**Incorporation**	**Class of Shares**	**%**	**%**
Wave Connect Pty Ltd**	Australia	Ordinary	**-**	100
PT Mineral Indosin*	Indonesia	Ordinary	**95**	95
PT Wavenet Westindo*	Indonesia	Ordinary	**80**	80

*-dormant
**** -** this entity was de-registered on 13 November 2016

The above entities are engaged in mineral exploration.

Interests are held in the following Associated Companies

Name	Activities	Ownership Interest %		Carrying Amount of Investment	
		2017	2016	**2017**	2016
				$	$
Old Valley Unit Trust	Viticulture	**30%**	30%	**1,183,178**	1,383,901

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. 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

	2017 $	2016 $
Carrying value at start of financial year	**1,383,901**	2,628,055
Impairment of investment in associate / other minor adjustment	**815**	(724,484)
Group's share of Associate's loss for the financial year	**(201,539)**	(519,670)
Carrying value at end of financial year	**1,183,177**	1,383,901

(b) Summarised financial information relating to Associate

Extract from Associate's balance sheet	2017 $	2016 $
Current assets	**96,298**	366,382
Non-current assets **	**5,547,654**	5,951,975
Total assets	**5,643,952**	6,318,357
Current liabilities	**4.350,368**	4,355,793
Non-current liabilities	**-**	-
Total liabilities	**4,350,368**	4,355,793
Extract from Associate's Income Statement		
Revenue	**226,523**	2,128,047
Net (loss) for the year	**(671,797)**	(1,732,235)

** The non-current assets relate to property, plant and equipment which were valued at $5.6 million (on a market value with vacant possession basis) by an independent licenced property valuer (LMW South West) in April 2017.

(c) Commitments & Contingent Liabilities in respect of associate

The group is a party to a working capital agreement which has with it an obligation to provide 30% of the working capital requirements of its associate.

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

	Consolidated	
	2017	2016
	$	$
(Loss) Profit for the year after tax	**(661,991)**	(2,125,880)
Non-Cash flows in profit from ordinary activities		
Interest accrued	**(220,054)**	(399,594)
Inventories impairment / (reversal)	**-**	(568,335)
Impairment of loan/investment in associate	**(816)**	1,189,885
Depreciation	**3,000**	9,530
Share of Associate's loss	**201,539**	519,669
Net loss on disposal of other non-current assets	**-**	281,898
Share option expense	**-**	198,286
Impairment of property held for sale	**95,000**	111,677
Other	**104,776**	70,763
Changes in Assets and Liabilities		
Decrease (Increase) in inventories	**270,744**	-
Decrease (Increase) in sundry assets	**190,000**	536,644
Decrease (Increase) in trade debtors and accruals	**(125,831)**	-
(Decrease) increase in trade creditors and accruals	**33,905**	(207,264)
(Decrease) increase in deferred tax liabilities	**-**	-
Movement in income taxes payable	**(124,793)**	(368,947)
Cash Flow from operations	**(234,521)**	(751,668)

24 Earnings Per Share

	2017	2016
(a) Basic earnings per share	**Cents per share**	
(Loss) Profit from continuing operations attributable to the ordinary equity holders of the company	**(0.59)**	(1.91)
(b) Diluted earnings per share		
(Loss) Profit from continuing operations attributable to the ordinary equity holders of the company	**(0.59)**	(1.91)
(Loss) Profit from discontinued operations	**-**	-
(Loss) Profit attributable to the ordinary equity holders of the company	**(0.59)**	(1.91)
(c) Earnings used in calculating basic and diluted earnings per share	**Consolidated**	
(Loss) / Profit from continuing operations	**(661,991)**	(2,125,880)
(Loss) / Profit from discontinued operations	**-**	-
(Loss) / Profit from operations	**(661,991)**	(2,125,880)
(d) Weighted average number of shares used as the denominator	**2017** Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**110,955,320**	110,955,320

25 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

	2017	2016
	$	$
STATEMENT OF FINANCIAL POSITION.		
ASSETS		
Current assets	**1,844,310**	502,376
TOTAL ASSETS	**3,065,814**	3,777,858
LIABILITIES		
Current liabilities	**1,494,905**	1,544,961
TOTAL LIABILITIES	**1,656,477**	1,706,533
EQUITY		
Issued capital	**15,051,334**	15,051,334
Reserve	**-**	1,126,735
(Accumulated losses)	**(13,641,997)**	(14,106,744)
TOTAL EQUITY	**1,409,337**	2,071,325
STATEMENT OF FINANCIAL PERFORMANCE		
Profit/(loss) for the year	**(661,991)**	(2,052,403)
Total comprehensive income / (loss)	**(661,991)**	(2,052,403)

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 2017 other than as disclosed in Note 22(c).

