

## ACQUISITION OF QUEENSLAND THERMAL COAL ASSETS

### SUMMARY

- Wavenet acquires a 50% interest in four Queensland coal projects;
- The most advanced project is the Monto Project located immediately south of Macarthur Coal Limited's Monto thermal coal project which Macarthur Coal owns in joint venture with Hong Kong based commodity trading house Noble Group. Noble Group recently purchased an effective 10% interest in the Monto thermal coal project for \$48.5 million;
- Previous exploration work has confirmed coal prospectivity of the tenements;
- Purchase consideration of \$3 million plus a \$1 million contribution to joint venture expenditure;
- Subject to Wavenet shareholder approval; and
- On completion of the acquisition, Wavenet will continue to be in a strong financial position with approximately \$4 million of cash and liquid assets.

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Wavenet International Limited (**Wavenet**) has entered in an agreement to acquire a 50% interest in four coal projects (**Agreement**) with advanced exploration already conducted on them, located in Queensland. The projects comprise one granted exploration permit for coal (EPC) and four applications for EPC tenements, covering an area of 590 square kilometers (sq km) (**Tenements**).

The project tenements are being acquired from Mr Terence Byrt and his associated company, Ansett Resources and Industries Pty Ltd. Under the terms of the Agreement, the Tenements will be held in a company owned equally by each of Wavenet and Mr Byrt. This company will jointly explore and develop the tenements.

The purchase consideration and joint venture commitments under the Agreement will be funded from Wavenet's existing cash reserves.

The Agreement is subject to the approval of shareholders of Wavenet at a meeting to be convened shortly. A notice of meeting and information memorandum will be prepared as part of a proposed change of activities of Wavenet.

From the date of the shareholder meeting to approve the Agreement, Wavenet will be suspended until it has re-complied with Chapters 1 and 2 of the ASX Listing Rules. As part of this process, Wavenet will issue a prospectus or an information memorandum providing detailed information about the thermal coal projects to be acquired. It may also need to consolidate its share capital, dependent upon the price at which Wavenet's shares trade on ASX in the period up to the date of the shareholder meeting.

## Summary of Coal Assets

Terrence Byrt and Ansett Resources and Industries Pty Ltd together hold a 100% beneficial and registered interest in four project areas known as Monto, Oxley Creek, Dysart and Rathdowney in Queensland. The projects are all prospective for thermal coal and have had varied amounts of historical exploration activities conducted on them including drilling open boreholes and coreholes.

The most advanced of the project areas is Monto which is covered by a single application for an exploration permit for coal (EPC 1175) covering 191 sub-blocks for 479 sq km. It is located immediately to the south of the Monto thermal coal project, owned by the Monto Coal Joint Venture which includes Macarthur Coal Limited and Noble Group (**Macarthur Coal Project**). The Macarthur Coal Project contains 55.7Mt of measured, 66.0Mt of indicated and 397Mt of inferred resource for a total resource of 518.7Mt of thermal coal defined in accordance with the JORC code (1999 version). Noble Group acquired a 10% effective interest in the project in February 2008 for \$48.5 million.

