



Queste Communications Limited

A.B.N 58 081 688 164

and Controlled Entities

DIRECTORS' REPORT & AUDITED FINANCIAL REPORT

30 June 2003

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DIRECTORS' REPORT

The Directors present their report on Queste Communications Limited ("**Company**" or "**Queste**") and its controlled entities (the "**Consolidated Entity**") for the year ended 30 June 2003 ("**Balance Date**").

Queste is a company limited by shares that is incorporated and domiciled in Western Australia and is listed on the Australian Stock Exchange ("**ASX**").

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are Central Exchange Ltd ABN 77 000 742 843 ("**Central Exchange**") (controlled throughout the financial year), Queste Operations Pty Ltd ABN 84 094 097 097 (controlled until de-registration on 6 May 2003) and Queste Communications (USA), Inc. (controlled throughout the financial year).

ASX listed (but suspended) company, Central Exchange, has been treated as a controlled entity pursuant to Accounting Standard 1024 "Consolidated Accounts" by virtue of the Company becoming a controlling shareholder of Central Exchange with 48.817% of the company's issued ordinary share capital (from 12 August 2002). Previously, the Company had accounted for its investment in Central Exchange on an equity accounting basis as an Associate entity pursuant to Accounting Standard AASB 1016 "Accounting for Investment in Associates."

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were the pursuit of opportunities to commercially exploit the Company's VoiceNet System Voice-over-Internet Protocol ("**VoIP**") technology, the operation, by Central Exchange, of a telecommunication network utilising the VoiceNet System, the management of its share investments and the pursuit of other commercial and investment opportunities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Consolidated Entity during the financial year other than that referred to in this report or the financial report.

OPERATING RESULTS

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Net profit (loss)	(434,032)	(1,801,776)	(533,229)	(1,487,728)

EARNINGS PER SHARE

	Consolidated Entity	
	2003	2002
Basic earnings per share (cents)	(1.48)	(6.04)
Weighted average number of fully paid ordinary shares in the Company outstanding during the year used in the calculation of basic earnings per share	29,404,879	29,843,726
Diluted earnings per share (cents)	(0.90)	(3.69)
Weighted average number of fully paid ordinary shares in the Company outstanding during the year used in the calculation of diluted earnings per share	48,404,879	48,843,726

The Company's 20,000,000 partly paid ordinary shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share.

The Company's options and partly paid shares, to the extent of the balance of the call (19 cents per share), have not been included in the determination of basic earnings per share. These securities are included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share and each partly paid share will become fully paid.

DIRECTORS' REPORT

NET TANGIBLE ASSET BACKING

	Consolidated Entity	
	2003	2002
Net assets	\$4,112,062	\$4,303,289
Less intangible assets	-	(\$69,000)
Net tangible assets of the Consolidated Entity	\$4,112,062	\$4,234,289
Issued ordinary share capital base of the Company:		
Fully paid ordinary shares	28,404,879	28,404,879
Portion of 20,000,000 partly paid ordinary shares (representing the extent to which such shares have been paid, being one cent per share with a balance of the call of 19 cents per share)	1,000,000	1,000,000
Adjusted issued ordinary share capital base	29,404,879	29,404,879
Net tangible asset backing per issued ordinary share as at Balance Date (cents)	13.98	14.40

REVIEW OF OPERATIONS

1. COMMERCIAL OPPORTUNITIES FOR VOIP TECHNOLOGY

The Company has continued its pursuit of all means of commercially exploiting its VoiceNet System VoIP technology during the financial year. The Company has had negotiations with a number of parties interested in either licensing or acquiring the Company's VoiceNet VoIP technology. However, such interests have not advanced to the receipt of formal binding offers for the same. At the date of this report, the Company is not in discussions with any party in relation to the commercial exploitation of such technology.

2. CURRENT GENERAL INVESTMENT STRATEGIES

The Board has continued its endeavours to seek to add value to the asset base and underlying share price of the Company through the pursuit of selective investment and other commercial opportunities.

Such selective investment and commercial opportunities will be pursued with the objective(s) of creating a secure income stream for the Company and/or the acquisition of assets that provide for capital growth. Assets will be acquired either on the basis that they are currently undervalued or present the opportunity for superior capital growth.

The intention is to increase the asset base of the Company to a level which the Board considers is a prudent capital base from which it will be able to take advantage of further commercial investment activities. The Board will also consider the expansion of the capital base of the Company through the issue of equity capital and/or the formation of strategic alliances or mergers with other companies.

The Board believes that a listed company requires a critical mass of capital sufficient to secure commercial opportunities and accordingly provide both an income stream and capital growth for its shareholders. The Board believes that a prudent capital base from which a listed company is able to secure such commercial objectives is between \$10 – 15 million.

This capital base of \$10 - \$15 million dollars has been determined as an appropriate base by the Board based upon a number of matters including but not limited to an analysis of the existing capital structure of the Company, its current cash reserves, the present state of the Australian capital markets, the likelihood of the Company attracting capital investment in the short to medium term at prices at least equal to or in excess of its current cash backing and the level of internal investment capital the Board believes the Company requires to generate economic returns sufficient to attract investor support and accordingly the ability to raise further capital.

DIRECTORS' REPORT

The Board does not believe that the Company will be readily able to achieve such objective on its own. The Board however believes that such objective can be achieved through an "aggregation" process whereby the assets of the Company and a number of other suitable listed companies are combined effectively into a single entity that holds the collective net tangible assets previously held in each separate company.

This "aggregation" process may be realised (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules) through a number of avenues including participating companies subscribing to a new "master" company or via a scheme of arrangement. Alternatively, an existing participating company may be used as the "lead" vehicle in terms of the aggregation process.

The Board is currently in discussions with a number of Australian public listed companies with respect to this aggregation process and will advise shareholders on the outcome of these discussions..

However, recent increases in the LME nickel price leading to an increased prospect for the realisation by Central Exchange of the Anaconda Settlement Deed Agreed Amount of approximately \$19m in potentially 4-5 months time (as described in section 3.5 of this report) has implications for the timing and manner of the Company's participation in the "aggregation" strategy – as the Company has a 48.817% in Central Exchange. The Board will have regard for the Anaconda Settlement Deed prior to entering into or finalising the terms of the Company's participation in any such "aggregation" process.

3. CENTRAL EXCHANGE LTD

Central Exchange, a licenced telecommunications carrier, was granted a 14 year non-exclusive Australian licence to the Company's VoiceNet System VoIP technology (from 5 October 1999). Furthermore, the Company has assisted Central Exchange to establish an Australian telecommunications network utilising the VoiceNet System VoIP technology, pursuant to a technical services agreement dated 4 June 1999 ("**Technical Services Agreement**").

3.1 Termination and Settlement of Technical Services Agreement

By the Technical Services Agreement, the Company agreed to provide technical support services to Central Exchange for the set up, support and administration of a telephony network based on the Company's VoiceNet System Voice-over Internet Protocol technology, which was licensed to Central Exchange pursuant to the licence agreement between the Company and Central Exchange dated 4 June 1999.

The Technical Services Agreement was for a term of three years and Central Exchange was required to pay the Company for the provision by the Company of 3,000 hours per annum of technical support services fee of \$1,000,000 per annum (indexed for inflation after the first 12 months), payable by equal monthly payments in advance ("**Monthly Fees**"). The first instalment of Monthly Fee commenced in November 1999.

During the 2001/2002 financial year, Central Exchange requested that the Technical Services Agreement be terminated as it no longer required the provision of technical services. The Board subsequently entered into discussions with the Board of Central Exchange regarding the outstanding Monthly Fees from 1 September 2001 and with respect to the balance of the term of the Technical Services Agreement (up to and including 1 September 2002) with the view to a possible termination of the Technical Services Agreement prior to its natural effluxion. Monthly Fees in the sum of \$1,167,000 remained unpaid for the period from 1 September 2001 to the end of the term of the Technical Services Agreement.

In light of legal advice received, the then independent directors of the Company agreed with the then independent director of the Central Exchange, subject to shareholder approvals being obtained, to terminate the Technical Services Agreement on the basis that Central Exchange pay to the Company, in full and final satisfaction of all fees currently payable, or which would become payable, under the Technical Services Agreement:

- (1) the sum of \$300,000 to be satisfied by the issue of 19,342,360 shares in Central Exchange at an issue price of 80% of the weighted average price for fully paid ordinary shares in Central Exchange for the period from 28 December 2001 to 26 March 2002, being 1.551 cents per share (on a pre 1:10 consolidated basis); and
- (2) \$150,000.00 cash.

DIRECTORS' REPORT

On 8 August 2002, shareholders passed a resolution at a general meeting approving the settlement and termination of the Technical Services Agreement. Central Exchange shareholders also approved the same at their general meeting held on 30 July 2002.

Pursuant to such shareholder approvals:

- (i) On 12 August 2002, Central Exchange issued 1,934,236 shares (on a post 1:10 share consolidation basis) to the Company at a deemed consideration of \$300,000; and
- (ii) On 5 September 2002, Central Exchange paid \$150,000 cash to the Company.

After such share issue, the Company held (and continues to hold) 4,149,112 shares in Central Exchange (being 48.817% of its issued ordinary share capital).

In light of such significant shareholding, Central Exchange has been consolidated into the Company accounts for the current financial year.

3.2 Proposed Change of Activities and Prospectus of Central Exchange

At a general meeting on 30 July 2002, Central Exchange shareholders approved various resolutions, including, inter alia, with respect to the following matters:

- The change in the nature and scale of Central Exchange's activities from a company involved in telecommunications to a company primarily involved in resources exploration and exploitation;
- The acquisition of Juniper Resources Ltd in consideration for the issue of 15,000,000 shares in Central Exchange at an issue price of 20 cents per share. Juniper Resources Ltd was an Australian public company involved in 6 gold, base metal, copper and iron-ore resource projects in Western Australia;
- The issue of the shares and options pursuant to a prospectus; and
- The change of name to "Juniper Resources Limited",

Central Exchange lodged a Prospectus dated 1 August 2002 seeking to raise a total of 15,000,000 shares at an issue price of 20 cents per share to raise \$3,000,000 (with a minimum subscription of \$1,500,000 and oversubscriptions of an additional \$3,000,000) and options.

On 26 November 2002, Central Exchange announced the withdrawal of its prospectus due to the failure to raise the minimum subscription and the termination of the agreement to acquire Juniper Resources Ltd (for failure of a condition precedent, namely the raising of a minimum of \$1.5m).

Accordingly, the change of company name to "Juniper Resources Limited" has not proceeded.

3.3 ASX Suspension

On 20 June 2003, the ASX advised Central Exchange that it would not reinstate the company to official quotation as they were of the view that the company's level of operations was not sufficient to warrant the quotation of its securities as required by Listing Rule 12.1. Central Exchange's shares were suspended from quotation on the official list of the ASX prior to commencement of trading on the day of its general meeting on 30 July 2002.

