DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 31 December, 2002.

DIRECTORS

The names, qualifications, experience and special responsibilities of directors who hold office at the date of this report are:

ANDREW MARTIN
Chairman and Chief Technical Officer
- *B.Eng FIE Aust SMIEEE*
Age 57

Andrew was the founder of Martin Communications Pty Ltd whose research is embodied in the intellectual property and patents that are the basis of the company's telecommunications and network management solutions business.

Andrew worked with Telstra Research Laboratories prior to establishing Martin Communications Pty Ltd in 1986.

Andrew is a regular contributor to conferences in Australia and overseas and has published a number of technical papers and has received formal recognition and acclaim as follows:

- A Clunies Ross National Science and Technology Award in 1999.
- The Victoria Prize for the Outstanding Engineer or Scientist in 1998.
- The Institute of Engineers Australia, Victorian Division Engineering Excellence Award in 1997.

Andrew is focused on further development of the company's intellectual properties.

EDWIN STOYLE
Non Executive Deputy Chairman
- *FAICD (Dip)*
Age 61

Edwin is a former Chairman of Tele-IP Ltd (as Pacarc NL). He has wide business background and extensive corporate expertise and contacts in the banking, business and capital raising fields. He is a Director of several listed public companies and private corporations and a Foundation Fellow of the Australian Institute of Company Directors.

IAN MAY
Managing Director
- AMP
Age 54

Ian has been employed in the IT and Communications industries for over 30 years. Initially Ian was engaged in technical roles and has evolved through business analysis and consulting, sales and sales management and then serving as a senior manager for a number of major companies.

Recently, Ian held the position of Director of the Business Division of Optus Communications that was the largest division based on revenue. Ian was responsible for all operational areas including strategy, marketing, sales, distribution (all Optus World and Dealer stores), telemarketing and customer service.

Prior to that position, Ian was General Manager of Amdahl Australia, the largest US based IBM compatible computer manufacturer. Amdahl was successful in taking a significant market share in Australia in a highly competitive field.

Ian is focused on strategic planning, development of staff skills and performance measures, creating short and long-term marketing programs and accountability throughout the entire organization for effective business management and profitability.

DR MAURICE VENNING
Non Executive Director
- *B.Sc(Hons), B.Ec, PhD*
Age 53

Dr Venning is a well-respected consultant providing advice to companies, financiers and other organisations on technology opportunities and technology markets. Maurice has over 25 years experience as general manager of large companies, consulting for government bodies and corporations, leadership of development teams to produce innovative products and evaluation of technical and commercial opportunities.

CHRISTOPHER JOHN EADE
Non Executive Director
- B.Arts B.Business C.F.P.
Age 31

Christopher is the proprietor of a business providing investment advice and financial planning services. Prior to establishing this business he has had held senior executive positions with several investment banking organisations specialising in investment review, project development and venture capital raising.

Except for Ian May and Christopher Eade the directors held office during the whole of the financial year and up to the date of this report. Ian May was appointed a director on 13th February 2002 and Christopher Eade was appointed a director on 19 June 2002.

John McCormack resigned as a director on 30 April 2002 and Louis Delacretaz resigned as a director on 27 May 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company and its controlled entities during the year were:

- The development and commercialisation of technologies which support the management and operations of telecommunications networks.
- Microwave radio design and measurement systems development.
- The sale of selected products and support services focused on the communications networking market.
- Development and marketing of a range of satellite based communications systems.
- Research and development of new technology to measure wind velocity patterns and air turbulence.

Wholly owned subsidiary companies have been established to carry out the development of the satellite based communications systems (Beam Communications Pty Ltd) and the wind measurement technology (Strato Sonde Pty Ltd).

The satellite based communications systems and the wind measurement technology have been developed from intellectual property held by the company for a number of years. New patents to cover the extension and new applications of the wind measurement technologies have been registered.

Apart from the above new developments no significant changes in the nature of the principal activities occurred during the year.

RESULTS AND REVIEW OF OPERATIONS

The Economic Entity incurred a consolidated loss after income tax of $2,535,885 from revenue of $4,171,699, after providing $442,000 for amortisation of Goodwill and Intellectual Property and after writing off the remaining value of Intellectual Property and Goodwill amounting to $1,363,500.

The markets for the company's telecommunications products and services have not fully recovered from the substantial contraction that occurred in the previous year. Sales and generation of satisfactory margins have continued to be difficult. The company has not been able to generate sufficient revenue and margins to cover overheads and a restricted research and development programme. Overheads have been reduced significantly during the year to a base level necessary to support the business objectives and profitability can now be achieved from a small increase in current turnover levels.

The development of satellite based communications systems and the wind measurement technology will require further marketing and research and development expenditure which are presently restricted by the company's financial position. However, both of these developments represent major opportunities to generate revenue and profitable business activities.

The company is maintaining strategic alliances and agency agreements with hardware and software suppliers of products which together with the company's own intellectual properties provide a well structured and focused range of products to provide our customers with solutions to their network management requirements.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from the matters covered elsewhere in this report there were no significant changes in the state of the affairs of the economic entity during the financial year.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

ENVIRONMENTAL ISSUES

The economic entity's operations are not regulated by any significant environmental regulation under any Commonwealth, State or Territory laws.

FUTURE DEVELOPMENTS

The company will continue the development and commercialisation of the telecommunication and network management systems and carry out further research and develop its intellectual properties.

OPTIONS

Options that were granted over unissued ordinary shares during or since the end of the financial year by the parent company to Directors or any of the five most highly remunerated officers as part of their remuneration are as follows:

	No. of Options	Latest Exercise Date	Exercise Price
Director:			
Ian May	1,000,000	31.12.06	$0.05
	3,000,000	31.12.07	$0.08
	3,000,000	31.12.08	$0.08
	3,000,000	31.12.09	$0.08

	No. of Options
Officers:	
D. Saupin	200,000
M. Risos	200,000
M. Millmann	200,000
M. Willis	50,000

All options to Officers have been issued in accordance with the terms and conditions of the parent company's Share Option Incentive Plan.