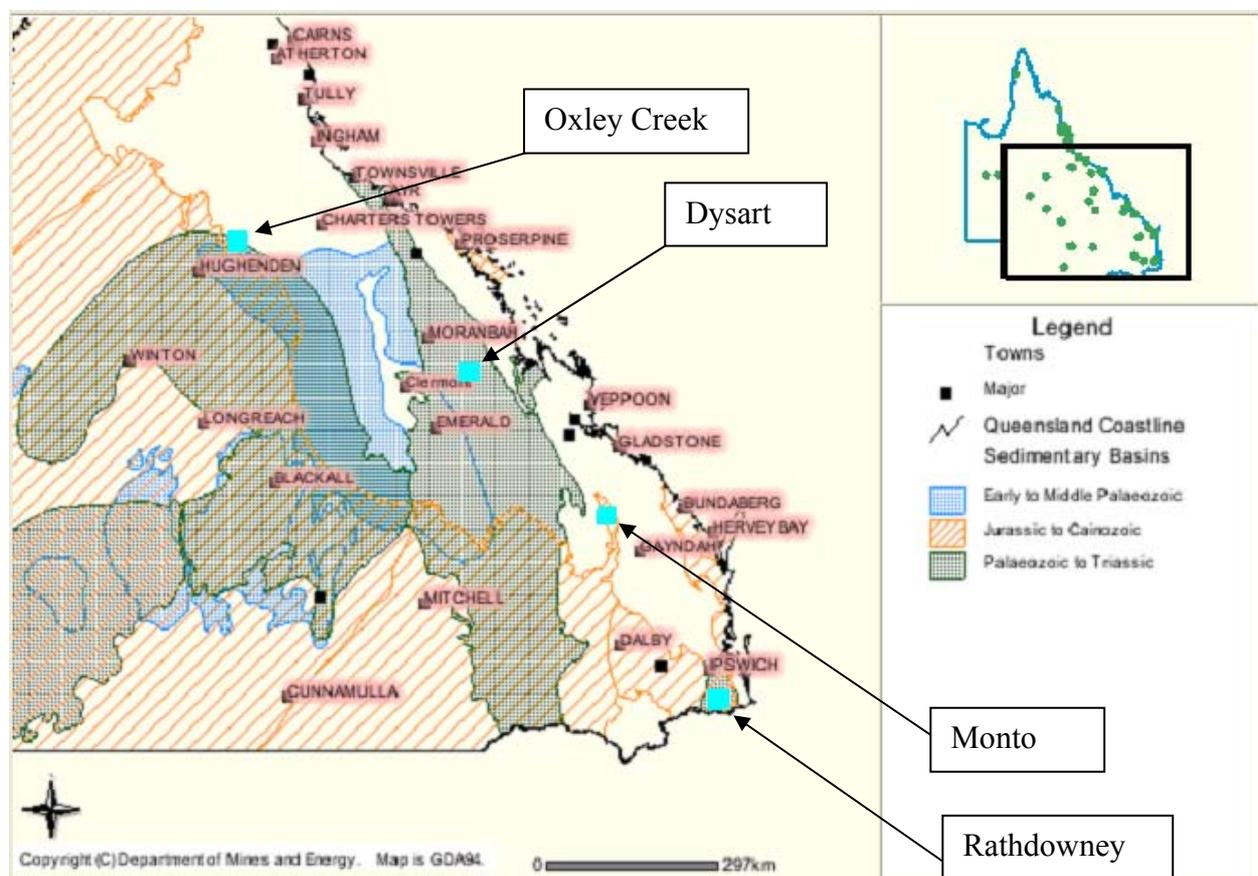


Figure 1: Map of Queensland Showing Location of the 4 Project Areas.

