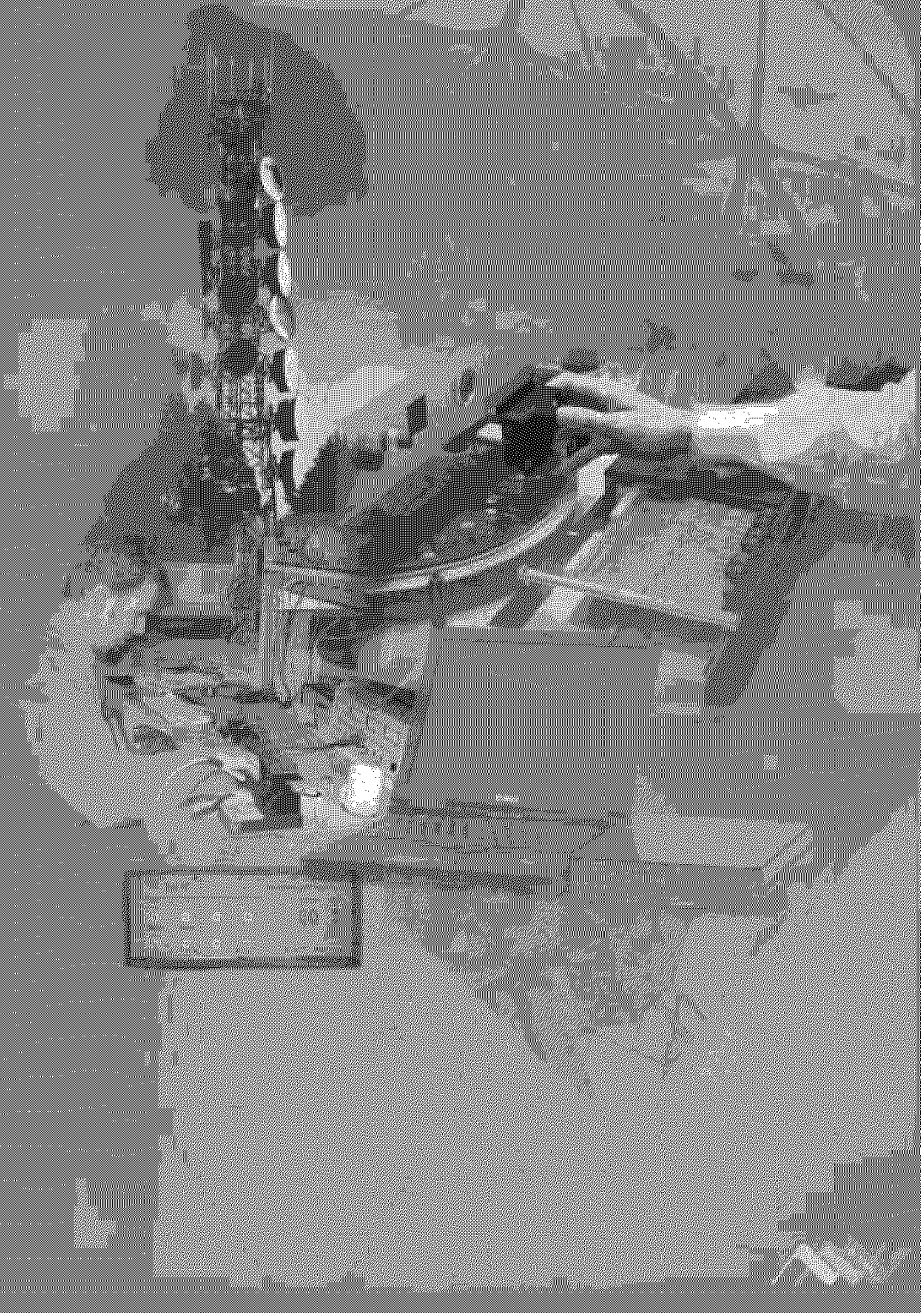
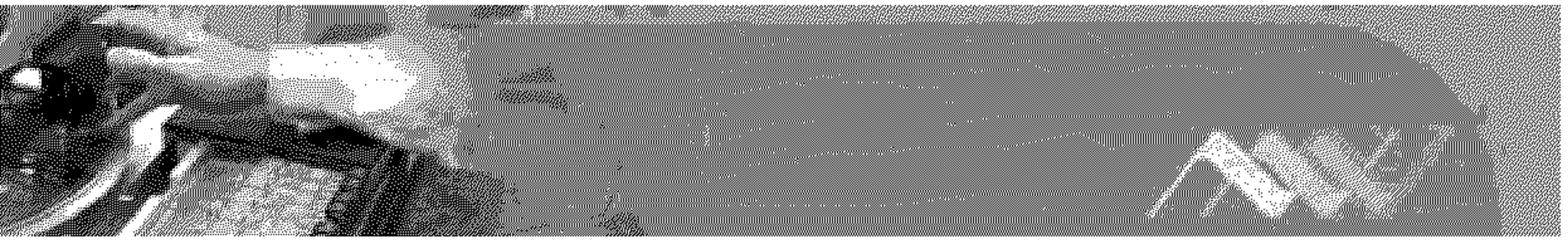
Tele-IP

Annual Report 2003

For the year ending 31 December 2003





Notice of Meeting

Notice is hereby given that the Annual General Meeting of Tele-IP Limited ABN 39 010 568 804 will be held at Room Two, Level 10, 600 Bourke Street, Melbourne on 31st March at 2.00pm

Contents

Directorate

NON-EXECUTIVE CHAIRMAN
Dr Colin McLean Adam

MANAGING DIRECTOR
Mr Ian Dean May

EXECUTIVE DIRECTOR
Mr Andrew Louis Martin

NON-EXECUTIVE DIRECTOR
Mr Anthony Peter Bigum

NON-EXECUTIVE DIRECTOR
Dr Maurice Morey Venning

NON-EXECUTIVE DIRECTOR
Mr Christopher John Eade

COMPANY SECRETARY
Mr John Gordon McCormack

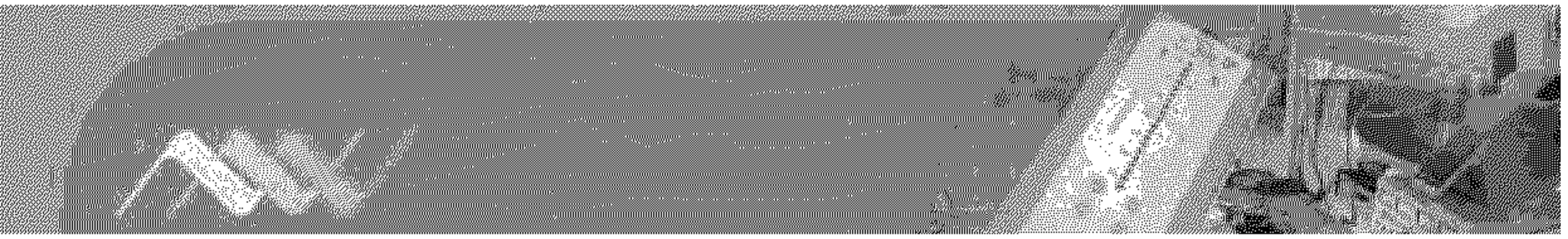
REGISTERED OFFICE
Level 16
390 St Kilda Road
Melbourne, Vic, 3004
Ph: (03) 9820 3925
Fax: (03) 9866 6161
Email: info@tele-ip.com

SHARE REGISTER
Pitcher Partners
Chartered Accountants
370 Queen Street
GPO Box 35
Brisbane, QLD, 4001
Ph: (07) 3228 4244
Fax: (07) 3221 3149

SOLICITORS TO THE COMPANY
Tress Cocks & Maddox
469 LaTrobe Street
Melbourne, Vic, 3000
Ph: (03) 9602 9444
Fax: (03) 9642 0382

ASX Home Branch
Brisbane

ASX Code
TEE



Chairman's Report

I am pleased to report a much improved company performance due to a stabilising of our network systems business and the growing revenue stream from our emerging business, Beam Communications Pty Ltd.

COMPANY PORTFOLIO

As we have announced to the market, the business of Tele-IP Ltd has components varying from the more mature network systems and management business through near-term revenue opportunities in the satellite communications stream to the mid to far term opportunities represented by the intellectual property associated with our atmospheric profiling technology.

The challenge for the company is to balance the timing of revenue and cash from current business against the demands and opportunities of the future. I believe that to date we have managed this challenge well.

NETWORK SERVICES BUSINESS

This business continues to provide the base load for the company, incorporating our core IP network competence. The Network Services business supports a growing number of major corporate and government applications for high-end networking including service providers, State governments and utility customers.

BEAM COMMUNICATIONS PTY LTD

This wholly owned subsidiary was established just over a year ago and the substantial investment in this emerging business has been proven justified.

In late 2002, we advised the market of establishment of the subsidiary and its target market, that of satellite terminal products for the rural and remote user communities. Following a very intense development phase, the company has achieved a complete, certified product line and has enjoyed the support of launch customers Telstra, in Australia, and Horizon Mobile Communications, in Thailand.

Additional products in the family, plus emerging opportunities within various markets worldwide, have enhanced the prospects for this business.

STRATOSONDE PTY LTD

This wholly owned subsidiary is the repository of all intellectual property and patents pertaining to our Atmospheric Profiling technology.

During 2003 we saw validation of our acoustic-chirp based approach, with NASA including our technology in a global survey of potential next-generation profiling technologies. Discussions throughout the year with overseas entities in Europe and the USA, continue to encourage us that we have a world class opportunity.

CAPITAL RAISINGS

As shareholders would be aware, Tele-IP Ltd took the opportunity to raise further capital in the market during the year. These capital raisings were necessary to ensure we were capable of funding the continued investment and growth to realise the value of the company for its shareholders.

The improvement in the Company's position could only have been achieved with the capital raisings completed throughout the year, particularly with the accelerated Beam development to meet the market opportunities that were presented to us.

Shareholders would no doubt recognise that further raisings may be required if your Board believes best value can be delivered this way, in order to fund further growth.

BOARD MEMBERSHIP

In order to establish a sound platform for the areas of growth we anticipate, the Board membership has been varied to provide an improved set of skills, experience and business networks.

Firstly, I am pleased to welcome Mr Tony Bigum to our Board as a non-executive Director. Secondly, and most importantly to the structure and effectiveness of the Board and Tele-IP in the future, I welcome Dr Colin Adam to the Board as non-executive Chairman. The Board has been actively seeking a person of Colin's experience and expertise for some time now, and I personally have been very focused on getting such a person.

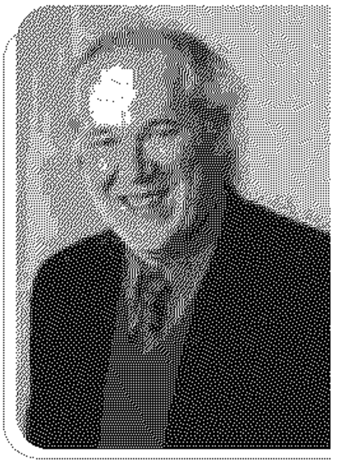
I am excited about the positive impact that I believe both Colin and Tony will have on the company, particularly the on-going strategic development of the business and the knowledge and experience they have both have in gaining access to overseas technology markets. This will naturally be most important for StratoSonde and to a lesser extent, Beam Communications.