No shares have been issued during, or since the end of, the financial year as a result of the exercise of the options noted above.

Option holders do not have any right to participate in any share issue of the parent company until such time as the option has been exercised. No person entitled to exercise any option granted by the parent company has or had, by virtue of the option granted, a right to participate in any share issue of any other body corporate.

INDEMNIFICATION OF OFFICERS

The parent company is still in the process of negotiating directors and officers liability insurance contracts in respect of certain directors and full time executive officers against all liabilities and expenses arising as a result of work performed in their respective capacities to the extent permitted by law. No indemnity was effected in respect of the auditors.

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the directors in the securities of the parent company are:

	Tele-IP Ltd Ordinary Shares	Tele-IP Ltd Options
A.L Martin	30,370,265	6,666,667
M.M Venning	2,547,031	500,000
E.F Stoyle	7,643,993	500,000
I.D May	100,000	10,000,000
C.J. Eade	1,754,552	-

DIRECTORS' MEETINGS

During the year the parent company had 14 meetings of directors. The attendances of the directors at meetings of the Board and its Committees were:

	Board of Directors		Committees	
Director	**Attended**	**Maximum Possible Attended**	**Attended**	**Maximum Possible Attended**
Andrew Louis Martin	14	14		
Edwin Frank Stoyle	14	14	2	2
Louis Jacques Delacretaz (Resigned 27 May 2002)	5	5		
Dr Maurice Morey Venning	13	14	2	2
John Gordon McCormack (Resigned 30 April 2002)	5	5		
Ian Dean May (Appointed 13 February 2002)	12	12		
Christopher John Eade (Appointed 19 June 2002)	6	6		

The Committees of the Board of Directors consist of a Remuneration Committee and an Audit Committee.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The company's policy for determining the nature and amount of remuneration of executive directors and senior executives of the company is governed by the Remuneration Committee reporting to the Board.

The remuneration structure seeks to emphasise payments for results through various salary package and reward schemes such as the company's Share Option Incentive Plan. Options issued during the year have a negligible cost to the company.

The objective of the company's remuneration planning is to both reinforce the short and long term goals of the economic entity and to provide a common interest between management and shareholders.

The emoluments of each Director and each of the five executive officers receiving the highest emoluments are as follows:-

DIRECTORS	**Directors Fees**	**Salary**	**Superannuation Contributions**	**Motor Vehicle Expenses**	**Total**
					$
A. L. Martin	-	100,000	8,500	-	108,500
I.D. May	-	245,926	20,904	40,000	306,830
E. F. Stoyle	7,500	-	-	-	7,500
M. M. Venning	7,500	-	-	-	7,500
J. G. McCormack	7,500	-	-	-	7,500
C.J. Eade	-	-	-	-	-
L.J. Delacretaz	-	93,781	5,000	11,250	110,031
					547,861
EXECUTIVES					
D. Saupin		156,693	9,444	-	166,137
M. Risos		112,521	8,755	12,000	133,276
M. Allard		108,511	8,500	15,000	132,011
M. Millmann		107,222	8,075	15,000	130,297
M. Willis		97,000	8,245	15,000	120,245
					681,966

Signed in accordance with a resolution of the Board of Directors dated 28th March 2003.

A L Martin.

ANDREW MARTIN
CHAIRMAN

CORPORATE GOVERNANCE STATEMENT

The directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year except where otherwise indicated.

The Board of Directors

The Board carries out its responsibilities according to the following mandate:

- The board should comprise at least three directors; and

- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

The primary responsibilities of the board include:

- setting of objectives, goals and corporate direction;

- adopting and monitoring progress of a strategic plan;

- adopting an annual budget and constant monitoring of financial performance;

- ensuring adequate internal financial, accounting and managerial controls exist and are appropriately monitored for compliance;

- ensuring significant business risks are identified and appropriately managed with particular emphasis on insurance requirements;

- ensuring Tele-IP Ltd maintains, at all times, the highest standard of business, financial and ethical behaviour;

- selecting and recommending new Directors, including the Managing Director, to shareholders;

- setting compensation arrangements for executive Directors and executive management after receiving recommendations from the Remuneration Committee; and

- addressing occupational health and safety issues and ensuring an appropriate system of management is implemented.

The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors. Board membership shall be reviewed annually to ensure the Board has an appropriate mix of qualification, skills and experience. External professional advisers may be used to assist in this process and shall be engaged at the expense of the company.

Members are appointed by the Board and with the exception of the Managing Director, must by rotation stand for election at the next general meeting of shareholders.

The Audit Committee provides a forum for the effective communication between the Board and external auditors. The Audit Committee reviews:

- The annual and half-yearly financial report prior to their approval by the Board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of external audit functions, including reviewing the respective audit plans.

The Audit Committee generally invites the Managing Director, Chief Financial Officer and the external auditors to attend audit committee meetings. The Audit Committee also meets with and receives regular reports from the external auditors concerning any matters, which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Risk Management

The Board is responsible for the company's system of internal controls. The Board constantly monitors the operational and financial aspects of the company's activities and, through the Audit Committee, the Board considers the recommendations and advice of external auditors and other external advisors on the operational and financial risks that face the company.

The Board ensures that recommendations made by the external auditors and other external advisors are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel, and, in conjunction with the recommendations of the Audit Committee, the scope and work program of any internal auditors appointed.

