



# **QUESTE**

**COMMUNICATIONS LTD**

A.B.N 58 081 688 164

# 2006

## **ANNUAL REPORT**

## CONTENTS

Overview of Performance	1
Directors' Report	3
Auditor's Independence Declaration	23
Income Statement	24
Balance Sheet	25
Statement of Changes in Equity	26
Cash Flow Statement	27
Notes to Financial Statements	28
Directors' Declaration	55
Independent Audit Report	56
Corporate Governance	58
Terms of Issue of Partly Paid Shares	66
ASX Additional Information	67

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## CORPORATE DIRECTORY

### BOARD

Farooq Khan	(Executive Chairman)
Michael J van Rens	(Non-Executive Director)
Azhar Chaudhri	(Non-Executive Director)
Yaqoob Khan	(Non-Executive Director)

### COMPANY SECRETARY

Victor Ho

### PRINCIPAL & REGISTERED OFFICE

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Nedlands Western Australia 6009

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### STOCK EXCHANGE

Australian Stock Exchange  
Perth, Western Australia

### ASX CODE

QUE

### AUDITORS

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# OVERVIEW OF PERFORMANCE

	Consolidated			Company		
	2006	2005	% Change	2006	2005	% Change
	\$	\$		\$	\$	
Total revenues	29,652,573	13,765,807	115% Up	3,773,671	301,291	1153% Up
Total expenses	(20,752,186)	(12,741,695)	63% Up	(3,293,463)	(696,538)	373% Up
<b>Profit/(loss) before tax</b>	<b>8,900,387</b>	<b>1,024,112</b>	<b>769% Up</b>	<b>480,208</b>	<b>(395,247)</b>	<b>Profit Up 221%</b>
Income tax	(2,253,500)	(332,347)	578% Up	-	-	unchanged
Profit/(loss) after tax	6,646,887	691,765	861% Up	480,208	(395,247)	Profit Up 221%
Net profit attributable to minority interests	(3,119,114)	(516,213)	504% Up	-	-	unchanged
<b>Profit/(loss) after tax attributable to members</b>	<b>3,527,773</b>	<b>175,552</b>	<b>1910% Up</b>	<b>480,208</b>	<b>(395,247)</b>	<b>Profit Up 221%</b>
Basic earnings/(loss) per share (cents)	12.00	0.60	1910% Up	1.63	(1.34)	Earnings Up 221%
Diluted earnings/(loss) per share (cents)	7.29	0.36	1910% Up	0.99	(0.82)	Earnings up 221%
Undiluted post tax NTA backing per share (cents)	52.62	42.07	25% Up	29.00	35.36	18% Down
Diluted post tax NTA Backing per share (cents)	39.82	33.41	19% Up	25.47	29.33	13% Down

NTA backings at the Consolidated Entity level are reported net of minority interests.

## DIVIDENDS

The Company has paid the following interim and final dividends:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid
0.5 cent per share	25 September 2006	29 September 2006	Fully franked	\$147,024
0.5 cent per share	31 March 2006	7 April 2006	Fully Franked	\$147,024

# OVERVIEW OF PERFORMANCE

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## Brief Explanation of Results

At the Company level:

Queste increased its net profit during the current reporting period to \$480,208 up 221% from 2005 (loss of \$395,247) (pre and post tax).

Total revenues include:

- (1) \$3,392,544 gross proceeds from the sale of equity investments (2005: \$295,745);
- (2) \$256,744 dividend income (2005: \$2,135);
- (3) \$118,783 interest received (2005: \$3,411)

Total expenses include:

- (1) \$2,912,982 costs of disposal of equity investments (2005: \$283,480);
- (2) \$288,430 personnel expenses (2005: \$259,273).

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are Orion Equities Limited ABN 77 000 742 843 ("**Orion Equities**" or "**OEQ**") (controlled throughout the financial year) and controlled entities of Orion Equities.

Orion Equities Limited is an ASX listed investment entity (ASX Code: OEQ).

The principal activities of Orion Equities during the financial year were the management of its net assets/investments, including investments in listed securities, real estate and resource projects.

The Company holds 8,558,127 shares in Orion Equities, being 48.04% of OEQ's issued ordinary share capital (30 June 2005: 8,303,779 shares or 49.34%).

Queste shareholders are advised to refer to the Orion Equities 2006 Annual Report for further information about the status and affairs of such company.

Information concerning Orion Equities may be also viewed from its website: [www.orionequities.com.au](http://www.orionequities.com.au) and Orion Equities' market announcements may be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "OEQ".

# DIRECTORS' REPORT

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The Directors present their report on Queste Communications Ltd ("**Company**" or "**Queste**") and its controlled entities (the "**Consolidated Entity**") for the financial year ended 30 June 2006 ("**Balance Date**").

Queste is a company limited by shares that is incorporated and domiciled in Western Australia and has been listed on the Australian Stock Exchange ("**ASX**") since November 1998.

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are ASX listed investment company, Orion Equities Limited ABN 77 000 742 843 ("**Orion Equities**" or "**OEQ**") (controlled throughout the financial year) and controlled entities of Orion Equities - Silver Sands Developments Pty Ltd ABN 16 094 097 122 (controlled by OEQ throughout the financial year) and Hume Mining NL ABN 52 063 994 945 (controlled by OEQ throughout the financial year).

Orion Equities has been treated as a controlled entity by virtue of the Company being a 48.04% substantial shareholder of Orion Equities as at Balance Date (30 June 2005: 49.34%).

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the pursuit of opportunities to commercially exploit the Company's VoiceNet System Voice-over-Internet Protocol ("**VoIP**") technology and the management of its net assets/investments.

The principal activities of Orion Equities during the financial year were the management of its net assets/investments, including investments in listed securities, real estate and resource projects.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity or the Company that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

## ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORT STANDARDS (AIFRS)

The Consolidated Entity's financial statements have been prepared in accordance with AIFRS. Where necessary, comparative information (i.e. in relation to the previous financial year ended and previous balance date as at 30 June 2005) has been adjusted for reporting under the applicable AIFRS. A reconciliation of adjustments arising on the transition to AIFRS is included in note 2 to the financial statements.

## FUTURE DEVELOPMENTS

In the opinion of the Directors, it may prejudice the interests of the Consolidated Entity to provide additional information (beyond that reported in this Directors' Report) in relation to future developments and the business strategies and operations of the Consolidated Entity and the expected results of those operations in subsequent financial years.

# DIRECTORS' REPORT

## OPERATING RESULTS

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Total revenues	29,652,573	13,765,807	3,773,671	301,291
Total expenses	(20,752,186)	(12,741,695)	(3,293,463)	(696,538)
<b>Profit/(loss) from before tax</b>	<b>8,900,387</b>	<b>1,024,112</b>	<b>480,208</b>	<b>(395,247)</b>
Income tax	(2,253,500)	(332,347)	-	-
Profit/(loss) after tax	6,646,887	691,765	480,208	(395,247)
Net profit attributable to minority interests	(3,119,114)	(516,213)	-	-
<b>Profit/(loss) after tax attributable to members</b>	<b>3,527,773</b>	<b>175,552</b>	<b>480,208</b>	<b>(395,247)</b>

At the Company level:

The Company increased its net profit during the current reporting period to \$480,208 up 221% from 2005 (a loss of \$395,247) (pre and post tax).

Revenues include:

- (1) \$3,392,544 gross proceeds from the sale of equity investments (2005: \$295,745);
- (2) \$256,744 dividend income (2005: \$2,135)
- (3) \$118,783 interest received (2005: \$3,411).

Expenses include:

- (1) \$2,912,982 costs of disposal of equity investments (2005: \$283,480);
- (2) \$288,430 personnel expenses (2005: \$259,273).

## EARNINGS PER SHARE

	Consolidated Entity		Company	
	2006	2005	2006	2005
Basic earnings/(loss) per share (cents)	12.00	0.60	1.63	(1.34)
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	29,404,879	29,404,879	29,404,879
Diluted earnings/(loss) per share (cents)	7.29	0.36	0.99	(0.82)
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	48,404,879	48,404,879	48,404,879

## DIRECTORS' REPORT

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 partly paid shares are included in the determination of diluted earnings per share on the basis that each partly paid share have become fully paid.

### FINANCIAL POSITION

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash and cash equivalents	4,264,218	125,106	3,161,560	56,014
Current financial assets – equities	12,671,627	11,171,686	34,849	3,036,946
Non-current financial assets – equities	-	-	6,290,223	9,291,929
Investments - listed Associate entities	9,726,370	7,085,260	-	-
Inventory	3,821,038	3,796,552	-	-
Trade and other receivables	695,422	402,269	155,236	78,273
Deferred tax assets	-	227,053	-	-
Other assets	95,513	103,780	27,240	27,957
	31,274,188	22,911,706	9,669,108	12,491,119
Tax liabilities	(2,338,534)	(571,336)	(1,032,137)	(1,976,206)
Other payables and liabilities	(261,679)	(448,680)	(110,205)	(118,502)
<b>Net assets</b>	<b>28,673,975</b>	<b>21,891,690</b>	<b>8,526,766</b>	<b>10,396,411</b>
Issued Capital	6,087,927	6,087,927	6,087,927	6,087,927
Reserves	2,138,012	2,138,012	4,546,331	6,749,160
Minority interest	13,200,456	9,520,970	-	-
Retained earnings/ (Accumulated losses)	7,247,580	4,144,781	(2,107,492)	(2,440,676)
<b>Total issued capital</b>	<b>28,673,975</b>	<b>21,891,690</b>	<b>8,526,766</b>	<b>10,396,411</b>

### NET TANGIBLE ASSET BACKING

The effects of the Company's 20,000,000 partly paid ordinary shares (which were issued at a price of 20 cents each and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per partly paid share) on the net tangible asset ("NTA") backing of the Company and Consolidated Entity have been considered below.

The Directors also note that:

- The Company's NTA at Balance Date includes a valuation of the Company's 8,558,127 shares in Orion Equities (representing a 48.04% interest) at Orion Equities' last bid price on ASX at Balance Date of \$0.735 per share. This compares with OEQ's post tax NTA backing of \$1.426 per share at Balance Date.
- The Consolidated Entity's NTA at Balance Date includes the effects of the NTA position of Orion Equities as a controlled entity rather than OEQ's market price on ASX.
- NTA backings at the Consolidated Entity level are reported net of minority interests.

## DIRECTORS' REPORT

The undiluted (which includes a representation of the extent (1/20<sup>th</sup>) to which the partly paid shares have been paid) and diluted (which includes the full effects of all partly paid shares) NTA backing per share as at the Balance Date are as follows.

### (1) UNDILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	2006	2005	2006	2005
NTA (pre tax)	17,812,053	12,715,003	9,558,903	12,372,617
NTA (post tax)	15,473,519	12,370,720	8,526,766	10,396,411
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	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	1,000,000	1,000,000
Adjusted undiluted total fully paid ordinary share capital	29,404,879	29,404,879	29,404,879	29,404,879
Undiluted pre-tax NTA backing per share	0.61	0.43	0.33	0.42
<b>Undiluted post-tax NTA backing per share</b>	<b>0.53</b>	<b>0.42</b>	<b>0.29</b>	<b>0.35</b>

### (2) DILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	2006	2005	2006	2005
Proceeds on conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	3,800,000	3,800,000	3,800,000	3,800,000
Diluted NTA (pre tax)	21,612,053	16,515,003	13,358,903	16,172,617
Diluted NTA (post tax)	19,273,519	16,170,720	12,326,766	14,196,411
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
Fully diluted total fully paid ordinary share capital of the Company	48,404,879	48,404,879	48,404,879	48,404,879
Diluted pre-tax NTA backing per share	0.45	0.34	0.28	0.33
<b>Diluted post-tax NTA backing per share</b>	<b>0.40</b>	<b>0.33</b>	<b>0.25</b>	<b>0.29</b>

# DIRECTORS' REPORT

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## DIVIDENDS

The Directors have declared a final dividend as follows:

Dividend Rate	Record Date	Expected Payment Date	Franking	Total Dividends Payable
0.5 cent per share	25 September 2006	29 September 2006	Fully franked	\$147,024

The Company also paid the following interim dividend during the financial year:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid
0.5 cent per share	31 March 2006	7 April 2006	Fully Franked	\$147,024

## Dividend Policy

The Company's dividend policy is to pay dividends from the dividend, interest and other income it receives from its investments and the gains on its investments, to the extent permitted by law and subject to prudent business practices. Dividends will be franked to the extent that available franking credits permit.