THE FUTURE

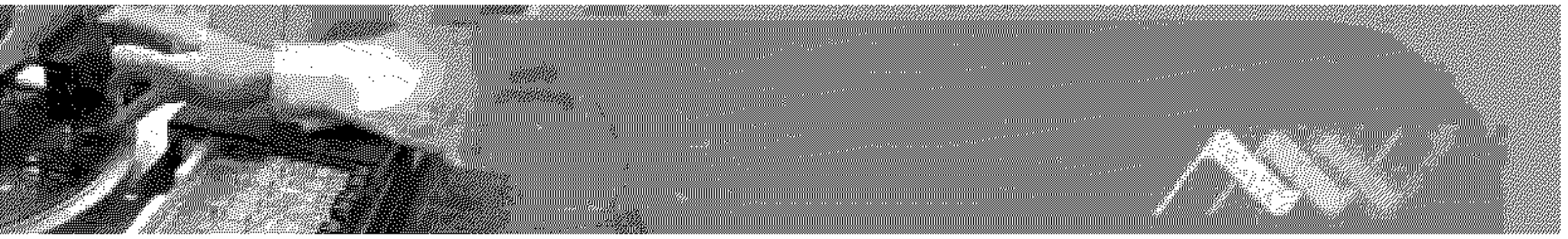
The company outlook is much improved with our strategy of managing multiple businesses, each at different stages of development.

Our maturing network services business has good positive growth prospects in existing and new technology areas, predominantly through sale of third party products; our Beam satellite business has delivered outstanding early revenues and is now set for global growth, whilst our StratoSonde business is in an "incubator" stage, progressing at the planned rate.

On stepping down as Chairman, I wish to thank the other directors, past and present, for their support and most particularly to the shareholders, for their loyalty over the past four years. I believe that the restructuring we have undertaken over the past two years, places Tele-IP in a very positive position for growth in the future.



Andrew Martin
Immediate Past-Chairman
Executive Director



Managing Director's Report

Following the major restructuring of the Company in 2002, Tele-IP Ltd entered 2003 on a better platform to pursue growth.

In 2003, we continued our strategy of building defendable long run operations, based on valuable intellectual property created either through direct Research and Development or through training of our staff in sought after skills. This technology-based business, including network services, is backed by a well executed sales and marketing function.

As shareholders would be aware, we have the core communications Network Services business, the Beam Communications satellite technology business and the StratoSonde atmospheric profiling business.

The Network Services business developed adequately during 2003,in an on-going depressed market, however, by year end, a number of customers have made architectural or equipment procurement decisions in Tele-IP's favour. New management for this division of Tele-IP was put in place in the third quarter of 2003 to further develop and enhance the business.

The Beam Communications subsidiary completed development on the launch product set, the RST100, RST200 and RST050, basically the telephony terminal, modem and battery subsystems respectively. The products were certified to Australian and International standards.

As a result, Beam Communications was able to conclude supply agreements with Horizon Mobile Communications, a marine supplier located in Thailand; and significant orders from Telstra, for use of the Beam technology. Strong revenue has been received from both agreements, and a number of other smaller opportunities, with equally strong prospects in 2004.

The StratoSonde subsidiary, a potentially valuable vehicle, has continued its fundamental research as well as continuous high level of discussions with major industry players in Europe and the USA, as well as a number of research institutions.

As announcements to the Stock Exchange have shown, we are pleased to report a significant improvement in the Company's position in terms of revenue, costs and cash on hand.

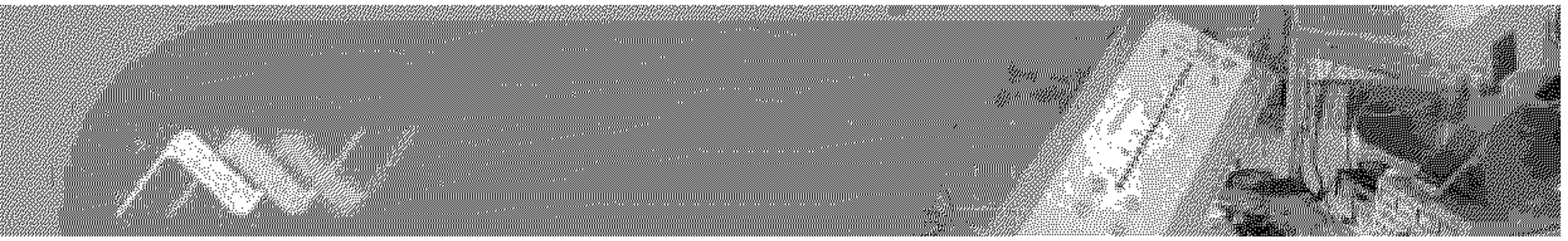
Revenue increased year on year to a record $4.5 million, an increase in a very tough year of 8.3%.

Our cash reserves at December 2002 were ($28,964) and at December 2003 $239,556. At the closing of our books in December 2003, our trade debtors were a record $1,272,697, most of which was then received in the first week of January. Beam also recorded work in progress totalling over $1.1 million in the month of January 2004 for orders waiting delivery.

As a result of our business strategy based on the development of solid revenue streams and an emphasis on cost control, Tele-IP recorded its maiden consolidated net profit before tax of a modest $16,670. This is significant when taking into account the bad debt of $550,981 suffered through the placing of our NSW agent, HeatherTech Pty Ltd, into liquidation in May 2003. This profit comes after four consecutive years of losses, including $2,535,885 in 2002, and the resultant turnaround supports the strategy that the management have put in place over the past two years.

I would like to thank our customers, strategic partners and suppliers and our own staff, after yet another year of growth with an emphasis on good cost control. The platform is now there for a year of continued growth with positive outlooks for all three operating entities of Tele-IP.

Ian May
Managing Director



Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 31 December, 2003.

DIRECTORS

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

DR COLIN ADAM

Non Executive Chairman
- B.Met Eng (Hons), PhD, FIE Aust, FTSE,
Age 60

Dr Adam was elected to the Board of Directors of Tele-IP Ltd in February 2004 and accepted the role of non-executive Chairman, taking over that position from Andrew Martin.

Colin retired from CSIRO in 2001, having acted as Chief executive for 12 months, responsible for the Organisation's academic and business performance and relationships with the government. Colin is a founding member of Principals Funds Management Pty Ltd, who provide Board and executive management skills, and private equity capital, to emerging growth companies.

In the USA, Colin held numerous senior executive positions within the aerospace industry, including roles at Allied Corporation as the Director of the Metals and Ceramics Laboratory, Corporate Technology, and prior to that, as Program Manager in advanced alloy development at Pratt and Whitney Aircraft.

Most recently, Colin has been instrumental in the development and growth of Australian technology companies including his role as a Director of Memtec, a local company sold to US Filter for US$450 million and as the Chairman of The Preston Group, a local aerospace software company sold to Boeing. He was a founding director of Melbourne IT, which became a public company in 1999.

He serves as a Board Member for a number of high technology companies, including Ceramic Fuel Cells Ltd and Universal Biosensors Ltd. He also holds non-executive Board positions with the Strategic Industries Research Foundation and the Overseas Council. Dr Adam is also the current Chairman of the Victorian Centre for Advanced Materials and Manufacturing

IAN MAY

Managing Director
- AMP
Age 55

Mr May has been employed in the IT and Communications industries for over 30 years. Ian's career has evolved from a technical background and then through business analysis and consulting, sales and sales management and then serving as a senior manager for a number of major technology companies.

Ian previously held the position of Director of the Business Division of Optus Communications, the largest division of the company 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, and held senior executive positions with major computer companies including Fujitsu and Data General.

Ian is focused on strategic planning and corporate development, the creation of short and long-term marketing programs and ensuring accountability throughout the entire organisation for effective performance measurement, business management and profitability.

ANDREW MARTIN

Executive Director (Immediate Past-Chairman)
- B.Eng FIE Aust SMIEEE
Age 58

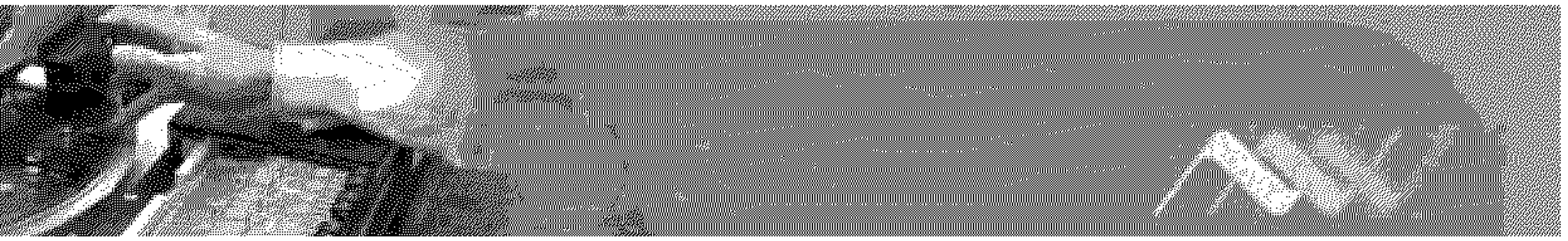
Andrew was the founder of Martin Communications Pty Ltd whose research is embodied in the intellectual property and patents that are the basis of the company's microwave propagation and atmospheric profiling leadership.

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.



DR MAURICE VENNING
Non Executive Director
- B.Sc(Hons), B.Ec, PhD
Age 54

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.A, B.Business, C.F.P.
Age 32

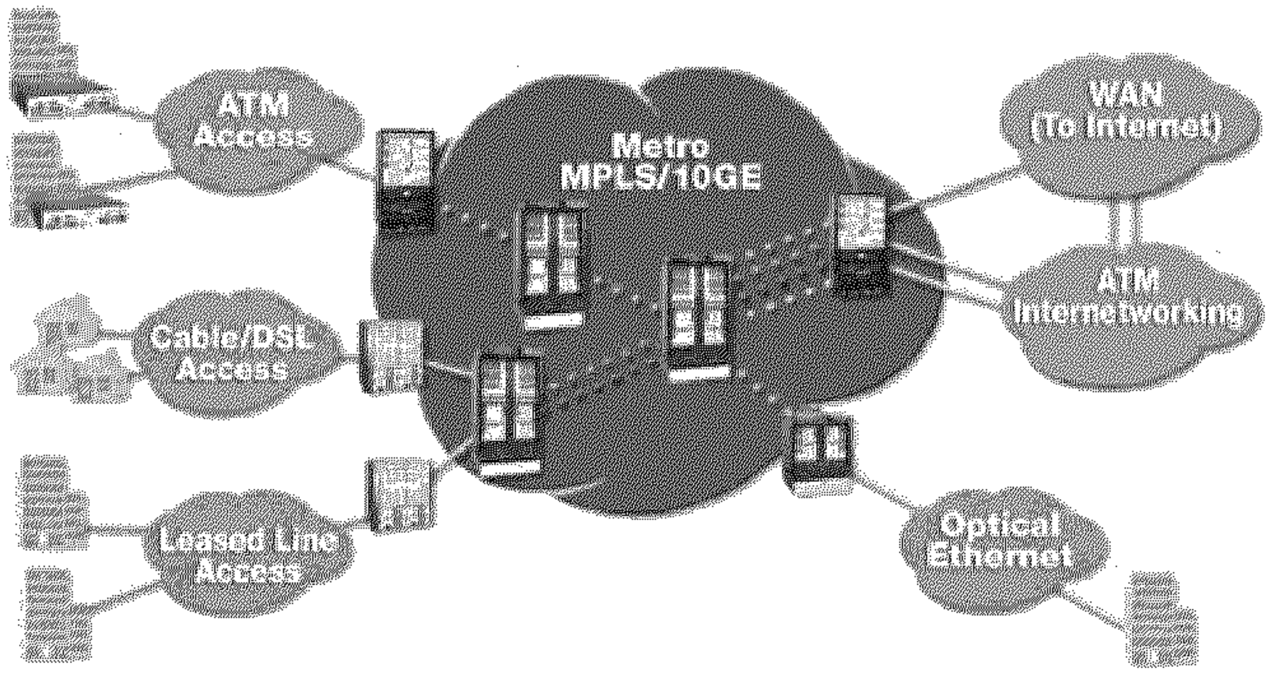
Christopher is the Principal of a boutique Advisory Firm providing investment advice and financial planning services. Prior to establishing this business he has had held senior executive positions with several investment banking organisations specialising in investment review, project development and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