Code Of Conduct

As part of the Board's commitment to the highest standard of conduct, the company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

Statements of Financial Performance		**Economic Entity**		**Parent Entity**	
For the year ended 31 December 2002		**2002**	**2001**	**2002**	**2001**
	Note	**$**	**$**	**$**	**$**
Revenues from ordinary activities	2	4,171,699	3,131,401	4,171,699	3,131,401
Changes in inventories of finished goods and work in progress	2	(1,580,813)	(1,327,962)	(1,580,813)	(1,327,962)
Depreciation and amortisation expense	2	(511,724)	(523,574)	(511,724)	(523,574)
Borrowing costs expense	2	(7,640)	(4,224)	(7,640)	(4,224)
Other expenses from operating activities	2	(3,131,080)	(3,866,499)	(3,131,080)	(3,866,499)
Other expenses from non-operating activities	2	(1,476,326)	(260,902)	(1,476,326)	(260,902)
Profit(Loss) from ordinary activities before income tax		(2,535,885)	(2,851,760)	(2,535,885)	(2,851,760)
Income tax expense relating to ordinary activities	4	-	-	-	-
Net Profit (Loss)		(2,535,885)	(2,851,760)	(2,535,885)	(2,851,760)
Non-owner changes in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(2,535,885)	(2,851,760)	(2,535,885)	(2,851,760)
Basic earnings per share (cents)	22	(1.76)	(2.26)		
Diluted earnings per share (cents)	22	(1.76)	(2.26)		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

Statements of Financial Position		**Economic Entity**		**Parent Entity**	
As at 31 December 2002		**2002**	**2001**	**2002**	**2001**
	Note	**$**	**$**	**$**	**$**
CURRENTS ASSETS					
Cash Assets		6	203,651	-	203,649
Inventories	5	1,153,208	3,573,115	1,153,208	3,573,115
Receivables	6	366,817	1,152,248	366,817	1,152,248
Other Financial Assets	7	55,000	166,594	-	-
TOTAL CURRENT ASSETS		1,575,031	5,095,608	1,520,025	4,929,012
NON-CURRENT ASSETS					
Receivables	6	-	49,945	55,000	216,539
Other Financial Assets	7	-	-	6	2
Plant & Equipment	8	142,786	199,501	142,786	199,501
Intangible Assets	9	-	1,805,500	-	1,805,500
TOTAL NON-CURRENT ASSETS		142,786	2,054,946	197,792	2,221,542
TOTAL ASSETS		1,717,817	7,150,554	1,717,817	7,150,554
CURRENT LIABILITIES					
Payables	10	788,904	1,240,470	788,904	1,240,470
Tax Liabilities	11	14,895	24,354	14,895	24,354
Provisions	12	74,952	69,672	74,952	69,672
Deferred Revenue	13	150,985	3,252,466	150,985	3,252,466
TOTAL CURRENT LIABILITIES		1,029,736	4,586,962	1,029,736	4,586,962
TOTAL LIABILITIES		1,029,736	4,586,962	1,029,736	4,586,962
NET ASSETS		688,081	2,563,592	688,081	2,563,592
EQUITY					
Contributed equity	14	10,042,749	33,753,763	10,042,749	33,753,763
Accumulated Losses	15	(9,354,668)	(31,190,171)	(9,354,668)	(31,190,171)
TOTAL EQUITY		688,081	2,563,592	688,081	2,563,592

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Cashflows

For the year ended 31 December 2002

	Note	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Cash flows relating to operating activities					
Receipts from customers		3,479,884	3,299,005	3,479,884	3,299,005
Receipts from strategic partner		-	698,783	-	698,783
Payments to suppliers and employees		(4,422,929)	(5,200,682)	(4,422,929)	(5,200,682)
Interest received		7,067	31,938	7,067	31,938
Interest and finance charges paid		(2,857)	-	(2,857)	-
Net operating cash flows	3	(938,835)	(1,170,956)	(938,835)	(1,170,956)
Cash flows relating to investing activities					
Purchases of property, plant and equipment		(15,554)	(87,088)	(15,554)	(87,088)
Investment in subsidiary companies		-	-	(4)	-
Proceeds - Sale of Non Current Assets		1,400	6,497	1,400	6,497
Net investing cash flows		(14,154)	(80,591)	(14,158)	(80,591)
Cash flows relating to financing activities					
Cash proceeds from issue of shares		660,374	-	660,374	-
Cash proceeds - Loans		60,000	195,040	60,000	195,040
Net financing cash flows		720,374	195,040	720,374	195,040
Net increase / (decrease) in cash held		(232,615)	(1,056,507)	(232,619)	(1,056,507)
Cash at beginning of year		203,651	1,260,158	203,649	1,260,156
Cash at end of financial year		(28,964)	203,651	(28,970)	203,649

The above Statements of Cashflows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Tele-IP Limited and controlled entities, and Tele-IP Limited as an individual parent entity. Tele-IP Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or,except where stated, current valuations of non-current assets. Costs are based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

The consolidated accounts comprise the accounts of the company and all controlled entities. All inter-company balances and transactions have been eliminated.

Certain items in the statutory accounts of controlled entities have been reclassified in the economic entity's accounts to be in accordance with the accounting policies and business operations of the parent entity.

(b) Investments

Investments have been valued at cost except where there has been a permanent diminution in value, in which case either the investment has been written off or a provision for diminution raised.

(c) Income tax

Tax-effect accounting procedures are followed, whereby the income tax expense/(benefit) for the year is matched with the profit/(loss) from ordinary activities adjusted for any permanent differences.

Income tax set aside on cumulative timing differences is brought to account as either a provision for deferred income tax or as an asset described as future income tax benefits at the rate of income tax applicable to the period in which the liability will become payable or the benefit will be received.

The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. The future income tax benefit relating to timing differences is not carried forward as an asset unless realisation is assured beyond reasonable doubt.

(d) Plant & Equipment

Plant and equipment are brought to account at cost less any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of its recoverable amount. Plant and equipment is depreciated on a diminishing value basis over the useful life to the economic entity commencing from the time each asset is held ready for use. The depreciation rates used range from 25% to 40%.