## SECURITIES IN THE COMPANY

At the date of this report, the Company has the following 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.

The terms of issue of the Company's 20,000,000 partly paid shares were disclosed in the Prospectus for the initial public offering of shares in the Company dated 6 August 1998 and are attached to this Directors' Report.

## LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY

No person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings. The Consolidated Entity was not a party to any such proceedings during and since the financial year.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

To the extent that any aspect of the activities of the Consolidated Entity are subject to any environmental regulation under either Commonwealth or State legislation, the Directors are not aware of any breach by the Consolidated Entity of such regulations during or since the financial year.

# DIRECTORS' REPORT

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## REVIEW OF OPERATIONS

### 1. Voicenet System VoIP Technology

The Company continues to seek opportunities for the commercial exploitation of its VoiceNet System VoIP telephony technology. The Company has not had any results from the commercial exploitation of its VoiceNet System VoIP technology during the financial year.

### 2. Orion Equities Limited (OEQ)

#### 2.1. Current Status of Investment in Orion Equities

Orion Equities Limited is an ASX listed investment entity (ASX Code: OEQ).

The Company holds 8,558,127 shares in Orion Equities, being 48.04% of OEQ's issued ordinary share capital (30 June 2005: 8,303,779 shares or 49.34%).

In light of such significant shareholding, Orion Equities has been recognised as a controlled entity and included as part of the Consolidated Entity since 1 July 2002.

Queste shareholders are advised to refer to the 30 June 2006 Directors Report and financial statements and monthly NTA disclosures lodged by Orion Equities for further information about the status and affairs of such company.

Information concerning Orion Equities may be also viewed from its website: [www.orionequities.com.au](http://www.orionequities.com.au) and Orion Equities' market announcements may be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "OEQ".

Sections 2.2 to 2.10 below contain information extracted from Orion Equities' public statements.

# DIRECTORS' REPORT

## 2.2. Orion Equities' Performance for year ended 30 June 2006

Orion Equities Limited Consolidated Entity	2006 \$	2005 \$	% Change	Up / Down
Total revenues	9,552,565	2,363,939	304%	Up
Total expenses	(761,397)	(1,047,128)	27%	Down
<b>Profit before tax</b>	<b>8,791,168</b>	<b>1,316,811</b>	<b>568%</b>	<b>Up</b>
Income tax	(2,253,500)	(332,347)	578%	Up
<b>Profit after tax attributable to members</b>	<b>6,537,668</b>	<b>984,464</b>	<b>564%</b>	<b>Up</b>
Basic and diluted earnings per share	\$0.367	\$0.058	535%	Up
Pre-tax NTA backing per share	\$1.557	\$1.139	37%	Up
Post-tax NTA backing per share	\$1.426	\$1.119	28%	Up

Orion Equities has accounted for the following investments at Balance Date as investments in an Associate entity (on an equity accounting basis) pursuant to Accounting Standard AASB 1016 "Accounting for Investment in Associates":

- (1) 27.86% interest in ASX listed Scarborough Equities Limited (**SCB**) (30 June 2005: 20.4%; 26.6% from 15 July 2005);
- (2) 27.928% interest in ASX listed Bentley International Limited (**BEL**) (30 June 2005: 19%; 24.9% from 1 July 2005).

Total revenues include:

- (1) \$7,546,039 net income from the Company's share trading portfolio including:
  - (a) \$5,536,239 unrealised gains on securities (2005: \$726,509 unrealised loss);
  - (b) \$1,868,639 realised gains on sale of securities (2005: \$2,119,016);
  - (c) \$141,161 dividend income (2005: \$98,766);
- (2) \$126,579 net income from the Company's options portfolio (2005: \$111,965);
- (3) \$1,146,453 share of Associate entities' net profits (2005: \$167,225) and \$343,080 dividend income received from Associate entities (2005: \$81,407);
- (4) \$313,493 net income from resource projects (2005: nil).

Total expenses include:

- (1) \$269,693 personnel costs (including Directors' fees) (2005: \$261,180);
- (2) \$88,184 brokerage costs (2005: \$68,348);
- (3) \$105,060 legal and other professional fees (2005: \$337,347);
- (4) \$62,065 exploration and evaluation expenses (2005: \$37,988);
- (5) \$21,978 costs in relation to share investments (2005: \$150,149).

# DIRECTORS' REPORT

## 2.3. Orion Equities' Dividends

The Orion Equities Directors have declared a final dividend as follows:

Dividend Rate	Record Date	Expected Payment Date	Franking	Estimated Total Dividends Payable	Queste's entitlement
3.0 cent per share	12 October 2006	19 October 2006	Fully franked	\$534,432	\$256,744

Recent dividends paid by Orion Equities were:

Dividend Rate	Record Date	Payment Date	Franking	Total Dividends Paid	Queste's entitlement
1.5 cent per share	31 March 2006	7 April 2006	Fully franked	\$267,216	\$128,372
1.5 cent per share	30 September 2005	13 October 2005	Fully franked	\$267,216	\$128,772
5 cents per share	6 July 2004	9 July 2004	60% franked	\$861,000	\$415,189

## Dividend Policy

Orion Equities' objective is to provide a regular and stable dividend payment to shareholders after the announcement of its half year and full year operating results. These results are normally announced in February and August each year and Orion Equities will endeavour to announce its dividend payments at this time.

Orion Equities intends to distribute annually to shareholders at least 50% of the available net profits arising from the dividend, interest and other income it receives from its investments and the gains on its investments, to the extent permitted by law and subject to prudent business practices. Dividends will be franked to the extent that available franking credits permit and in accordance with the stated objective of providing 2 dividend payments a year.

## 2.4. Orion Equities' Portfolio Details as at 30 June 2006

### Asset Weighting

	% of Net Assets
Australian equities	71%
Property	15%
International equities *	* 16%
Net cash/other assets and provisions	-2%
<b>TOTAL</b>	<b>100%</b>

\* BEL is an ASX listed investment company with investments in securities listed on overseas markets. Orion Equities' investment in BEL represents an indirect interest in international equities

# DIRECTORS' REPORT

## Top 20 Holdings in Trading Portfolio

Equities	Fair Value \$'million	% of Net Assets	ASX Code	Industry Sector Exposures
1. Scarborough Equities Limited *	5.32	20.8	SCB	Diversified Financials
2. Bentley International Limited *	4.19	16.4	BEL	Diversified Financials
3. Strike Resources Limited +	3.29	12.9	SRK	Energy
4. Oilex NL	3.19	12.5	OEX	Energy
5. Katana Capital Limited	1.12	4.4	KAT	Diversified Financials
6. Telstra Corporation Limited	0.55	2.2	TLS	Diversified Telecommunication Services
7. Rio Tinto Limited	0.54	2.1	RIO	Diversified Metals & Mining
8. BHP Billiton Limited	0.52	2.0	BHP	Materials
9. Zinifex Limited	0.48	1.9	ZFX	Materials
10. Anzon Australia Limited	0.26	1.0	AZA	Energy
11. Medusa Mining Limited	0.25	1.0	MML	Materials
12. Arc Energy Limited	0.23	0.9	ARQ	Energy
13. Macquarie Bank Limited	0.21	0.8	MBL	Diversified Financials
14. Mount Gibson Iron Limited	0.18	0.7	MGX	Materials
15. Gloucester Coal Limited	0.17	0.7	GCL	Energy
16. Integrated Group Limited	0.15	0.6%	IWF	Commercial Services & Supplies
17. Monarch Gold Mining Company Limited	0.14	0.6%	MON	Materials
18. MMC Contrarian Limited	0.14	0.5%	MMA	Diversified Financials
19. Woodside Petroleum Ltd	0.13	0.5%	WPL	Energy
20. Magma Metals Limited	0.13	0.5%	MMB	Materials
<b>TOTAL</b>	<b>21.19</b>	<b>80.327</b>		

\* BEL and SCB have been accounted for as Associate entities

+ The investment in Strike Resources Limited comprise:

	Fair Value \$'million	% of Net Assets	ASX Code	
(a) Listed shares	1.26	4.9%	SRK	
(b) Listed 20c (30 Jun 2008) Options	0.40	1.6%	SRKO	
(c) Unlisted 20 cent (9 Feb 2011) Options	0.90	3.5%	Unlisted and escrowed to 9 Feb 2007	Fair value is based on a Black-Scholes options pricing valuation model applying the following assumptions:
(d) Unlisted 20 cent (9 Feb 2011) Options	0.73	2.9%		(i) SRK's share price being 62 cents (the last bid price as at 30 June 2006). This compares with a last bid price of 88.5 cents as at 8 September 2006.
				(ii) A risk free rate of return of 5.78% (based on the Commonwealth 10 year bond rate as at 30 June 2006).
				(iii) An estimated future volatility of SRK's share price of 60%.
	3.29	12.9%		

# DIRECTORS' REPORT

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## 2.5. Orion Equities' Investment Objectives

The investment objectives of Orion Equities are to:

- Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board of Orion Equities;
- Deliver a regular income stream for Orion Equities shareholders in the form of franked dividends;
- Preserve and protect the capital of Orion Equities.

## 2.6. Investment Strategy

Orion Equities will seek to implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- Strategic Investments; and
- Non-strategic Investments.

Orion Equities does not seek to allocate a fixed proportion of funds into each or any of the above investment categories, since it believes that complete flexibility to invest across these categories is key to maximising long-term value growth for its shareholders.

### (a) Strategic Investments

Orion Equities will seek to undertake investments in which it can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value.

Investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations.

Strategic investments by their nature will rely heavily on Orion Equities' ability to identify, attract and exploit unique opportunities.

### (b) Non-Strategic Investments

Orion Equities will seek to make non-strategic investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where Orion Equities sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments Orion Equities does not envisage that it will take an active role in the management of the investment.

For each strategic and non-strategic investment, Orion Equities will expect to receive a level of return that is commensurate with the level of risk associated with such investment. In each investment and for its investment portfolio in aggregate, Orion Equities will at least aim to achieve a return that is consistently in excess of an appropriate benchmark share index and or a return which could be earned from investments in cash, bills of exchange or negotiable instruments drawn or endorsed by a bank, non-bank financial institution or a government.

# DIRECTORS' REPORT

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## 2.7. Portfolio Allocation

In executing its investment strategy, Orion Equities may, from time to time, hold a high proportion of net assets in cash, preferring to be patient and selective rather than filling its investment portfolio with mediocre or underperforming investments for the sake of becoming "fully-invested".

Orion Equities will not be limited to the principles of broad diversification; in other words, the company may invest a significant proportion of funds in any single investment that represents an exceptional opportunity.

Every investment made by Orion Equities will be continuously monitored and formally reviewed on a periodic basis. Orion Equities will be willing to move quickly to realise investments when a view is formed that an investment is overvalued or there has been a material adverse change in an investment's circumstances or prospects – Orion Equities recognises the importance of being nimble and responsive to material changes affecting its investments.

Orion Equities recognises that in some cases, investments take significant periods of time to provide acceptable returns. As such investments may be relatively illiquid, Orion Equities will seek to minimise potential loss in the investment's value where a rapid or unplanned exit from that investment is sought.

Orion Equities may also decide to dispose of shares in an entity if in Orion Equities' view, maintaining the investment is not in the best long-term interests of Orion Equities or an alternative, superior investment opportunity arises.

## 2.8. Investment Sectors

Investments may be made by Orion Equities in Australia or an overseas market and into any underlying industry, business or sector, in accordance with Orion Equities' stated investment objectives and strategies.

In this regard, Orion Equities has a history of activity in the resource sector. Investments undertaken in this sector will continue to provide Orion Equities with a window into the highly prospective resources sector domestically and globally. Such opportunities can provide the possibility for exceptional growth and returns for relatively small levels of investment.

Resource investments may span large mining companies that produce base metals and precious metals, industrial minerals and bulk commodities to junior explorers with exposure to highly prospective projects or tenements. From time to time the Portfolio may have exposure to oil and gas opportunities.