Central Exchange has advised that it will be required to re-comply with the admission requirements of the ASX set out in chapters 1 and 2 of the ASX Listing Rules for its securities to be reinstated for quotation. As part of these admission requirements, Central Exchange will have to issue a prospectus and successfully complete a capital raising at a minimum price of 20 cents per share.

DIRECTORS' REPORT

3.4 Closure Of Telecommunications Network

Central Exchange has advised that its telecommunications network had generated disappointingly low revenues since its commercial launch in August 2001 (from existing Queste and Central Exchange shareholders and the public at large).

In the light of the limited prospects for future growth of the Central Exchange network, the low level of cash reserves of the company and the ASX decision not to reinstate Central Exchange to official quotation on ASX, Central Exchange announced on 4 July 2003 that its directors could see no commercial benefit in continuing to operate the network and had decided to suspend such operations. Central Exchange also did not review its telecommunications carrier's licence on 1 July 2003.

Central Exchange noted that the company still retained the license to operate the VoiceNet System VoIP technology which it acquired from Queste in 1999 for the network and advised that should market conditions improve in the future, the company could relatively easily redeploy its network infrastructure and recommence operations.

3.5 Anaconda Settlement Deed Payment

Pursuant to a settlement deed between Anaconda and Central Exchange dated 17 September 1996 ("**Settlement Deed**"), Anaconda agreed to pay Central Exchange \$16,250,000 (to be indexed - \$19,009,823 as indexed by the United States Consumer Price Index ("**US CPI**") (non-seasonally adjusted all urban consumers for all items) from September 1996 to August 2003) ("**Agreed Amount**") on the earlier of certain Review Dates defined as follows:

- (1) 12 months after the financiers to the Murrin Murrin Nickel Project ("**Murrin Murrin Project**") has confirmed that the Murrin Murrin Project is operating to design standards of performance in terms of throughput, recovery and metal production;
- (2) 3 years after the commissioning of a nickel/cobalt treatment plant of ore from the Murrin Murrin Project;
- (3) 3 years after 250,000 tonnes of ore from the Murrin Murrin Project has been mined and treated;
- (4) When Anaconda has sold its interest in the Murrin Murrin Project for not less than A\$350,000,000.

3.5.1 Anaconda Position

Anaconda, in its 2003 Annual Report (released on 17 September 2003) at Note 30 (Contingent Assets and Liabilities) of the notes to its financial statements, makes the following statements about this matter:

"Under a settlement agreement with Central Exchange Limited (formerly Central Bore Nickel NL, "Central Exchange") [Anaconda Operations Pty Ltd (ANO)], as manager of the Murrin Murrin Joint Venture may be required to pay \$16.25million (Anaconda [Nickel Limited] 60% share: \$9.8 million) (subject to escalation for inflation based on USA consumer price index) to Central Exchange. The payment is dependent upon several factors. The first factor is that the Review Date as defined under the settlement contract is triggered.

Anaconda considers that the Review Date, as defined in the Deed, whereby ANO is required to consider whether any monies are payable to Central Exchange under the Deed occurred on 28 September 2002. Since that date, Anaconda is required to calculate the LME average nickel price for the preceding 12 months and, only if that price is above \$US3.50/lb indexed, will ANO have to pay \$16.25 million (indexed from September 1996 to September 2002).

The trigger price was not met on 28 September 2002 and therefore Anaconda is required to repeat the process each month until the trigger price is exceeded and the money becomes payable to Central Exchange. The trigger price had not been met at the date of this report."

DIRECTORS' REPORT

On 8 October 2002, Anaconda formally advised Central Exchange in writing that it considered the Review Date was 29 September 2002. Anaconda did not provide any explanation as to the basis for this determination. However, Central Exchange notes that in its 2001 and 2000 annual reports, Anaconda stated that the Review Date was triggered with the mining of 250,000 tonnes of ore on 12 September 1999 and that the Review Date was therefore 12 September 2002. However, Anaconda's 2002 and 2003 annual reports state this trigger event occurred on 28 September 1999 with an associated Review Date being 28 September 2002.

Therefore, based on Anaconda's view which Central Exchange does not concede, the Agreed Amount would be due and payable by Anaconda at the Review Date of 12/28 September 2002 (to be reconciled by Anaconda which Central Exchange has formally sought on 22 September 2003) (or at each subsequent month thereafter) if the average London Metals Exchange Nickel ("LME") nickel daily settlement price ("**LME Average Nickel Price**") in the 12 months prior to 12/28 September 2002 (or each subsequent month) exceeded the trigger price of US\$3.50 per pound as indexed by the US CPI ("**Trigger Price**").

In this regard, on 8 October 2002, Anaconda advised Central Exchange formally that the LME Average Nickel Price in the 12 months to 28 September 2002 was US\$2.84 per pound and that this was below the indexed Trigger Price of US\$4.01 per pound at that time.

Anaconda have also formally advised Central Exchange in each subsequent month thereafter that the relevant LME Average Nickel Price continued to be below the relevant indexed Trigger Price and that, accordingly, the Agreed Amount was not yet payable to Central Exchange.

In the most recent advice dated 15 September 2003, Anaconda advised Central Exchange that the LME Average Nickel Price in the 12 months to 28 August 2003 was US\$3.63 per pound and that this was below the indexed Trigger Price of US\$4.08 per pound at that time.

3.5.2 Central Exchange Position

Central Exchange has previously advised that a trigger event under Review Date (2) above has occurred in that a nickel/cobalt treatment plant from the Murrin Murrin Project was commissioned on 7 May 1999 when Anaconda issued a market announcement stating that the production of nickel metal from the Murrin Murrin Project had commenced and the commissioning phase of Murrin Murrin was moving immediately to full stage 1 production ramp up. Furthermore, the Prime Minister, Mr John Howard, officially opened the Murrin Murrin Nickel Cobalt Project on 29 July 1999. Therefore, in Central Exchange's opinion, one of the Review Dates is 7 May 2002.

Central Exchange has also considered whether a trigger event under Review Date (1) above has occurred and if so at what time, and alternatively, whether Anaconda has breached the settlement deed by virtue of it not entering into the type of financing arrangements contemplated in the Settlement Deed and whether that breach has resulted in the Agreed Amount having fallen due and payable.

Central Exchange notes that if the date of this trigger event can be established as having occurred prior to 31 January 2000 or that, had Anaconda not breached the Settlement Deed, the trigger event would have occurred prior to that date, with an associated Review Date being no later than 31 January 2001 - being the date on which the 12 month moving average LME Nickel Price last exceeded the relevant indexed Trigger Price at the same time - Central Exchange would assert that the Agreed Amount will be due and payable by Anaconda.

Central Exchange has also considered whether the trigger event under Review Date (4) above may occur in circumstances where there is a change of ownership of Anaconda and accordingly, a change in the indirect ownership of the Murrin Murrin Project.

Central Exchange has advised that it had determined, after receipt of legal advice, not to pursue these 3 issues further through legal channels at the present time but it would reserve its rights to do so if further information came to light or circumstances changed in this matter.

DIRECTORS' REPORT

3.5.3 Average Nickel Price

Central Exchange has noted that Anaconda had advised that the LME Average Nickel Price in the 12 months to 28 August 2003 was US\$3.63 per pound and that this was below the indexed Trigger Price of US\$4.08 per pound on the same date.

Central Exchange has noted that under the Settlement Deed, on the occurrence of a relevant Review Date, if the LME Average Nickel Price in the 12 months prior to the Review Date does not exceed the indexed Trigger Price, payment of the Agreed Amount would be deferred and reviewed on a monthly basis until such time as the LME Average Nickel Price were to exceed the indexed Trigger Price.

Central Exchange has further noted that there is no "sunset" clause in the Settlement Deed. That is, the comparison of the 12 month LME Average Nickel Price against the relevant Trigger Price would be performed on each monthly anniversary of the earliest relevant Review Date for an indefinite period until payment of the Agreed Amount is "triggered".

In this regard, Queste and Central Exchange notes that:

- The LME nickel price was US\$4.604 (US\$10,150 per tonne) as at 26 September 2003;
- The LME nickel price has traded above the present Trigger Price of US\$4.09 per pound (US\$9,026 per tonne) since 25 July 2003 and was at its highest price of US\$4.684 (US\$10,325 per tonne) during this period on 22 September 2003;
- The 12 month LME Average Nickel Price to 26 September 2003 was ~US\$3.753 per pound;
- Accordingly, the present "gap" between the Trigger Price and 12 month LME Average Nickel Price is US\$0.3413 per pound;
- Such "gap" was US\$0.94 per pound on 31 December 2002 and US\$0.60 per pound on 30 June 2003 and has fallen by US\$0.2603 per pound since 1 July 2003 (please also refer to the following chart for an illustration of the Trigger Price versus the moving 12 month LME Average Nickel Price versus the LME nickel price);
- If the present levels of the LME nickel price are sustained, the Trigger Price may be reached in December 2003. If the actual LME nickel price increases above the present level, the Trigger Price is likely to be reached sooner and vice versa;
- A number of market forecasts for nickel for the next 12 months indicate a strong demand for nickel and consequently a positive outlook for nickel prices.

Whilst Queste and Central Exchange are pleased with the current direction of LME nickel prices, the perceived outlook for the future and the possibility of payment by Anaconda of the Agreed Amount (presently \$19,009,823), the Boards of both companies notes that:

- There is no certainty that LME nickel prices will maintain or increase from their current levels;
- There is a possibility that LME nickel prices may decrease in the future;
- The requirement for nickel to maintain an average price for a 12 month period, by its nature, requires a long term position to be adopted compared with only relatively recent increases in the nickel price;
- The current Trigger Price of US\$4.09 per pound is linked to US CPI and if US CPI increases, such Trigger Price will be revised upwards, potentially increasing the "gap" between the Trigger Price and the 12 month LME Average Nickel Price, notwithstanding that nickel prices may have also increased over the same period.

Central Exchange continues to treat the Agreed Amount as a contingent asset in its financial statements.

DIRECTORS' REPORT

Furthermore, the Board of Central Exchange has noted that should the current nickel price be sustained in the next 12 months and the Trigger Price reached, the Agreed Amount would become due and payable, which when ultimately received, would significantly increase the net assets of Central Exchange. In this regard, the Board of Central Exchange notes that the current Agreed Amount of \$19,009,823 would be equivalent to ~\$2.23 per each Central Exchange fully paid ordinary share (excluding the effects of taxation).

