

Adgex Limited

ACN 156 556 035

Financial Statements
For the Year Ended 30 June 2014

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Directors' Report

The directors present their report together with the financial report of Adgex Limited for the year ended 30 June 2014 and the auditors' report thereon.

1. Directors

The directors at any time during or since the financial year are:

	Period as Director
I Dabatouka	01 April 2013 to present
V Uzlov	29 March 2012 to present
S S Mudaliar	01 April 2013 to present

2. Principal Activity

The principal activity of the company during the financial year is to provide engineering services to resources and infrastructure projects.

3. Operating and Financial Review

The company continued to engage in its principal activity during the financial year.

The net result for the company was a loss of \$412,654 (2013: Loss of \$74,302).

4. Dividends

The company did not pay any dividends.

5. State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

6. Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company to significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Directors' Report (cont'd)

7. **Likely Developments**
Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

8. **Environmental Regulations**
The company's operations are not subject to any significant environmental regulations under Australian Law.

9. **Lead Auditor's Independence Declaration**
The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the financial year ended 30 June 2014.

Signed in accordance with a resolution of Directors.



Director Victor Chelov

Dated: 17/11/2014

Adgex Limited
ACN 156 556 035

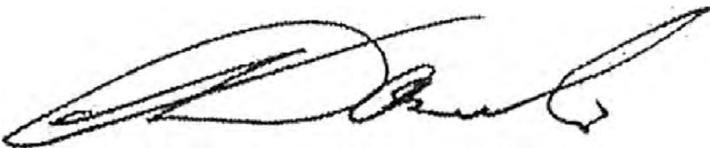
Lead Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001

To the directors of the Adgex Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial year ended 30 June 2014 there has been:

- i. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KS Black& Co
Chartered Accountants



Sam Danieli
Registered Company Auditor
Sydney
Date 19 November 2014

Independent Auditors' Report to the Members of the Adgex Limited

Report on the Financial Report

We have audited the accompanying financial report of the Adgex Limited (the 'company') which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company would be in the same terms if provided to the directors as at the date of this auditor's report.

Basis for Disclaimer of Auditor's Opinion

Intellectual Property - at Valuation

In the 2013 and 2014 financial years, Adgex Limited entered into multiple Intellectual Property (IP) Acquisition Agreements with related parties (two of its directors who were "Know How" co-authors and right holders) in lieu of issue of shares. The IP related to exclusive rights to "Know How" of various forms of technology. In support of the valuation of the multiple IP's, management provided IP Valuation Reports for each IP at the time of acquisition and prepared by "Independent Expertise 21st Century" Ltd, a Russian registered appraiser which valued the IP's at AUD \$57,682,661.

We were unable to obtain sufficient appropriate evidence about the carrying amount of the above assets at 30 June 2014 due to scope limitations placed on performing the independent due diligences of each valuation report. Therefore the existence and valuation assertions could not be satisfied in relation to the share based payment transactions.

Mining Assets

In January 2014 financial year, Adgex Limited entered into binding conditional heads of agreement with Geomex Natural Resources Pty Ltd to fully acquire all of its interest, rights and titles to the thermal coal assets and to partially acquire 50% of interests, rights and title to the coking Coal assets. Consideration for the assets:

- A) For all (100%) interests in the Thermal Coal Assets:
 - (i) Cash Consideration - Initial amount of \$300,000 (reimbursement expenses)
 - (ii) Shares Consideration - 15 million shares in Adgex at \$0.13 per share, i.e. valuation of \$1,950,000, for full interest in the Thermal Coal Assets.

- B) For 50% interest in the Coking Coal Assets:
 - i) Initial partial interests of 20% - Cash Consideration -\$1.5 million, and
 - ii) Further interest of additional 30% (totaling 50%) - Adgex being responsible for the completion of the JORC exploration report.

We were unable to obtain sufficient appropriate evidence about the existence and carrying amount of the above assets at 30 June 2014 due to limited documentation being available. Therefore the existence and valuation assertions could not be satisfied in relation to the share based payment transactions.

Financial Statements Disclosures

The financial statements prepared are not general purpose financial statements as required by Australian Accounting Standards. Disclosures made are insufficient for a reporting entity and therefore may be misleading for decision makers relying on the financial statements who are not involved in the day to day governance of the company.