Investments in the resources sector component of the portfolio may be undertaken:

- Directly – through pegging of tenements, entering into joint ventures, taking options over and acquiring tenements, projects and joint venture interests;
- Indirectly – through placements and initial public offerings in existing companies (private, listed, or those seeking admission to ASX); or
- Actively – Orion Equities recognises funding of exploration and resources development can be a problem for small and medium-sized resource companies (in Australia and overseas) and will seek to assist carefully selected companies in this sector to optimise their opportunities through the provision of funds and a range of financial and management expertise or services as required.

# DIRECTORS' REPORT

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Orion Equities will also seek to engage geological consultants and other relevant advisers from time to time to assist in the assessment of investment opportunities in this sector.

## 2.9. Investment Classes

In pursuit of the investment objectives and strategies outlined above, Orion Equities will have absolute discretion in applying its equity and any debt funds to a universe or range of potential investments in assets, businesses, securities, hybrid securities, cash, bills of exchange, other negotiable investments, debentures and other investments and structures.

## 2.10. Management of Investments

Orion Equities' implementation of its investment strategies in accordance with its investment objectives and investment decisions in this regard will be carried out by its Board of Directors and its Investment Committee (in conjunction with external consultants and advisers where appropriate) and not an external investment manager.

The Chairman and Managing Director of Queste, Mr Farooq Khan, has been a member of the OEQ Investment committee since 8 July 2004.

Where necessary, Orion Equities' Investment Committee will engage additional specialist resource(s) to assist with the identification, evaluation and management of particular investment opportunities. This includes specialist consultants and advisers, analysts and brokers.

## 3. CORPORATE

### 3.1. Altera Capital Limited (AEA)

On 25 May 2006, the Company entered into a share sale agreement with a syndicate of investors to dispose of 10,699,428 (17.25%) in AEA in consideration for \$34,849 cash. On 3 August 2006, AEA shareholders approved the sale and on 8 August 2006, the sale was completed with the Company also receiving \$ 17,782 from AEA being the full repayment of a loan advanced to AEA during the financial year. AEA also terminated an irrevocable unsecured letter of credit of \$17,000 provided by the Company to AEA on 12 June 2006.

### 3.2. Sofcom Limited (SOF)

The Company is currently the second largest shareholder in ASX listed **SOF** with a holding of 6,255,349 shares (14.01%).

SOF currently has minimal net assets and has been suspended from the ASX since 29 June 2005 and has advised that its suspension will continue until the company is recapitalised and re-complies with admission requirements under the ASX Listing Rules.

The Company is seeking to sell a whole or part of its shareholding in SOF.

## DIRECTORS' REPORT

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### 3.3. Partly Paid Shares

The Company currently has 20,000,000 partly paid shares on issue which are paid up to 1 cent, with 19 cents still payable (20 cents in total) (the **"Partly Paid"** shares). The Company's undiluted Net Tangible Assets per share (**"NTA"**) is approximately 29 cents per share and its fully diluted NTA per share (taking into account the effect of the immediate conversion of the Partly Paid shares) is approximately 25.5 cents per share, as at 30 June 2006. These NTA backings (at the Company level) are based on valuing the Company's 48% interest in Orion Equities at OEQ's last bid price on ASX at Balance Date of \$0.735 per share. This compares with OEQ's pre-tax NTA backing at Balance Date of \$1.426 per share. This also compares with the Consolidated Entity's undiluted and diluted NTA backing of 41 and 40 cents per share respectively – which includes the effects of the NTA position of Orion Equities as a controlled entity rather than OEQ's market price on ASX.

The Directors believe that the existence of such a large number of outstanding Partly Paid shares relative to the Company's total issued capital may create a negative sentiment amongst shareholders and investors towards the Company's stock.

In particular, the effect of conversion of such Partly Paid shares dilutes the NTA per fully paid share of the Company and given the significant number of such Partly Paid shares on issue, any future increase in the NTA backing of the Company creates the opportunity for a value shift from the holders of fully paid shares to the holder of the Partly Paid shares.

Whilst the Company is able to progressively make calls for the payment of the unpaid portion of the Partly Paid shares, the terms of their issue are such that it could, theoretically, take over 30 years for the Partly Paid shares to become fully paid.

The Directors have therefore, as a capital management exercise, entered into discussions with the holder of the Partly Paid shares (which is an entity associated with Mr Azhar Chaudhri, a director of the Company) (the **"Holder"**) with a view to reach a settlement whereby, in exchange for cash and/or ordinary fully paid shares in the Company, the Partly Paid shares are wholly or partially cancelled.

If agreement between the Company and the Holder is reached, then a settlement proposal (the **"Settlement Proposal"**) will be put to shareholders for approval at a general meeting. An Independent Expert Report (**"IER"**) will be commissioned by the independent Directors to consider the terms of the Settlement Proposal. The IER will be given to shareholders as part of the general meeting documentation.

At the date of this Directors' Report, the Company and the Holder have not been able to reach an agreement in relation to this matter. The Company will advise the market and shareholders if and when a Settlement Proposal has been reached between the Holder and the independent Directors of the Company.

# DIRECTORS' REPORT

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## DIRECTORS

Information concerning Directors in office during or since the financial year are:

### **Farooq Khan** —Executive Chairman and Managing Director

*Appointed* —10 March 1998

*Qualifications* —BJuris, LLB. (Western Australia)

*Experience* —Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and particularly capital raisings, mergers and acquisitions and investments. Mr Khan has also led the executive management of a number of ASX listed companies through their establishment and growth.

*Relevant interest in shares* —6,108,061 shares

*Special Responsibilities* —Chairman of the Board and Managing Director

*Other current directorships in listed entities* —Current Chairman of:

- (1) Bentley International Limited (director since 2 December 2003).
- (2) Scarborough Equities Limited (since 29 November 2004)

Current Director of:

- (3) Strike Resources Limited (since 9 September 1999);

*Former directorships in other listed entities in past 3 years* —(1) Altera Capital Limited (26 November 2001 to 18 October 2005)

- (2) Sofcom Limited (3 July 2002 to 18 October 2005)

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### **Azhar Chaudhri** —Non-Executive Director

*Appointed* —4 August 1998

*Qualifications* —Bachelor of Science degree in Maths and Physics and a Masters degree in Economics and postgraduate computer studies

*Experience* —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

*Relevant interest in shares* —3,693,500 shares  
20,000,000 partly paid shares

*Special Responsibilities* —None

*Other current directorships in listed entities* —None

*Former directorships in other listed entities in past 3 years* —Strike Resources Limited (9 September 1999 to 26 September 2005)

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# DIRECTORS' REPORT

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## Yaqoob Khan —Non-Executive Director

*Appointed* 10 March 1998

*Qualifications* —BCom ( *Western Australia*), Master of Science in Industrial Administration ( *Carnegie Mellon*)

*Experience* —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 has been founding Executive Director of 2 ASX floats – Queste Communications Ltd in 1998 and Fast Scout Limited in 2000. He was an integral member of the team responsible for the pre-IPO structuring and IPO promotion and has been actively involved in the executive management of such companies since their floats. Mr Khan brings considerable international experience in key aspects of corporate finance and the strategic analysis of listed investments

*Relevant interest in shares* —157,920 shares

*Special Responsibilities* None

*Other current directorships in listed entities* —Orion Equities Limited (since 5 November 1999).

*Former directorships in other listed entities in past 3 years* —Strike Resources Limited (9 September 1999 to September 2005)

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## Michael van Rens —Non-Executive Director

*Appointed* 4 August 1998

*Qualifications and Experience* —Mr van Rens is a founding Director of the Company. He is also a director of Canadian listed company Exall Resources Limited, which holds gold and natural gas interests in Ontario and Alberta, and Project Biotech Limited, a Perth based unlisted company which has developed a range of chemical free cleaning products currently being marketed in Europe and South-East Asia.

*Relevant interest in shares* —259,799 shares

*Special Responsibilities* None

*Other current directorships in listed entities* —Exall Resources Limited (TSX, Canada)

*Former directorships in other listed entities in past 3 years* —European Goldfields Limited (TSX, Canada) (ceased December 2004)

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At the Balance Date, Messrs Azhar Chaudhri and Yaqoob Khan were resident overseas.

# DIRECTORS' REPORT

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## COMPANY SECRETARY

Information concerning the Company Secretary in office during or since the financial year are:

### **Victor P. H. Ho** — **Company Secretary**

*Appointed* — 30 August 2000

*Qualifications* — BCom, LLB (*Western Australia*)

*Experience* — Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and stock exchange compliance and shareholder relations.

*Relevant interest in shares* — 17,500 shares

*Other positions held in listed entities* — Current Executive Director and Company Secretary of:

- (1) Strikes Resources Limited (Secretary since 9 March 2000 and Director since 12 October 2000);
- (2) Orion Equities Limited (Secretary since 2 August 2000 and Director since 4 July 2003);
- (3) Sofcom Limited (Director since 3 July 2002 and Secretary since 23 July 2003).

Current Company Secretary of:

- (4) Bentley International Limited (since 5 February 2004);
- (5) Scarborough Equities Limited (since 29 November 2004).

*Former directorships in other listed entities in past 3 years* — Altera Capital Limited (21 November 2001 to 8 August 2006)

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## DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

<b>Name of Director</b>	<b>Meetings Attended</b>	<b>Maximum Possible Meetings</b>
Farooq Khan	10	10
Michael van Rens	9	10
Yaqoob Khan	10	10
Azhar Chaudhri	10	10

There were no meetings of committees of the Board of the Company.

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# DIRECTORS' REPORT

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## Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

## REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of the Company and Executive Officer of the Consolidated Entity.

### (1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

The Executive and Non-Executive Directors of the Company are paid a fixed amount per annum plus employer superannuation contributions.

Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (1) Payment for the performance of extra services or the undertaking of any executive or other work for the Company beyond his or her general duties.
- (2) Payment for travelling and other expenses properly incurred by a Director in attending meetings of the Company or the Board or in connection with the Company's business.

The Company does not presently have any equity (shares or options) based remuneration arrangements pursuant to any executive or employee share or option plan or otherwise.

The Company does not presently provide retirement benefits or incentive/performance based benefits to Directors or the sole Executive Officer.

The Company does not presently have formal service agreements or employment contracts with the Directors or the current sole Executive Officer.

The Company has not had during the financial year and does not currently have a directors' and officers' liability insurance policy which covers all Directors and officers of the Company and its wholly-owned subsidiaries.

There is no link between the remuneration of the directors and Company earnings and shareholder wealth.

## DIRECTORS' REPORT

### (2) Details of Remuneration of Directors

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

Name of Queste Director	Office Held	Paid by Queste			Position in Orion Equities	Paid by Orion Equities		
		Salary/Fees	Super-annuation	Total		Salary/Fees	Super-annuation	Total
		\$	\$	\$				
Farooq Khan	Chairman and Managing Director	125,000	11,250	136,250	Investment Committee member	-	-	-
Michael van Rens	Non-Executive Director	15,000	1,350	16,350	-	-	-	-
Yaqoob Khan	Non-Executive Director	15,000	-	15,000	Non-Executive Director	25,000	-	25,000
Azhar Chaudhri	Non-Executive Director	15,000	-	15,000	-	-	-	-

### (3) Executive Officers

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

Name of Queste Executive Officer	Position Held	Paid by Queste			Position in Orion Equities	Paid by Orion Equities		
		Salary	Super-annuation	Total		Salary	Super-annuation	Total
		\$	\$	\$		\$	\$	\$
V Ho	Company Secretary	31,000	2,790	33,790	Company Secretary	60,000	5,400	65,400

# DIRECTORS' REPORT

## (4) Directors' Deeds

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

- (i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);
- (ii) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director; and

Such deeds (in respect of all current directors) were approved by shareholders at the 2005 AGM.

## (5) Other Directors' Benefits

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

## AUDITOR

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the financial year are set out below:

Audit & Review Fees	Consolidated Entity Fees for Other Services	Total	Audit & Review Fees	Company Fees for Other Services	Total
\$	\$	\$	\$	\$	\$
35,581	165	35,746	17,840	-	17,840

There has been no provision of non-audit services to the Company by the auditor during the year.