Contractual commitments

	2017	**2016**
	$'000	**$'000**
Plant and equipment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total	-	-

26 Disposal of Controlled Entity

2017: There were no disposals or acquisitions of controlled entities during the year ended 30 June 2017. (2016: Nil)

27 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 (2016: 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 2017 (30 June 2016: 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 2016	8,900,000	$0.40
Granted	-	
Forfeited	-	
Exercised	-	
Expired	-	

Options outstanding as at 30 June 2017	-	-
Granted	-	
Forfeited	-	
Exercised	-	
Expired	(8,900,000)	
Options outstanding as at 30 June 2017	-	-
Options exercisable as at 30 June 2017	-	-
Options exercisable as at 30 June 2016	8,900,000	$0.40

No options were exercised during the year (2016: Nil).

The above options expired on 31 August 2016.

(iv) No shares were granted to key management personnel as share-based payments during the year (2016: Nil)

28 Subsequent events

On 11 September 2017, the Company announced the settlement of the sale of the Wilga property to an unrelated third party. The sales consideration was $1.1 million before selling costs. The sale of the property was to retire the debt to the National Australia Bank and to reduce the ATO liability as well as allow some working capital to be retained to operate the business.

There are no other subsequent events since 1 July 2017 to be disclosed.

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 2017 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 29 September 2017, Perth, Western Australia

MOORE STEPHENS

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

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Wavenet International Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017 , 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1(y) of the financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at amounts other than as stated in the financial report. The Group financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Existence and Valuation of Inventories	
Refer to Note 11	
Total inventories of \$146,290 represent 10% of total net assets of the Group. Inventories comprises of bulk wine (\$46,100) and livestock (\$100,190). Bulk wine is stored at a facility located in Perth. The livestock are located in rural Western Australia. Bulk wine inventories are recorded at the lower of cost and net realisable value. Livestock is valued at its net fair value (less selling costs). The assessment of the net fair values of the livestock are subject to significant management estimates. A provision for obsolete and slow moving inventory is raised by management for certain types of bulk wine, the assessment of which is subject to significant management judgement. Obsolete and slow moving bulk wine inventory could result in an overstatement of the carrying values of inventories as the recorded cost may be higher than the net realisable value. We have therefore identified inventory existence and valuation as a key audit matter.	Our procedures included, amongst others: • Reviewing documentation detailing livestock numbers supplied by an independent lamb counter. The counter was engaged by management to perform a physical count of livestock on or around 30 June 2017. We also assessed the qualifications and experience of the independent counter. • Subsequent to year-end, we physically inspected the bulk wine storage facility in Perth and tested a sample of inventory items, comparing our count results with those of the Company representatives and performed roll back checks against the inventory listing as at 30 June 2017; • Performing test of details on the inventory listing including testing the mathematical accuracy of the final inventory listing; Testing a sample of bulk wine inventory and livestock values against subsequent sales (or publicly available market data) to ensure there were no indicators their year-end values were impaired.

Key Matters (continued)

Group's ability to continue as a Going Concern refer to Note 1(y)	
The financial statements are prepared on a going concern basis in accordance with AASB 101 Presentation of Financial Statements. As detailed in the Statement of Profit & Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, the Group continues to incur significant operating losses and generate negative cash outflows. At balance date, the Company continues to carry a significant level of debt with bank borrowings of $755,952 (which has subsequently been settled following the Wilga property sale in September 2017 as disclosed in Note 28) and a longstanding tax liability payable to the Australian Taxation Office of $626,684. As the directors' assessment of the Group's ability to continue as a going concern can be highly judgemental, we identified going concern as a significant risk requiring special audit consideration.	Our audit procedures included, amongst others, the following: • An evaluation of the directors' assessment of the Group's ability to continue as a going concern. In particular, we reviewed budgets and cashflow forecasts up to 30 September 2018 and reviewed and challenged the directors' assumptions. • Discussion with management regarding the Group's reliance on future equity raising and the proposed injection of a new business venture or a combination thereof. • Taking into account any relevant events subsequent to the year end (such as the property sale disclosed in Note 28), and through discussion with the management. Based on our work, while we agree with the directors' assessment that the going concern basis of preparation is appropriate, we also concur that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. There remains a significant level of uncertainty over the Company's future funding and proposed business initiatives. The disclosures in the financial statements appropriately identify this risk.