Accordingly, we express no opinion on the carrying values of the following assets:

Intellectual Property - at Valuation	\$58,502,625
Mining Assets	\$ 2,250,000

Disclaimer of Auditor's Opinion

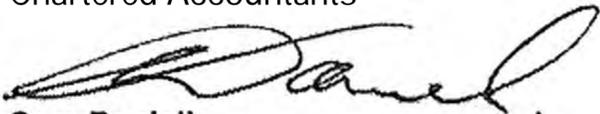
In our opinion, because of the existence of limitations on the scope of our work, as described in the preceding paragraph, and the effect of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether;

- A) The financial report of Adgex Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- B) The financial report of the company also complies with International Financial Reporting Standards as disclosed in note 1.

Inherent Uncertainty Regarding Going Concern

The financial report indicates that the company incurred a net loss of \$412,654 and had deficiency in net current assets of \$27,095. These conditions indicate the existence of a material uncertainty which may cast significant doubt regarding the company's ability to 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 the amounts stated in the financial report.

KS Black & Co
Chartered Accountants



Sam Danieli
Registered Company Auditor Sydney
Date 19 November 2014

Directors' Declaration

In the opinion of the directors of the Adgex Limited:

- (a) the financial statements and notes set out on pages 7 to 13 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the company as at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (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.

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

Statement of Profit or Loss and other Comprehensive Income
for the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue		-	-
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		-	-
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Consulting, management and other expenses		(412,654)	(74,302)
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Loss for the Year		(412,654)	(74,302)
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Other comprehensive income		-	-
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Statement of Financial Position
as at 30 June 2014

	2014 \$	2013 \$
Current Assets		
Cash and cash equivalents	21	5,130
Receivables	362	-
Total Current Assets	383	5,130
Non-Current Assets		
Intellectual Property - at Valuation	58,502,625	52,001,861
Mining Assets	2,250,000	-
Total Non-Current Assets	60,752,625	52,001,861
Total Assets	60,752,008	52,006,981
Current Liabilities		
Trade and other payables	27,478	25,230
Total Current Liabilities	27,478	25,230
Non-Current Liabilities		
Borrowings	22,670	22,670
Total Non-Current Liabilities	22,670	22,670
Total Liabilities	50,148	47,900
Net Assets		
Shareholders Equity	60,702,860	51,959,081
Share capital	61,189,816	52,033,383
Accumulated Losses	(486,956)	(74,302)
Total Shareholders Equity	60,702,860	51,959,081

Statement of Changes in Equity
For the Year Ended 30 June 2014

	2014 \$	2013 \$
Total Equity at the Beginning of the Financial Period	51,959,081	3
Share capital subscribed	9,156,433	52,033,380
	<hr/>	<hr/>
Loss for the year	(412,654)	(74,302)
	<hr/>	<hr/>
Total Equity at the End of the Financial Year	60,702,860	51,959,081
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Statement of Cash Flow
for the Year Ended 30 June 2014

	2014 \$	2013 \$
Cash Flows from Operating Activities		
Cash receipts from customers	-	-
Cash paid to suppliers and employees	(412,654)	(26,402)
Net Cash (Used in)/Provided by Operating Activities	(412,654)	(26,402)
Cash Flow from investing Activities		
Payments relating to non-current assets	(8,748,888)	-
Net Cash Used in investing Activities	(8,748,888)	-
Cash Flow from Financing Activities		
Share Subscription	9,156,433	31,532
Net Cash Provided by Financing Activities	9,156,433	31,532
(Decrease)/Net increase in Cash and Cash Equivalents	(5,109)	5,130
Cash and cash equivalents at the beginning of the financial year	5,130	-
Cash and Cash Equivalents at the End of the Financial Year	21	5,130

Notes to the Financial Statements
For the Year Ended 30 June 2014

1. Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

(c) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. 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.

(a) Income Tax

The company uses the balance sheet method of tax effect accounting.

(b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

(c) Cash

Cash is carried at face value of the amounts deposited or drawn.

(d) Trade and Other Payables

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

Notes to the Financial Statements
For the Year Ended 30 June 2014

2, Significant Accounting Policies (cont'd)

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows,

(f) New Standards and Interpretations Not Yet Adopted

There are no material effects or disclosures arising from new accounting standards and interpretations.

Notes to the Financial Statements
For the Year Ended 30 June 2014

3. Segment Information

The company provides engineering services to resources and infrastructure projects

4. Related Party Disclosures

(a) Key Management Personnel

The key management personnel of the company include its directors.

(b) Directors

The name of each person who held the position of director of the company during the financial year are:

I Dubatouka

v Uzlov

O Uzlova

v Morozov

S S Mudaliar

Directors of the company have received \$Nil remuneration from the company or any related party for the year ended 30 June 2014 (2013: \$Nil).