The board of Orion Equities have advised that they are satisfied that the provision of non audit services by the auditor to Orion Equities during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board of Orion Equities has advised that it was satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

# DIRECTORS' REPORT

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## AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 23. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

## EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 26), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Farooq Khan  
Chairman

Perth, Western Australia

18 September 2006



Chartered Accountants  
& Advisers

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18 September 2006

The Directors  
Queste Communications Ltd  
Level 14, The Forrest Centre  
221 St Georges Terrace  
PERTH WA 6000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF QUESTE COMMUNICATIONS LIMITED**

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

**BDO**  
Chartered Accountants

**BG McVeigh**  
Partner



## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>Revenue</b>	3	484,241	182,308	256,744	2,135
<b>Other income</b>	3	28,021,879	13,416,274	3,516,927	299,156
Share of net profit of associates	3	1,146,453	167,225	-	-
Cost of investments sold	3	(19,564,407)	(10,458,891)	(2,912,982)	(297,541)
Cost of resource projects sold	3	(19,840)	-	-	-
Unrealised net change in fair value	3	(21,143)	(771,859)	(21,143)	(45,349)
Occupancy expenses	3	(46,385)	(45,661)	(24,605)	(26,835)
Finance expenses	3	(6,228)	(6,891)	(2,029)	(2,239)
Borrowing costs	3	(1,462)	(1,795)	(35)	(4)
Corporate expenses	3	(162,292)	(420,963)	(22,946)	(27,071)
Administration expenses					
- personnel	3	(558,123)	(520,453)	(288,430)	(259,273)
- others	3	(372,306)	(515,182)	(21,293)	(38,226)
<b>Profit/ (loss) before income tax expense</b>		8,900,387	1,024,112	480,208	(395,247)
Income tax expense	4	(2,253,500)	(332,347)	-	-
<b>Profit/ (loss) after income tax expense</b>		6,646,887	691,765	480,208	(395,247)
Net profit attributable to minority equity interests		(3,119,114)	(516,213)	-	-
<b>Net profit/(loss) attributable to members of the Company</b>	-	3,527,773	175,552	480,208	(395,247)
Dividends per share	7	0.05	-	0.05	-
<b>Earnings per share</b>					
Basic earnings/(loss) (cents per share)	8	12.0	0.6	1.6	(1.3)
Diluted earnings/(loss) (cents per share)	8	7.3	0.4	1.0	(0.8)

*The accompanying notes form part of these financial statements*

## BALANCE SHEET AS AT 30 JUNE 2006

	Note	Consolidated Entity		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	9	4,264,218	125,106	3,161,560	56,014
Trade and other receivables	10	695,422	402,269	155,236	78,273
Financial assets at fair value	11	12,671,627	11,171,686	34,849	3,036,946
Other	12	2,112	1,736	1,029	893
<b>TOTAL CURRENT ASSETS</b>		<b>17,633,379</b>	<b>11,700,797</b>	<b>3,352,674</b>	<b>3,172,126</b>
<b>NON CURRENT ASSETS</b>					
Trade and other receivables	10	32,823	32,823	-	-
Available for sale asset	13	-	-	6,290,223	9,291,929
Investments in Associate entities - equity accounted	14	9,726,370	7,085,260	-	-
Inventory	15	3,821,038	3,796,552	-	-
Intangibles	16	-	-	-	-
Property, plant and equipment	17	60,578	53,599	26,211	27,064
Tax assets	20	-	227,053	-	-
Other	18	-	15,622	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>13,640,809</b>	<b>11,210,909</b>	<b>6,316,434</b>	<b>9,318,993</b>
<b>TOTAL ASSETS</b>		<b>31,274,188</b>	<b>22,911,706</b>	<b>9,669,108</b>	<b>12,491,119</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	19	261,679	448,680	110,205	118,502
Current tax liabilities	20	538,860	564,127	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>800,539</b>	<b>1,012,807</b>	<b>110,205</b>	<b>118,502</b>
<b>NON CURRENT LIABILITIES</b>					
Deferred tax liabilities	20	1,799,674	7,209	1,032,137	1,976,206
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,799,674</b>	<b>7,209</b>	<b>1,032,137</b>	<b>1,976,206</b>
<b>TOTAL LIABILITIES</b>		<b>2,600,213</b>	<b>1,020,016</b>	<b>1,142,342</b>	<b>2,094,708</b>
<b>NET ASSETS</b>		<b>28,673,975</b>	<b>21,891,690</b>	<b>8,526,766</b>	<b>10,396,411</b>
<b>EQUITY</b>					
Issued capital	21	6,087,927	6,087,927	6,087,927	6,087,927
Reserves	22	2,138,012	2,138,012	4,546,331	6,749,160
Retained earnings / (Accumulated losses)	-	7,247,580	4,144,781	(2,107,492)	(2,440,676)
Parent interest		15,473,519	12,370,720	8,526,766	10,396,411
Minority equity interest	-	13,200,456	9,520,970	-	-
<b>TOTAL EQUITY</b>		<b>28,673,975</b>	<b>21,891,690</b>	<b>8,526,766</b>	<b>10,396,411</b>

*The accompanying notes form part of these financial statements*

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

<b>Consolidated Entity</b>	<b>Issued Capital</b>	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Minority Equity Interest</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>At 1 July 2004</b>	6,087,927	2,138,012	3,969,229	9,362,960	21,558,128
Profit attributable to members of the company	-	-	175,552	-	175,552
Profit attributable to minority interest	-	-	-	516,213	516,213
Total income and expense recognised for the year	-	-	175,552	516,213	691,765
Movement in minority equity interest	-	-	-	(358,203)	(358,203)
<b>At 30 June 2005</b>	<b>6,087,927</b>	<b>2,138,012</b>	<b>4,144,781</b>	<b>9,520,970</b>	<b>21,891,690</b>
<b>At 1 July 2005</b>	6,087,927	2,138,012	4,144,781	9,520,970	21,891,690
Profit attributable to members of the company	-	-	3,527,773	-	3,527,773
Profit attributable to minority interest	-	-	-	3,119,114	3,119,114
Total income and expense recognised for the year	-	-	3,527,773	3,119,114	6,646,887
Dividend paid	-	-	(424,974)	-	(424,974)
Movement in minority equity interest	-	-	-	560,372	560,372
<b>At 30 June 2006</b>	<b>6,087,927</b>	<b>2,138,012</b>	<b>7,247,580</b>	<b>13,200,456</b>	<b>28,673,975</b>

<b>Company</b>	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>At 1 July 2004</b>	6,087,927	6,348,088	(2,045,429)	10,390,586
Loss for the year	-	-	(395,247)	(395,247)
Total income and expense recognised for the year	-	-	(395,247)	(395,247)
Asset Revaluation Reserve	-	401,072	-	401,072
<b>At 30 June 2005</b>	<b>6,087,927</b>	<b>6,749,160</b>	<b>(2,440,676)</b>	<b>10,396,411</b>
<b>At 1 July 2005</b>	6,087,927	6,749,160	(2,440,676)	10,396,411
Adjustment on adoption of AASB 132 and 139	-	(3,365,521)	-	(3,365,521)
Changes in fair value of available for sale assets (net of tax)	-	1,162,692	-	1,162,692
Net income recognised directly in equity	-	1,162,692	-	1,162,692
Profit for the year	-	-	480,208	480,208
Total income and expense recognised for the year	-	1,162,692	480,208	1,642,900
Dividend paid	-	-	(147,024)	(147,024)
<b>At 30 June 2006</b>	<b>6,087,927</b>	<b>4,546,331</b>	<b>(2,107,492)</b>	<b>8,526,766</b>

*The accompanying notes form part of these financial statements*

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		27,660	-	5,600	-
Payments to suppliers and employees		(1,233,303)	(2,063,784)	(521,065)	(284,971)
Payments for exploration and evaluation		(46,443)	(10,404)	-	-
Sale proceeds from trading portfolio		18,187,241	11,910,799	-	-
Purchase payments for trading portfolio		(15,337,708)	(16,464,611)	-	-
Proceeds from writing options		137,579	240,140	-	-
Payments to settle written options		(18,333)	(81,794)	-	-
Dividend received		257,682	182,308	256,744	417,324
Income tax paid		(259,248)	(991,500)	-	-
Interest received		173,644	515,480	118,783	3,410
Interest paid		(1,462)	(1,795)	(35)	(4)
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	<b>9(a)</b>	<b>1,887,309</b>	<b>(6,765,161)</b>	<b>(139,973)</b>	<b>135,759</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(10,750)	(1,114)	-	(557)
Payments for inventory		(24,486)	(3,796,552)	-	-
Payments for investment securities		(680,531)	(7,387,215)	-	(469,180)
Proceeds from sale of investment securities		3,392,544	295,745	3,392,544	295,745
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>2,676,777</b>	<b>(10,889,136)</b>	<b>3,392,544</b>	<b>(173,992)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payments to former unmarketable parcels' shareholders		-	(2,039)	-	(490)
Dividend paid		(424,974)	(420,534)	(147,025)	-
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>(424,974)</b>	<b>(422,573)</b>	<b>(147,025)</b>	<b>(490)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>					
		4,139,112	(18,076,870)	3,105,546	(38,723)
Add cash and cash equivalents brought forward		125,106	18,201,976	56,014	94,737
<b>CLOSING CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>9</b>	<b>4,264,218</b>	<b>125,106</b>	<b>3,161,560</b>	<b>56,014</b>

*The accompanying notes form part of these financial statements*

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2006

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### 1. SUMMARY OF ACCOUNTING POLICIES

#### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes separate financial statements for Queste Communications Ltd as an individual parent entity (the "Company") and the consolidated entity consisting of Queste Communications and its subsidiaries. Queste Communications Ltd is a company limited by shares, incorporated in Western Australia, Australia.

#### Compliance with IFRS

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the consolidated financial statements of Queste Communications Ltd comply with International Financial Reporting Standards (IFRS) save that the parent and consolidated entities have elected to apply the relief provided in respect of certain disclosure requirements pursuant to *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139: Financial Instruments: Recognition and Measurement*.

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

#### Basis of Preparation

##### **First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)**

The consolidated entity and the Company have prepared financial statement in accordance with AIFRS from 1 July 2005. In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company and the consolidated entity's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to *AASB 132: Financial Instruments: Disclosure and Presentation*, and *AASB 139: Financial Instruments: Recognition and Measurement*.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

##### **Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### 1.1. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 13 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Company.

#### 1.2. Investments in Associates

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control. A list of associates is contained in note 14 to the financial statements. All associate entities have a June financial year-end.

#### 1.3. Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Under AASB 6 "Exploration for and Evaluation of Mineral Resources", if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. The directors have expensed all exploration, evaluation and development expenditure incurred during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2006

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### 1.4. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The consolidated entity's segment reporting is contained in note 24 of the notes to the financial statements.

### 1.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax ("GST"). The following specific recognition criteria must also be met before revenue is recognised:

**Sale of Goods and Disposal of Assets** - Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

**Contributions of Assets** - Revenue arising from the contribution of assets is recognised when the consolidated entity gains control of the asset or the right to receive the contribution.

**Interest Revenue** - Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**Dividend Revenue** - Dividend revenue is recognised when the right to receive a dividend has been established. The consolidated entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

**Other Revenues** - Other revenues are recognised on a receipts basis.

### 1.6. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### 1.7. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### 1.8. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the consolidated entity in accordance with statutory obligations and are charged as an expense when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2006

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### 1.9. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

### 1.10. Receivables

Trade and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

### 1.11. Investments and Other Financial Assets

#### From 1 July 2005 to 30 June 2006

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss** - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**Loans and receivables** - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments** - These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets** - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities** - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

#### From 1 July 2004 to 30 June 2005

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The consolidated entity has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. The accounting policy applying to such 2005 comparatives are:

Orion Equities Limited (part of Queste Communications Ltd's consolidated entity) has three portfolios of investments in securities, the investments portfolio, the options portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Orion Equities Directors intend to retain on a long-term basis, which is classified as a "non-current asset". The options portfolio contains exchange traded options contracts that are entered into in relation to underlying listed securities. The trading portfolio comprises securities held for trading purposes, which is classified as a "current asset".

**Valuation of Options Portfolio** - Options written against underlying listed securities are initially brought to account at the amount received upfront for entering into the options contract (the option premium), which are included in Net Profit.

**Valuation of Trading Portfolio** - Securities, including listed and unlisted shares, units and notes, are initially brought to account at cost and are revalued to market values at each balance date. Any unrealised gains or losses at balance date are included in the Net Profit. Where disposals are made from the trading portfolio the gain or loss arising from the difference between the proceeds and the carrying value is included in the Net Profit.