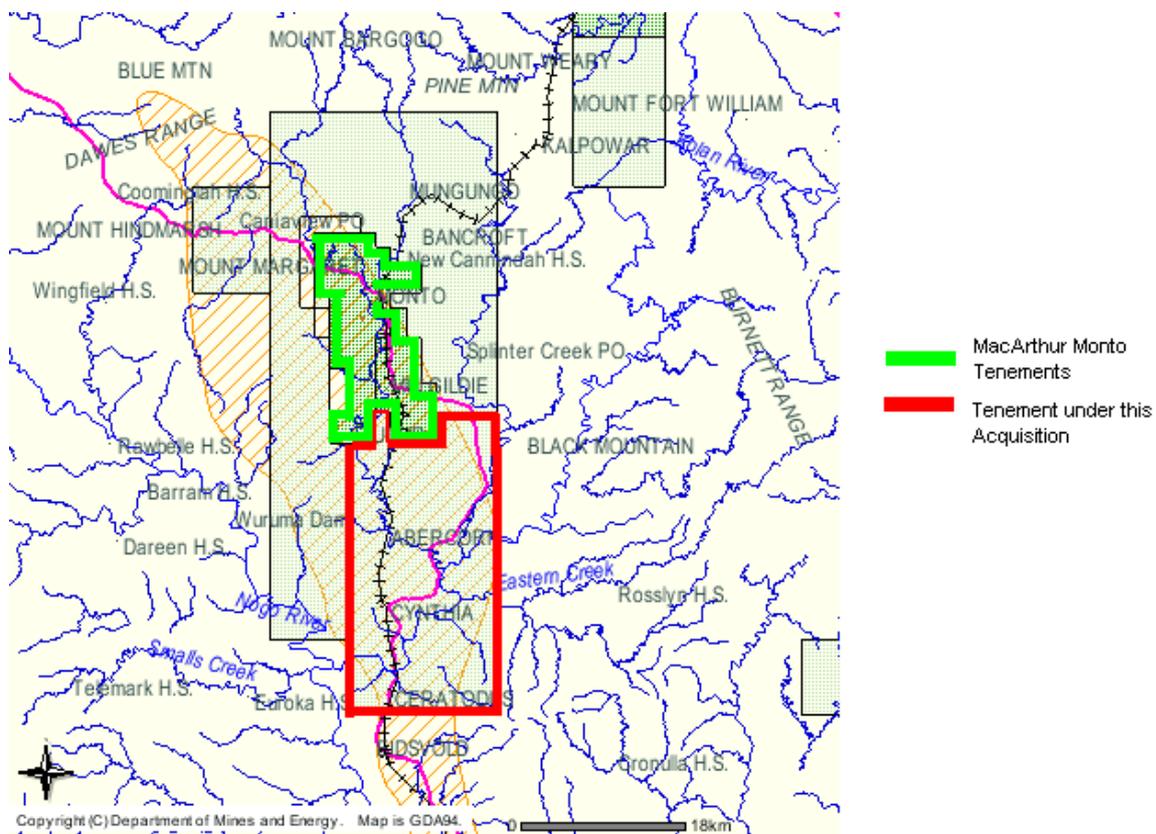
## Review of Monto Project Area

The coal seams of economic interest in the Monto project are located in the upper part of the Mulgildie Basin, a Triassic-Jurassic sequence which is considered to be stratigraphically similar to the Surat Basin. The Mulgildie Basin is an elongate, north trending basin within which deposition has been controlled by movement along three major fault zones including the Mulgildie Fault, a major thrust fault, in the east; the Anyarro Fault in the west; and an unnamed normal fault north of the Monto township.

The Mulgildie Coal Measures were deposited during the Middle Jurassic on a downwarping and tilting surface between the Anyarro and Mulgildie faults.

Exploration drilling was conducted by Brigalow Mines Pty Ltd in the period from 1980 to 1984 during which a total of 229 drill holes aggregating 17,311m of open hole drilling and 765m of 63mm and 150mm diameter core drilling was completed. This drilling identified four coal horizons containing a total of ten individual coal seams ranging from 0.5m to 3.3m in thickness. Historical drilling has identified an exploration target of between 170 million and 180 million tonnes of in-situ thermal coal in seams between 10 and 80 metres below surface.

This potential target is conceptual in nature. There has been insufficient verification of previous exploration to define a resource. It is uncertain if further exploration will result in the delineation of a resource.



**Figure 2: Location of Acquired Monto Project Highlighting the Monto Thermal Coal Project owned by inter alia Macarthur Coal and the Location of the Existing Railway Line.**

The Monto project is favorably located adjacent to the Burnett Highway and to an existing railway which links to the deep water port at Gladstone, some 180km to the north east. The Monto area also contains several existing and potential power and water supply sources which could service the requirements of a proposed coal mining operation.

### Other Project Areas

The acquired asset portfolio of Terence Byrt and Ansett Resources and Industries Pty Ltd also includes 100% ownership of granted EPC 1067 covering 15 sq km covering the Dysart Project, application for EPC 1250 over an area of 22 sq km known as the Oxley Creek Project, and applications for EPC 1123 and EPC 1249 which cover an area of 76 sq km and make up the Rathdowney Project.

Oxley Creek is located approximately 50km north of the existing Townsville to Mt Isa railway some 290km west of Townsville. Historical exploration activity on the tenement includes the drilling of at least three exploration holes, shaft sinking, adit driving and extensive geological mapping. This has identified surface outcrops of bituminous thermal coal in an almost horizontal coal seam of around 5m thickness.

An exploration target of between 70 million and 80 million tonnes of thermal coal has been identified based on historical data, including old prospects and occurrences in the area and the potential of the yet to be explored down dip areas to the east and south and along strike to the west. This potential target is conceptual in nature. There has been insufficient verification of previous exploration to define a resource. It is uncertain if further exploration will result in the delineation of a resource.

The Dysart Project is located about 20km north of the town of Dysart some 250km by road southwest of the coastal city of Mackay and 185km by rail from the export coal terminal of Hay Point. The tenement lies in the down dip position of the existing Saraji open cut coking coal mine and was relinquished by the operator of the Saraji mine, BHP Mitsubishi Alliance (BMA). Exploration activity on the tenement spans back to the early 1970's and includes the drilling of 23 holes for 2,494m which is the most recent work conducted by BMA between 1999 and 2002. This recent drilling encountered shallow coal seam horizons of high raw ash and some deep high-yield seams. No exploration target has been derived for this project.