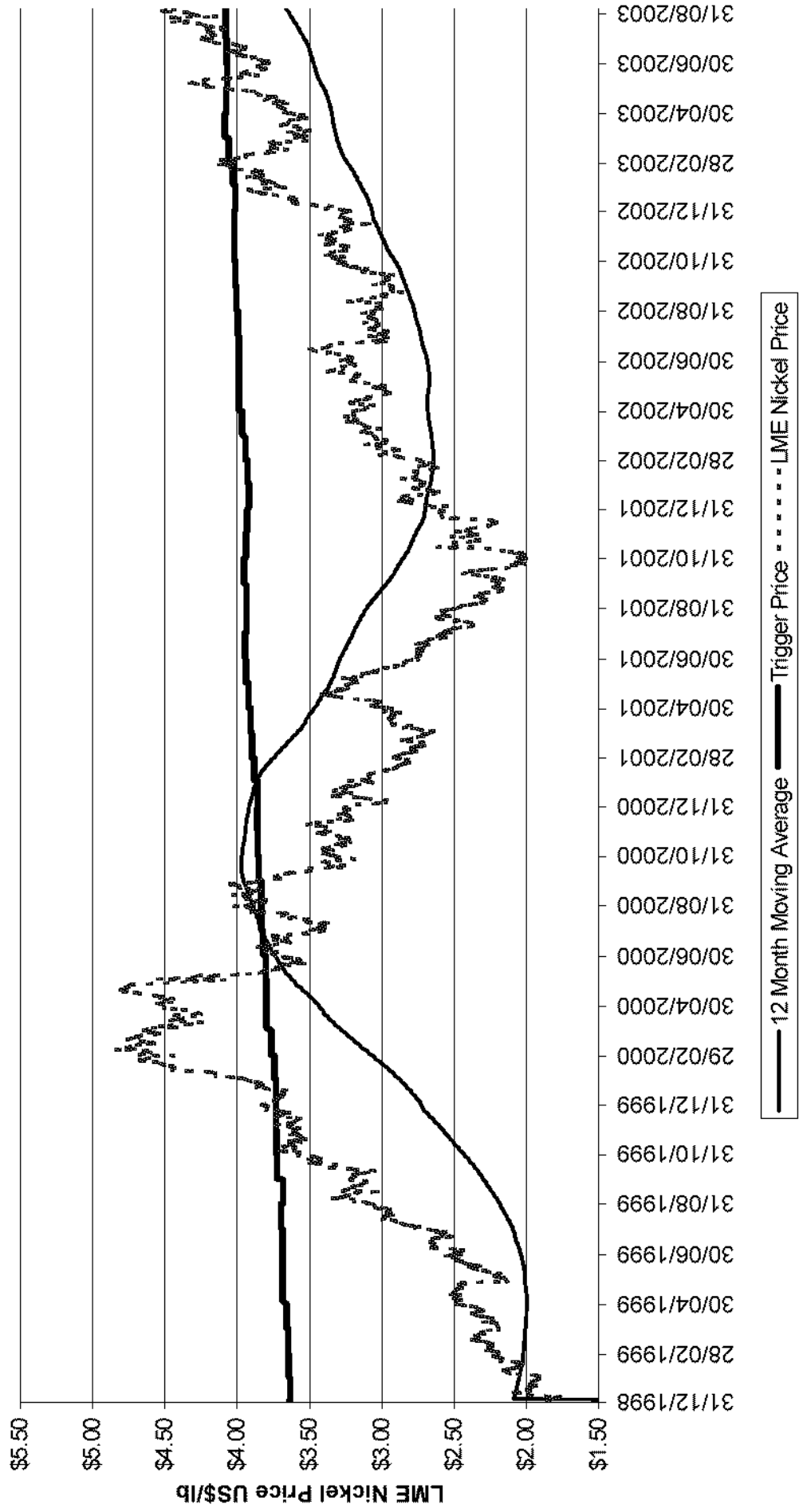
As Queste is a 48.817% shareholder of Central Exchange, the Board of Queste notes that any increase in the net assets of Central Exchange would increase the net assets of Queste. In this regard, the Board of Queste notes that 48.817% of the current Agreed Amount of \$19,009,823 (being \$9,280,025) would be an attributed equivalent of ~\$0.33 cents per each Queste fully paid ordinary share (excluding the effects of taxation and Queste's partly paid shares).

Central Exchange have also advised that:

- the company's cash reserves and market value of listed share investments totalled approximately \$479,000 as at 31 August 2003;
- the company continues to operate out of shared office premises (with, amongst others, Queste) to save office administrative costs;
- the current directors of the company have agreed to forgo their directors' fees until further notice (effective 1 July 2003); and
- in light of the above and the removal of the costs associated with the suspended telecommunications operations, all but essential corporate operating and administrative expenses have been reduced to preserve the cash position of the company and ensure a minimal cash burn.

DIRECTORS' REPORT

Comparison between Moving 12 Month Average LME Nickel Price and Indexed Trigger Price



DIRECTORS' REPORT

4. CORPORATE

4.1. On-Market Buy-Back Of Shares

On 26 June 2002, the Company announced an intention to commence an on-market "within 10/12 limit" share buy-back pursuant to Part 21.1 Division 2 of the Corporations Act 2001. That is, the Company was permitted to buy-back on-market up to 10% of its issued ordinary share capital within a 12 month period.

To this end, 442,484 fully paid ordinary shares were bought-back on 28 June 2002 at a cost of \$15,642 (including transaction costs) with such shares being cancelled on 4 July 2002.

The Directors note that the buy-back of shares at prices below the Company's net tangible asset backing per share would improve the net tangible asset backing per share for existing shareholders post share buy-back.

The Company was authorised to buy-back up to a further 2,442,252 shares by 26 June 2003. However, the Company did not buy-back any further shares during the financial year and announced the end of this on-market buy-back effective 26 June 2003.

4.2. Sale of Commercial Property

The Company disposed of a commercial property during the financial year at gross sale price of \$435,000. This sale represented a gain on disposal of \$39,958 based on the written-down value of such property at the time of disposal. The property was acquired at a cost of \$443,416 shortly after the Company's admission to official quotation on ASX in November 1998, as apart of the ASX requirements for the same.

SECURITIES IN THE COMPANY

At the date of this report, there are the following numbers of the Company's securities on issue:

- (i) 28,404,879 listed fully paid ordinary shares;
- (ii) 20,000,000 unlisted partly paid ordinary shares, each paid to one cent with 19 cents per partly paid ordinary share outstanding.

There were no securities issued or granted by the Company during or since the financial year.

5,000,000 unlisted options (each to take up one fully paid ordinary share in the Company at an exercise price of 20 cents per option) lapsed on 21 July 2003.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

DIVIDENDS

No dividends have been paid or declared during the financial year. The Directors do not recommend the payment of a dividend in respect of the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is not subject to any particular or significant environmental regulation.

DIRECTORS' REPORT

TAX CONSOLIDATION

The Company and its controlled entities have not entered into tax consolidation.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained elsewhere in this annual report.

DIRECTORS

The current Directors of the Company are:

1. Farooq Khan

Chairman and Managing Director
Age 41

Mr Khan has successfully founded a number of private companies and a number of successful initial public offers in Australia in the technology sector. Mr Khan holds a Bachelor of Jurisprudence and Bachelor of Law degree from the University of Western Australia. After practicing for a number of years, principally in the field of corporate law, Mr Khan left the legal profession to form the Company, and later, Fast Scout Ltd, an ASX listed Internet portal technology company. Mr Khan is the Chairman and Managing Director of Fast Scout Ltd and ASX listed companies, Altera Capital Ltd and Software Communication Group Ltd. Mr Khan brings considerable experience in commercial law and in corporate management and administration.

2. Michael van Rens

Non-Executive Director
Age 49

Mr van Rens is a founding Director of the Integrated Financial Group in Western Australia. He is also a director of Canadian listed company, Exall Resources Limited, which holds gold and natural gas interests in Ontario and Alberta and European Goldfields Limited, another Canadian listed company which controls several highly promising gold tenements in Romania. Mr van Rens is also a director of Adelaide based unlisted IT company Rocksoft Limited, which markets products in the Integrity Assessment and Data filing/storage sectors of the Computer Industry. Mr van Rens brings an extensive marketing, sales and investment background to the Company, developed over the last 18 years in the financial services industry.

3. Yaqoob Khan

Non-Executive Director
Age 38

Mr Khan holds a Bachelor of Commerce degree from the University of Western Australia and a Master of Industrial Administration degree from Carnegie Mellon University, Pittsburgh, Pennsylvania, USA. After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan is also a Director of ASX listed Central Exchange Ltd and Fast Scout Ltd. Mr Khan brings considerable international experience in key aspects of corporate finance, production and marketing.

4. Azhar Chaudhri

Non-Executive Director
Age 41

Mr Chaudhri holds a Bachelor of Science degree in Maths and Physics and a Masters degree in Economics. He has also undertaken postgraduate computer studies in the United Kingdom. Mr Chaudhri has considerable expertise in computer systems, analysis and design and advanced programming experience, particularly with respect to business and information technology systems and data base computing. In particular Mr Chaudhri has formed and led software development teams creating integrated database and management information systems for utilities, local government land tax departments, hospitals, libraries and oil terminals. Mr Chaudhri is also an Executive Director of Fast Scout Ltd.

Messrs Azhar Chaudhri and Yaqoob Khan are resident overseas.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

During the year, the Company held 11 meetings of Directors (including Directors' Circulatory Resolutions). The attendance of the Directors at such meetings were:

Name of Director	Meetings Attended	Maximum Possible Meetings
F Khan	10	10
M van Rens	10	11
Y Khan	11	11
A Chaudhri	11	11

There were no meetings of committees of the Board.

DIRECTORS' RELEVANT INTEREST

The relevant interest of each Director in the issued securities of the Company at the date of this report is as follows:

Name of Director	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares
F Khan	6,108,061	-
M van Rens	259,799	-
A Chaudhri	3,693,500	20,000,000
Y Khan	569,520	-

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The Board reviews the remuneration packages of all Directors and Executive Officers on a regular basis. The Board does not have any formal remuneration policy but any decision on remuneration increases or bonuses is made having due regard to the Consolidated Entity's performance and other relevant factors.

Details of the nature and amount of each element of remuneration of each Director and each of the 5 most highly paid Executive Officers of the Company paid or payable by the Consolidated Entity during the financial year are as follows:

Remuneration of Directors of the Company

Name of Director	Office Held	Salary	Fees	Superannuation	Other Benefits	Total
		\$	\$	\$	\$	\$
F Khan	Chairman and Managing Director	125,481	-	11,293	-	136,774
M van Rens	Non-Executive Director	-	15,057	1,355	-	16,412
Y Khan	Non-Executive Director	-	15,000	-	-	15,000
A Chaudhri	Non-Executive Director	-	15,000	-	-	15,000

DIRECTORS' REPORT

Remuneration of 5 Most Highly Paid Executive Officers (Other Than Directors) of the Company

Name of Executive Officer	Position Held	Salary	Bonus	Superannuation	Other Benefits	Total
		\$	\$	\$	\$	\$
W Johnson	General Manager	61,430	-	5,528	-	66,958
V Ho	Company Secretary	31,119	-	2,801	-	33,920

There were no securities issued or granted to Directors or Executive Officers of the Company, during or since the financial year, pursuant to any executive or employee share or option plan or otherwise.