(e) Foreign Currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates at that date. Resulting exchange differences are brought to account in the Statement of Financial Performance for the year.

(f) Employee Entitlements

Provision is made for the Company's liability for employee entitlements for annual leave and long service leave arising from services rendered by employees to balance date. The liability for long service leave is measured in accordance with the relevant statutory requirements and is provided after five years service on the basis of current salary levels. Contributions made by the Company to employee superannuation funds are charged to the Statement of Financial Performance as expenses when incurred.

(g) Intellectual Property

Intellectual Property includes property and patents relating to

: Digital Radio Analyser; and : Merlin Network Management System

Intellectual Property is amortised over the period over which its benefits are expected to be realised and the resultant carrying amount is reviewed annually. In accordance with this policy directors reviewed the carrying amount of the Intellectual Property as at 31 December, 2002 and have writen off the balance remaining as there is uncertainty in regard to recoverability of this amount from future profits. The commensurate write off amounting to $1,161,000 has been brought to account in the Statement of Financial Performance as at that date.

(h) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Amortisation of goodwill is charged to the economic entity on a straight line basis over ten years. The balance of goodwill carried forward is reviewed annually. In accordance with this policy directors reviewed the carrying amount of Goodwill as at 31 December, 2002 and have writen off the balance remaining as having no continuing value to the company's current activities. The commensurate write off amounting to $202,500 has been brought to account in the Statement of Financial Performance as at that date.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials. Costs are assigned on the basis of weighted average costs.

(j) Unrealised Earnings

In 2001 the company entered into a transaction for the transfer of certain Intellectual Property. The consideration received was primarily inventory realisable in the ordinary course of business. The profit on this transaction was treated as Unrealised Earnings which is recognised upon sale of relevant inventory. At 31st December,2002 directors wrote off the balance of the remaining Unrealised Earnings against the value of the relevant inventory.

(k) Deferred Income

Deferred income disclosed in Note 13 represents amounts received from customers in advance of the company's obligation to provide the contracted services. Income from these transactions is deferred and only recognised as and when the relevant services are provided.

(l) Cash

For the purpose of the Statements of Cash Flows, cash includes:

(i) Cash on hand and at call deposits with banks or financial institutions; and

(ii) Investments in short term money market instruments.

(m) Revenue Recognition

Revenue from the sale of goods and services is recognised upon delivery of goods or performance of services to customers. Interest revenue is recognised when the entitlement to receive interest is indefeasible.

(n) Financial Instruments

The Economic Entity has financial instruments in the form of cash on short term deposit; trade debtors which are receivable within the ordinary course of business and trade creditors which are payable in the ordinary course of business. The net fair value or credit risk exposure of these financial instruments is deemed to materially equate to the carrying value shown in the financial statements.

(o) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the company, are charged as expenses in the periods in which they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Goods and Services Tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the asset or expense cost. Receivables and Payables are shown in the Statement of Financial Position as inclusive of GST.

	Economic Entity		Parent Entity	
	2002	2001	2002	2001
	$	$	$	$
2 PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax is arrived at after taking into account:				
(a) Revenue				
Operating Activities				
Equipment and Software Sales	2,425,298	2,507,957	2,425,298	2,507,957
Wireless Installations and Sales	126,575	333,391	126,575	333,391
Business Services	1,487,391	221,049	1,487,391	221,049
New Technology Development	31,477	-	31,477	-
Interest	7,067	28,159	7,067	28,159
Other	5,467	4,842	5,467	4,842
	4,083,275	3,095,398	4,083,275	3,095,398
Non-Operating Activities				
Proceeds on disposal of plant & equipment	59	6,548	59	6,548
Write back in provision for unsecured loan	88,364	29,455	88,364	29,455
	88,423	36,003	88,423	36,003
Total Revenue	4,171,699	3,131,401	4,171,699	3,131,401
(b) Cost of Sales				
Opening Inventories	3,573,115	550,286	3,573,115	550,286
Add: Cost of Sales				
- Equipment and Software Sales	630,146	4,220,734	630,146	4,220,734
- Wireless Installations and Sales	21,942	123,261	21,942	123,261
- Business Services	171,387	6,796	171,387	6,796
- New Technology Development	8,556	-	8,556	-
	4,405,146	4,901,077	4,405,146	4,901,077
Closing Inventories	(2,824,333)	(3,573,115)	(2,824,333)	(3,573,115)
	1,580,813	1,327,962	1,580,813	1,327,962
(c) Depreciation and Amortisation Expense				
Depreciation of plant & equipment	69,724	81,574	69,724	81,574
Amortisation of Goodwill	30,000	30,000	30,000	30,000
Amortisation of Intellectual Property	412,000	412,000	412,000	412,000
	511,724	523,574	511,724	523,574
(d) Borrowing Costs				
Interest & Bank Charges paid	7,640	4,224	7,640	4,224
(e) Other Expenses from ordinary activities				
Operating activities				
Administration	751,625	661,671	751,625	661,671
Corporate & Finance	122,640	192,191	122,640	192,191
Marketing / Sales	612,252	732,289	612,252	732,289
Sydney office	359,425	195,110	359,425	195,110
Business Services	429,611	1,038,513	429,611	1,038,513
Production Services	200,720	265,155	200,720	265,155
New Technology Development	554,214	660,794	554,214	660,794
Other	100,593	120,776	100,593	120,776
	3,131,080	3,866,499	3,131,080	3,866,499
Non-Operating activities				
Write off in value of intangibles	1,363,500	-	1,363,500	-
Carrying amount of plant & equipment disposed	1,232	5,456	1,232	5,456
Write down in value of investments	111,594	255,446	-	-
Provision for Non Recovery of controlled entity loan	-	-	111,594	255,446
	1,476,326	260,902	1,476,326	260,902
Total Other Expenses	4,607,406	4,127,401	4,607,406	4,127,401
Loss from ordinary activities before income tax	(2,535,885)	(2,851,760)	(2,535,885)	(2,851,760)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2002	**2001**	**2002**	**2001**
	$	**$**	**$**	**$**