ANTHONY PETER BIGUM
Non Executive Director
Age 55

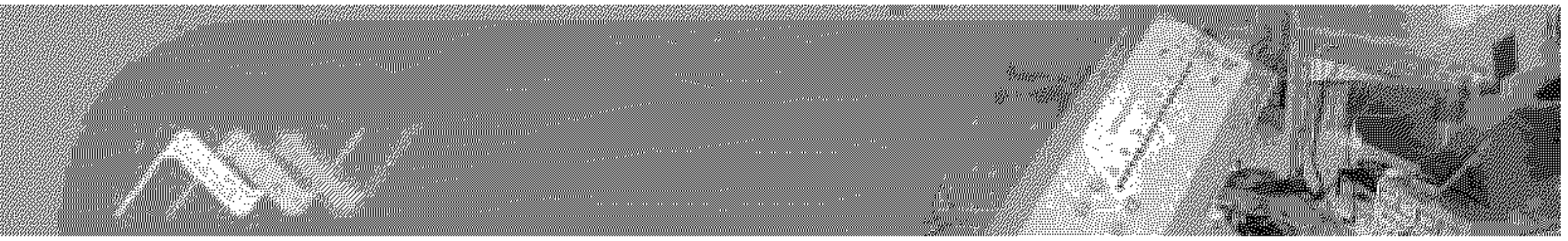
Mr Bigum is Chief Executive Officer of Thermo Electron Ltd and has 28 years experience relating to electronic design and commercialisation within the Medical Invitro Diagnostic industry. Mr Bigum has extensive experience at Board level and in the development of export markets.

Mr Bigum's other positions include those of Chairman of the Australian Diagnostic Manufacturers Association and the past Vice Chairman of Long March - Trace Medical Science Company in Shanghai, Director and Vice President of Trace America Ltd and Chairman of Trace International Ltd Hong Kong.

All directors above held office during the whole of the financial year and up to the date of this report with the exception of Mr Tony Bigum, who was appointed as a Director on 17th June 2003, and Dr Colin Adam, who was appointed as a Director on 17th February 2004.



Modern IP Network Architecture



PRINCIPAL ACTIVITIES

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

- Development and marketing of a range of resale products in the wired and wireless corporate networking markets.
- Microwave radio link design, measurement systems development and consulting.
- 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.

No significant changes in the nature of the principal activities occurred during the year.

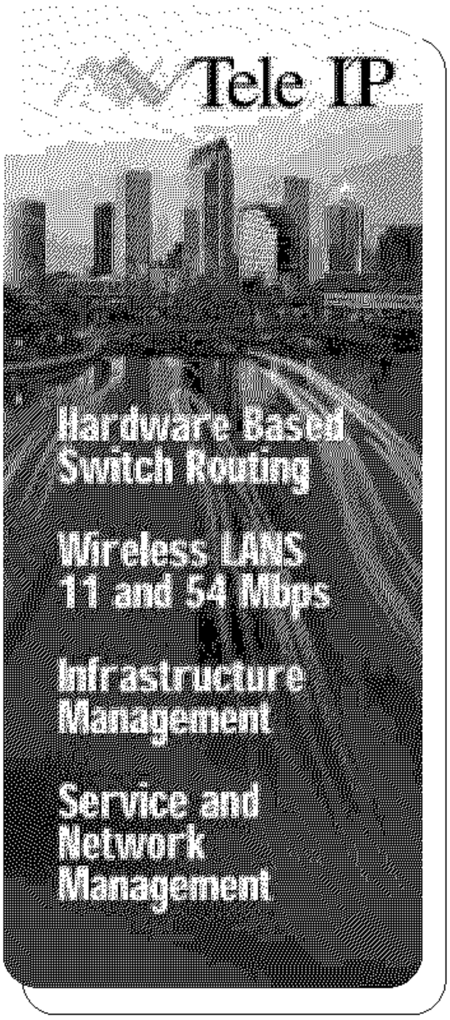
RESULTS AND REVIEW OF OPERATIONS

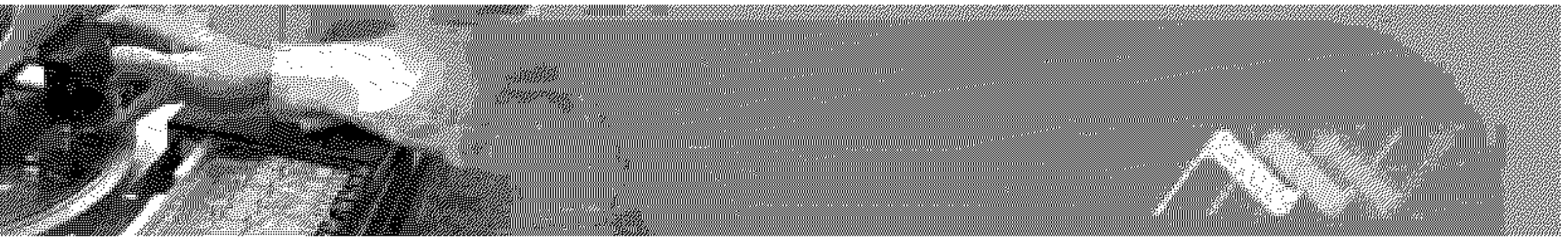
The Economic Entity achieved a consolidated profit before income tax of $16,670 from revenue of $4,518,271.

The markets for the company's telecommunications products and services partially recovered from the substantial contraction that occurred in earlier years. Sales and generation of satisfactory margins have continued to be difficult. The company has however been able to generate sufficient revenue and margins to cover overheads and a restricted research and development programme assisted by capital raisings through the year.

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, early sales revenue has been achieved from the satellite business from key launch customers ensuring the ongoing development and support of these products.

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 balanced well structured and focused range of products to provide our customers with solutions to their network hardware and 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

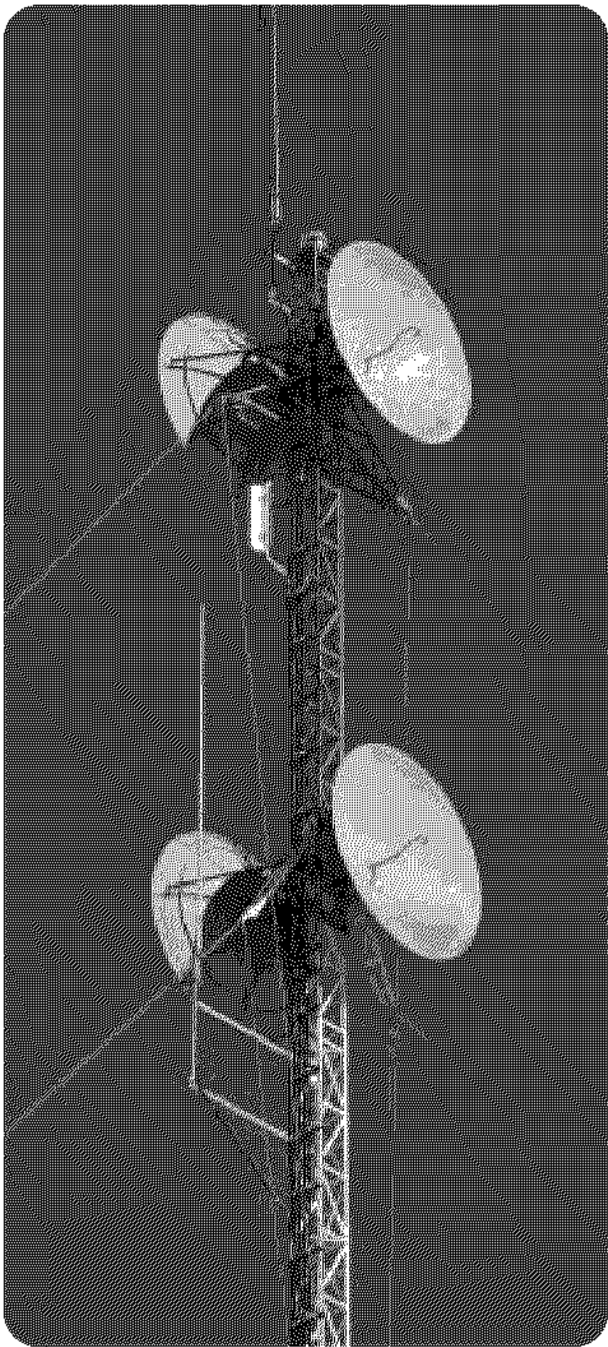
No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

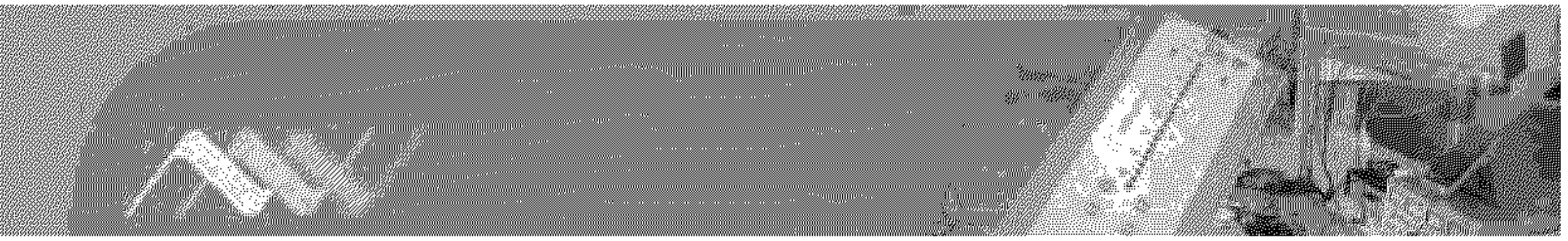
ENVIRONMENTAL ISSUES

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:

Director: *Officers:*	No. of Options
D. Cooke	200,000
M. Risos	200,000
T. Blacker	150,000
D. Ambry	150,000
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:

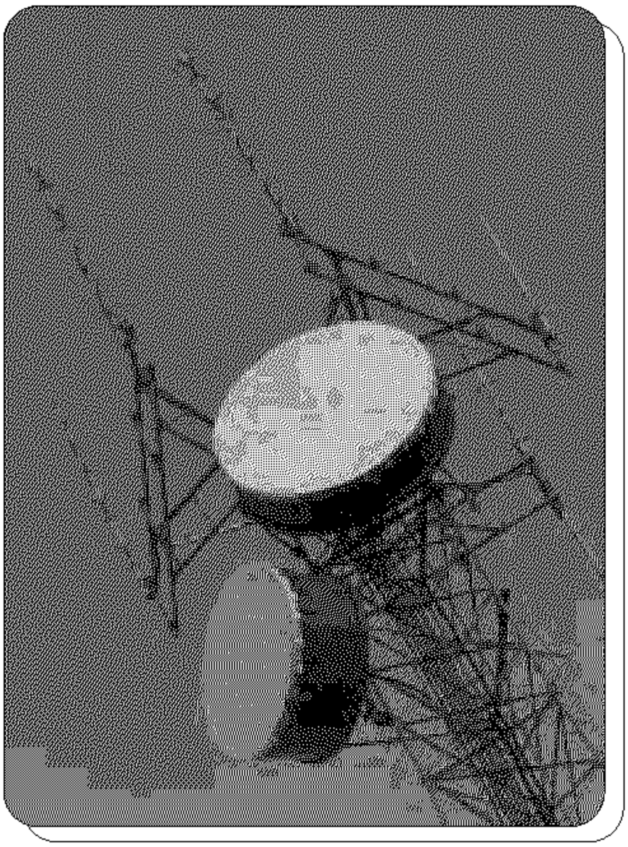
	Tele-IP Ltd Ordinary Shares	*Tele-IP Ltd Options*
A.L Martin	30,370,265	6,666,667
M.M Venning	2,547,031	500,000
A.P. Bigum	3,426,000	-
I.D May	100,000	10,000,000
C.J. Eade	1,754,552	-
C.M. Adam	-	-