INDEMNITIES

The Company's constitution provides that, subject to and so far as permitted by the Corporations Act 2001:

- (a) the Company must, to the extent the person is not otherwise indemnified, indemnify every officer of the Company and its wholly owned subsidiaries and may indemnify its auditor against a liability incurred as such as an officer or auditor to a person (other than the Company or a related body corporate), unless the liability arises out of conduct involving a lack of good faith; and
- (b) the Company may make a payment (whether by way of advance, loan or otherwise) in respect of legal costs incurred by an officer or employee or auditor in defending an action for a liability incurred as such as an officer, employee or auditor or in resisting or responding to actions taken by a government agency or a liquidator.

The indemnity in favour of officers is a continuing indemnity. It applies in respect of all acts done by a person while an officer of the Company or one of its wholly owned subsidiaries even though the person is not an officer at the time the claim is made.

Without limiting a person's rights under the indemnity described above, the Company may enter into an agreement with a person who is or has been an officer of the Company or any of the Company's subsidiaries, to give effect to the rights of the person under the indemnity on any terms and conditions that the Board thinks fit. The Company has not, during or since the financial year, indemnified or agreed to indemnify a Director, officer or auditor of the Company or of any related body corporate against a liability incurred as such a Director, officer or auditor.

However, the Company has paid premiums during the financial year in respect of a directors' and officers' liability insurance policy which covered all Directors and officers of the Company and its wholly-owned subsidiaries up to 1 July 2003. The policy conditions preclude the Company from any detailed disclosures concerning such policy. Such policy was not renewed upon expiry on 1 July 2003.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Consolidated Entity in subsequent financial years.

DIRECTORS' REPORT

Signed for and on behalf of the Directors in accordance with a resolution of the Board made pursuant to section 298(2) of the Corporations Act 2001.



Farooq Khan
Executive Chairman



Michael van Rens
Non-Executive Director

Perth, Western Australia

30 September 2003

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of behaviour and accountability.

The primary responsibilities of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The Board delegates to the Managing Director and the executive team all responsibility for the operation and administration of the Company.

Terms of Appointment as a Director

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

Independent Professional Advice

Each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Share Trading

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Committees

In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Code Of Conduct

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

Communication to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- The Annual Report which is distributed to shareholders;
- The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- The Half-Yearly Directors' and Financial reports and the Quarterly and Monthly Cash Flow Reports;
- Other Announcements made in accordance with ASX Listing Rules.

The Company's reports and ASX announcements may be viewed and downloaded its website: www.queste.com.au or the ASX website: www.asx.com.au under ASX code "QUE".

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated Entity		Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
Sale of VoIP servers	2	-	4,500	-	4,500
Rendering of services		9,557	550,000	-	550,000
Cost of sales	2	(54,288)	(13,705)	-	(13,705)
Gross Profit		(44,731)	540,795	-	540,795
Other revenue from ordinary activities	2	216,935	308,286	184,905	308,286
Non-operating revenue	2	458,675	52,153	441,620	52,153
Occupancy expenses	2	(78,791)	(51,551)	(44,882)	(51,551)
Finance expenses	2	(6,836)	(3,230)	(3,012)	(3,131)
Borrowing costs	2	(233)	(470)	(233)	(470)
Corporate expenses					
- write-down of intangibles	2	(69,000)	(831,000)	(69,000)	(831,000)
- write down of inventory	2	(18,273)		(18,273)	
- other development costs	2	(27,734)	(497,424)	(8,547)	(497,424)
- other corporate costs	2	(78,827)		9,126	
Administration expenses	2	-		-	
- personnel	2	(566,417)	(323,746)	(313,156)	(323,746)
- write down of investments	2	155,530	(245,683)	(203,390)	(358,703)
- cost of investment sold		(27,438)		(7,290)	
- cost of equipment sold		(169)		(84)	
- cost of property sold		(395,402)		(395,402)	
- others	2	(310,149)	(320,814)	(130,466)	(320,615)
Share of net losses of Associates accounted for using the equity method	12	-	(426,859)	-	-
Loss from ordinary activities before income tax expense		(792,860)	(1,799,543)	(558,084)	(1,485,406)
Income tax benefit/(expense) relating to ordinary activities	4	24,855	(2,233)	24,855	(2,322)
Loss from ordinary activities after income tax expense		(768,005)	(1,801,776)	(533,229)	(1,487,728)
Net loss attributable to outside equity interests		333,973	-	-	-
Net loss attributable to members of the Company	21	(434,032)	(1,801,776)	(533,229)	(1,487,728)
Total changes in equity other than those resulting from transactions with owners as owners		(434,032)	(1,801,776)	(533,229)	(1,487,728)
Earnings per share					
Basic (cents per share)	22	(1.48)	(6.04)		
Diluted (cents per share)	22	(0.90)	(3.69)		

The statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	Consolidated Entity		Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
CURRENT ASSETS					
Cash		3,453,811	2,845,351	3,039,655	2,844,688
Receivables	7	8,089	483,758	7,521	483,758
Inventory	8	-	18,273	-	18,273
Other	9	6,328	26,445	1,024	26,445
TOTAL CURRENT ASSETS		3,468,228	3,373,827	3,048,200	3,373,164
NON CURRENT ASSETS					
Receivables	10	27,872	13,766	13,766	15,617
Other financial assets	11	646,263	307,275	821,061	639,606
Investments accounted for using equity method	12	-	224,857	-	-
Property, plant and equipment	13	76,239	454,869	38,560	454,869
Intangibles	14	-	69,000	-	69,000
Deferred tax assets	15	-	4,968	-	4,968
TOTAL NON CURRENT ASSETS		750,374	1,074,735	873,387	1,184,060
TOTAL ASSETS		4,218,602	4,448,562	3,921,587	4,557,224
CURRENT LIABILITIES					
Payables	16	90,461	106,051	27,210	106,051
NON CURRENT LIABILITIES					
Provisions	17	16,079	8,468	16,079	8,468
Deferred tax liabilities	18	-	30,754	-	31,179
TOTAL LIABILITIES		106,540	145,273	43,289	145,698
NET ASSETS		4,112,062	4,303,289	3,878,298	4,411,526
EQUITY					
Contributed equity	19	8,225,939	8,225,938	8,225,939	8,225,938
Outside equity interest	20	242,804	-	-	-
Accumulated losses	21	(4,356,681)	(3,922,649)	(4,347,641)	(3,814,412)
TOTAL EQUITY		4,112,062	4,303,289	3,878,298	4,411,526

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated Entity		Company	
		2003	2002	2003	2002
	Note	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		92,650	85,786	202,413	85,786
Payments to suppliers and employees		(1,051,117)	(659,853)	(509,476)	(659,554)
Income tax paid		(4,906)	-	(4,906)	-
Income tax refunded		19,309	50,000	19,309	50,000
Interest received		176,895	169,663	145,217	169,663
Interest paid		(233)	(470)	(233)	(470)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26(a)	(767,402)	(354,874)	(147,676)	(354,575)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(4,539)	(2,175)	(1,257)	(2,175)
Payments for other non-current assets		-	(704)	-	(704)
Payments for investment securities		(92,235)	(465,913)	(92,235)	(465,913)
Proceeds from sale of investment securities		23,502	52,153	6,490	52,153
Proceeds from sale of property, plant and equipment		435,173	-	435,130	-
Net cash inflow from acquisition of controlled entity	26(d)	1,019,446	-	-	-
Loan repaid by subsidiary		-	-	-	5,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		1,381,347	(416,639)	348,128	(411,639)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments in relation to share buy-back		-	(15,487)	-	(15,487)
Payments to former shareholders of unmarketable parcels		(22,845)	-	(22,845)	-
Net proceeds from sale of unmarketable parcels		17,360	-	17,360	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		(5,485)	(15,487)	(5,485)	(15,487)
NET INCREASE/(DECREASE) IN CASH ASSETS HELD					
		608,460	(787,000)	194,967	(781,701)
Add opening cash assets brought forward		2,845,351	3,632,351	2,844,688	3,626,389
CLOSING CASH ASSETS AT END OF YEAR	26(b)	3,453,811	2,845,351	3,039,655	2,844,688

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF ACCOUNTING POLICIES

Financial reporting framework

The Financial Report is a general purpose Financial Report, which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The Financial Report has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report:

1.1 Accounts payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

1.2 Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

1.3 Comparative amounts

The economic entity has adopted the presentation and disclosure requirements of Accounting Standards AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" in the preparation of this financial report. The comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net loss of the company or economic entity as reported in the prior year financial report.

1.4 Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. The depreciable amount of all fixed assets is depreciated over their expected useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of such improvements. The depreciation rate and depreciation method adopted for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation
Building	2.50%	Straight Line
Plant and Equipment		
- Acquired before 1 July 1999	13-27%	Straight Line
- Acquired after 30 June 1999	15-50%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

1.5 Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1.5 Earnings per share (cont)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

1.6 Inventories

Inventories are valued at lower of cost and net realisable value, which excludes any portion of fixed and variable overhead expenses, and are assigned directly to each item of inventory on hand and attributed directly to each item of inventory which are sold. This direct assignment and attribution is possible as there are low number of inventory items on hand and which were sold.

1.7 Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave ("employee entitlements") when it is probable that settlement will be required and they are capable of being measured reliably. Employee entitlements are expected to be settled within one year and have been measured at their face value amount. Superannuation contributions are made by the Consolidated Entity in accordance with statutory obligations and are charged as expenses when incurred.

1.8 Financial instruments issued by the Company

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

1.9 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross GST basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.10 Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable. Future income tax benefits in relation to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1.11 Investments

Investments in controlled entities are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other investments in listed companies are recorded at cost with appropriate provision made to reflect market value at the Balance Date.

1.12 Intellectual property

Intellectual property is amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial application of such intellectual property. The unamortised amount is reviewed annually to determine whether it is in excess of the recoverable amount. If the carrying value of intellectual property exceeds its recoverable amount, the asset is written down to the lower value. The VoiceNet System VoIP technology is being amortised over 5 years on this basis.