3 NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Reconciliation of net cash from/(used) in operating activities to profit/(loss) after income tax

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Operating profit / (loss) after tax	(2,535,885)	(2,851,760)	(2,535,885)	(2,851,760)
Depreciation	69,724	81,574	69,724	81,574
Amortisation	442,000	442,000	442,000	442,000
Increase/(decrease) in employee entitlements	5,280	(20,304)	5,280	(20,304)
Increase/(decrease) in creditors	(354,956)	507,125	(354,956)	507,125
(Increase) / decrease in debtors	707,691	156,577	707,691	156,577
(Increase) / decrease in prepayments	77,740	(108,735)	77,740	(108,735)
(Increase) / decrease in inventory	748,782	(3,022,829)	748,782	(3,022,829)
(Increase) / decrease in other assets	49,945	-	49,945	-
Increase/(decrease) in provision for doubtful debts	-	(329,953)	-	(329,953)
Increase/(decrease) in deferred revenue	(1,430,357)	3,220,943	(1,430,357)	3,220,943
Increase/(decrease) in unsecured loan	(195,040)	-	(195,040)	-
(Increase) / decrease in provision for diminution in value of related company	-	-	111,594	255,446
Writeoff Intangibles	1,363,500		1,363,500	
Writeback sale of Intellectual Property	-	500,000	-	500,000
Loss/(Profit) on sale of Non Current Assets	1,146	(1,042)	1,146	(1,042)
Provision for diminution in investments	111,594	255,446	-	-
Net cash from/(used) in operating activities	(938,835)	(1,170,958)	(938,835)	(1,170,958)

(ii) Non cash financing and investing activities
There were no non cash financing and investing activities undertaken by the Economic or Parent Entity during the year.

(iii) Credit Standby Arrangements
No credit stand by arrangements existed either during the year or at the end of the financial year.

4 INCOME TAX EXPENSE
The prima facie tax benefit on the operating loss is reconciled to the income tax expense provided in the accounts as follows:

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Operating loss before income tax	(2,535,885)	(2,851,760)	(2,535,885)	(2,851,760)
Prima facie income tax benefit on the operating loss at 30% (2001: 34%)	(760,765)	(969,598)	(760,765)	(969,598)
Less:Tax effect of permanent & timing differences	(53,335)	933,802	(53,335)	933,802
Future income tax benefit not brought to account	759,827	33,690	759,827	33,690
Add:Reduction in Future Tax Benefit due to change in income tax rates	54,273	2,106	54,273	2,106
Income tax charged to Statements of Financial Performance	-	-	-	-

The parent entity has income tax losses of approximately $5,944,821 resulting from current year operations and prior year operations subsequent to changes in ownership and business during the 1999 year.

Potential future income tax benefits attributable to tax losses carried forward and timing differences as at 31 December 2002 have not been brought to account as an asset by the group companies. The future income tax benefit, which has not been recognised as an asset, will only be obtained if:

(i) The group companies derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) The group companies continue to comply with the conditions for deductibility imposed by tax legislation;

(iii) No changes in tax legislation adversely affect the group companies in realising the benefit.

	Economic Entity		Parent Entity	
	2002	**2001**	**2002**	**2001**
	$	**$**	**$**	**$**
5 INVENTORIES				
Raw materials	228,579	287,612	228,579	287,612
Work In Progress	4,750	15,575	4,750	15,575
Finished Goods	2,591,004	3,269,928	2,591,004	3,269,928
	2,824,333	3,573,115	2,824,333	3,573,115
Less: Writedown as referred in Note 1(j)	(1,671,125)	-	(1,671,125)	-
	1,153,208	3,573,115	1,153,208	3,573,115
6 RECEIVABLES				
Current				
Trade debtors	335,505	1,043,196	335,505	1,043,196
Less: Provision for doubtful debts	(20,047)	(20,047)	(20,047)	(20,047)
	315,457	1,023,148	315,457	1,023,148
Other debtors and prepayments	51,360	129,100	51,360	129,100
Unsecured Loan	88,363	88,363	88,363	88,363
Less : Provision for non-recovery	(88,363)	(88,363)	(88,363)	(88,363)
	366,817	1,152,248	366,817	1,152,248
Non-Current				
Exploration tenement deposits	-	10,000	-	10,000
Other deposits	-	39,945	-	39,945
Loans to controlled entities	-	-	2,184,175	2,184,175
Less : Provision for non-recovery	-	-	(2,129,175)	(2,017,581)
Unsecured Loan	23,693	112,058	23,693	112,058
Less : Provision for non-recovery	(23,693)	(112,058)	(23,693)	(112,058)
	-	49,945	55,000	216,539
7 OTHER FINANCIAL ASSETS				
Current				
Quoted on a prescribed stock exchange	55,000	166,594		
(i) Market value of shares at balance date				
Shares on a prescribed stock exchange	55,000	166,594		
Non-Current				
Shares in Controlled Entities - Unquoted			6	2
			6	2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
8 PLANT & EQUIPMENT				
Office Furniture & Equipment - at cost	87,009	87,468	87,009	87,468
Less: Accumulated Depreciation	(51,321)	(36,637)	(51,321)	(36,637)
	35,687	50,831	35,687	50,831
Motor Vehicles - at cost	21,867	21,867	21,867	21,867
Less: Accumulated Depreciation	(10,866)	(7,673)	(10,866)	(7,673)
	11,001	14,194	11,001	14,194
Computer & Test Equipment - at cost	257,455	250,891	257,455	250,891
Less: Accumulated Depreciation	(161,356)	(116,415)	(161,356)	(116,415)
	96,098	134,476	96,098	134,476
Total Plant & Equipment	142,786	199,501	142,786	199,501

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant & equipment between the beginning and the end of the current financial year.

