CHAIRMANS REPORT: December 2007

International

On Q has achieved significant milestones in the development of the international business across the Middle East, Vietnam and Philippines during this half year to December 2007.

The establishment of the iPay joint venture focusing on the Middle East North Africa (MENA) is the culmination of 3 years of work to create the right group of partners in the region. On Q is delighted to partner with Vodatel and the Al Othman group and owns a 22% equity stake in the iPay company together with board representation. On Q believes that the telco industry background and knowledge of Vodatel and the financial contribution and regional knowledge of the Al Othman group will drive a rapid scaling of business activity including distributing prepaid telco products electronically, acquiring prepaid Visa card customers and processing bill payments.

Business activity is planned to commence in the GCC states and Saudi Arabia initially and focus is now on contracting with issuing banks for the establishment of bopo type prepaid Visa card programs. Under the iPay Shareholders Agreement the first USD$12 million of funding requirements of the iPay business are met by Vodatel and Al Othman. Additionally iPay has subscribed for $2.2 million of shares in the On Q Group since December 30, 2007 and this shows the confidence of iPay in the On Q expansion plans.

Vietnam: On Q will be going live with the Bopo prepaid Visa card in the first half of 2008. The launch focus is on distribution of the card with the issuing bank ICB. With the active assistance of the local JV equity partners a host system is operational within ICB and is in the process of going through final testing. The Vietnamese market is very supportive to a prepaid Visa card product and initial programs will focus on an instant issue card that can be converted to a re-loadable card. The Vietnamese economy is developing rapidly with associated increases in urban white collar incomes and as yet no consumer finance / credit check infrastructure. The Bopo prepaid card is being marketed to meet local consumer needs for an easy to access / no credit check Visa card for ATM usage and purchases on the internet and in shops. The Bopo M Commerce services of balance inquiry and person to person money transfer fits well into the consumer trends of rapid uptake of over 10 million mobile phones in Vietnam. Average revenue per user is driven by transaction fees, revenue from bill payment and revenue from purchases of prepaid mobile. In Australia each of these businesses was developed sequentially, in Vietnam all the services will be delivered as a integrated offering to drive uptake and revenues per cardholder

Philippines: a term sheet has been signed and On Q has negotiated 50.1% equity of the local company with the balance of the shares held by highly credible local partners that are very relevant to a fast growth e-Commerce business centred on bill payment, prepaid Visa cards and distribution of prepaid mobile. It is proposed to initially launch of bill payment network using the EBMS by June 30 and major focus is on contracting with an issuing bank as a prerequisite for deployment of a local prepaid Visa card. The bopo card will be locally branded and have the same functionality as the bopo card in Australia. The prepaid Visa card holder will be able to do bill payment from the card and purchase prepaid mobile. These integrated services create a more valuable card for the consumer and drive additional revenue per card per month.

Competitor and Industry research currently indicates that the bopo card has more consumer benefits than any other prepaid card in Asia Pacific and the Middle East. On Q is committed to driving these local JV companies to acquire large numbers of customers in these high growth countries and regions and drive value from these shareholdings in these strategic joint ventures back to On Q Group.

National

On Q currently licenses its systems to Bill EXPRESS Limited nationally. The technology royalty stream arising from the Bill EXPRESS business has continued to grow for the 07/08 year.

Bill Express is in discussions with On Q (37% shareholder in Bill Express) regarding the possible bringing together of the Bill Express and On Q businesses to enable Bill Express to capitalize on its current business on an international basis. With an imminent 'go live date' for specific international projects there are numerous practical benefits including:

- Increased processing volumes across existing national hosting infra structure and hence higher revenues to be derived against existing fixed costs
- Rationalisation of specific royalty costs impacting the national business
- Removal of duplication, costs and effort expended on IP, components and infra structure common to both national and international projects

Further information will be made available to the market as discussions progress.

While the first half financial results have been specifically impacted by timing differences arising from equity accounting and one off investments in the bopo business the Company has continued to consolidate the operations of the core businesses, and to invest in the future.
The Company has invested heavily in the bopo business which utilizes the extensive network of terminals, Billers and electronic products and consolidates the Company's strategic position

Key Performance Indicators

	31 December 2007 $'000
Revenue	538,133
EBITDA	12,447
NPAT	(4,856)

As noted above the two significant events that reduced EBITDA and NPAT in this first six (6) month period were as follows:

1. As a result of equity accounting the investment in ETT Limited, a loss of $1.8m has been booked in this period. This loss is expected to be negated by a subsequent event being a profit in excess of $2.5m on the proposed sale of those shares which will be finalised shortly and is to be booked in the second half of the year (current 6 month period).

2. The Bopo costs for the initial acquisition of customers and brand establishment. These included one off co branding and sponsorship strategies with PBL media assets and MTV of $3.4million to create initial critical mass uptake and to launch bopo. This investment is producing ongoing monthly fee revenue and it has established an initial card user base. The broad analytics are that the annual fee revenue per card holder should more than recoup this initial customer acquisition cost over the next 12 months and furthermore as brand recognition is growing the cost of acquisition of new customers is falling so as to justify the initial outlay. The current sales pipeline for bopo cards shows the initial strategy has been successful and that it will also protect and grow the core prepaid and bill pay business of Bill EXPRESS. Numerous Billers are currently in involved in projects for the utilisation of bopo capabilities.