1.13 Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

1.14 Recoverable amount of non-current assets

The carrying amount of non-current assets are reviewed annually to determine whether they are in excess of the recoverable amount. If the carrying value of a non-current asset exceeds its recoverable amount, the asset is written down to the lower value. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

1.15 Research and development costs

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

1.16 Principles of consolidation

The consolidated Financial Statements are prepared by combining the Financial Statements of all the entities that comprise the Consolidated Entity, being the Company and its controlled entities. Control exists where the Company has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. A list of controlled entities is contained in Note 11 to the Financial Statements.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.17 Revenue recognition

(i) Sale of goods and disposal of assets

Revenue is recognised when the Consolidated Entity has passed control of the goods or other assets to the buyer.

(ii) Rendering of services

Revenue is recognised from either a provision of a service or from a contract to provide services recognised by reference to the stage of completion of the contract.

(iii) Interest revenue

Revenue is recognised on an accrual basis.

(iv) Other revenue

Other revenue is recognised on a receipts basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

2. LOSS FROM ORDINARY ACTIVITIES

The operating loss from ordinary activities before income tax includes the following items of revenue and expense:

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(a) Operating revenue				
Sales revenue				
Sale of goods	-	4,500	-	4,500
Rendering of services	9,557	550,000	-	550,000
Other revenue				
Corporate advisory fee	-	81,818	-	81,818
Underwriting fee	-	14,000	-	14,000
Rental income	52,414	59,487	52,413	59,487
Interest received - other	164,170	152,981	132,492	152,981
Mining royalties	351	-	-	-
	<u>226,492</u>	<u>862,786</u>	<u>184,905</u>	<u>862,786</u>
(b) Non-operating revenue				
Proceeds from sale of assets				
Equipment	173	-	130	-
Property	435,000		435,000	
Share investments	23,502	52,153	6,490	52,153
Total revenue	<u>685,167</u>	<u>914,939</u>	<u>626,525</u>	<u>914,939</u>
(c) Expenses				
Cost of sales and services	54,288	13,705	-	13,705
Operating expenses				
Occupancy expenses	78,791	51,551	44,882	51,551
Finance expenses	6,836	3,230	3,012	3,131
Borrowing costs - interest paid	233	470	233	470
Corporate expenses				
Software development costs	-	7,907	-	7,907
Write down of intangibles	69,000	831,000	69,000	831,000
Write down of inventory	18,273		18,273	-
Amortisation of intangibles	-	400,000	-	400,000
Other development costs	27,734	89,517	8,547	89,517
Other corporate expenses	78,827	-	(9,126)	-
Administration expenses				
Depreciation	30,287	47,353	21,879	47,353
Amortisation of website	-	15,377	-	15,377
Personnel expenses	566,417	323,746	313,156	323,746
Other provisions - Employee entitlements	17,247	(8,090)	17,247	(8,090)
Investment related costs	44,651	-	-	-
Write off of assets	2,525	24,390	200	24,390
Write off receivables	4	-	-	-
Diminution of investments	(155,530)	245,683	203,390	358,703
Doubtful debts provision	1,486	-	2,806	-
Share issue cost	78,563	-	-	-
Other administrative expenses	135,386	159,966	88,334	159,767
Cost of investment sold	27,438	81,818	7,290	81,818
Cost of equipment sold	169	-	84	-
Cost of property sold	395,402	-	395,402	-
Equity share of Associate's losses	-	426,859	-	-
	<u>1,478,027</u>	<u>2,714,482</u>	<u>1,184,609</u>	<u>2,400,345</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

3. SALE OF ASSETS

Sale of assets in the ordinary course of business have given rise to the following gains and losses:

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(a) Net Gain/ (Losses):				
Equipment	4	-	46	-
Property	39,598	-	39,598	-
Share investments	(3,936)	(29,665)	(800)	(29,665)

4. INCOME TAX EXPENSE

- (a) The prima facie income tax on operating loss is reconciled to the income tax provided in the accounts as follows:

Loss from ordinary activities	(792,860)	(1,799,543)	(558,084)	(1,485,406)
Income tax expense calculated at 30% (2002:30%) of operating losses.	(237,858)	(539,863)	(167,425)	(445,622)

Permanent differences

Write down of intangibles	20,700	249,300	20,700	249,300
Amortisation of intangibles	-	120,000	-	120,000
Amortisation of website	-	4,613	-	4,613
Diminution of investment	(46,659)	73,705	61,017	107,611
Investment costs	13,395			
Software development tax depreciation	(16,192)	(44,048)	(16,192)	(44,048)
Software development costs	-	2,372	-	2,372
Non deductible expenditure	252	8,096	252	8,096
Capital loss on shares sold	1,181	-	240	-
Equity share of Associate's losses	-	128,058	-	-
Tax losses not brought to account as future income tax benefits	265,181	-	101,408	-
	-	2,233	-	2,322

Overprovision of income tax in previous years	(24,855)	-	(24,855)	-
Income tax expense/ (benefit)	(24,855)	2,233	(24,855)	2,322

Aggregate income tax expense comprises:

Current income tax provision	-	2,233	-	2,322
Deferred income tax provision	-	-	-	-
Future income tax benefit	-	-	-	-
Under/(over) provision in previous years	(24,855)	-	(24,855)	-
	(24,855)	2,233	(24,855)	2,322

- (b) Future income tax benefit have not been brought to accounts as realisation of the benefit cannot be regarded as virtually certain. These tax benefits will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in taxation legislation adversely affect the realisation of the benefit from deductions.

- (c) The approximate total income tax benefits associated with tax losses not brought to account are \$265,181.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

5. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors Remuneration	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(i) Total remuneration paid or payable, or otherwise made available to Directors of the Consolidated Entity	446,097	243,059	183,186	243,059

The Directors of the Consolidated Entity are disclosed in Note 25 to the Financial Statements.

The number of Directors of the Consolidated Entity whose remuneration falls within the following bands:

	2003 Number	2002 Number
Nil to \$ 9,999	1	-
\$ 10,000 to \$ 19,999	2	7
\$ 30,000 to \$ 39,999	1	-
\$ 40,000 to \$ 49,999	1	-
\$ 60,000 to \$ 69,999	1	-
\$ 130,000 to \$ 139,999	-	1
\$ 270,000 to \$ 279,999	1	-

- (ii) Messrs F Khan, W Johnson and Y Khan also received directors' remuneration from Central Exchange Ltd ("CXL"). Such remuneration was not disclosed in 2002 because it was not paid in connection with the management of the affairs of the Consolidated Entity. However, CXL has been treated as a controlled entity pursuant to Accounting Standard 1024 "Consolidated Accounts" for the first time for the year ended 30 June 2003 (as the Company holds 48.817% of the issued ordinary share capital of CXL). Accordingly, the Directors' remuneration paid by CXL to its directors has been included in the Consolidated Entity's directors' remuneration for the year ended 30 June 2003.

(b) Executive Officers Remuneration

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total remuneration paid or payable, or otherwise made available to Executive Officers (excluding Executive Directors) by the Consolidated Entity and related parties (within the meaning of Accounting Standard AASB 1017 "Related Party Disclosures") of the Consolidated Entity whose income is more than \$100,000 or more.	133,916	136,201	133,916	136,201

The number of Executive Officer whose remuneration falls within the following bands:

	2003 Number	2002 Number
\$ 130,000 to \$ 139,999	1	1

6. AUDITORS REMUNERATION

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Amounts received or due and receivable by the Consolidated Entity's auditors for:				
Audit and review of financial reports	19,538	27,980	12,270	27,980
Other services	7,005	-	7,005	-
	26,543	27,980	19,275	27,980
Other auditors:				
Audit and review of financial reports	(720)	-	(720)	-
	25,823	27,980	18,555	27,980

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

7. CURRENT RECEIVABLES	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Amounts receivable from				
Trade debtors	840	-	-	-
Sundry debtors	-	30,085	-	30,085
Associates	-	450,081	-	450,081
Director related entities	7,091	3,177	7,091	3,177
Others	158	415	430	415
	<u>8,089</u>	<u>483,758</u>	<u>7,521</u>	<u>483,758</u>
8. INVENTORY				
Work in progress - at cost	-	18,273	-	18,273
9. OTHER CURRENT ASSETS				
Prepayments	6,328	26,445	1,024	26,445
10. NON - CURRENT RECEIVABLES				
Amounts receivable from wholly-owned entity	-	-	-	1,851
Bonds and guarantees	27,872	13,766	13,766	13,766
	<u>27,872</u>	<u>13,766</u>	<u>13,766</u>	<u>15,617</u>
11. OTHER NON-CURRENT FINANCIAL ASSETS				
Shares and options in listed corporations - at cost	6,071,318	552,957	637,902	552,957
Shares in controlled entities - at cost	2,067,344	-	2,699,575	100
Shares in associates - at cost	-	-	-	2,399,575
Less: provision for recoverable write-down	(7,492,399)	(245,682)	(2,516,416)	(2,313,026)
	<u>646,263</u>	<u>307,275</u>	<u>821,061</u>	<u>639,606</u>
Market value of listed investments - refer (i)	952,807	307,275	886,957	639,506

- (i) The market value of the Company's investment in controlled entity, Central Exchange Ltd ("CXL"), is based on the company's net tangible asset ("NTA") backing of 5.58 cents per share as at 30 June 2003. CXL was suspended from ASX on 30 July 2002. CXL's last traded price on ASX was 1.50 cents per share (pre CXL's 1:10 share consolidation on 8 August 2002) or adjusted to 15 cents per share (post 1:10 share consolidation). The Directors believe that CXL's NTA is more reflective of an appropriate market value for CXL given the nature of the assets of CXL (cash and investments in listed securities).

(a) Investment in Controlled Entities	Ownership Interest	
	2003	2002
Central Exchange Ltd (A.C.N. 000 742 843) (Refer Note 12 (i))	48.82%	33.74%
Queste Operations Pty Ltd (A.C.N. 094 097 097) Deregistered on 6 May 2003.	0%	100%
Queste Communications (USA), Inc. Incorporated in Delaware, USA on 15 February 2000 This company is not currently engaged in any activities.	100%	100%

Consolidation of the accounts of Queste Communications (USA) Inc. has not been performed because it has not engaged in any activities since incorporation and has no material assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<u>Name of Entity</u>	<u>Principal Activity</u>	<u>Ownership Interest</u>		<u>Consolidated Carrying Amount</u>	
		2003	2002	2003	2002
				\$	\$
Central Exchange Ltd	Telecommunications, mineral exploration, management of share investments	48.82%	33.74%	-	224,857

- (i) On 12 August 2002, Central Exchange Ltd ("CXL") issued 1,934,236 ordinary shares to the Company pursuant to the settlement and termination of a technical services agreement between the two companies (as approved by shareholders of both companies). The Company's shareholding in CXL increased to 48.82% thereafter.

In light of the Company being the largest shareholder of CXL by a significant amount, CXL has been treated as a controlled entity pursuant to Accounting Standard 1024 "Consolidated Accounts" for the first time for the year ended 30 June 2003.