Key Matters (continued)

<table>
<tr><th colspan="2">Impairment of Investment in Associate and Loan owing from Associate Entity
Refer to Notes 9 and 22</th></tr>
<tr><td>The financial report for the Group includes its 30% equity-accounted for investment in an Associate (Old Valley Unit Trust or “the Associate”) of $1.183 million (net of impairment provision) and a loan owing from Associate of $0.5 million (net of impairment provision), which when combined, represent 55% of the Group’s total assets at balance date.

As a non-disclosing entity, the financial statements of the Associate are not required to be audited. As detailed in Note 22 of the financial report, the management accounts of the Associate for the year ended 30 June 2017 is reporting total assets of $5.87 million of which $5.55 million relates to property, plant & equipment. The Associate has a history of reporting losses and continued to be loss making during 30 June 2017 and is still not generating an adequate return on investment.

This is a key audit matter due to the significance of the investment and loan balance to the financial position of the Group. The impairment assessment of these balances requires significant management judgement.</td>
<td>Our audit procedures included, amongst others, the following:
• Determining if the net assets of the Associate as at 30 June 2017 were adequate to support the carrying value of the investment in and loan owing by the Associate to the Group. Although the Associate is not required to be audited, we have conducted specific review procedures on their management accounts to attain some comfort over the reported figures to ensure assets and liabilities were not materially overstated and understated respectively.
• The single largest asset of the Associate relates to its property, plant & equipment. In April 2017, the Directors obtained a sworn valuation report by an independent licensed expert who valued the underlying property and related plant/equipment at $5.6 million. In addition to substantiating the stated book values of the Associate’s property assets against the valuation report, we also performed the following:
– Assessed the valuation methodology adopted by the licensed valuer;
– Assessed the qualifications and experience of the valuer including confirming their independence to the Group;
• Discussions with management on the future strategic direction of the Associate, to determine whether there are any going concern issues which, if there are, would impact on the recoverability of the carrying values of the Group’s investment in and loan to the Associate.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Wavenet International Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

Moore Stephens

SUAN-LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 29th day of September 2017

SHAREHOLDER INFORMATION

The following information was reflected in the records of the Company as at 19 September 2017.

Distribution of shareholders			**Number of holders Fully paid shares**
1	-	1,000	91
1,001	-	5,000	340
5,001	-	10,000	106
10,001	-	100,000	144
100,001	and over		49
			730
Including holdings of less than a marketable parcel			670

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	3,353,892	2.99
4.	Prestige Glory Limited	3,000,000	2.70
5.	Ice Cold Investments Pty Ltd	2,000,000	1.80
6.	Calveen Pty Ltd	1,896,940	1.71
7.	Mr Edward Hoskin Shroud	1,314,411	1.18
8.	Anne Louise Stroud	1,800,000	1.62
9.	BNP Paribas Nominees Pty Ltd	1,251,173	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.	Mr Leslie Innes	857,293	0.77
14.	Edward Hoskin Stroud	725,000	0.65
15.	Rimban Pty Ltd	638,500	0.58
16.	Lanza Holdings Pty Ltd	555,000	0.50
17.	Mr James Dempster	537,968	0.48
18.	Mr Thomas Mausezahl & Mrs Evelyn Calpana Manza	525,000	0.47
19.	Aspen Gold Investments Pty Ltd	500,000	0.45
20.	Mr James Dempster and Sons	403,400	0.36
		97,036,901	87.46

Additional Information

At the 30 June 2017 the Company has an interest in the following tenements

Tenement ID	Country	Location	Economic Interest
EL28/2571	Australia	Kurnalpi	100% granted
EL51/2577	Australia	Kurnalpi	100% on application