Nonetheless there is a timing difference between outlays and revenues. Aside from the synergies and benefits for the business as a whole the bopo business represents a separably identifiable asset which is generating ongoing and specific monthly fee revenues and whilst the costs have been entirely expensed in this financial period, the relevant revenues will be booked in the following periods as explained above.

Bill Express performance was assisted by the restructuring of our finance facilities in November 2007 which has reduced our borrowing costs.

Consistent with previous periods, Bill Express has continued to fund the expansion of APN's business through our facilities. APN has positively contributed to profit, despite some temporary slowing of growth in sales for APN in the second half of 2007 whilst the new Government funding arrangements were put in place. This is now improving with the successful finalisation of those arrangements and our confidence is illustrated by the decision to acquire the controlling stake in APN.

Bill Express Division (DialTime and Bill Payment)

During the period the revenue base has continued to strengthen, driven predominantly by the strength of our DialTime prepaid business with the revenue generated per terminal continuing to improve and with bill payment transactions continuing to grow.

The company has gone live with the Tattersall's lottery ticketing program. This program provides mutual Tattersall's and Bill Express newsagents the ability to process tickets and pay prizes for Tattersall's products using Bill Express terminals – this will increase the capacity of Newsagents in peak times, and provide further income sources for Bill Express.

Spend on the network and Capex has tapered off with the maturity of the existing network, in the approx 14,000 locations across Australia. The footprint of our network roll out around Australia is now substantial and at this stage in our evolution, satisfactory. The network and technology is recognized as a market leader with many organizations in current negotiation and technical projects to use the network and leverage BXP expertise in this area. This gives rise to additional revenue streams that the network can generate through hosting, access and license fees. Bill Express now vends in excess of 50% of the prepaid mobile retail value sold by each of the major Telco's.

During the period growth of the biller network continued with Origin Energy and Vodafone the most notable billers added. In addition, work is progressing well toward porting billers to the new bopo Pay product (refer bopo section).

Media Division

The media network promotes a range of products, including DialTime prepaid products and bill payment services. Local advertisers are the most successful advertising income channel, through promotion within the Mi-Systems suite of products to local small businesses and penetration into this market segment is showing significant potential. The avoidance of costs for on site promotion and on site signage through use of this electronic billboard medium and the income stream developing from it warrants the continuation of effort and support for the media division.

Bopo Division – Prepaid Visa Card

The future for the bopo prepaid Visa card continues to look very positive. The bopo card has all the functionality of a Visa card and can be used in shops, ATMs and online and is integrated with prepaid sales and bill pay functionality. The bopo card has no credit approval requirements and can be loaded with money at Bill Express newsagents nationally. The bopo card has advanced mobile commerce capability including allowing a cardholder to instantly send money to another bopo cardholder anywhere in the world via SMS. The bopo card also offers consumers the ability to limit fraud risk as the bopo card is separated from the cardholder's bank account.

The company is focusing heavily on major co-branded bopo card contract opportunities with businesses that have large numbers of customers and are seeking a significant improvement in payments to customers. The bopo card is distributed by the business to its customers and then payments made electronically to the card with a notification SMS to the cardholder that the payment is now on the card.

The bopo card extends Bill Express transaction capability from prepaid mobile to prepaid payment cards and allows the company to leverage the established national bill payment network with new products developed within Bill Express. Some of the more significant highlights are:

- Bopo recently passed the milestone of processing one million transactions. Consumers are taking up the product most heavily in the 18 – 45 age groups, across all demographics and across metro and regional areas.
- Development of the bopo Pay facility. Bopo pay allows cardholders to pay bills via SMS or on line, with the payment coming from their bopo card.
- Immediately prior to Christmas, Bopo released the bopo Gift cards retailed in outlets across Australia through the Blackhawk distribution network.
- Bopo is well advanced with a series of Government trials that target significant strategic card acquisition opportunities
- Bopo is advancing with several credit unions and several large work in progress projects

Performance has also been solidified by further licenses which have been sold for use in Australia and overseas relating to the bopo technology, highlighting the company's continued ability to achieve financial returns through utilisation of its core technology products.

Subsequent Events

The On Q and Bill Express boards in 2008 resolved to proceed with a series of transactions aimed at improving the company's structuring and expanding its operations into further profitable areas.

This involves:

1. The acquisition of Australian Private Networks Pty Ltd (which trades as Activ8me). APN provides broadband satellite based internet services in regional areas where fixed line broadband is unavailable, subsidized by the Commonwealth Government's Broadband Guarantee fund. This acquisition is expected to add to the Company's revenues and profitability.
2. International Expansion. The On Q board is in discussions with it's subsidiary Bill Express regarding the possible bringing together of the On Q and Bill Express businesses to enable the group to capitalise on its current business on an international basis.
3. Boosting internal resources and reduced reliance on outsourcing.
4. Proposed sale of ETT Limited investment.

Please see note 5 of the half year financial report for details of subsequent events.

Sincerely

Hal Christiansen
Chairman