	<u>Consolidated</u>	
	2003	2002
	\$	\$
Movement in Investments in Associates		
Equity accounted amount of investment at the beginning of the financial year	-	512,532
Share of losses from ordinary activities before income tax expense	-	(426,859)
Acquisition of additional interests in associates	-	139,184
Equity accounted amount of investment at the end of the financial year	-	224,857

Summarised Financial Position of Associates

Current assets

Cash	-	1,169,446
Receivables	-	121,658
Others	-	20,560

Non-current assets

Investments	-	118,661
Property, plant and equipment	-	45,214
Other	-	14,106

Current liabilities

Payables	-	(676,188)
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Non-current liabilities

Provisions	-	(4,636)
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Net assets

	-	808,821
Net losses	-	(1,368,497)

Share of Reserves Attributable to Associates

Retained losses		
at the beginning of the financial year	-	(1,747,860)
at the end of the financial year	-	(2,174,719)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

13. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED ENTITY:

Gross Carrying Amount

	Building	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$
Balance at 30 June 2002	443,416	258,467	43,575	745,458
Additions	-	4,539	-	4,539
Disposals	(443,416)	(2,103)	-	(445,519)
Balance at 30 June 2003	-	260,903	43,575	304,478

Accumulated Depreciation

Balance at 30 June 2002	(39,634)	(192,115)	(13,626)	(245,375)
Depreciation expense	(8,380)	(17,415)	(4,492)	(30,287)
Write offs	-	(2,525)	-	(2,525)
Disposals	48,014	1,934	-	49,948
Balance at 30 June 2003	-	(210,121)	(18,118)	(228,239)

Net Book Value

As at 30 June 2002	403,782	66,352	29,949	500,083
As at 30 June 2003	-	50,782	25,457	76,239

COMPANY:

Gross Carrying Amount

Balance at 30 June 2002	443,416	79,379	21,787	544,582
Additions	-	1,257	-	1,257
Disposals	(443,416)	(1,994)	-	(445,410)
Balance at 30 June 2003	-	78,642	21,787	100,429

Accumulated Depreciation

Balance at 30 June 2002	(39,634)	(43,267)	(6,812)	(89,713)
Depreciation expense	(8,380)	(11,253)	(2,246)	(21,879)
Write offs	-	(200)	-	(200)
Disposals	48,014	1,909	-	49,923
Balance at 30 June 2003	-	(52,811)	(9,058)	(61,869)

Net Book Value

As at 30 June 2002	403,782	36,112	14,975	454,869
As at 30 June 2003	-	25,831	12,729	38,560

Aggregate depreciation during the year is recognised as an expense and disclosed in Note 2 of the Financial Statements.

14. INTANGIBLES

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
VoiceNet System VoIP Technology - at cost	2,000,000	2,000,000	2,000,000	2,000,000
VoiceNet System VoIP Licence - at cost	2,300,000	-	-	-
Less: Accumulated amortisation	(3,400,000)	(1,100,000)	(1,100,000)	(1,100,000)
Less: Write-down of VoiceNet Technology	(900,000)	(831,000)	(900,000)	(831,000)
	-	69,000	-	69,000

A further write-down of \$69,000 was recognised as an expense (refer Note 2 of the Financial Statements). This decision was made by the Board in light of the unsuccessful efforts of the Company to commercially exploit the asset in Australia and overseas during the financial year.

15. DEFERRED TAX ASSETS

Future income tax benefit: timing differences	-	4,968	-	4,968
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

16. CURRENT PAYABLES	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Trade creditors	3,350	25,155	3,093	25,155
Other creditors and accruals	87,111	80,896	24,117	80,896
	<u>90,461</u>	<u>106,051</u>	<u>27,210</u>	<u>106,051</u>

17. NON-CURRENT PROVISIONS

Provision for employee entitlements	16,079	8,468	16,079	8,468
Number of employees (including Executive Directors and Officers) at balance date	5	5	5	5

18. DEFERRED TAX LIABILITIES

Provision for income tax	-	29,271	-	29,271
Provision for deferred income tax	-	1,483	-	1,483
	<u>-</u>	<u>30,754</u>	<u>-</u>	<u>30,754</u>

19. CONTRIBUTED EQUITY

Issued and Paid-Up Capital

28,404,879 (2002: 28,404,879) fully paid ordinary shares	5,887,927	5,887,926	5,887,927	5,887,926
20,000,000 (2002: 20,000,000) partly paid ordinary shares	200,000	200,000	200,000	200,000
Option premium	2,138,012	2,138,012	2,138,012	2,138,012
	<u>8,225,939</u>	<u>8,225,938</u>	<u>8,225,939</u>	<u>8,225,938</u>

(a) Movement in Issued Ordinary Share Capital

(i) Fully paid ordinary shares

Balance at beginning of financial year	5,887,926	5,903,568	5,887,926	5,903,568
Share buy back	-	(15,642)	-	(15,642)
Balance at end of the year	<u>5,887,926</u>	<u>5,887,926</u>	<u>5,887,926</u>	<u>5,887,926</u>

(ii) Partly paid ordinary shares

There were no movements during the year for partly paid ordinary shares.

The Company's 20,000,000 unlisted partly paid ordinary shares are each paid to one cent with 19 cents per share outstanding.

At any meeting, each shareholder present in person or by proxy, attorney or representative has one vote for each ordinary fully paid share held either upon a show of hands or by a poll. Holders of partly paid shares have a fraction of a vote for each partly paid share held with the fractional vote of each share being equivalent to the proportion which the amount actually paid (not credited) for that share is of the total amounts paid and payable (excluding amounts credited) for that share. Amounts paid in advance of a call are ignored when calculating proportions. The holder of a partly paid share is not entitled to vote at a meeting in respect of those shares on which calls are outstanding. No voting rights are attached to the Company's options on issue.

The profits of the Company, which the Directors may from time to time determine to distribute to shareholders by way of a dividend, will be divisible amongst the shareholders in proportion to the amounts paid on the shares held by them. An amount paid in advance of a call is not to be included as an amount paid on a share for the purposes of calculating entitlement to dividends for such share.

(b) Details of options on issue are as follows:

Number	Terms and Conditions
5,000,000	Expired on 21 July 2003 with an exercise price of \$0.20 per share without being exercised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

20. OUTSIDE EQUITY INTERESTS

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Outside equity interests in controlled entity comprises:				
Contributed equity	14,729,915	-		
Accumulated losses	(15,574,174)	-		
Reserves	1,087,063	-		
	<u>242,804</u>	<u>-</u>		

21. ACCUMULATED LOSSES

Balance at beginning of the year	(3,922,649)	(2,120,873)	(3,814,412)	(2,326,684)
Net loss	(434,032)	(1,801,776)	(533,229)	(1,487,728)
Balance at end of financial year	<u>(4,356,681)</u>	<u>(3,922,649)</u>	<u>(4,347,641)</u>	<u>(3,814,412)</u>

22. EARNINGS PER SHARE

Basic loss per share (cents)	<u>(1.48)</u>	<u>(6.04)</u>
Diluted loss per share (cents)	<u>(0.90)</u>	<u>(3.69)</u>

(a) Basic loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Net Loss (\$)	(434,032)	(1,801,776)
Weighted average number of ordinary shares	29,404,879	29,843,726

- (i) The Company's partly paid shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share.

The Company's options and partly paid shares, to the extent of the balance of the call (19 cents per share), have not been included in the determination of basic earnings per share. These securities are included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share and each partly paid share will become fully paid.

(b) Diluted loss per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

Net Loss (\$)	(434,032)	(1,801,776)
Weighted average number of ordinary shares - refer (i) and (ii)	48,404,879	48,843,726

- (i) The weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2003 No.	2002 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	29,404,879	29,843,726
Portion of partly-paid ordinary shares that remain unpaid	19,000,000	19,000,000
Weighted average number of ordinary shares used in the calculation of diluted EPS	<u>48,404,879</u>	<u>48,843,726</u>

- (ii) The following potential ordinary shares are not dilutive because the options are out of the money and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

Options exercisable at 20 cents on or before 21 July 2003	<u>5,000,000</u>	<u>5,000,000</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

23. LEASE COMMITMENTS

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Non-cancellable operating lease commitments:				
Not longer than one year	108,800	116,647	108,800	116,647

The lease is in relation to the office premises of the Company and includes all outgoings. Such expenditure is shared with other companies, including controlled entity, Central Exchange Ltd, pursuant to shared office and administration expense arrangements.

24. SEGMENT REPORTING

The Consolidated Entity operates predominantly within Australia and in one industry segment, being telecommunications technology.

Segment Revenues & Results	External Revenue		Operating results	
	2003	2002	2003	2002
	\$	\$	\$	\$
VoIP Technology	9,557	554,500	(162,263)	(829,696)
Investments	23,853	147,971	28,731	(179,530)
	33,410	702,471	(133,532)	(1,009,226)
Unallocated	651,757	212,468	(659,328)	(790,317)
	685,167	914,939		
Profit from ordinary activities before income tax			(792,860)	(1,799,543)
Income tax expense relating to ordinary activities			24,855	(2,233)
Loss from ordinary activities after income tax			(768,005)	(1,801,776)

Segment Assets & Liabilities	Assets		Liabilities	
	2003	2002	2003	2002
	\$	\$	\$	\$
VoIP Technology	-	539,158	-	-
Investments	646,263	532,132	-	-
	646,263	1,071,290	-	-
Unallocated	3,572,339	3,377,272	(106,540)	(145,273)
	4,218,602	4,448,562	(106,540)	(145,273)

Other Segment Information	VoIP Technology		Investments	
	2003	2002	2003	2002
	\$	\$	\$	\$
Carrying value of investments accounted for using the equity method	-	-	-	224,857
Share of net losses of associate company accounted for under the equity method	-	-	-	426,859
Acquisition of segment assets	-	-	392,235	647,731
Depreciation and amortisation of segment assets	-	433,054	-	-
Other non-cash expenses				
Write off of segment assets	2,525	24,390	-	-
Write down of segment assets	69,000	831,000	-	-
Diminution of segment assets	-	-	(155,530)	245,683

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

25. RELATED PARTY TRANSACTIONS

The names of each person holding the position of Director of the Company during the financial year were Farooq Khan, Michael J Van Rens, Azhar Chaudhri and Yaqoob Khan.

The names of each person holding the position of Director of controlled entity, Central Exchange Ltd, during the financial year were Messrs Farooq Khan, Yaqoob Khan, William M. Johnson (appointed 28 February 2003), Antony W P Sage (resigned 28 February 2003), Brett M. McKeon (resigned 28 November 2002), H. Shanker Madan (resigned 26 November 2002) and John F. Stephenson (resigned 26 November 2002).