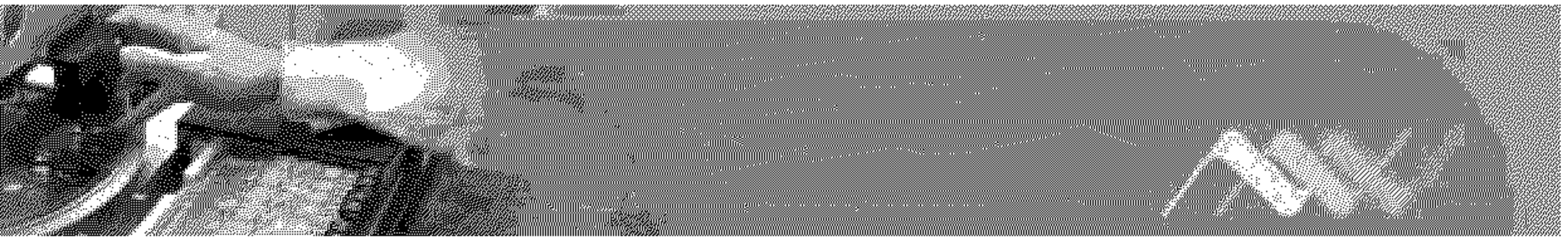
DIRECTORS' MEETINGS

During the year the parent company had 14 meetings of directors. The attendance 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	13	14		
Ian Dean May	14	14		
Edwin Frank Stoyle (Resigned 28 May 2003	6	6	1	1
Dr Maurice Morey Venning	13	14	2	2
Christopher John Eade	14	14	2	2
Anthony Peter Bigum (Appointed 17 June 2003	8	8	1	1

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.

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:-

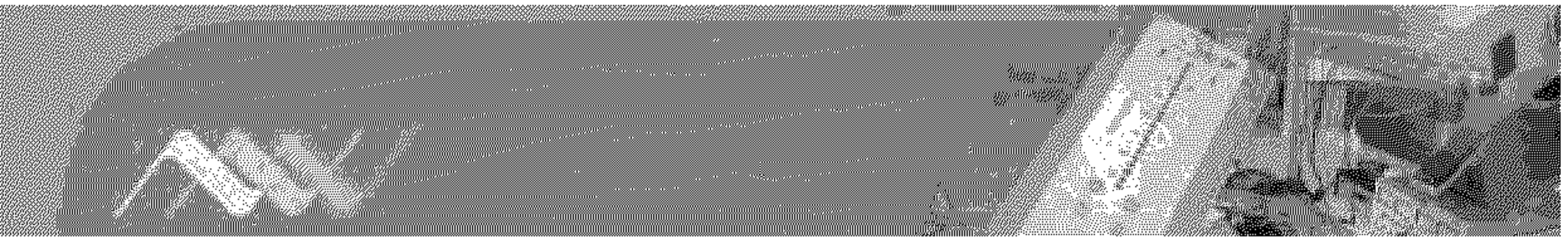
	DIRECTORS FEES (a)	SALARY	SUPERANNUATION CONTRIBUTIONS	MOTOR VEHICLE EXPENSES	TOTAL
DIRECTORS					
I.D. May	-	199,321	17,939	40,000	257,260
A.L. Martin	-	133,500	10,800	-	144,300
M. M. Venning	15,000	-	-	-	15,000
E. F. Stoyle	6,250	-	-	-	6,250
C.J. Eade	15,000	-	-	-	15,000
A.P. Bigum	8,750	-	-	-	8,750
					446,560
EXECUTIVES					
M. Risos	-	112,708	9,270	12,000	133,978
D.Cooke	-	107,679	9,668	-	117,347
T. Blacker	-	91,692	7,573	351	99,616
D. Ambry	-	86,308	7,768	-	94,076
M. Willis	-	65,000	5,850	15,000	85,850
					530,867

(a) At 31December 2003 Directors fees are accrued and unpaid.

Signed in accordance with a resolution of the Board of Directors dated 25 February 2004.

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.

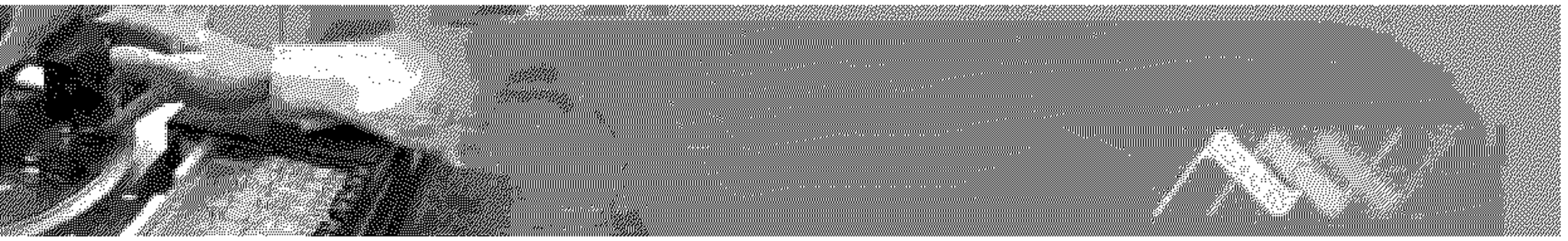
The Board ensures that recommendations made by the external auditors and other external advisors are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

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.



AUSTRALIAN STOCK EXCHANGE (ASX) CORPORATE GOVERNANCE GUIDELINES

In March 2003, the ASX Corporate Governance Committee released 10 principles of good corporate governance and best practice recommendations.

The Board has considered these guidelines and is taking the necessary steps to follow the best practice recommendations, where appropriate to the Company's circumstances.

The Company is formally required to disclose the extent to which it has followed the best practice recommendations in its 2004 annual report. However, as requested by the ASX, and in accordance with good disclosure practice, the Company is reporting earlier than required, as set out below:

Compliance with ASX best practice recommendations

The Company has followed the ASX's best practice recommendations during the year ended 31 December 2003 other than as disclosed below:

Division of Responsibilities

Although the functions and responsibilities of the Board and Company management have been determined, they have not been evidenced by formal documentation. Accordingly, a formal Board charter is being prepared.

Structure of Board of Directors

The Company has actively sought a suitable person for appointment as an independent Chairman of Directors and, as noted in an earlier section, has recently appointed Dr Colin Adam to that position.

Risk Management

The Board is developing formal policies to identify, assess, monitor and manage risks.

Senior Executive Reporting

The Managing Director and Chief Financial Officer are responsible for financial reporting, as well as the implementation and operation of the Board's risk management policies. These senior executives, as well as other Company officers, report to the Audit Committee and the Board on such matters. However, in order to conform with the ASX's recommendations, formal written statements will in future financial years be provided by both the Managing Director and Group Chief Financial Officer attesting to the integrity of the financial statements and the implementation, operating and effectiveness of the Board's risk management policies.

Disclosures

The Company has established a website at www.tele-ip.com which is subject to further development. Further information to be made publicly available in accordance with the ASX's recommendations will be posted on the Company's website in a specific corporate governance section. This will include:

- Board and Committee charters
- Policies and procedures for the selection and appointment of directors and external auditors
- Policies and procedures designed to guide compliance with ASX disclosure requirements
- Code of conduct and share trading policy
- Shareholder communication arrangements
- A description of the Company's risk management policy, compliance and control systems and
- Performance evaluation processes for the Board, its Committees, Directors and key executives.

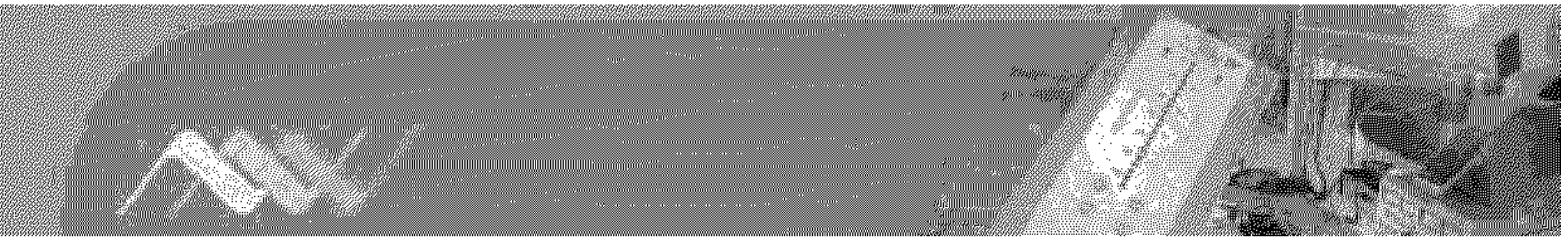
Financial Statements

Statement of Financial Performance

For the year ended 31 December 2003

		Economic Entity		*Parent Entity*	
		2003	2002	2003	2002
	Note	$	$	$	$
Revenues from ordinary activities	2	4,573,271	4,171,699	3,640,004	4,171,699
Changes in inventories of finished goods and work in progress	2	(1,565,520)	(1,580,813)	(544,648)	(1,580,813)
Depreciation and amortisation expense	2	(48,919)	(511,724)	(48,919)	(511,724)
Borrowing costs expense	2	(35,299)	(7,640)	(35,299)	(7,640)
Other expenses from operating activities	2	(2,308,758)	(3,131,080)	(2,369,735)	(3,131,080)
Other expenses from non-operating activities	2	(598,105)	(1,476,326)	(907,664)	(1,476,326)
Profit(Loss) from ordinary activities before income tax		16,670	(2,535,885)	(266,261)	(2,535,885)
Income tax expense relating to ordinary activities	4	-	-	-	-
Net Profit (Loss)		16,670	(2,535,885)	(266,261)	(2,535,885)
Non-owner changes in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		16,670	(2,535,885)	(266,261)	(2,535,885)
Basic earnings per share (cents)	21	0.01	(1.76)		
Diluted earnings per share (cents)	21	0.01	(1.76)		

The above statement of Financial Performance should be read in conjunction with the accompaning notes.