	Office Furniture & Equipment	Motor Vehicles	Computer & Test Equipment	Total
Economic & Parent Entity				
Balance at the beginning of the year	50,831	14,194	134,476	199,501
Additions	1,041	-	14,513	15,554
Disposals	(1,500)	-	(7,949)	(9,449)
Depreciation Expense	(14,685)	(3,193)	(44,942)	(62,820)
Carrying amount at end of year	35,687	11,001	96,098	142,786

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
9 INTANGIBLES				
Intellectual property at cost	-	2,500,000	-	2,500,000
Less: accumulated amortisation	-	(927,000)	-	(927,000)
Purchased goodwill	-	300,000	-	300,000
Less: accumulated amortisation	-	(67,500)	-	(67,500)
	-	1,805,500	-	1,805,500

Transactions involving the write off of Intangibles are referred to in Note 1 (g) and (h).

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
10 PAYABLES				
Current				
Bank Overdraft	28,970	-	28,970	-
Creditors & accruals	699,934	1,045,430	699,934	1,045,430
Unsecured Loans	60,000	195,040	60,000	195,040
	788,904	1,240,470	788,904	1,240,470
11 TAX LIABILITIES				
Current				
Goods & Services Tax Payable	14,895	24,354	14,895	24,354
12 PROVISIONS				
Current				
Provision for employee entitlements	74,952	69,672	74,952	69,672
Number of Employees at year end.	16	26	16	26
13 DEFERRED REVENUE				
Current				
Deferred Income	150,985	1,153,677	150,985	1,153,677
Unrealised Earnings	-	2,098,789	-	2,098,789
	150,985	3,252,466	150,985	3,252,466

Transactions involving the deferral of revenue are referred to in Note 1 (j) and (k).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
14 CONTRIBUTED EQUITY				
Issued and paid up capital:				
Ordinary fully paid shares	10,042,749	33,753,763	10,042,749	33,753,763

Movements in issued and paid up ordinary share capital of the company during the past two years were as follows:

		Note	No. of Shares	Issue Price (cents)	$
01 01 01	Opening Balance		126,248,508		33,753,763
24.04.02	Issue of shares	(a)(d)	9,111,088	2.25	205,000
03.05.02	Issue of shares	(a)(d)	1,977,777	2.25	44,500
30.05.02	Share Capital Offset against Accumulated Losse	(b)	-		(24,371,388)
19.06.02	Issue of shares	(a)(d)	18,261,111	2.25	410,874
Balance - 31 December, 2002			155,598,484		10,042,749

(a) Allotments under private placement arrangements

(b) Share Capital Offset:
In accordance with a 2002 Annual General Meeting resolution, losses accumulated through mining operations previously conducted by the company amounting to $24,371,388 have been offset against the value of Issued Capital to more properly reflect the value of members interests in the ongoing operations of the company.

(c) OPTIONS OVER ISSUED CAPITAL

(i) 10,000,000 Options were issued as part of the consideration for the telecommunication assets purchased during the 1999 year at an exercise price of $0.40 per share with an expiry date of 30 June 2004. The principal Terms and Conditions of these Options can be summarised as:
- (i) not being exercisable until the audited profit of the Company before tax exceeds $10 million for the period following the re-quotation of the company's shares.
- (ii) not conferring inherent right to participate in any subsequent share issue until exercised.

(ii) 1,500,000 Options were issued to Non Executive Directors in 1999. These options are exercisable at a price of $0.40 per share, with an expiry date of 30 June 2004.

(iii) 3,472,000 Options issued in 2001 to key employees with an expiry date of 30 June 2006 on the Terms and Conditions set out in the Company's Share Option Incentive Plan These options are exercisable in various tranches at $0.05 per share.

(iv) On 30 May 2002, 10,000,000 Options were issued in four tranches to Managing Director, Mr Ian May, with exercise prices at $0.05 and $0.08,expiring between 31 December 2006 and 31 December 2009.

(d) Restricted Securities
During the year 29,349,976 Ordinary shares were issued subject to Restriction Agreements pursuant to Section 707 of the Corporations Act (2001) restricting transfer for twelve months from date of issue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2002	2001	2002	2001
	$	$	$	$
15 ACCUMULATED LOSSES				
Accumulated Losses at the beginning of the financial year	31,190,171	28,338,411	31,190,171	28,338,411
Offset against issued capital (refer Note 14b)	(24,371,388)	-	(24,371,388)	-
	6,818,783	28,338,411	6,818,783	28,338,411
Current Year Loss	2,535,885	2,851,760	2,535,885	2,851,760
	9,354,668	31,190,171	9,354,668	31,190,171

16 FINANCIAL INSTRUMENTS

Interest rate risk exposure

The economic entity's exposures to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

2002	Floating Interest	Fixed Interest maturing 1 yr	Non-Interest bearing	TOTAL
Financial asset				
Cash Assets	2	-	500	502
Receivables	-	-	366,817	366,817
Other Financial Assets	-	-	55,000	55,000
TOTAL	2	-	422,317	422,319
Weighted average interest rate		Nil	Nil	
Financial liability				
Payables	28,967	-	759,934	788,901
Tax Liabilities	-	-	14,895	14,895
TOTAL	28,967	-	774,829	803,796
Weighted average interest rate	13.6%	Nil	Nil	
2001				
Financial asset				
Cash Assets	203,151	-	500	203,651
Receivables	-	-	1,202,193	1,202,193
Other Financial Assets	-	-	166,594	166,594
TOTAL	203,151	-	1,369,287	1,572,438
Weighted average interest rate	2.65%	Nil	Nil	
Financial liability				
Payables	-	-	1,240,470	1,240,470
Tax Liabilities	-	-	24,354	24,354
TOTAL	-	-	1,264,824	1,264,824
Weighted average interest rate	Nil	Nil	Nil	

17 COMMITMENTS AND CONTINGENT LIABILITIES

The commitments set out below represent the greater of anticipated outlays versus minimum expenditure commitments on operating leases currently held in respect of the parent entity.