**Determination of Market Value** - Market value for the purpose of valuing securities is determined by reference to market prices prevailing at balance date, where the securities are traded on an organised market. Where a security is unlisted or suspended, its fair value is determined by its net tangible asset value.

**Investments in Listed Controlled Entities** - Investments in listed controlled entities are recorded at their net tangible asset (NTA) backing post tax.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2006

**Income from Holdings of Securities** - Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Distributions relating to unlisted securities are recognised as income when received. The premium received on options written against underlying listed securities (the options portfolio) is offset against these underlying listed securities until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is included in Net Profit.

### 1.12. Fair value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

### 1.13. Property held for Resale

Property held for development and sale is valued at lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

### 1.14. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-33.3%	Diminishing Value
Furniture and Equipment	15-20%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### 1.15. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### 1.16. Payables

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

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2006

### 1.17. Issued Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

### 1.18. 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 period.

**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 period.

### 1.19. Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

### 1.20. Changes in Accounting Policy

The consolidated entity has adopted the following accounting standards for application on or after 1 January 2005:

- (i) AASB 132: Financial Instruments: Disclosure and Presentation; and
- (ii) AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has resulted in material differences in the recognition and measurement of the consolidated entity's financial instruments. A summary of the main adjustments and explanations are included in Note 2 and in the Statement of Changes in Equity.

The following Australian Accounting Standards have been issued or amended and are applicable to the Company and Consolidated Entity but are not yet effective. They have not been adopted in preparation of the preparation of the financial statements at reporting date.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Consolidated entity
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> ,	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> AASB 133: <i>Earnings per Share</i> AASB 139: <i>Financial Instruments: Recognition and Measurement</i> AASB 1: <i>First-time adoption of AIFRS</i> AASB 4: <i>Insurance Contracts</i>	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 119: <i>Employee Benefits</i>	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 2. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### (i) Reconciliation of Income for 30 June 2005

<u>CONSOLIDATED LEVEL</u>	AGAAP \$	AIFRS Impact \$	AIFRS \$
Revenue	182,308		182,308
Other income	13,416,274		13,416,274
Share of net profit of associates	167,225		167,225
Cost of investments sold	(10,458,891)		(10,458,891)
Net change in fair value	(771,859)		(771,859)
Occupancy expenses	(45,661)		(45,661)
Finance expenses	(6,891)		(6,891)
Borrowing costs	(1,795)		(1,795)
Corporate expenses	(420,963)		(420,963)
Administration expenses			-
- personnel	(520,453)		(520,453)
- others	(515,182)		(515,182)
<b>Profit before income tax</b>	<b>1,024,112</b>	<b>-</b>	<b>1,024,112</b>
Income tax expense	(330,922)	(1,425)	(332,347)
<b>Profit after income tax expense</b>	<b>693,190</b>	<b>(1,425)</b>	<b>691,765</b>
Net profit attributable to minority equity interests	(516,213)		(516,213)
<b>Net profit attributable to members of the company</b>	<b>176,977</b>	<b>(1,425)</b>	<b>175,552</b>
 <u>COMPANY LEVEL</u>			
Revenue	2,135		2,135
Other income	299,156		299,156
Cost of investments sold	(297,541)		(297,541)
Net change in fair value	(45,349)		(45,349)
Occupancy expenses	(26,835)		(26,835)
Finance expenses	(2,239)		(2,239)
Borrowing costs	(4)		(4)
Corporate expenses	(27,071)		(27,071)
Administration expenses			-
- personnel	(259,273)		(259,273)
- others	(38,226)		(38,226)
<b>Profit before income tax</b>	<b>(395,247)</b>	<b>-</b>	<b>(395,247)</b>
Income tax expense	-		-
<b>Profit after income tax expense</b>	<b>(395,247)</b>	<b>-</b>	<b>(395,247)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### (ii) Reconciliation of Equity at 1 July 2004

	Consolidated Entity			Company		
	AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	18,201,976		18,201,976	94,737		94,737
Trade and other receivables	6,610		6,610	416,124		416,124
Financial assets	4,973,171		4,973,171	2,987,876		2,987,876
Other	1,663		1,663	1,663		1,663
<b>TOTAL CURRENT ASSETS</b>	<b>23,183,420</b>	<b>-</b>	<b>23,183,420</b>	<b>3,500,400</b>	<b>-</b>	<b>3,500,400</b>
<b>NON CURRENT ASSETS</b>						
Trade and other receivables	27,872		27,872	13,766		13,766
Financial assets			-	8,718,968		8,718,968
Property, plant and equipment	63,915		63,915	32,317		32,317
Other	24,031		24,031			-
<b>TOTAL NON CURRENT ASSETS</b>	<b>115,818</b>	<b>-</b>	<b>115,818</b>	<b>8,765,051</b>	<b>-</b>	<b>8,765,051</b>
<b>TOTAL ASSETS</b>	<b>23,299,238</b>	<b>-</b>	<b>23,299,238</b>	<b>12,265,451</b>	<b>-</b>	<b>12,265,451</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	291,863		291,863	70,548		70,548
Provisions	445,811		445,811	-		-
Current tax liabilities	1,003,436		1,003,436	-		-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,741,110</b>	<b>-</b>	<b>1,741,110</b>	<b>70,548</b>	<b>-</b>	<b>70,548</b>
<b>NON CURRENT LIABILITIES</b>						
Deferred tax liability			-	-	1,804,317	1,804,317
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,804,317</b>	<b>1,804,317</b>
<b>TOTAL LIABILITIES</b>	<b>1,741,110</b>	<b>-</b>	<b>1,741,110</b>	<b>70,548</b>	<b>1,804,317</b>	<b>1,874,865</b>
<b>NET ASSETS</b>	<b>21,558,128</b>	<b>-</b>	<b>21,558,128</b>	<b>12,194,903</b>	<b>(1,804,317)</b>	<b>10,390,586</b>
<b>EQUITY</b>						
Issued capital	6,087,927		6,087,927	6,087,927		6,087,927
Reserves	2,138,012		2,138,012	8,152,405	(1,804,317)	6,348,088
Retained earnings / (Accumulated Losses)	3,969,229		3,969,229	(2,045,429)		(2,045,429)
Parent interest	12,195,168		12,195,168	12,194,903	(1,804,317)	10,390,586
Minority equity interest	9,362,960		9,362,960			-
<b>TOTAL EQUITY</b>	<b>21,558,128</b>	<b>-</b>	<b>21,558,128</b>	<b>12,194,903</b>	<b>(1,804,317)</b>	<b>10,390,586</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### (iii) Reconciliation of Equity at 30 June 2005

	Consolidated Entity			Company		
	AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	125,106		125,106	56,014		56,014
Trade and other receivables	402,269		402,269	78,273		78,273
Financial assets	11,171,686		11,171,686	3,036,946		3,036,946
Other	1,736		1,736	893		893
<b>TOTAL CURRENT ASSETS</b>	<b>11,700,797</b>	<b>-</b>	<b>11,700,797</b>	<b>3,172,126</b>	<b>-</b>	<b>3,172,126</b>
<b>NON CURRENT ASSETS</b>						
Trade and other receivables	32,823		32,823	-		-
Financial assets	-		-	9,291,929		9,291,929
Investments in Associate entities (equity accounted)	7,085,260		7,085,260	-		-
Inventory	3,796,552		3,796,552	-		-
Property, plant and equipment	53,599		53,599	27,064		27,064
Tax assets	227,053		227,053	-		-
Other	15,622		15,622	-		-
<b>TOTAL NON CURRENT ASSETS</b>	<b>11,210,909</b>	<b>-</b>	<b>11,210,909</b>	<b>9,318,993</b>	<b>-</b>	<b>9,318,993</b>
<b>TOTAL ASSETS</b>	<b>22,911,706</b>	<b>-</b>	<b>22,911,706</b>	<b>12,491,119</b>	<b>-</b>	<b>12,491,119</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	448,680		448,680	118,502		118,502
Current tax liabilities	562,702	1,425	564,127	-		-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,011,382</b>	<b>1,425</b>	<b>1,012,807</b>	<b>118,502</b>	<b>-</b>	<b>118,502</b>
<b>NON CURRENT LIABILITIES</b>						
Deferred tax liabilities	7,209		7,209	-	1,976,206	1,976,206
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>7,209</b>	<b>-</b>	<b>7,209</b>	<b>-</b>	<b>1,976,206</b>	<b>1,976,206</b>
<b>TOTAL LIABILITIES</b>	<b>1,018,591</b>	<b>1,425</b>	<b>1,020,016</b>	<b>118,502</b>	<b>1,976,206</b>	<b>2,094,708</b>
<b>NET ASSETS</b>	<b>21,893,115</b>	<b>(1,425)</b>	<b>21,891,690</b>	<b>12,372,617</b>	<b>(1,976,206)</b>	<b>10,396,411</b>
<b>EQUITY</b>						
Issued capital	6,087,927		6,087,927	6,087,927		6,087,927
Reserves	2,138,012		2,138,012	8,725,366	(1,976,206)	6,749,160
Retained earnings / (Accumulated Losses)	4,146,206	(1,425)	4,144,781	(2,440,676)	-	(2,440,676)
Parent interest	12,372,145	(1,425)	12,370,720	12,372,617	(1,976,206)	10,396,411
Minority equity interest	9,520,970		9,520,970			-
<b>TOTAL EQUITY</b>	<b>21,893,115</b>	<b>(1,425)</b>	<b>21,891,690</b>	<b>12,372,617</b>	<b>(1,976,206)</b>	<b>10,396,411</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### (iv) Notes to the reconciliation of equity and profit and loss at 1 July 2004 and 30 June 2005

	1 Jul 05	30 Jun 05	1 Jul 04
	\$	\$	\$
<b>Consolidated Level</b>			
<b>Deferred Tax Liability (Adoption of AASB 112)</b>			
Deferred tax liability and income tax expense comprise:	-	(1,425)	-
Under AIFRS (AASB112: Income Taxes), the Consolidated Entity is required to adopt a "balance sheet approach" under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit. A deferred tax liability is provided on the upward revaluation of investments less a provision for tax expense.			
<b>Company Level</b>			
Shares in controlled entity (OEQ) - at cost		2,704,575	2,704,575
Revaluation of investment (OEQ) - at nta		6,587,354	6,014,393
		<u>9,291,929</u>	<u>8,718,968</u>
<b>Deferred Tax Liability (Adoption of AASB 112)</b>			
Deferred tax liability on revaluation of OEQ investment		(1,976,206)	(1,804,317)
Asset Revaluation Reserve (recognising deferred tax liability)		<u>(1,976,206)</u>	<u>(1,804,317)</u>
<b>Asset Revaluation Reserve</b>			
Opening balance	(i) 4,611,148	4,210,076	6,014,393
Reverse AASB 112 Deferred tax liability adjustment	1,976,206	(171,889)	(1,804,317)
	<u>6,587,354</u>	<u>4,038,187</u>	<u>4,210,076</u>
Movement during the year	-	572,961	-
Reversal to Investments	<u>(6,587,354)</u>	-	-
Closing balance	-	<u>4,611,148</u>	<u>4,210,076</u>
Valuation of available for sale reserve	1,779,467		
Transfer associated deferred tax liability	<u>(533,840)</u>		
Available for sale reserve brought to account	(i) <u>1,245,627</u>		
<b>Available for Sale Reserve (Adoption of AASB 132 and 139)</b>			
At 1 July 2005		1,245,627	
(i) Total net adjustment		(3,365,521)	

Under AIFRS and the Company's accounting policy, the Company's non-current financial assets are classified as "at fair value through profit and loss" upon initial recognition and recognised in the balance sheet at fair value. Accounting Standard AASB 139 state that the bid price is usually the appropriate price to be used in measuring the fair value of actively traded (i.e. listed) financial assets. The Company's sole non-current financial asset is its shareholding in controlled entity, ASX listed investment company, Orion Equities Limited (**OEQ**) (formerly Central Exchange Limited (CXL)).