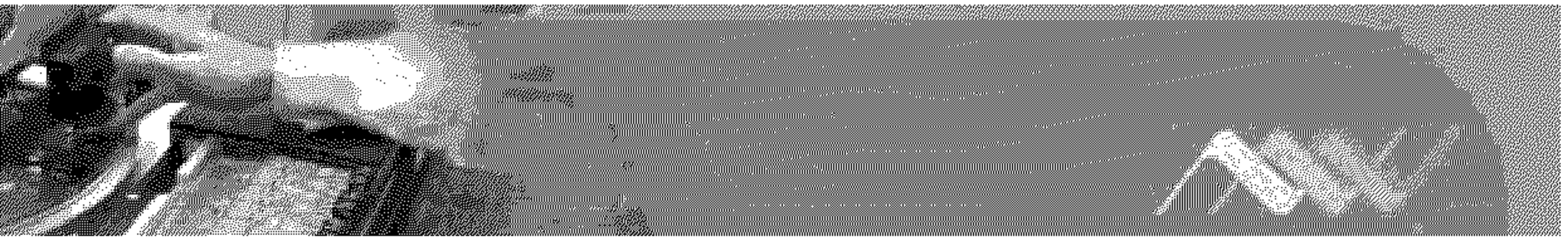


Statement of Financial Position

As at 31 December 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT ASSETS					
Cash Assets		239,556	6	239,300	-
Inventories	5	1,617,594	1,153,208	1,617,594	1,153,208
Receivables	6	1,433,928	366,817	1,451,247	366,817
Other Financial Assets	7	-	55,000	-	-
TOTAL CURRENT ASSETS		3,291,078	1,575,031	3,308,141	1,520,025
NON-CURRENT ASSETS					
Receivables	6	43,000	-	43,000	55,000
Other Financial Assets	7	-	-	6	6
Plant & Equipment	8	108,726	142,786	108,726	142,786
Other	9	300,000	-	-	-
TOTAL NON-CURRENT ASSETS		451,726	142,786	151,732	197,792
TOTAL ASSETS		3,742,804	1,717,817	3,459,873	1,717,817
CURRENT LIABILITIES					
Payables	10	2,217,945	803,799	2,217,945	803,799
Provisions	11	153,673	74,952	153,673	74,952
Deferred Revenue	12	178,047	150,985	178,047	150,985
TOTAL CURRENT LIABILITIES		2,549,665	1,029,736	2,549,665	1,029,736
TOTAL LIABILITIES		2,549,665	1,029,736	2,549,665	1,029,736
NET ASSETS		1,193,139	688,081	910,208	688,081
EQUITY					
Contributed equity	13	10,531,137	10,042,749	10,531,137	10,042,749
Accumulated Losses	14	(9,337,998)	(9,354,668)	(9,620,929)	(9,354,668)
TOTAL EQUITY		1,193,139	688,081	910,208	688,081

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

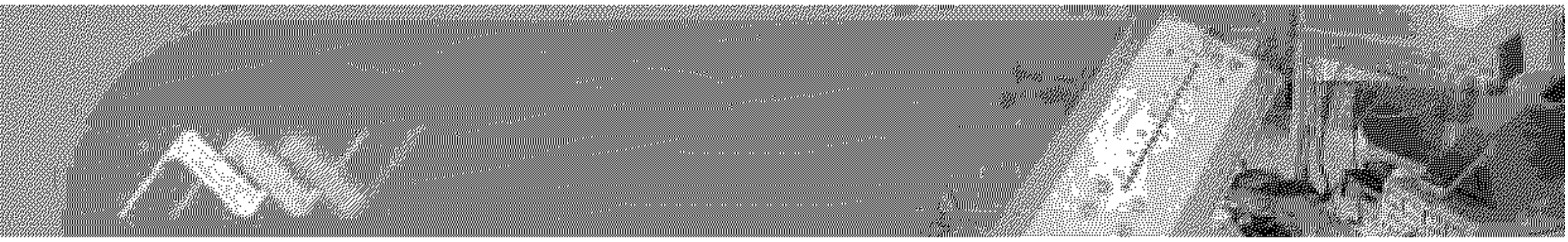


Statement of Cash Flows

For the year ended 31 December 2003

		Economic Entity		*Parent Entity*	
		2003	2002	2003	2002
	Note	$	$	$	$
Cash flows relating to operating activities					
Receipts from customers		3,205,668	3,479,884	3,205,668	3,479,884
Payments to suppliers and employees		(4,456,780)	(4,422,929)	(4,456,780)	(4,422,929)
Interest received		2,882	7,067	2,882	7,067
Interest and finance charges paid		(95,818)	(2,857)	(95,818)	(2,857)
Net operating cash flows	3	(1,344,048)	(938,835)	(1,344,048)	(938,835)
Cash flows relating to investing activities					
Purchases of property, plant and equipment		(16,983)	(15,554)	(16,983)	(15,554)
Investment in controlled entities		-	-	-	(4)
Proceeds - Sale of Non Current Assets		1,568	1,400	1,568	1,400
Proceeds - Sale of Shares		166,595	-	-	-
Net investing cash flows		151,180	(14,154)	(15,415)	(14,158)
Cash flows relating to financing activities					
Net Cash proceeds from issue of shares		488,388	660,374	488,388	660,374
Net Cash proceeds - Loans		973,000	60,000	1,139,595	60,000
Loan to controlled entity		-	-	(250)	-
Net financing cash flows		1,461,388	720,374	1,627,733	720,374
Net increase / (decrease) in cash held		268,520	(232,615)	268,270	(232,619)
Cash at beginning of year		(28,964)	203,651	(28,970)	203,649
Cash at end of financial year		239,556	(28,964)	239,300	(28,970)

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Accounts

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 entities controlled by the company. Control exists where Tele-IP Limited has the capacity to dominate the decision-making in relation to the finanicial and operating policies of another entity so that the other entity operates with Tele-IP Limited to achieve the objectives of Tele-IP Limited. A list of controlled entities is contained in Note 20 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealized profits or losses, have been eliminated on consolidation.

(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

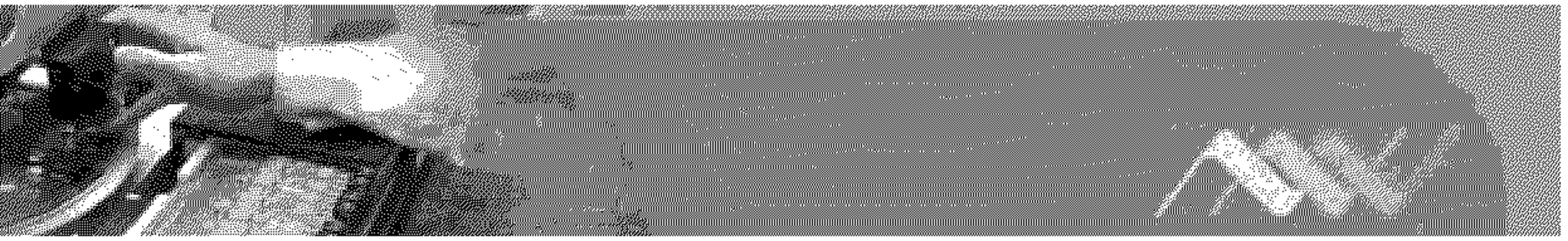
Plant and equipment are brought to account at cost less any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of its recoverable amount. Plant and equipment is depreciated on a diminishing value basis over the useful life 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) **Inventories**
Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials which are assigned on a weighted average cost basis.

(h) **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. Unrealised Earnings remaining as a result of this transaction at 31 December, 2002 was written off against the value of the inventory at that date.

(i) **Deferred Income**
Deferred income disclosed in Note 12 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.

(j) **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.

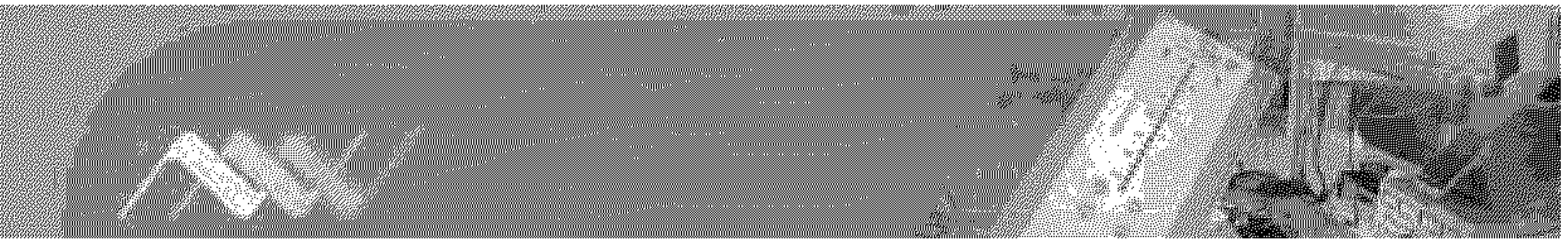
(k) **Revenue Recognition**
Revenue from the sale of goods and services is recognised upon delivery of goods or performance of services to customers. Interest revenue is recognised when the entitlement to receive interest is indefeasible.

(l) **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.

(m) **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.

(n) **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.

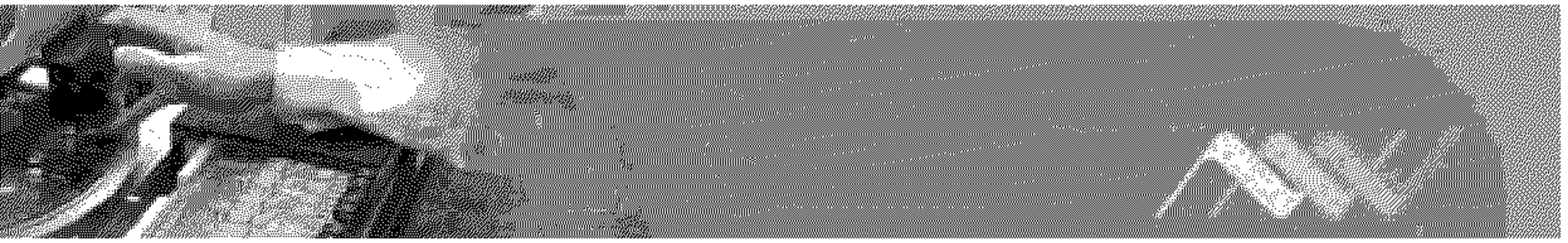
(o) **Technology Cost Capitalised**
Deferred technology costs in respect of products developed by a controlled entity have been capitalised and will be written off over a three year period commencing in the 2005 year.



2 PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax is arrived at after taking into account:

		Economic Entity		Parent Entity	
		2003	2002	2003	2002
(a)	Revenue	$	$	$	$
	Operating Activities				
	Equipment and Software Sales	2,055,567	2,425,298	2,055,567	2,425,298
	Wireless Installations and Sales	125,341	126,575	125,341	126,575
	Business Services	630,175	1,487,391	630,175	1,487,391
	New Technology Development	1,478,573	31,477	-	31,477
	Interest	2,882	7,067	2,882	7,067
	Other	514	5,467	514	5,467
		4,293,052	4,083,275	2,814,479	4,083,275
	Non-Operating Activities				
	Management Fees	-	-	600,306	-
	Proceeds on disposal of plant & equipment	1,568	59	1,568	59
	Write back in provision for unsecured loan	112,057	88,364	112,057	88,364
	Write back in provision for controlled entity loan	-	-	111,594	-
	Proceeds on sales of shares	166,594	-	-	-
		280,219	88,423	825,525	88,423
	Total Revenue	4,573,271	4,171,699	3,640,004	4,171,699
(b)	Cost of Sales				
	Opening Inventories as referred in Note 5	1,153,208	3,573,115	1,153,208	3,573,115
	- Equipment and Software Sales	694,210	630,146	694,210	630,146
	- Wireless Installations and Sales	48,893	21,942	48,893	21,942
	- Business Services	265,931	171,387	265,931	171,387
	- New Technology Development	1,020,872	8,556	-	8,556
		3,183,114	4,405,146	2,162,242	4,405,146
	Closing Inventories	(1,617,594)	(2,824,333)	(1,617,594)	(2,824,333)
		1,565,520	1,580,813	544,648	1,580,813
(c)	Depreciation and Amortisation Expense				
	Depreciation of plant & equipment	48,919	69,724	48,919	69,724
	Amortisation of Goodwill	-	30,000	-	30,000
	Amortisation of Intellectual Property	-	412,000	-	412,000
		48,919	511,724	48,919	511,724
(d)	Borrowing Costs				
	Interest & Bank Charges paid	35,299	7,640	35,299	7,640
(e)	Other Expenses from ordinary activities				
	Operating Activities				
	Administration	501,405	743,488	501,405	743,488
	Corporate / Finance	162,612	122,640	162,612	122,640
	Marketing / Sales	431,189	612,252	431,189	612,252
	Sydney office	191,276	359,425	191,276	359,425
	Business Services	241,520	429,611	241,520	429,611
	Production Services	131,954	200,720	131,954	200,720
	New Technology Development	524,280	554,214	585,257	554,214
	Other	116,385	100,593	116,385	100,593
	Rental expense on operating leases				
	- minimum lease payments	8,137	8,137	8,137	8,137
		2,308,758	3,131,080	2,369,735	3,131,080
	Non-Operating activities				
	Cost of share investment sold	55,000	-	-	-
	Write off in value of intangibles	-	1,363,500	-	1,363,500
	Carrying amount of plant & equipment disposed	2,124	1,232	2,124	1,232
	Write down in value of investments	-	111,594	-	-
	Provision for Non Recovery of controlled entity loan	-	-	364,559	111,594
	Bad and Doubtful Debts - Trade Debtors	540,981	-	540,981	-
		598,105	1,476,326	907,664	1,476,326
	Total Other Expenses	2,906,863	4,607,406	3,277,399	4,607,406
	Profit (Loss) from ordinary activities before income tax	16,670	(2,535,885)	(266,261)	(2,535,885)