	Economic Entity		Parent Entity	
	2002	2001	2002	2001
	$	$	$	$
Expenditure commitments - Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:-				
Not later than one year	25,611	202,843	25,611	202,843
Later than one year but not later than 2 years	5,967	18,358	5,967	18,358
Later than two years but not later than 5 years	-	21,190	-	21,190
	31,578	242,391	31,578	242,391

Superannuation commitments

The company makes superannuation contributions to prescribed superannuation funds on behalf of employees and executive directors,as required by the Superannuation Guarantee legislation (currently 9%). The principal types of benefit are death, permanent disability and superannuation benefits upon retirement.

Executive Agreements

The maximum amount of contingent liability in respect of an employee service agreement is $370,000.

There are no other contingent liabilities for termination benefits with any directors or persons who participate in the management of the company or its controlled entities.

	Economic Entity		Parent Entity	
	2002	2001	2002	2001
	$	$	$	$

18 REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors remuneration

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors and any related parties	547,861	311,000	547,861	311,000

Number of parent entity directors whose income from the parent entity and any related parties was within the following bands :

	Parent Entity 2002 No.	Parent Entity 2001 No.
$ 0 - $ 9,999	4	-
$ 10,000 - $ 19,999	-	3
$100,000 - $109,999	1	-
$110,000 - $119,999	1	1
$150,000 - $159,999	-	1
$300,000 - $309,999	1	-

The names of the parent entity directors who have held office during the year are:

Andrew L. Martin
Edwin F. Stoyle
Louis J. Delacretaz (Resigned 27 May,2002)
Dr Maurice M. Venning
John G. McCormack (Resigned 30 April,2002)
Ian D. May (Appointed 13 February,2002)
Christopher J. Eade (Appointed 19 June,2002)

(b) Executives remuneration

Remuneration of executives of the economic entity or the parent entity who received remuneration of $100,000 or more from the economic, parent or related entities.

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Aggregate remuneration	797,466	466,158	797,466	466,158

Amount paid by the parent company in the following band:-

	Parent Entity 2002 No.	Parent Entity 2001 No.
$100,000 - $109,999	-	1
$110,000 - $119,999	1	2
$120,000 - $129,999	1	-
$130,000 - $139,999	3	1
$160,000 - $169,999	1	-

c) Retirement Benefits

No amount of prescribed benefits have been provided by the Parent Entity or the Economic Entity to a director or a prescribed superannuation fund in connection with retirement from a prescribed office.

d) Directors Share Interests

As at the reporting date, Directors and director-related entities hold, directly or indirectly or beneficially the following interests in the Parent Entity :

	Parent Entity 2002	Parent Entity 2001
Ordinary Shares	42,415,841	52,863,879
Options	11,500,000	11,500,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19 SEGMENT REPORTING

During the year the economic entity operated solely in the telecommunications sector within Australia.

	2002			2001		
	Revenue	Segment Result	Segment Assets	Revenue	Segment Result	Segment Assets
Telecommunications:-						
Australia	4,171,699	(2,535,885)	1,717,817	3,131,401	(2,851,760)	7,140,554
Mining:-						
Australia	-	-	-	-	-	10,000
	4,171,699	(2,535,885)	1,717,817	3,131,401	(2,851,760)	7,150,554

20 RELATED PARTY TRANSACTIONS

Transactions with companies or firms in which directors of the company have an interest. All transactions were conducted by the Parent Entity at commercial rates. Other fees and remuneration paid to directors and executive officers are disclosed in the Report of Directors and Note 18.

Director	Director Related Entity	Details	2002 $	2001 $
L J Delacretaz (a)	Copper Systems Pty Ltd	Administrative services	1,056	11,972
J G McCormack (b)	McCormack & Partners	Accounting services	44,537	25,575
C J Eade (c)	Strategic Project Marketing	Private placement fees	20,930	-

(a) Resigned as Director 27 May, 2002. Resigned as employee 31 October, 2002.
(b) Resigned as Director 30 April, 2002
(c) Appointed as Director 21 June, 2002.

21 CONTROLLED ENTITIES

	Incorporated	Share class	Holding	BOOK VALUE 2002 $	BOOK VALUE 2001 $
Investments in unquoted corporations being controlled entities:					
Pacarc (PNG) Limited	Papua New Guinea	Ordinary	100%	2	2
Strato Sonde Pty Ltd	Australia	Ordinary	100%	2	-
Beam Communications Pty Ltd	Australia	Ordinary	100%	2	-
				6	2

Contributions to profit/(loss)
During the year, members of the economic entity contributed to operating profit/(loss) before tax as follows:

	2002 $	2001 $
Tele-IP Limited	(2,535,885)	(2,851,760)
Pacarc (PNG) Limited	(111,594)	(255,446)
Strato Sonde Pty Ltd	-	-
Beam Communications Pty Ltd	-	-
Adjustments/eliminations	111,594	255,446
	(2,535,885)	(2,851,760)

Business interests outside Australia

Pacarc (PNG) Limited — Papua New Guinea

22 EARNINGS PER SHARE

	2002 cents	2001 cents
Basic earnings per share	(1.76)	(2.26)
Diluted earnings per share	(1.76)	(2.26)
Weighted average number of shares used in the calculation of Basic Earnings Per Share	143,711,505	126,248,508

Dilutive Earnings Per Share:
All Potential Ordinary shares disclosed in Note 14 are dilutive.