Under the previous accounting policy (in place as at the previous balance date of 30 June 2005), the Company's investment in OEQ was valued at OEQ's net tangible asset backing (rather than at OEQ's market price as traded on ASX). OEQ's last bid price as at 1 July 2005 was \$0.54 per share. This compares with OEQ's post tax NTA backing of \$1.09 per share as at 30 June 2005. As a consequence of the adjustment in reporting of comparative information under the applicable new AIFRS accounting standards, the 1 July 2005 valuation for OEQ is adjusted as follows:

- (a) The reversal of previous periods' revaluation (which was based on OEQ's NTA backing) back to cost - by \$6,587,354 from \$9,291,929 to \$2,704,575.
- (b) The revaluation of OEQ under AIFRS (using OEQ's last bid price) from cost.

Accordingly, the adjusted AIFRS valuation for the Company's investment in OEQ as at 1 July 2005 is \$4,484,042 (being valued at OEQ's last bid price as at 1 July 2005).

Under AASB 112: *Income Taxes* Adoption of a balance sheet approach under which temporary differences are identified for each asset and liability. Deferred tax liability provided on the upward revaluation of investments less any liability provided. The deferred tax liability was calculated based on the amount of the revaluation of OEQ up to OEQ's last bid price. The effect of the adoption does not impact the income statement.

### (v) Cash Flow Statement

There are no material impacts on the Cash Flow Statement as a consequence of the adoption of AIFRS.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 3. PROFIT/ (LOSS)

The operating profit/(loss) before income tax includes the following items of revenue and expense:

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>(a) Revenue</b>				
Dividend received	484,241	182,308	256,744	2,135
<b>Other income</b>				
Proceeds from sale of resource projects	333,333	-	-	-
Proceeds from sale of securities				
- investments portfolio	3,392,544	295,745	3,392,544	295,745
- trading portfolio	18,420,880	12,152,192	-	-
- options portfolio	137,579	240,140	-	-
Net unrealised change in fair value of investments	5,536,239	-	-	-
Gain from increase in control of subsidiary after share buy backs	-	212,717	-	-
Interest received - other	173,644	515,480	118,783	3,411
Other	27,660	-	5,600	-
Share of Associate entities' profits	1,146,453	167,225	-	-
	<u>29,168,332</u>	<u>13,583,499</u>	<u>3,516,927</u>	<u>299,156</u>
<b>Total revenue</b>	<u>29,652,573</u>	<u>13,765,807</u>	<u>3,773,671</u>	<u>301,291</u>
<b>(b) Expenses</b>				
<b>Cost of sales</b>				
Cost of resource projects sold	19,840	-	-	-
Cost of securities sold				
- non-current investments portfolio	2,912,982	283,480	2,912,982	283,480
- trading portfolio	16,552,241	10,033,175	-	-
- options portfolio	11,000	87,155	-	-
- brokerage cost	88,184	-	-	-
Cost of lapsed options	-	55,081	-	14,061
Net unrealised loss on revaluation of investments	21,143	771,859	21,143	45,349
<b>Operating expenses</b>				
Occupancy expenses	46,385	45,661	24,605	26,835
Finance expenses	6,228	6,891	2,029	2,239
Borrowing costs - interest paid	1,462	1,795	35	4
Corporate expenses				
Consultancy	73,760	66,651	(6,140)	5,891
Professional fees	25,160	277,561	-	973
Other corporate expenses	63,372	76,751	29,086	20,207
Administration expenses				
Depreciation	12,300	11,430	5,183	5,810
Fixed assets write off	1,990	-	1,497	-
Personnel expenses	535,233	494,714	272,953	240,808
Employee entitlements	22,890	25,739	15,477	18,465
Investment costs	26,482	216,285	4,504	(2,212)
Other administrative expenses	155,222	139,308	10,109	34,628
(Gain)/ loss on dilution	(134,406)	110,170	-	-
Loss from decrease in control of subsidiary after share issue by subsidiary	248,653	-	-	-
Exploration and evaluation expenses	62,065	37,989	-	-
	<u>20,752,186</u>	<u>12,741,695</u>	<u>3,293,463</u>	<u>696,538</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 3. PROFIT/ (LOSS) (continued)

(c) <b>Sale of Assets</b>	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Sale of assets in the ordinary course of business have given rise to the following gains and losses:				
	\$	\$	\$	\$
<b>Net Gain/ (Losses):</b>				
- tenement	313,493	-	-	-
- non-current investments portfolio	479,562	12,265	479,562	12,265
- trading portfolio	1,868,639	-	-	-
- options portfolio	126,579	-	-	-
	<u>2,788,273</u>	<u>12,265</u>	<u>479,562</u>	<u>12,265</u>

### 4. INCOME TAX EXPENSE

(a) The major components of income tax expense are:

Current income tax				
Current income tax charge	538,860	564,127	-	-
(Over)/under provision in prior years	149,228	(454,006)	-	-
Deferred income tax	1,565,412	222,226	-	-
	<u>2,253,500</u>	<u>332,347</u>	<u>-</u>	<u>-</u>

(b) The prima facie income tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:

<b>Profit/ (Loss)</b>	8,900,387	1,024,112	480,208	(395,247)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005:30%)	2,670,116	307,234	144,062	(118,574)
<b>Permanent differences</b>				
Other assessable income	44,553	23,081	33,010	-
Other non-deductible items	18,699	3,747	1,161	51
Share of Associates' profits	(343,936)	(50,168)	-	-
(Gain)/Loss on dilution	(40,322)	33,051	-	-
Gain from increase in control of subsidiary after share buy backs	-	(63,815)	-	-
Loss from decrease in control of subsidiary after share issue by subsidiary	74,596	-	-	-
<b>Temporary differences</b>				
Other non-deductible items	5,616	37,764	2,202	23,026
Other deductible items	-	(33,112)	-	(19,266)
Exploration expenses	-	(4,687)	-	-
Net change in fair value adjustment	(1,654,529)	231,558	6,343	13,605
Tax losses not brought to account	-	-	-	101,158
Recoupment of prior year tax losses brought to account	(76,744)	-	(76,744)	-
Income tax expense	698,049	484,653	110,034	-
Provision for deferred income tax	1,565,412	(4,827)	-	-
(Over)/ underprovision of income tax payable	138,550	(70,541)	-	-
Franking credits	(148,511)	(76,938)	(110,034)	-
Net income tax	<u>2,253,500</u>	<u>332,347</u>	<u>-</u>	<u>-</u>

The applicable weighted average effective tax rates are as follows:

25%	32%	0%	0%
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 4. INCOME TAX EXPENSE (continued)

	Consolidated Entity		Company	
	2006	2005	2006	2005
(c) Deferred tax asset (at 30%) not brought to account	\$	\$	\$	\$
On Income tax Account				
Other	25,269	-	25,269	-
Carry forward tax losses	211,937	109,429	211,937	109,429
On Capital Account				
Fair value loss adjustment	114,097	-	114,097	-
Carry forward tax losses	7,738	7,199	7,738	7,199

The Deferred Tax Asset not brought to account for the 2006 year will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) the Company is able to meet the continuity of ownership and/or continuity of business tests.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

### 5. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Details of key management personnel - directors

(consolidated and parent entity during the financial year)

Farooq Khan	Chairman & Managing Director
Michael van Rens	Non-Executive Director
Azhar Chaudhri	Non-Executive Director
Yaqoob Khan	Non-Executive Director

#### Details of other key management personnel (consolidated and company)

Victor Ho	Company Secretary
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	Consolidated Entity		Company	
	2006	2005	2006	2005
Number of employees (including key management personnel)	9	8	8	7

#### (b) Compensation of key management personnel - directors (consolidated)

Directors	Performance Related	Short term Benefits		Post Employment	Total
		Salaries & Fees	Other Benefits	Superannuation	
2006	%	\$	\$	\$	\$
Farooq Khan	-	125,000	-	11,250	136,250
Michael van Rens	-	15,000	-	1,350	16,350
Azhar Chaudhri	-	15,000	-	-	15,000
Yaqoob Khan	-	40,000	-	-	40,000
		195,000	-	12,600	207,600
2005					
Farooq Khan	-	125,000	30,000	13,950	168,950
Michael van Rens	-	15,000	-	1,350	16,350
Azhar Chaudhri	-	15,000	-	-	15,000
Yaqoob Khan	-	40,398	-	-	40,398
		195,398	30,000	15,300	240,698

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### Compensation of key management personnel - directors (company)

Directors	Performance	Short term Benefits		Post Employment	Total
	Related	Salaries & Fees	Other Benefits	Superannuation	
2006	%	\$	\$	\$	\$
Farooq Khan	-	125,000	-	11,250	136,250
Michael van Rens	-	15,000	-	1,350	16,350
Azhar Chaudhri	-	15,000	-	-	15,000
Yaqoob Khan	-	15,000	-	-	15,000
		170,000	-	12,600	182,600
<b>2005</b>					
Farooq Khan	-	125,000	-	11,250	136,250
Michael van Rens	-	15,000	-	1,350	16,350
Azhar Chaudhri	-	15,000	-	-	15,000
Yaqoob Khan	-	15,000	-	-	15,000
		170,000	-	12,600	182,600

### (c) Compensation of other key management personnel (consolidated)

	Performance	Short term Benefits		Post Employment	Total
	Related	Salaries & Fees	Other Benefits	Superannuation	
2006	%	\$	\$	\$	\$
Victor Ho	-	91,000	-	8,190	99,190
<b>2005</b>					
Victor Ho	-	88,692	-	7,982	96,674

### Compensation of other key management personnel (company)

	Performance	Short term Benefits		Post Employment	Total
	Related	Salaries & Fees	Other Benefits	Superannuation	
2006	%	\$	\$	\$	\$
Victor Ho	-	31,000	-	2,790	33,790
<b>2005</b>					
Victor Ho	-	31,000	-	2,790	33,790

### (d) Fully paid shareholdings of key management personnel

Directors	Balance at 1 July 2005	Net Change Other	Balance at 30 June 2006
Farooq Khan	11,841,031	(826,950)	11,014,081
Michael van Rens	323,549	(43,750)	279,799
Azhar Chaudhri	4,906,950	(826,950)	4,080,000
Yaqoob Khan	11,841,031	(826,950)	11,014,081
<b>Other key management personnel</b>			
Victor Ho	23,100	-	23,100
Directors	Balance at 1 July 2004	Net Change Other	Balance at 30 June 2005
Farooq Khan	11,841,031	-	11,841,031
Michael van Rens	323,549	-	323,549
Azhar Chaudhri	4,906,950	-	4,906,950
Yaqoob Khan	11,841,031	-	11,841,031
<b>Other key management personnel</b>			
Victor Ho	23,100	-	23,100

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### (e) Partly paid shareholdings of key management personnel

	Balance at 1 July 2005	Net Change Other	Balance at 30 June 2006
<b>Directors</b>			
Farooq Khan	20,000,000	-	20,000,000
Michael van Rens	-	-	-
Azhar Chaudhri	20,000,000	-	20,000,000
Yaqoob Khan	20,000,000	-	20,000,000
<b>Other key management personnel</b>			
Victor Ho	-	-	-

  

	Balance at 1 July 2005	Net Change Other	Balance at 30 June 2006
<b>Directors</b>			
Farooq Khan	20,000,000	-	20,000,000
Michael van Rens	-	-	-
Azhar Chaudhri	20,000,000	-	20,000,000
Yaqoob Khan	20,000,000	-	20,000,000
<b>Other key management personnel</b>			
Victor Ho	-	-	-

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same. There are instances of some overlap between the disclosed holdings in this regard.

### (f) Compensation policy

The Company's policy for determining the nature and amount of emoluments to directors of the Company is as follows: The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

### 6. AUDITORS REMUNERATION

	Consolidated Entity		Company	
	2006	2005	2006	2005
Amounts received or due and receivable by the Consolidated Entity's auditors for:	\$	\$	\$	\$
Auditing of the financial report	35,581	21,178	17,840	9,435
Other services	165	6,520	-	-
	<u>35,746</u>	<u>27,698</u>	<u>17,840</u>	<u>9,435</u>

### 7. DIVIDENDS

Declared and paid during the year	Date paid			
<u>Dividends on ordinary shares</u>				
by OEQ - 1.5 cent per share fully franked	07-Apr-06	138,846	-	-
by OEQ - 1.5 cent per share fully franked	13-Oct-05	138,846	-	-
by QUE - 0.5 cent per share fully franked	07-Apr-06	147,024	147,024	-
		<u>424,716</u>	<u>147,024</u>	<u>-</u>

On 12 September 2006, the directors of controlled entity Orion Equities Limited (OEQ) declared a final dividend of 3.0 cents per share fully franked. The record date will be 12 October 2006 with payment to be effected on 19 October 2006.