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		*Parent Entity*	
	2003	2002	2003	2002
	$	$	$	$
Operating profit / (loss) after tax	16,670	(2,535,885)	(266,261)	(2,535,885)
Depreciation	48,919	69,724	48,919	69,724
Amortisation	-	442,000	-	442,000
Increase / (decrease) in employee entitlements	78,721	5,280	78,721	5,280
Increase / (decrease) in creditors	470,116	(354,956)	470,116	(354,956)
(Increase) / decrease in debtors	(937,192)	707,691	(937,192)	707,691
(Increase) / decrease in prepayments	(106,226)	77,740	(106,226)	77,740
(Increase) / decrease in inventory	(464,386)	748,782	(464,386)	748,782
(Increase) / decrease in other assets	(343,000)	49,945	(43,000)	49,945
Increase / (decrease) in deferred revenue	27,062	(1,430,357)	27,062	(1,430,357)
Increase / (decrease) in unsecured loan	88,363	-	88,363	-
Increase / (decrease) in provision for unsecured loan	(112,057)	(195,040)	(112,057)	(195,040)
(Increase) / decrease in loan to controlled entities		-	(381,628)	-
(Increase) / decrease in provision for diminution in value of related company	-	-	(111,594)	111,594
(Increase) / decrease in provision for non recovery of controlled entity loan	-	-	364,559	-
Writeoff Intangibles	-	1,363,500	-	1,363,500
Loss/(Profit) on sale of Non Current Assets	556	1,146	556	1,146
Provision for diminution in investments	-	111,594	-	-
(Provision) / Writeback for diminution in investments	(111,594)	-	-	-
Net cash from/(used in) operating activities	(1,344,048)	(938,835)	(1,344,048)	(938,835)

(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

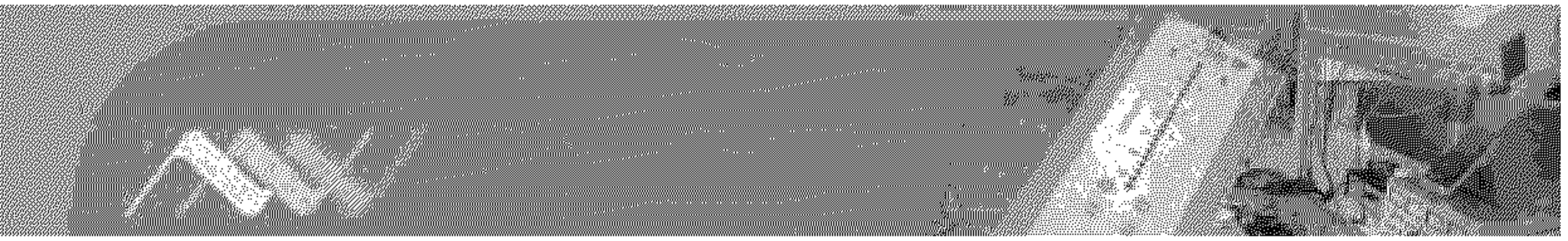
The prima facie tax benefit on the operating loss is reconciled to the income tax expense provided in the accounts as follows:

Operating loss before income tax	16,670	(2,535,885)	(266,261)	(2,535,885)
Prima facie income tax benefit on the operating loss at 30% (2002: 30%)	5,001	(760,765)	(79,878)	(760,765)
Less:Tax effect of permanent & timing differences	(61,106)	(53,335)	6,483	(53,335)
Future income tax benefit not brought to account	56,105	759,827	73,395	759,827
Add:Reduction in Future Tax Benefit due to change in income tax rates	-	54,273	-	54,273
Income tax charged to Statements of Financial Performance	-	-	-	-

In accordance with transitional provisions, the economic entity is not subject to the Tax Consolidation regime until 2004. Once the company and its wholly owned Australian subsidiaries have formed an income tax consolidated group in 2004, the benefits associated with income tax losses of the economic entity of approximately $4,252,154, resulting from current and prior year operations, would be available.

Potential future income tax benefits attributable to tax losses carried forward and timing differences as at 31 December 2003 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.



5 INVENTORIES

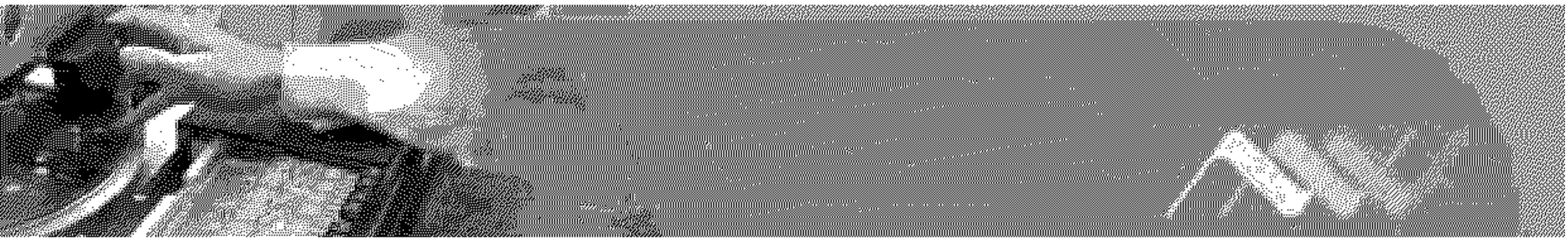
	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Raw materials	701,470	228,579	701,470	228,579
Work In Progress	32,555	4,750	32,555	4,750
Finished Goods	883,569	2,591,004	883,569	2,591,004
	1,617,594	2,824,333	1,617,594	2,824,333
Less : Writedown as referred in Note 1(h)	-	(1,671,125)	-	(1,671,125)
	1,617,594	1,153,208	1,617,594	1,153,208

6 RECEIVABLES

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current				
Trade debtors	1,272,697	335,505	1,272,697	335,505
Less : Provision for doubtful debts	(20,047)	(20,047)	(20,047)	(20,047)
	1,252,650	315,457	1,252,650	315,457
Other debtors and prepayments	157,585	51,360	157,585	51,360
Loans to controlled entities	-	-	381,878	-
Less : Provision for non-recovery	-	-	(364,559)	-
Unsecured Loan	23,693	88,363	23,693	88,363
Less : Provisions for non-recovery	-	(88,363)	-	(88,363)
	1,433,928	366,817	1,451,247	366,817
Non-Current				
Rental security deposits	43,000	-	43,000	-
Loans to controlled entities	-	-	-	2,184,175
Less : Provision for non-recovery	-	-	-	(2,129,175)
Unsecured Loan	-	23,693	-	23,693
Less : Provision for non-recovery	-	(23,693)	-	(23,693)
	43,000	-	43,000	55,000

7 OTHER FINANCIAL ASSETS

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current				
Quoted on a prescribed stock exchange	-	55,000		
(i) Market value of shares at balance date				
Shares on a prescribed stock exchange	-	55,000		
Non-Current				
Shares in Controlled Entities - Unquoted			6	6



8 PLANT & EQUIPMENT

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Office Furniture & Equipment - at cost	93,804	87,009	93,804	87,009
Less: Accumulated Depreciation	(62,861)	(51,321)	(62,861)	(51,321)
	30,943	35,687	30,943	35,687
Motor Vehicles - at cost	21,867	21,867	21,867	21,867
Less: Accumulated Depreciation	(13,341)	(10,866)	(13,341)	(10,866)
	8,526	11,001	8,526	11,001
Computer & Test Equipment - at cost	261,018	257,455	261,018	257,455
Less : Accumulated Depreciation	(191,761)	(161,356)	(191,761)	(161,356)
	69,257	96,098	69,257	96,098
Total Plant & Equipment	108,726	142,786	108,726	142,786

(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	35,687	11,001	96,098	142,786
Additions	6,795	-	10,188	16,983
Disposals	-	-	(2,125)	(2,125)
Depreciation Expense	(11,540)	(2,475)	(34,904)	(48,919)
Carrying amount at end of year	30,943	8,526	69,257	108,726

9 OTHER ASSETS

Non-Current				
Technology costs capitalised (refer note1 (o)).	300,000	-	-	-

10 PAYABLES

Current				
Bank Overdraft	-	28,970	-	28,970
Creditors & accruals	1,184,945	714,829	1,184,945	714,829
Unsecured Loans	1,033,000	60,000	1,033,000	60,000
	2,217,945	803,799	2,217,945	803,799

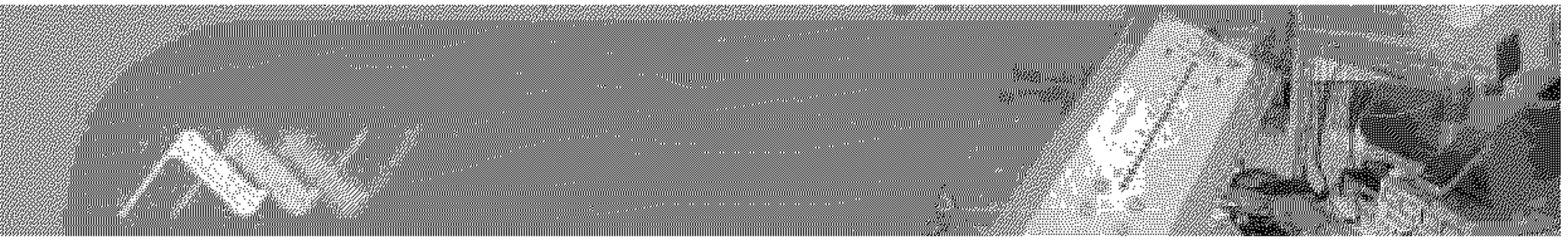
11 PROVISIONS

Current				
Provision for employee benefits	153,673	74,952	153,673	74,952

12 DEFERRED REVENUE

Current				
Deferred Income	178,047	150,985	178,047	150,985

Transactions involving the deferral of revenue are referred to in Note 1 (i).