23 REMUNERATION OF AUDITORS

	Economic Entity 2002 $	Economic Entity 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Remuneration of the Auditor of the Economic and Parent Entities for:				
- auditing or reviewing the financial report	19,635	17,270	19,635	17,270
- share registry services	12,968	15,994	12,968	15,994
	32,603	33,264	32,603	33,264

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes as set out in pages 10 to 22 are in accordance with the Corporations Act 2001:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the financial position as at 31 December 2002 and of the performance for the year ended on that date of the company and economic entity;

2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated 28th March 2003.

A L Martin.

ANDREW MARTIN
CHAIRMAN

AUSTRALIAN STOCK EXCHANGE INFORMATION

As at 26 March 2003.

Top twenty holders of quoted equity securities	Number	% of Class
Killarney Properties Pty Ltd	31,002,214	19.92
Electro Magnetic Measurements Pty Ltd	30,370,265	19.51
Mojo Corporation Pty Ltd	8,836,333	5.67
ESI Pty Ltd (Stoyle Family Trust)	5,410,533	3.47
Mr John Franciszek Chodorowski	2,620,622	1.67
Valutech Pty Ltd	2,547,031	1.63
Copper Systems Pty Ltd	2,086,737	1.34
Dr Keith Derrick Day & Mr Nicholas John Day	1,955,750	1.25
Nick Giannopoulos	1,777,778	1.14
Christopher John Eade	1,754,552	1.13
CTS Funds Pty Ltd	1,365,000	0.87
Stoyle Holdings Pty Ltd	1,333,460	0.85
Middencorp Electric Co Pty Ltd	1,310,877	0.84
Mr Min Chuan Wu	1,275,499	0.81
National Nominees Limited	1,104,274	0.70
Gerald Francis Pauley	1,000,000	0.64
Biotec International Pty Ltd	1,000,000	0.64
Biotec International Pty Ltd (Bigum Super Fund)	1,000,000	0.64
Pacrim Energy Limited	900,000	0.57
Peter Sok Yong Lee	850,556	0.54
Top twenty total:	*99,501,481*	*63.83*
Total issued:	155,598,484	

Unquoted Options

Andrew Martin and Ian May, Directors of the company, hold indirectly or directly 6,666,667 and 10,000,000 options respectively, in total representing 59.16% of the total number of 28,172,000 options on issue to 22 holders.

Voting Rights

There are 155,598,484 ordinary fully paid shares held by 2,303 members and these are the only class of share currently issued. The Company's Constitution provides that every member present in person, by proxy by corporate representative or by appointed attorney shall on the show of hands have one vote. In a poll, the vote is determined pro-rata to the amount paid up, if shares are paid up to different amounts.

Substantial shareholders	Number	% of Class
Killarney Properties Pty Ltd	31,002,214	19.92
Electro Magnetic Measurements Pty Ltd	30,370,265	19.51
Mojo Corporation Pty Ltd	8,836,333	5.67
E.F. Stoyle	7,643,993	4.89

Directors' interests	Shares	Options
A. L. Martin	30,370,265	6,666,667
Dr M. M. Venning	2,547,031	500,000
E.F. Stoyle	7,643,993	500,000
I.D. May	100,000	10,000,000
C.J. Eade	1,754,552	-

AUSTRALIAN STOCK EXCHANGE INFORMATION

Distribution of shares

Size Of Holdings	Number of Holders	%	Number of Shares	%
1 - 1,000	387	16.80	208,442	0.16
1,001 – 5,000	737	32.01	2,153,533	1.70
5,001 – 10,000	449	19.50	3,786,248	3.00
10,001 – 100,000	603	26.18	20,757,625	16.45
100,001 and over	127	5.51	99,342,660	78.69
	2,303	100.00	126,248,508	100.00

Restricted Ordinary Shares *	Number of Shares
Issued 24 April 2002	9,111,088
Issued 3 May 2002	1,977,777
Issued 19 June 2002	18,261,111
	29,349,976

Total Quoted	155,598,484

** Conditions of Restriction*
Subject to Restriction Agreements pursuant to Section 707 of Corporations Act which restrict transfer for a period of 12 months from date of issue.

Holders of less than a marketable parcel of Quoted Ordinary Shares

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted Shares
1,906	80.76	12,075,326	9.56

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TELE-IP LIMITED

Scope

The financial report of Tele-IP Limited ("the Company") for the financial year ended 31 December 2002 is set out on pages 10 to 23. The financial report includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year.

Responsibility for the financial report and its contents

The Directors of the Company are responsible for the preparation of the financial report and are required to provide a declaration as to whether, in their opinion, the financial report has been prepared in accordance with the Corporations Act 2001. The Directors are also required to state whether, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. This declaration is set out on page 23.

Our role as independent auditor

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement and has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and the Corporations Act 2001 and regulations thereto. In forming our opinion we are required to perform our audit with due care, competence and diligence, and to be free of interests which could be incompatible with independence. We have followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Corporations Act 2001.

We have also been engaged by the Directors to undertake other services for the Company and consolidated entity. These services are disclosed in note 23 to the financial statements. In our opinion, the provision of these additional services has not impaired our independence.

Our audit procedures

We have conducted a number of procedures in order to form an opinion as to whether, in all material respects, the financial report presents fairly a view which is consistent with our understanding of the Company's and consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

Our procedures included:

- the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report. This included testing, to the extent considered necessary by us to form our opinion, internal controls, transactions, significant accounting estimates and individual items;
- the evaluation of accounting policies applied by the Directors in the preparation and presentation of the financial report; and
- obtaining written confirmation regarding material representations made to us in connection with the audit.

The Australian Auditing Standards do not require, and we have not undertaken, an analysis of the appropriateness of the business decisions made by the Directors or management.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Tele-IP Limited, as set out on pages 10 to 23:

a) gives a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2002 and of their performance for the financial year ended on that date; and

b) is presented in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia, Corporations Act 2001 and regulations thereto.

Douglas Heck & Burrell

DOUGLAS HECK & BURRELL
Chartered Accountants

R C Brown
Partner

Brisbane, 31 March 2003