Rathdowney lies adjacent to the Mt Lindesay Highway and the main Sydney to Brisbane railway line. The tenement holdings occur within the Ipswich – Moreton Basin and are prospective for thermal coal contained in the Walloon Coal Measures. These coal measures have been intersected by more than 50 historical drill holes but the occurrence of several igneous intrusions has caused previous project proponents to target other project areas.

### **Proposed Work Program**

Following completion of the transaction, the company owned 50% by Wavenet and 50% by Terence Byrt will apply the vast majority of the initial \$1 million in funds to conduct a complete review of historical data on all four projects. In particular, emphasis will be placed on reviewing the exploration database of the Monto Project and engaging a resource geologist to design a drill program to derive a JORC compliant resource.

Additional work will be required on the assessment of existing infrastructure at Monto and the other projects and the commencement of studies into how coal mining operations can be brought into production in the shortest timeframe leveraging off the established road, rail, power and water resources in the region.

### **Key terms of Agreement**

Under the Agreement entered into between Wavenet, Terence Byrt, Ansett Resources and Industries Pty Ltd (**ARI**) and Trident Capital Pty Ltd, Wavenet, through its subsidiary Wave Connect Pty Ltd, has agreed to acquire a 50% interest in the Tenements in consideration for the payment of \$1 million (payable upon signing the Agreement), \$2 million (payable at settlement) and \$1 million payable to Wave Connect Pty Ltd. At settlement, Terence Byrt will acquire a 50% interest in Wave Connect Pty Ltd.

The Agreement is conditional upon:

- (a) the payment by Wavenet of a deposit of \$1,000,000 (which has already occurred). In the event that shareholder approval is not obtained, \$300,000 of the deposit is repayable to Wavenet;

- (b) Wavenet obtaining the approval of shareholders for the acquisition of the Tenements together with all other approvals required under the Corporations Act and the ASX Listing Rules;
- (c) the receipt of all consents and approvals needed for the transfer of the Tenements; and
- (d) ASX granting conditional approval to the re-instatement of Wavenet to trading on ASX on terms acceptable to Wavenet.

Following settlement of the Agreement ARI will be responsible for managing the Tenements. The Company and ARI shall be entitled to appoint two directors each to Wave Connect Pty Ltd, with an independent chairman to be appointed by the parties.

In consideration for its services in securing the transaction, Trident Capital Pty Ltd will be issued 600,000 shares in Wavenet and payment of \$100,000.

A proforma balance sheet and share capital structure of Wavenet following completion of the Agreement are set out below:

<b>Consolidated balance sheet</b>	<b>Unaudited 31.05.08 \$'000</b>	<b>Proforma 31.05.08 \$'000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	6,544	2,444
Trade and other receivables	1,786	1,786
Available for sale assets	211	211
<b>TOTAL CURRENT ASSETS</b>	<u>8,541</u>	<u>4,441</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	417	417
Investment in equity associated company	-	4,178
<b>TOTAL NON-CURRENT ASSETS</b>	<u>417</u>	<u>4,595</u>
<b>TOTAL ASSETS</b>	<u>8,958</u>	<u>9,036</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	334	334
<b>TOTAL CURRENT LIABILITIES</b>	<u>334</u>	<u>334</u>
<b>TOTAL LIABILITIES</b>	<u>334</u>	<u>334</u>
<b>NET ASSETS</b>	<u>8,624</u>	<u>8,702</u>
<b>EQUITY</b>		
Contributed equity	16,227	16,305
Reserves	136	136
Accumulated losses	(7,739)	(7,739)
<b>TOTAL EQUITY</b>	<u>8,624</u>	<u>8,702</u>

### Share capital structure

Ordinary shares currently on issue	59,348,958
Issue of shares to Trident Capital Pty Ltd as part payment of facilitation fee	<u>600,000</u>
Total shares on issue upon completion of the Agreement	<u>59,948,958</u>

### Proposed Timetable

Upon shareholder approval of the Agreement, Wavenet will be required to comply with Chapters 1 and 2 of the ASX Listing Rules in relation to a change of activities.

Date of Agreement	27 June 2008
Company's shares are suspended	15 September 2008
Date of shareholder meeting	15 September 2008
Settlement of transaction	29 September 2008
Re-quotations of Company's shares	2 October 2008

This is an indicative timetable and the directors reserve the right to amend the dates as necessary.

### For further information contact:

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*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle who is a member of the The Australasian Institute of Mining and Metallurgy. Mr Castle has reviewed the information and has satisfied himself that the values quoted and the parameters used in the report are reasonable and accurately reflect the operations involved. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*