On 13 September 2006, the Company (QUE) declared a final dividend of 0.5 cent per share fully franked. The record date will be 25 September 2006 with payment to be effected on 29 September 2006.

#### Dividends declared post balance date

	Date paid			
<u>Dividends on ordinary shares</u>				
by QUE - 0.5 cent per share fully franked	29-Sep-06	147,024	147,024	-
by OEQ - 3 cents per share fully franked	19-Oct-06	534,432	-	-
		<u>681,456</u>	<u>147,024</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 7. DIVIDENDS (continued)

<b>Franking credit balance</b>	1,186,057	960,315	159,343	112,320
Balance of franking account at year end adjusted for franking credits arising from:				
Payment of provision for income tax	452,190	573,195	-	-
Franking debits arising from payment of proposed dividends	(292,053)	-	(63,010)	-
	<u>1,346,194</u>	<u>1,533,510</u>	<u>96,333</u>	<u>112,320</u>

### 8. EARNINGS PER SHARE

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Basic earnings per share (cents)	12.0	0.6	1.6	(1.3)
Diluted earnings per share (cents)	7.3	0.4	1.0	(0.8)

#### (a) Basic earnings per share

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

Net Profit/(Loss) (\$)	3,527,773	175,552	480,208	(395,247)
Weighted average number of ordinary shares	29,404,879	29,404,879	29,404,879	29,404,879

(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 earnings 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:

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net Profit/(Loss) (\$)	3,527,773	175,552	480,208	(395,247)
Weighted average number of ordinary shares (i)	48,404,879	48,404,879	48,404,879	48,404,879

(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:

Weighted average number of ordinary shares used in the calculation of basic EPS			<b>2006</b>	<b>2005</b>
			<b>No.</b>	<b>No.</b>
			29,404,879	29,404,879
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>48,404,879</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 9. CASH AND CASH EQUIVALENTS

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank	1,269,630	101,768	166,972	32,676
Term deposit	24,555	23,338	24,555	23,338
Bank Bills	2,970,033	-	2,970,033	-
	<u>4,264,218</u>	<u>125,106</u>	<u>3,161,560</u>	<u>56,014</u>

The effective interest rate on short term deposits and bank bills was 5.7% (2005: 5.6%); these deposits have an average maturity of a month.

#### (a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating income/ (loss) after tax	6,646,887	691,765	480,208	(395,247)
Depreciation	12,300	11,430	5,183	5,810
Net unrealised loss/(gain) on revaluation of share investments	(5,515,096)	771,859	21,143	45,349
Fixed assets write off	1,990	-	1,497	-
Gain on sale of investment	(479,562)	(12,265)	(479,562)	(12,265)
Cost of lapsed options	-	55,081	-	14,061
Share of Associate Companies' profits	(1,146,453)	(167,225)	-	-
Increase/ (decrease) in income tax payable	1,994,251	(432,100)	-	-
Increase/ (decrease) in deferred tax asset	-	(227,053)	-	-
(Increase)/decrease in assets:				
Receivables	(380,890)	(323,391)	(160,010)	429,607
Investments	925,638	(7,275,177)	-	-
Other assets	15,246	8,336	(136)	-
Increase/(decrease) in liabilities:				
Payables	(209,892)	133,117	(23,773)	29,979
Provision	22,890	462	15,477	18,465
Net cash flows from operating activities	<u>1,887,309</u>	<u>(6,765,161)</u>	<u>(139,973)</u>	<u>135,759</u>

#### (b) Disclosure of non-cash financing and investing activities

On 1 July 2005, OEQ issued 1,002,233 shares (at \$1.0343 per share, being OEQ's reported NTA (post tax) backing as at 31 May 2005) as consideration for the settlement of the acquisition of 2,300,000 shares in Bentley International Limited (BEL) from Sofcom Limited (SOF) pursuant to a Second Tranche BEL Share Sale Agreement between SOF and OEQ's (dated 30 May 2005) – the total consideration was \$1,036,610 (based on BEL's last published NTA backing (post tax) as at 31 May 2005 of \$0.4507 per share) satisfied by the issue of 1,002,233 fully paid ordinary shares in OEQ to SOF, as approved by SOF shareholders on 30 June 2005 and BEL shareholders on 1 July 2005.

On 9 February 2006, Hume Mining NL (a subsidiary of OEQ) received 1,666,667 shares at an deemed issue price of 20 cents per share (valuing the shares issued at \$333,333) from Strike Resources Limited (SRK) as consideration pursuant to settlement of an agreement with SRK dated 15 September 2005 (as amended) for the sale by Hume of a 75% interest in a suite of resource projects in the Northern Territory and Western Australia.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 10. TRADE AND OTHER RECEIVABLES

	Consolidated Entity		Company	
	2006	2005	2006	2005
Current Asset	\$	\$	\$	\$
Amounts receivable from				
Deposits	935	935	935	935
Receivables on sale of investments	440,474	241,392	-	-
Amounts receivable from related parties	116,613	57,357	35,315	-
Other receivables	137,400	95,215	118,986	77,338
GST receivable	-	7,370	-	-
	<u>695,422</u>	<u>402,269</u>	<u>155,236</u>	<u>78,273</u>
Non Current Asset				
Bonds and guarantees	32,823	32,823	-	-

### 11. FINANCIAL ASSETS AT FAIR VALUE

Financial assets at fair value comprise:

Listed investments, at fair value	11,005,112	11,107,489	-	2,972,749
Listed investment (suspended) - at cost	415,171	483,144	415,171	483,144
Directors' valuation	(380,322)	(418,947)	(380,322)	(418,947)
	<u>34,849</u>	<u>64,197</u>	<u>34,849</u>	<u>64,197</u>
Unlisted options in listed corporations- at cost	10,000	-	-	-
Net change in fair value	1,621,666	-	-	-
	<u>1,631,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial assets at fair value	<u>12,671,627</u>	<u>11,171,686</u>	<u>34,849</u>	<u>3,036,946</u>

### 12. OTHER CURRENT ASSET

Prepayments	2,112	1,736	1,029	893
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### 13. AVAILABLE FOR SALE ASSET

Shares in controlled entities - at cost	-	-	2,849,766	2,704,575
Revaluation based on post-tax net tangible asset	-	-	-	6,587,354
Fair value adjustment	-	-	3,440,457	-
	<u>-</u>	<u>-</u>	<u>6,290,223</u>	<u>9,291,929</u>
Fair value of listed securities	-	-	6,290,223	4,359,484

#### (a) Investment in Controlled Entities

	Ownership Interest	
	2006	2005
Orion Equities Limited (A.C.N. 000 742 843) (OEQ) (formerly Central Exchange Limited (CXL))	48.04%	49.39%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following interests in listed Associate entities are held by Orion Equities Limited (OEQ), a controlled entity of the Company.

Name of Associate	Principal Activity	Ownership Interest		Consolidated Carrying Amount	
		2006	2005	2006	2005
Bentley International Limited (BEL)	Investments	27.93%	25.49%	4,189,865	2,799,771
Scarborough Equities Limited (SCB)	Investments	27.86%	19.03%	5,536,505	4,285,489
				<u>9,726,370</u>	<u>7,085,260</u>

On 1 July 2005, OEQ settled on the acquisition of 2,300,000 shares in BEL, increasing its shareholding in BEL to 24.9%. OEQ has accounted for its investment in BEL on an equity accounting basis as an Associate entity from 30 June 2005.

Between January 2006 to June 2006, OEQ purchased 1,267,996 shares in BEL for \$1,119,912 and 305,718 shares in SCB for \$374,745, increasing its shareholding in BEL and SCB to 27.93% and 27.86% respectively.

	2006	2005
	\$	\$
<b>Movement in Investments in Associates</b>		
Shares in listed Associate entities - at cost		6,918,035
Shares in listed Associate entities brought forward	7,085,260	-
Share of profit before income tax expense	1,869,980	80,411
Share of income tax expense	(380,427)	86,814
Dividends received	(343,100)	-
Acquisition of shares	1,494,657	-
Carrying amount at the end of the financial year	<u>9,726,370</u>	<u>7,085,260</u>
<b>Fair value of listed investments in associates</b>		
Bentley International Limited	4,226,113	2,444,944
Scarborough Equities Limited	5,316,972	2,399,865
	<u>9,543,085</u>	<u>4,844,809</u>
<b>Net tangible asset backing value of listed investments in associates</b>		
Bentley International Limited	5,414,913	3,339,941
Scarborough Equities Limited	5,272,310	4,079,770
	<u>10,687,223</u>	<u>7,419,711</u>
<b>Share of Associates' profits</b>		
Profit before income tax	1,869,980	-
Income tax expense	(380,427)	167,225
Profit after income tax	<u>1,489,553</u>	<u>167,225</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Summarised Financial Position of Associates	Group share of:			
	BEL		SCB	
	2006	2005	2006	2005
	\$	\$	\$	\$
Current assets	5,461,429	4,502,990	1,025,519	559,261
Non current assets	2,527	3,546	4,716,645	2,559,369
<b>Total assets</b>	<b>5,463,956</b>	<b>4,506,536</b>	<b>5,742,164</b>	<b>3,118,630</b>
Current liabilities	(50,030)	(33,088)	(22,170)	(68,753)
Non current liabilities	-	(1,567)	(446,688)	-
<b>Total liabilities</b>	<b>(50,030)</b>	<b>(34,655)</b>	<b>(468,858)</b>	<b>(68,753)</b>
<b>Net assets</b>	<b>5,413,926</b>	<b>4,471,881</b>	<b>5,273,306</b>	<b>3,049,877</b>
Revenues	791,176	-	1,920,920	707,519
<b>Profit after income tax of associates</b>	<b>538,998</b>	<b>-</b>	<b>903,051</b>	<b>167,225</b>

#### Contingent Liabilities

##### Scarborough Equities Limited - Indemnity

SCB has provided indemnities to IWL Ltd ("IWL") and IWL Broking Solutions Ltd ("IWLBS") with respect to the acquisition by IWLBS of SCB's shareholding in Avcol Stockbroking Pty Ltd ("Avcol") on 29 April 2005. This indemnity covers contingent claims in relation to the operations of Avcol. The directors of SCB have stated that they believe that these contingent claims are not material (not exceeding \$100,000 in aggregate) in terms of its potential negative effect on its net asset position.