(a) Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 11 of the Financial Statements.

(b) Directors' Remuneration

Information on the remuneration of Directors is disclosed in Note 5 of the Financial Statements.

(c) Directors' Equity Holdings

(i) Ordinary Shares

	Fully Paid		Partly Paid	
	2003	2002	2003	2002
Issued during the financial year to Directors and their Director Related Entities by the Company	-	-	-	-
Redeemed, exercised or bought back during the financial year from Directors and their Director Related Entities by the Company	-	-	-	-
Held as at Balance Date by Directors and their Directors Related Entities in the Company	11,103,186	11,369,629	20,000,000	20,000,000

(ii) Options

	Expiring 21 July 2003	
	2003	2002
Issued during the financial year to Directors and their Director Related Entities by the Company	-	-
Redeemed, exercised or bought back during the financial year from Directors and their Director Related Entities by the company	-	-
Held as at Balance Date by Directors and their Directors Related Entities in the Company	4,100,000	4,100,000

(d) Transactions with Controlled Entities

(i) Debtors

During the financial year, the Consolidated Entity incurred operating expenses on behalf of Central Exchange Ltd (a controlled entity pursuant to Accounting Standard 1024 "Consolidated Accounts") and Central Exchange Operations Pty Ltd (a wholly owned subsidiary of Central Exchange Ltd), pursuant to shared office and administration expense arrangements. The following amounts remain outstanding at the Balance Date by the Company. Interest is not charged on such outstanding amounts.

Entity	Amount Outstanding
	\$
Central Exchange Ltd	4,535
Central Exchange Operation Pty Ltd	2,556
	<u>7,091</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

25. RELATED PARTY TRANSACTIONS

(d) Transactions with Controlled Entities (cont)

(ii) Receipt of Shares

On 8 August 2002, the Company's shareholders passed a resolution approving the settlement and termination of a technical services agreement with Central Exchange. Central Exchange shareholders also approved the same at their general meeting held on 30 July 2002 (at which Queste abstained from voting with respect to the relevant resolution).

Pursuant to such shareholder approvals:

- (a) 1,934,236 shares were issued by Central Exchange to Queste on 12 August 2002 (on a post 1:10 share consolidation basis) at a deemed consideration of \$300,000; and
- (b) \$150,000 cash was paid by Central Exchange to Queste on 5 September 2002.

Such \$450,000 revenues from the termination and settlement of the technical services agreement have already been recognised by the Company for the financial year ended 30 June 2002.

26. STATEMENT TO CASH FLOWS

(a) Reconciliation of Loss from Ordinary Activities after Tax to Net Cash Flows from Operations

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Operating loss after tax	(768,005)	(1,801,776)	(533,229)	(1,487,728)
Share of Associate's losses	-	426,859	-	-
Depreciation	30,287	47,353	21,879	47,353
Doubtful debts provision	1,486	-	2,806	-
Write down of VoiceNet Technology	69,000	831,000	69,000	831,000
Write down of inventory	18,273	-	18,273	-
Amortisation of VoiceNet Technology	-	400,000	-	400,000
Amortisation of website	-	15,377	-	15,377
Diminution of investments	(155,530)	245,683	203,390	358,703
Amounts written off assets	2,525	24,390	200	24,390
Gain on sale of assets	(39,602)	-	(39,644)	-
Loss on sale of investment	3,936	29,665	800	29,665
(Decrease)/increase in income tax payable	(24,855)	-	(10,452)	-
Disposal of investment in subsidiary	-	-	100	-
Shares received in lieu of technical service fees	-	(100,000)	-	(100,000)
Shares received as contribution toward legal costs	-	(5,840)	-	(5,840)
Shares received in lieu of corporate advisory fees	-	(81,818)	-	(81,818)
(Increase)/decrease in assets:				
Current receivables	121,295	(374,393)	157,922	(374,394)
Inventories	-	13,704	-	13,704
Other current assets	40,677	(21,503)	25,421	(21,503)
Increase/(decrease) in liabilities:				
Current trade payables	(69,865)	2,330	(71,754)	2,330
Provision for annual leave	2,976	(5,905)	7,612	(5,814)
Net cash flows from operating activities	(767,402)	(354,874)	(147,676)	(354,575)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

26. STATEMENT TO CASH FLOWS (Cont)

	Consolidated Entity		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
(b) Reconciliation of Cash				
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash at bank	985,357	155,140	571,201	154,477
Term deposit	28,299	655,271	28,299	655,271
Bank bills	2,440,155	2,034,940	2,440,155	2,034,940
	<u>3,453,811</u>	<u>2,845,351</u>	<u>3,039,655</u>	<u>2,844,688</u>

(c) Non-Cash Financing and Investing Activities

The Company received from Central Exchange Ltd in satisfaction of the settlement and termination of a technical services agreement, 1,934,236 shares Central Exchange Ltd at a deemed consideration of \$300,000 and \$150,000 cash.

(d) Net cash inflow from acquisition of controlled entity

(refer also to Note 12 of Financial Statements)

	\$
Consideration	224,857
Existing balance of investment	
Shares issued to Queste in satisfaction of debt	300,000
	<u>524,857</u>

Central Exchange Ltd

12 August 2002

Assets and Liabilities held at acquisition date

	\$
Cash asset	1,019,446
Receivables	156,324
Property, plant and equipment	45,214
Other financial assets	118,661
Payables	(230,824)
Other	18,139
Net assets	<u>1,126,960</u>

Discount on acquisition	(25,325)
Outside equity interests in acquisition	(576,778)
Purchase consideration as at 12 August 2002	<u>524,857</u>

Cash consideration	-
Cash acquired	1,019,446
Net cash acquired on acquisition	<u>1,019,446</u>

27. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
2003	\$	\$	\$	\$	\$
Financial assets					
Cash	4.50%	985,357	2,468,454	-	3,453,811
Receivables		-	-	8,089	8,089
Shares in listed companies		-	-	646,263	646,263
		<u>985,357</u>	<u>2,468,454</u>	<u>654,352</u>	<u>4,108,163</u>
Financial liabilities					
Payables		-	-	(90,461)	(90,461)
Employee entitlements		-	-	(16,079)	(16,079)
		-	-	<u>(106,540)</u>	<u>(106,540)</u>
Net financial assets		<u>985,357</u>	<u>2,468,454</u>	<u>547,812</u>	<u>4,001,623</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

27. FINANCIAL INSTRUMENTS (Cont)	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
2002					
Financial assets					
Cash	4.73%	154,948	2,690,211	192	2,845,351
Receivables		-	-	483,758	483,758
Shares in listed companies		-	-	307,275	307,275
		154,948	2,690,211	791,225	3,636,384
Financial liabilities					
Payables		-	-	(106,051)	(106,051)
Employee entitlements		-	-	(8,468)	(8,468)
		-	-	(114,519)	(114,519)
Net financial assets		154,948	2,690,211	676,706	3,521,865

Reconciliation of net financial assets to net assets	Consolidated Entity	
	2003	2002
	\$	\$
Net financial assets as above	4,001,623	3,521,865
Non-financial assets and liabilities		
Inventory	-	18,273
Non-current receivables	27,872	13,766
Investment in Associates	-	224,857
Property, plant and equipment	76,239	454,869
Intangibles	-	69,000
Other assets	6,328	26,445
Deferred tax assets	-	4,968
Deferred tax liabilities	-	(30,754)
	4,112,062	4,303,289

(b) Credit Risk Exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the Financial Statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

(c) Net Fair Value of Financial Assets and Liabilities

Except as detailed below, the carrying amount of financial assets and financial liabilities recorded in the Financial Statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The net fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

	Carrying Amount		Net Fair Value	
	2003	2002	2003	2002
	\$	\$	\$	\$
Financial Assets				
Traded on Organised Markets				
Shares on listed companies	646,263	307,275	952,807	307,275
Shares on listed associated company	-	224,857	-	332,231

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

28. CONTINGENT ASSET

Central Exchange - Anaconda Settlement Deed Payment

Pursuant to a settlement deed between Anaconda and Central Exchange dated 17 September 1996 ("**Settlement Deed**"), Anaconda agreed to pay Central Exchange \$16,250,000 (to be indexed - \$19,009,823 as indexed by the United States Consumer Price Index ("**US CPI**") (non-seasonally adjusted all urban consumers for all items) from September 1996 to August 2003) ("**Agreed Amount**") on the earlier of certain Review Dates defined as follows:

- (1) 12 months after the financiers to the Murrin Murrin Nickel Project ("**Murrin Murrin Project**") has confirmed that the Murrin Murrin Project is operating to design standards of performance in terms of throughput, recovery and metal production;
- (2) 3 years after the commissioning of a nickel/cobalt treatment plant of ore from the Murrin Murrin Project;
- (3) 3 years after 250,000 tonnes of ore from the Murrin Murrin Project has been mined and treated;
- (4) When Anaconda has sold its interest in the Murrin Murrin Project for not less than A\$350,000,000.

Anaconda Position

Anaconda, in its 2003 Annual Report (released on 17 September 2003) at Note 30 (Contingent Assets and Liabilities) of the notes to its financial statements, makes the following statements about this matter:

"Under a settlement agreement with Central Exchange Limited (formerly Central Bore Nickel NL, "Central Exchange") [Anaconda Operations Pty Ltd (ANO)], as manager of the Murrin Murrin Joint Venture may be required to pay \$16.25million (Anaconda [Nickel Limited] 60% share: \$9.8 million) (subject to escalation for inflation based on USA consumer price index) to Central Exchange. The payment is dependent upon several factors. The first factor is that the Review Date as defined under the settlement contract is triggered.

Anaconda considers that the Review Date, as defined in the Deed, whereby ANO is required to consider whether any monies are payable to Central Exchange under the Deed occurred on 28 September 2002. Since that date, Anaconda is required to calculate the LME average nickel price for the preceding 12 months and, only if that price is above \$US3.50lb indexed, will ANO have to pay \$16.25 million (indexed from September 1996 to September 2002).

The trigger price was not met on 28 September 2002 and therefore Anaconda is required to repeat the process each month until the trigger price is exceeded and the money becomes payable to Central Exchange. The trigger price had not been met at the date of this report."

On 8 October 2002, Anaconda formally advised Central Exchange in writing that it considered the Review Date was 29 September 2002. Anaconda

did not provide any explanation as to the basis for this determination. However, Central Exchange notes that in its 2001 and 2000 annual reports, Anaconda stated that the Review Date was triggered with the mining of 250,000 tonnes of ore on 12 September 1999 and that the Review Date was therefore 12 September 2002. However, Anaconda's 2002 and 2003 annual reports state this trigger event occurred on 28 September 1999 with an associated Review Date being 28 September 2002.