13 CONTRIBUTED EQUITY

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Issued and paid up capital:				
Ordinary fully paid shares	10,531,137	10,042,749	10,531,137	10,042,749

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

Date		Note	No. of Shares	Issue Price (cents)	$
01 01 02	Opening Balance		126,248,508		33,753,763
24.04.02	Issue of shares	[a]	9,111,088	2.25	204,999
03.05.02	Issue of shares	[a]	1,977,777	2.25	44,500
30.05.02	Share Capital Offset against Accumulated Losses	[b]	-		(24,371,388)
19.06.02	Issue of shares	[a]	18,261,111	2.25	410,875
19.03.03	Issue of shares	[a] [e]	1,000,000	2.00	20,000
25.09.03	Issue of shares	[c]	22,222,222	2.25	500,000
					10,562,749
Less: Transaction costs arising on share issues					(31,612)
Balance - 31 December, 2003			178,820,706		10,531,137

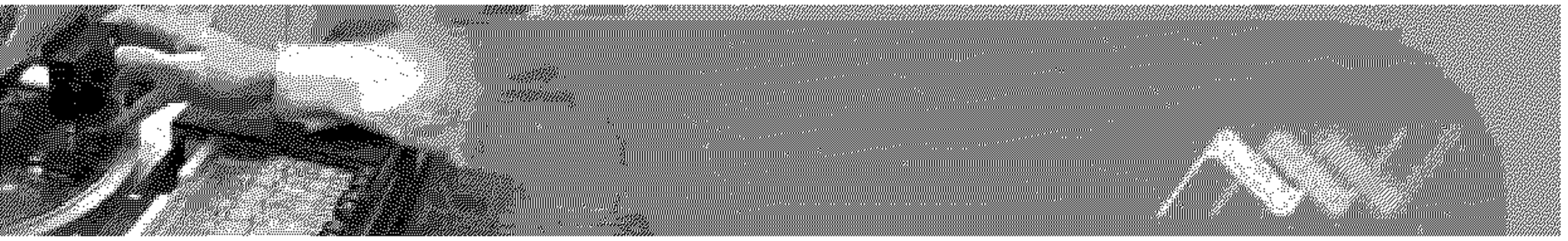
(a) Allotments under private placement arrangements

(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) Allotment under prospectus dated 2 September, 2003

(d) 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:
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.
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) 10,000,000 Options issued in 2002 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.
(v) 2,200,000 Options issued in 2003 to key employees with an expiry date of 30 June 2008 on the Terms and Conditions set out in the Company's Share Option Incentive Plan. These options are exercisable in various tranches at $0.02 per share.

(e) Restricted Securities During the year 1,000,000 Ordinary shares were issued subject to Restriction Agreements pursuant to Section 707 of the Corporations Act restricting transfer for twelve months from date of issue.



14 ACCUMULATED LOSSES

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Accumulated Losses at the beginning of the financial year	9,354,668	31,190,171	9,354,668	31,190,171
Offset against issued capital (refer Note 13)	-	(24,371,388)	-	(24,371,388)
	9,354,668	6,818,783	9,354,668	6,818,783
Current Year Loss (Profit)	(16,670)	2,535,885	266,261	2,535,885
	9,337,998	9,354,668	9,620,929	9,354,668

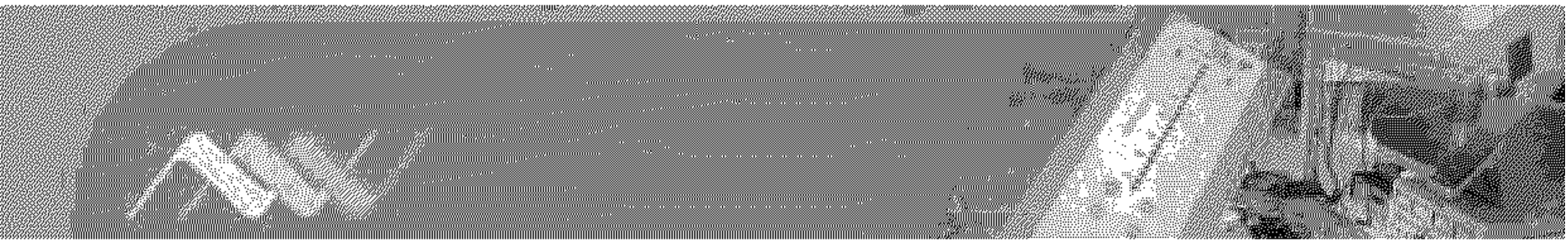
15 FINANCIAL INSTRUMENTS

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:

2003	Floating Interest	Fixed Interest maturing 1 yr	Non-Interest bearing	TOTAL
Financial asset				
Cash Assets	239,056	-	500	239,556
Receivables	-	-	1,410,486	1,410,486
TOTAL	239,056	-	1,410,986	1,650,042
Weighted average interest rate	2.70%	Nil	Nil	
Financial liability				
Payables	-	-	2,217,945	2,217,945
TOTAL	-	-	2,217,945	2,217,945
Weighted average interest rate	Nil	Nil	Nil	

2002				
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	Nil	
Financial liability				
Payables	28,967	-	774,829	803,796
TOTAL	28,967	-	774,829	803,796
Weighted average interest rate	13.6%	Nil	Nil	



16 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.

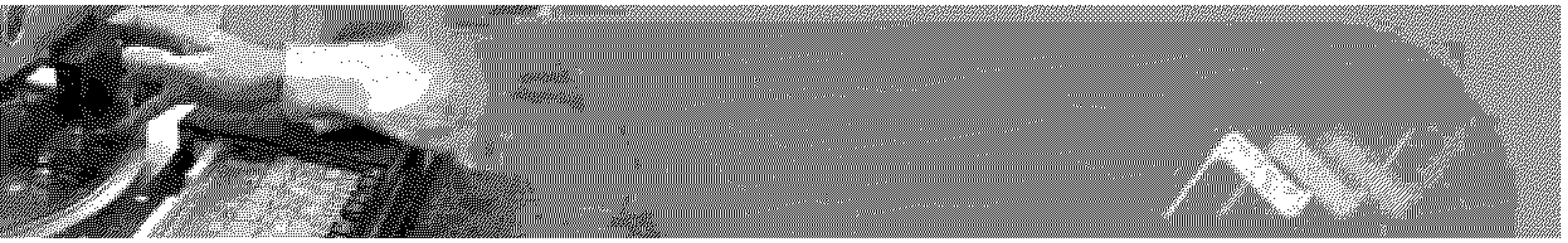
	Economic Entity		*Parent Entity*	
	2003	2002	2003	2002
	$	$	$	$
Expenditure commitments - Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:-				
Not later than one year	99,117	25,611	99,117	25,611
Later than one year but not later than 2 years	83,600	5,967	83,600	5,967
Later than two years but not later than 5 years	195,066	-	195,066	-
	377,783	31,578	377,783	31,578

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.



17 *REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS*

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
(a) Directors remuneration				
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	446,560	547,861	446,560	547,861

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

	2003 No.	2002 No.
$ 0 - $ 9,999	4	4
$100,000 - $109,999	-	1
$110,000 - $119,999	-	1
$140,000 - $149,999	1	-
$250,000 - $259,999	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 (Resigned 28 May, 2003)
Dr Maurice M. Venning
Ian D. May
Christopher J. Eade
Anthony P. Bigum (Appointed 17 June, 2003)

(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 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Aggregate remuneration	530,867	797,466	530,867	797,466

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

	2003 No.	2002 No.
$80,000 - $89,999	1	-
$90,000 - $99,999	2	-
$110,000 - $119,999	1	1
$120,000 - $129,999	-	1
$130,000 - $139,999	1	3
$160,000 - $169,999	-	1

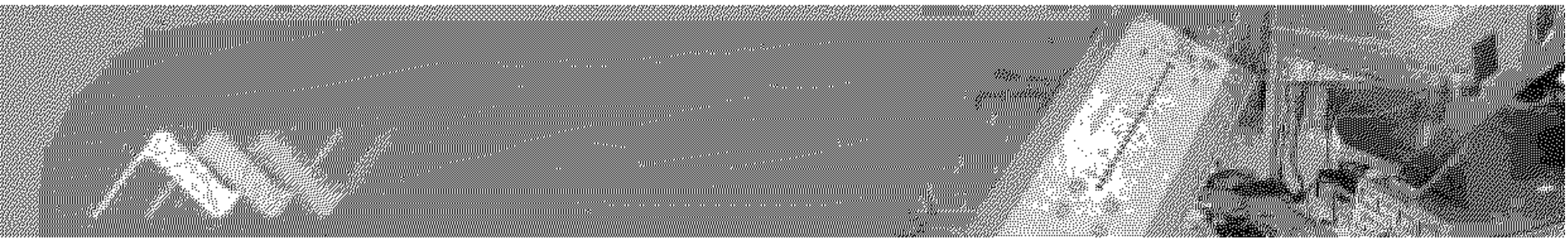
c) Retirement Benefits

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 :

	2003	2002
Ordinary Shares	38,197,848	42,415,841
Options	17,166,667	11,500,000



18 SEGMENT REPORTING

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

	2003			2002		
	Revenue	Segment Result	Segment Assets	Revenue	Segment Result	Segment Assets
Telecommunications:-						
Australia	4,516,703	16,670	3,742,805	4,171,699	(2,535,885)	1,717,817

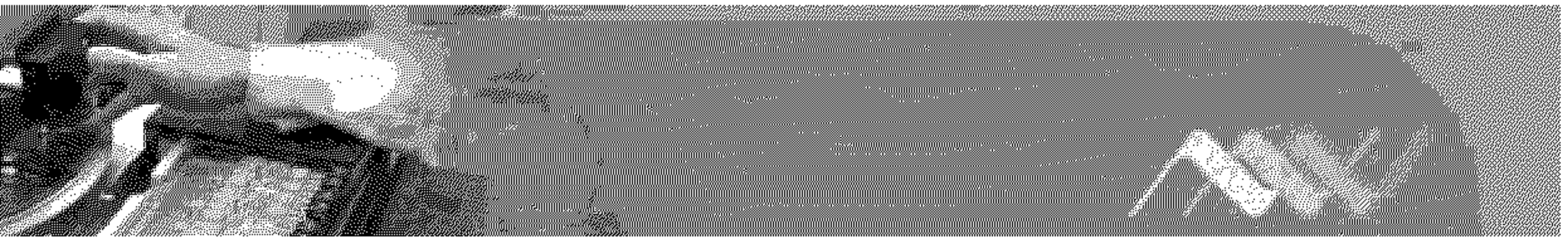
19 RELATED PARTY TRANSACTIONS

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 17.

There were no related party transactions during the reporting period ending 31 December, 2003.

Director	Director Related Entity	Details	2003 $	2002 $
L J Delacretaz (a)	Copper Systems Pty Ltd	Administrative services	-	1,056
J G McCormack (b)	McCormack & Partners	Accounting services	-	44,537
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.



20 CONTROLLED ENTITIES

	Incorporated	Share class	Holding
Investments in unquoted corporations being controlled entities:		$	$
Pacarc (PNG) Limited	Papua New Guinea	Ordinary	100%
StratoSonde Pty Ltd	Australia	Ordinary	100%
Beam Communications Pty Ltd	Australia	Ordinary	100%

Contributions to profit/(loss)

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

	2003 $	2002 $
Tele-IP Limited	(266,261)	(2,535,885)
Pacarc (PNG) Limited	111,594	(111,594)
StratoSonde Pty Ltd	(364,559)	-
Beam Communications Pty Ltd	282,931	-
Adjustments/eliminations	252,965	111,594
	16,670	(2,535,885)

Business interests outside Australia	
Pacarc (PNG) Limited	Papua New Guinea

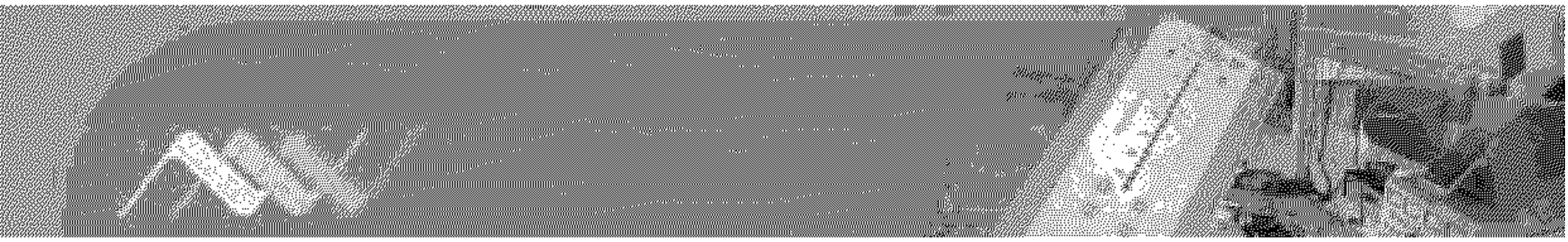
21 EARNINGS PER SHARE

	2003 **cents**	**2002** **cents**
Basic earnings per share	0.01	(1.76)
Diluted earnings per share	0.01	(1.76)
Weighted average number of shares used in the calculation of Basic Earnings Per Share	162,354,039	143,711,505

Dilutive Earnings Per Share:
All Potential Ordinary shares disclosed in Note 13 are dilutive.