Therefore, based on Anaconda's view which Central Exchange did not concede, the Agreed Amount would be due and payable by Anaconda at the Review Date of 12/28 September 2002 (to be reconciled by Anaconda which the Company has formally sought on 22 September 2003) (or at each subsequent month thereafter) if the average London Metals Exchange Nickel ("**LME**") nickel daily settlement price ("**LME Average Nickel Price**") in the 12 months prior to 12/28 September 2002 (or each subsequent month) exceeded the trigger price of US\$3.50 per pound as indexed by the US CPI ("**Trigger Price**").

In this regard, on 8 October 2002, Anaconda advised Central Exchange formally that the LME Average Nickel Price in the 12 months to 28 September 2002 was US\$2.84 per pound and that this was below the indexed Trigger Price of US\$4.01 per pound at that time.

Anaconda have also formally advised Central Exchange in each subsequent month thereafter that the relevant LME Average Nickel Price continued to be below the relevant indexed Trigger Price and that, accordingly, the Agreed Amount was not yet payable to Central Exchange.

In the most recent advice dated 15 September 2003, Anaconda advised Central Exchange that the LME Average Nickel Price in the 12 months to 28 August 2003 was US\$3.63 per pound and that this was below the indexed Trigger Price of US\$4.08 per pound at that time.

Central Exchange Position

Central Exchange has previously advised that a trigger event under Review Date (2) above has occurred in that a nickel/cobalt treatment plant from the Murrin Murrin Project was commissioned on 7 May 1999 when Anaconda issued a market announcement stating that the production of nickel metal from the Murrin Murrin Project had commenced and the commissioning phase of Murrin Murrin was moving immediately to full stage I production ramp up. Furthermore, the Prime Minister, Mr John Howard, officially opened the Murrin Murrin Nickel Cobalt Project on 29 July 1999. Therefore, in Central Exchange's opinion, one of the Review Dates is 7 May 2002.

Central Exchange has also considered whether a trigger event under Review Date (1) above has occurred and if so at what time, and alternatively, whether Anaconda has breached the settlement deed by virtue of it not entering into the type of financing arrangements contemplated in the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

Settlement Deed and whether that breach has resulted in the Agreed Amount having fallen due and payable.

Central Exchange notes that if the date of this trigger event can be established as having occurred prior to 31 January 2000 or that, had Anaconda not breached the Settlement Deed, the trigger event would have occurred prior to that date, with an associated Review Date being no later than 31 January 2001 - being the date on which the 12 month moving average LME Nickel Price last exceeded the relevant indexed Trigger Price at the same time - Central Exchange would assert that the Agreed Amount will be due and payable by Anaconda.

Central Exchange has also considered whether the trigger event under Review Date (4) above may occur in circumstances where there is a change of ownership of Anaconda and accordingly, a change in the indirect ownership of the Murrin Murrin Project.

Central Exchange has advised that it had determined, after receipt of legal advice, not to pursue these 3 issues further through legal channels at the present time but it would reserve its rights to do so if further information came to light or circumstances changed in this matter.

Average Nickel Price

Central Exchange has noted that Anaconda had advised that the LME Average Nickel Price in the 12 months to 28 August 2003 was US\$3.63 per pound and that this was below the indexed Trigger Price of US\$4.08 per pound on the same date.

Central Exchange has noted that under the Settlement Deed, on the occurrence of a relevant Review Date, if the LME Average Nickel Price in the 12 months prior to the Review Date does not exceed the indexed Trigger Price, payment of the Agreed Amount would be deferred and reviewed on a monthly basis until such time as the LME Average Nickel Price were to exceed the indexed Trigger Price.

Central Exchange has further noted that there is no "sunset" clause in the Settlement Deed. That is, the comparison of the 12 month LME Average Nickel Price against the relevant Trigger Price would be performed on each monthly anniversary of the earliest relevant Review Date for an indefinite period until payment of the Agreed Amount is "triggered".

In this regard, Queste and Central Exchange notes that:

- The LME nickel price was US\$4.604 (US\$10,150 per tonne) as at 26 September 2003;
- The LME nickel price has traded above the present Trigger Price of US\$4.09 per pound (US\$9,026 per tonne) since 25 July 2003 and was at its highest price of US\$4.68 (US\$10,325 per tonne) during this period on 22 September 2003;

- The 12 month LME Average Nickel Price to 26 September 2003 was ~US\$3.753 per pound;
- Accordingly, the present "gap" between the Trigger Price and 12 month LME Average Nickel Price is US\$0.3413 per pound;
- Such "gap" was US\$0.94 per pound on 31 December 2002 and US\$0.60 per pound on 30 June 2003 and has fallen by US\$0.2603 per pound since 1 July 2003;
- If the present levels of the LME nickel price are sustained, the Trigger Price may be reached in December 2003. If the actual LME nickel price increases above the present level, the Trigger Price is likely to be reached sooner and vice versa;
- A number of market forecasts for nickel for the next 12 months indicate a strong demand for nickel and consequently a positive outlook for nickel prices.

Whilst Queste and Central Exchange are pleased with the current direction of LME nickel prices, the perceived outlook for the future and the possibility of payment by Anaconda of the Agreed Amount (presently \$19,009,823), the Boards of both companies notes that:

- There is no certainty that LME nickel prices will maintain or increase from their current levels;
- There is a possibility that LME nickel prices may decrease in the future;
- The requirement for nickel to maintain an average price for a 12 month period, by its nature, requires a long term position to be adopted compared with only relatively recent increases in the nickel price;
- The current Trigger Price of US\$4.09 per pound is linked to US CPI and if US CPI increases, such Trigger Price will be revised upwards, potentially increasing the "gap" between the Trigger Price and the 12 month LME Average Nickel Price, notwithstanding that nickel prices may have also increased over the same period.

Central Exchange continues to treat the Agreed Amount as a contingent asset in its financial statements.

Furthermore, the Board of Central Exchange has noted that should the current nickel price be sustained in the next 12 months and the Trigger Price reached, the Agreed Amount would become due and payable, which when ultimately received, would significantly increase the net assets of Central Exchange. In this regard, the Board of Central Exchange notes that the current Agreed Amount of \$19,009,823 would be equivalent to ~\$2.23 per each Central Exchange fully paid ordinary share (excluding the effects of taxation).

As Queste is a 48.817% shareholder of Central Exchange, the Board of Queste notes that any increase in the net assets of Central Exchange would increase the net assets of Queste. In this regard, the Board of Queste notes that 48.817% of the current Agreed Amount of \$19,009,823 (being \$9,280,025) would be an attributed equivalent of ~\$0.33 cents per each Queste fully paid ordinary share (excluding the effects of taxation and Queste's partly paid shares).

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Queste Communications Limited made pursuant to section 295(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Company and of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Farooq Khan
Executive Chairman



Michael van Rens
Non-Executive Director

Perth, Western Australia

30 September 2003

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUESTE COMMUNICATIONS LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Queste Communications Limited (the company) and the consolidated entity, for the year ended 30 June 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 have 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 judgment, 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 Queste Communications 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 30 June 2003 and of its 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.

BDO

Chartered Accountants



B. G. McVeigh

Partner

Perth, WA

Dated this 30th day of September 2003

STOCK EXCHANGE INFORMATION as at 15 September 2003

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	11	6,953	0.024
1,001	-	5,000	112	362,088	1.274
5,001	-	10,000	169	1,514,120	5.330
10,001	-	100,000	312	9,557,880	33.648
100,001	-	and over	31	16,963,838	59.721
Total			635	28,404,879	100%

Marketable Parcel

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	2,941	59	103,046	0.362
2,942	-	over	576	28,301,833	99.637
Total			635	28,404,879	100%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding valued at \$500 or less in total, based upon the Company's closing share price on 15 September 2003 of 17.0 cents per share.

DISTRIBUTION OF UNLISTED PARTLY PAID ORDINARY SHARES

Name	No. of Partly Paid Shares
Chi Tung Investments Ltd	20,000,000

These 20,000,000 ordinary shares were issued at a price of 20 cents per share and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per share. These partly paid shares were released from escrow on 6 November 2000.

VOTING RIGHTS

- Ordinary fully paid shares have one vote per share.
- The Company's partly paid shares have a proportional voting entitlement in accordance with the amount paid up for that share.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Fully Paid Ordinary Shares	Partly Paid Ordinary Shares	% Voting Power
Azhar Chaudhri; Renmuir Holdings Ltd; and Chi Tung Investments Ltd	Azhar Chaudhri	10,000	-	18.77
	Renmuir Holdings Ltd	2,633,500	-	
	Chi Tung Investments Ltd	1,050,000	20,000,000	
	Fast Scout Ltd	826,950	-	
Farooq Khan; Island Australia Pty Ltd; Skin-Plex Laboratories Pty Ltd; and The Essential Earth Pty Ltd	Farooq Khan	2,399,484	-	20.77
	Island Australia Pty Ltd	3,668,577	-	
	Skin-Plex Laboratories Pty Ltd	20,000	-	
	The Essential Earth Pty Ltd	20,000	-	

STOCK EXCHANGE INFORMATION as at 15 September 2003

TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	ISLAND AUSTRALIA PTY LTD	3,668,577	12.915
2	RENMUIR HOLDINGS LTD	2,633,500	9.271
3	FAROOQ KHAN	2,399,484	8.447
4	CHI TUNG INVESTMENTS LTD	1,050,000	3.696
5	MANAR NOMINEES PTY LTD	856,747	3.016
6	FAST SCOUT LTD	826,950	2.911
7	MR HENRY JOHN DE BURGH & MRS ELIZABETH MARGARET DE BURGH	570,119	2.007
8	NOBLE INVESTMENTS PTY LTD <NOBLE INVESTMENTS S/F A/C>	570,000	2.006
9	KYA CORPORATION PTY LTD	514,500	1.811
10	WWW CRICKET COM AU PTY LTD	500,000	1.760
11	TASCOAST PTY LTD <THE GULABOVSKI FAMILY A/C>	292,265	1.028
12	DR ABE ZELWER <ZELWER SUPERFUND ACCOUNT> >	285,000	1.005
13	DR PETER JOHN CARROLL <DR P J CARROLL NO 3 A/C>	223,500	0.786
14	MRS CHERRYL DAWN BAGSHAW	218,750	0.770
15	MRS AFIA KHAN	215,000	0.756
16	MR AYUB KHAN	215,000	0.756
17	MRS AMBREEN CHAUDHRI	215,000	0.756
18	MR KEITH FRANCIS OATES & MRS LINDA ANN OATES	175,000	0.616
19	BB NOMINEES PTY LTD <CLIENT ACCOUNT>	165,000	0.580
20	ALSTER PTY LTD <THE VAN RENS FAMILY A/C>	164,799	0.580
Total		15,759,191	55.473%