22 REMUNERATION OF AUDITORS

	Economic Entity		*Parent Entity*	
	2003 $	2002 $	2003 $	2002 $
Remuneration of the Auditor of the Economic and Parent Entities for:				
-auditing or reviewing the financial report	19,045	19,635	19,045	19,635
-share registry services	13,680	12,968	13,680	12,968
	32,725	32,603	32,725	32,603



Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes as set out in pages 11 to 25 are in accordance with the Corporations Act 2001:

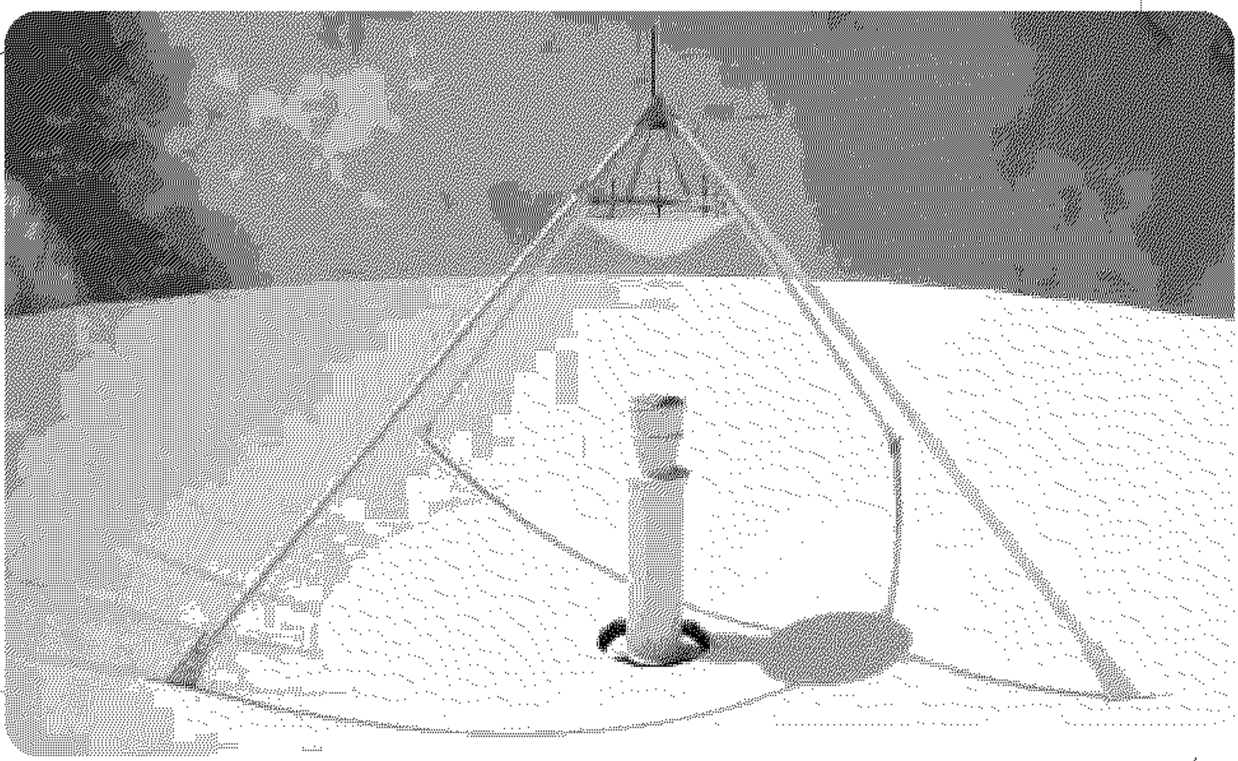
(a) comply with Accounting Standards and the Corporations Regulations 2001; and

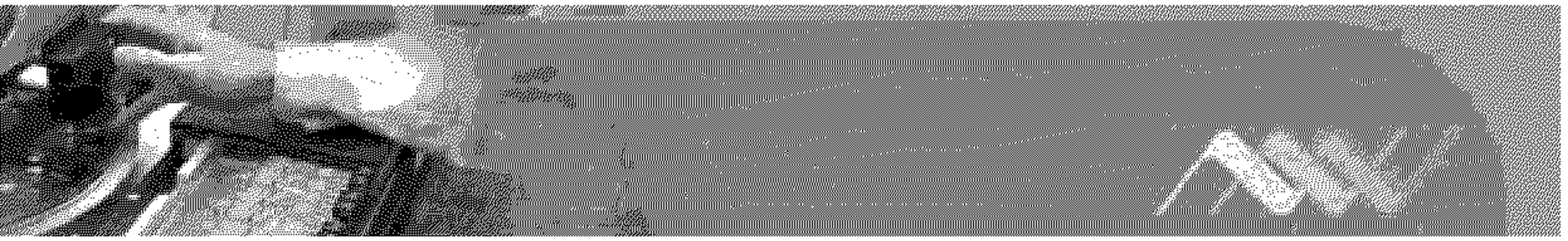
(b) give a true and fair view of the financial position as at 31 December 2003 and of the performance for the year ended on that date of the company and economic entity;

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 25th February 2004.

ANDREW MARTIN
Immediate Past-Chairman
Director





Auditor's Report

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TELE-IP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both Tele-IP Limited (the company) and Economic Entity (the consolidated entity) for the year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Tele-IP Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the year ended on that date; and

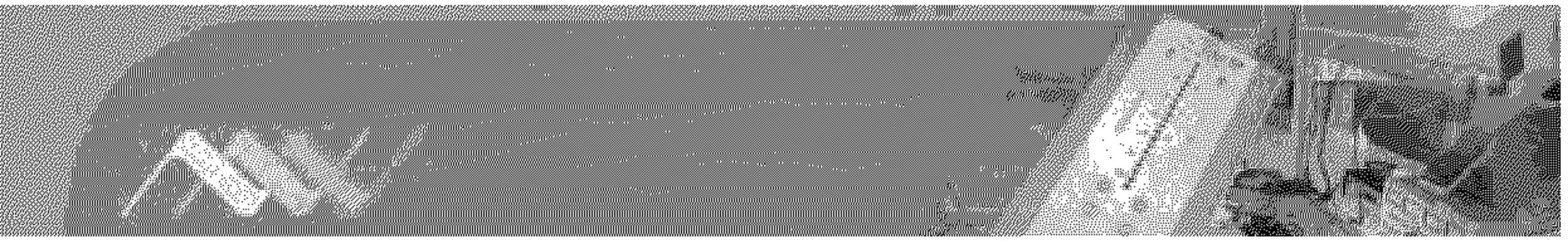
(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PITCHER PARTNERS
Chartered Accountants

R C Brown
Partner

Brisbane 25 February 2004



Australian Stock Exchange Information

As at 17 February 2004.

TOP 20 HOLDERS OF QUOTED EQUITY SECURITIES

	Number	% of Class
Killarney Properties Pty Ltd	35,446,658	19.82
Electro Magnetic Measurements Pty Ltd	30,370,265	16.98
ESI Pty Ltd (Stoyle Family Trust)	5,547,743	3.10
Valutech Pty Ltd	2,547,031	1.42
Biotec International Pty Ltd (Bigum Super Fund)	2,126,000	1.19
Dr Keith Derrick Day & Mr Nicholas John Day	1,955,750	1.09
Mrs Elizabeth Meehan	1,800,000	1.00
Christopher John Eade	1,754,552	0.98
CTS Funds Pty Ltd	1,365,000	0.76
National Nominees Limited	1,317,274	0.73
Middencorp Electric Co Pty Ltd	1,310,877	0.73
Mr Min Chuan Wu	1,275,499	0.71
Mr John Franciszek Chodorowski	1,007,476	0.56
Biotec International Pty Ltd	1,000,000	0.55
DMW Pty Ltd	1,000,000	0.55
Victron Pty Ltd	911,111	0.50
Peter Sok Yong Lee	850,556	0.47
Bell-Allen Holdings Pty Ltd	840,000	0.46
Trust Company Superannuation Services Ltd. (Michael J Curren)	800,000	0.44
Hooper Bailie Industries Pty Ltd	780,880	0.43
Top twenty total:	94,006,672	52.5
Total issued:	178,820,706	

SUBSTANTIAL SHAREHOLDERS

	Number	% of Class
Killarney Properties Pty Ltd	35,446,658	19.82
Electro Magnetic Measurements Pty Ltd	30,370,265	16.98
ESI Pty Ltd (Stoyle Family Trust)	5,547,743	3.10
Valutech Pty Ltd	2,547,031	1.42

DIRECTORS' INTERESTS

	Shares	Options
A. L. Martin	30,370,265	6,666,667
Dr M. M. Venning	2,547,031	500,000
A. Bigum	3,426,000	-
I.D. May	100,000	10,000,000
C.J. Eade	1,754,552	-

DISTRIBUTION OF SHARES

Size Of Holdings	Number of Holders	%	Number of Shares	%
1 - 1,000	382	15.40	202,836	0.11
1,001 – 5,000	701	28.24	2,032,813	1.13
5,001 - 10,000	427	17.20	3,579,605	2.00
10,001 – 100,000	771	31.06	31,046,920	17.37
100,001 and over	201	8.10	141,958,532	79.39
	2,482	100.00	178,820,706	100.00

*RESTRICTED ORDINARY SHARES **

	Number of Shares
Issued 19 March 2003	1,000,000
Total Quoted	178,820,706

** 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

UNQUOTED OPTIONS

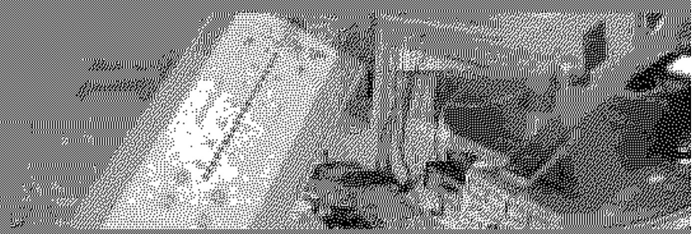
Andrew Martin and Ian May, Directors of the company, hold indirectly or directly 6,666,667 and 10,000,000 options respectively, in total representing 62.36% of the total number of 26,728,000 options on issue to 17 holders.

VOTING RIGHTS

There are 178,820,706 ordinary fully paid shares held by 2,482 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.

HOLDERS OF LESS THAN A MARKETABLE PARCEL OF QUOTED ORDINARY SHARES

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted shares
1,516	61.07	5,877,791	3.28



Tele-IP

Tele-IP Limited
ABN 39 010 568 804

8 Anzed Crt, Mulgrave, Victoria
Telephone: +61 3 8561 4200
Facsimile: +61 3 9560 9055

CORRESPONDENCE:
PO Box 4112, Mulgrave,
Victoria 3170, Australia.

HELPDESK:
1800 TELE IP (1800 835 347)

Web: www.tele-ip.com
Email: info@tele-ip.com