##### Scarborough Equities Limited and Bentley International Limited - Lease Commitments

SCB and BEL has the same lease commitments disclosed in note 26(a)

15. NON-CURRENT INVENTORY	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Property held for development and resale	3,821,038	3,796,552	-	-

### 16. INTANGIBLES

VoiceNet System VoIP Technology - at cost	2,000,000	2,000,000	2,000,000	2,000,000
Less: Accumulated amortisation	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)
Less: Write-down of VoiceNet Technology	(900,000)	(900,000)	(900,000)	(900,000)
	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 17. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Leasehold Improve- ments	Total
	\$	\$	\$
<b>CONSOLIDATED ENTITY</b>			
At 1 July 2005, net of accumulated depreciation and impairment	35,206	18,393	53,599
Additions	21,269	-	21,269
Depreciation expense	(9,541)	(2,759)	(12,300)
Obsolete assets disposed and written off	(1,990)	-	(1,990)
At 30 June 2006, net of accumulated depreciation and impairment	<u>44,944</u>	<u>15,634</u>	<u>60,578</u>
<b>At 1 July 2005</b>			
Cost	263,773	43,575	307,348
Accumulated depreciation and impairment	(228,567)	(25,182)	(253,749)
<b>Net carrying amount</b>	<u>35,206</u>	<u>18,393</u>	<u>53,599</u>
<b>At 30 June 2006</b>			
Cost	134,199	43,575	177,774
Accumulated depreciation and impairment	(89,255)	(27,941)	(117,196)
<b>Net carrying amount</b>	<u>44,944</u>	<u>15,634</u>	<u>60,578</u>
<b>At 30 June 2005</b>			
Cost	42,276	21,639	63,915
Additions	1,114	-	1,114
Depreciation expense	(8,184)	(3,246)	(11,430)
At 30 June 2005, net of accumulated depreciation and impairment	<u>35,206</u>	<u>18,393</u>	<u>53,599</u>
<b>At 1 July 2004</b>			
Cost	262,659	43,575	306,234
Accumulated depreciation and impairment	(220,383)	(21,936)	(242,319)
<b>Net carrying amount</b>	<u>42,276</u>	<u>21,639</u>	<u>63,915</u>
<b>At 30 June 2005</b>			
Cost	263,773	43,575	307,348
Accumulated depreciation and impairment	(228,567)	(25,182)	(253,749)
<b>Net carrying amount</b>	<u>35,206</u>	<u>18,393</u>	<u>53,599</u>
<b>COMPANY</b>			
At 1 July 2005, net of accumulated depreciation and impairment	17,867	9,197	27,064
Additions	5,827	-	5,827
Depreciation expense	(3,803)	(1,380)	(5,183)
Obsolete assets disposed and written off	(1,497)	-	(1,497)
At 30 June 2006, net of accumulated depreciation and impairment	<u>18,394</u>	<u>7,817</u>	<u>26,211</u>
<b>At 1 July 2005</b>			
Cost	80,077	21,787	101,864
Accumulated depreciation and impairment	(62,210)	(12,590)	(74,800)
<b>Net carrying amount</b>	<u>17,867</u>	<u>9,197</u>	<u>27,064</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and Equipment	Leasehold Improve- ments	Total
	\$	\$	\$
<b>At 30 June 2006</b>			
Cost	64,022	21,787	85,809
Accumulated depreciation and impairment	(45,628)	(13,970)	(59,598)
<b>Net carrying amount</b>	<b>18,394</b>	<b>7,817</b>	<b>26,211</b>
<b>At 1 July 2004, net of accumulated depreciation and impairment</b>			
Cost	21,497	10,820	32,317
Additions	557	-	557
Depreciation expense	(4,187)	(1,623)	(5,810)
<b>At 30 June 2005, net of accumulated depreciation and impairment</b>	<b>17,867</b>	<b>9,197</b>	<b>27,064</b>
<b>At 1 July 2004</b>			
Cost	79,520	21,787	101,307
Accumulated depreciation and impairment	(58,023)	(10,967)	(68,990)
<b>Net carrying amount</b>	<b>21,497</b>	<b>10,820</b>	<b>32,317</b>
<b>At 30 June 2005</b>			
Cost	80,077	21,787	101,864
Accumulated depreciation and impairment	(62,210)	(12,590)	(74,800)
<b>Net carrying amount</b>	<b>17,867</b>	<b>9,197</b>	<b>27,064</b>

### 18. OTHER NON-CURRENT ASSETS

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Deferred Exploration Expenditure</b>				
Balance at beginning of the year	15,622	24,031	-	-
Direct expenditure	4,217	10,404	-	-
Direct expenditure written off	-	(18,813)	-	-
Sale of tenements	(19,839)	-	-	-
Balance at end of the year	-	15,622	-	-

### 19. TRADE AND OTHER CREDITORS

Trade creditors	35,330	20,551	749	3,715
Payables on purchase of investments	-	205,894	-	-
Amounts payable from related parties	-	3,630	-	21,628
Other creditors and accruals	189,610	193,096	101,219	92,927
Dividend payable	28,502	25,277	-	-
GST payable	8,237	232	8,237	232
	<b>261,679</b>	<b>448,680</b>	<b>110,205</b>	<b>118,502</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 20. TAX

	Consolidated Entity		Company	
	2006	2005	2006	2005
<b>Non current tax assets</b>	\$	\$	\$	\$
Deferred tax on fair value loss adjustments	-	227,053	-	-
<b>Current tax liabilities</b>				
Provision for income tax	538,860	564,127	-	-
<b>Non Current tax liabilities</b>				
Deferred tax on fair value gain adjustments	1,799,674	7,209	1,032,137	1,976,206
	<u>2,338,534</u>	<u>571,336</u>	<u>1,032,137</u>	<u>1,976,206</u>

#### Reconciliations

##### Gross movement

The overall movement in the deferred tax account is as follows:

Opening balance	7,209	12,036	1,976,206	1,804,317
Charged to income statement	1,565,412	222,226	-	-
Charged directly to equity	-	-	(944,069)	171,889
Closing balance	<u>1,572,621</u>	<u>234,262</u>	<u>1,032,137</u>	<u>1,976,206</u>

#### Deferred tax asset - fair value adjustments

The movement in deferred tax asset for each temporary difference during the year are as follows:

Opening balance	227,053	-	-	-
Charged to income statement	(227,053)	227,053	-	-
Closing balance	<u>-</u>	<u>227,053</u>	<u>-</u>	<u>-</u>

#### Deferred tax liability - fair value adjustments

The movement in deferred tax liability for each temporary difference during the year are as follows:

Opening balance	7,209	12,036	1,976,206	1,804,317
Charged to income statement	1,792,465	(4,827)	-	-
Charged directly to equity	-	-	(944,069)	171,889
Closing balance	<u>1,799,674</u>	<u>7,209</u>	<u>1,032,137</u>	<u>1,976,206</u>

### 21. ISSUED CAPITAL

	Consolidated Entity		Company	
	2006	2005	2006	2005
<b>Issued and Paid-Up Capital</b>	\$	\$	\$	\$
28,404,879 (2005: 28,404,879) fully paid ordinary shares	5,887,927	5,887,927	5,887,927	5,887,927
20,000,000 (2005: 20,000,000) partly paid ordinary shares	200,000	200,000	200,000	200,000
	<u>6,087,927</u>	<u>6,087,927</u>	<u>6,087,927</u>	<u>6,087,927</u>

#### (a) Movement in Issued Ordinary Share Capital

##### (i) Fully paid ordinary shares

	Number of shares		
At 1 July	28,404,879	5,887,926	5,887,926
	-	-	-
At 30 June	<u>28,404,879</u>	<u>5,887,926</u>	<u>5,887,926</u>

There were no movements during the period for fully paid ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 21. ISSUED CAPITAL (continued.)

#### (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.

22. RESERVES	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Option Premium Reserve	2,138,012	2,138,012	2,138,012	2,138,012
Asset Revaluation Reserve				
Opening balance	-	-	4,611,148	4,210,076
Deferred tax liability movement	-	-	1,976,206	(171,889)
	-	-	6,587,354	4,038,187
Movement during the year	-	-	(6,587,354)	572,961
Closing balance	-	-	-	4,611,148
Available for sale investment reserve				
Balance at beginning of the year	-	-	-	-
Adjustment on adoption of AASB 132 and 139	-	-	1,779,467	-
Deferred tax liability movement	-	-	(533,840)	-
Available for sale reserve brought to account	-	-	1,245,627	-
Net change in OEQ's fair value	-	-	1,162,692	-
Balance at end of financial period	-	-	2,408,319	-
	2,138,012	2,138,012	4,546,331	6,749,160

The Option Premium Reserve comprised consideration received on the issue of options in prior years which have lapsed.

The adoption of AASB 132 Financial Instruments: Disclosure and Presentation has replaced Asset Revaluation Reserve with Available for Sale Investment Reserve, which relates to a revaluation of the Company's investment in OEQ and the adoption of AASB 139: Financial Instruments: Recognition and Measurement has replaced the base of measurement from cost to fair value at Balance Date. Please refer to Note 2(iv) for further details about the fair value of such investment at Balance Date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 23. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Note	Amount owed by related parties
<b>Associates of Orion Equities Limited</b>		
Bentley International Limited (BEL)	10	60,425
Scarborough Equities Limited (SCB)	10	37,177
<b>Controlled entity of QUE</b>		
Orion Equities Limited	10	16,304

The Company owns 48% of the ordinary shares in the OEQ. BEL and SCB are associate entities of OEQ. During the financial year, there were transactions between the Company, OEQ, BEL and SCB, pursuant to shared office and administration expense arrangements on a cost recovery basis. Interest is not charged on such outstanding amounts.

### 24. CONSOLIDATED SEGMENT REPORTING

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

<b>Segment Revenues &amp; Results</b>	<b>External Revenue</b>		<b>Operating results</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
Investments	29,473,329	13,250,327	9,665,145	1,655,133
Unallocated	179,244	515,480	(764,758)	(631,021)
	<u>29,652,573</u>	<u>13,765,807</u>		
Profit before income tax			8,900,387	1,024,112
Income tax expense			(2,253,500)	(330,922)
Loss after income tax			<u>6,646,887</u>	<u>693,190</u>

<b>Segment Assets &amp; Liabilities</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
Investments	26,659,509	22,310,512	(1,799,674)	(205,894)
Unallocated	4,614,679	601,194	(800,539)	(812,697)
	<u>31,274,188</u>	<u>22,911,706</u>	<u>(2,600,213)</u>	<u>(1,018,591)</u>

<b>Other Segment Information</b>	<b>Investments</b>	
	<b>2006</b>	<b>2005</b>
	\$	\$
Acquisition of segment assets	11,624,134	23,808,335
Other non-cash expenses		
Diminution of segment assets	21,143	771,859

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 25. FINANCIAL INSTRUMENTS

The consolidated entity's financial instruments mainly consist of listed and unlisted securities, deposits with banks, accounts receivable and payable and loans to related parties. The consolidated entity's investments are subject to price (which includes interest rate and market risk), credit and liquidity risks.

#### (a) Interest Rate Risk Exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The consolidated entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The consolidated entity has no borrowings.

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate (less than 1 year)	Non-Interest Bearing	Total
<b>2006</b>					
<b>Financial assets</b>		\$	\$	\$	\$
Cash	5.70%	1,269,630	2,994,588	-	4,264,218
Receivables	7.00%	-	19,012	709,233	728,245
Investments		-	-	12,671,627	12,671,627
		<u>1,269,630</u>	<u>3,013,600</u>	<u>13,380,860</u>	<u>17,664,090</u>
<b>Financial liabilities</b>					
Payables		-	-	(261,679)	(261,679)
<b>Net financial assets</b>		<u>-</u>	<u>-</u>	<u>(261,679)</u>	<u>(261,679)</u>
<b>Net financial assets</b>		<u>1,269,630</u>	<u>3,013,600</u>	<u>13,119,181</u>	<u>17,402,411</u>
<b>2005</b>					
<b>Financial assets</b>					
Cash	5.63%	101,768	23,338	-	125,106
Receivables		-	-	435,092	435,092
Investments		-	-	11,171,686	11,171,686
		<u>101,768</u>	<u>23,338</u>	<u>11,606,778</u>	<u>11,731,884</u>
<b>Financial liabilities</b>					
Payables		-	-	(448,680)	(448,680)
		<u>-</u>	<u>-</u>	<u>(448,680)</u>	<u>(448,680)</u>
<b>Net financial assets</b>		<u>101,768</u>	<u>23,338</u>	<u>11,158,098</u>	<u>11,283,204</u>
<b>Reconciliation of net financial assets to net assets</b>				<b>2006</b>	<b>2005</b>
Net financial assets as above				17,402,411	11,283,204
Non-financial assets and liabilities					
Inventory				3,821,038	3,796,552
Investments in Associate companies				9,726,370	7,085,260
Property, plant and equipment				60,578	53,599
Other assets				2,112	244,411
Net tax liabilities				(2,338,534)	(571,336)
Net Assets per balance Sheet				<u>28,673,975</u>	<u>21,891,690</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 25. FINANCIAL INSTRUMENTS (continued)

#### (b) Credit Risk Exposure

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the consolidated entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults.

Market prices of listed financial instruments generally incorporate credit assessments into valuations and risk of loss is implicitly provided or in the carrying value of such assets in the financial statements as they are marked to market at balance date. The consolidated entity measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained (if any).

#### (c) Market Price Risk Exposure

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

#### (d) Liquidity Risk Exposure

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity has no borrowings.

#### Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value except for investments in securities, details of which are set out in Note 11.

### 26. COMMITMENTS

	Consolidated Entity		Company	
	2006	2005	2006	2005
(a) Lease Commitments	\$	\$	\$	\$
Non-cancellable operating lease commitments:				
Not longer than one year	49,920	124,033	24,960	-
Between 12 months and 5 years	199,680	-	99,840	-
Greater than 5 years	99,840	-	49,920	-
	<u>349,440</u>	<u>124,033</u>	<u>174,720</u>	<u>-</u>

The lease commitment is the Company's share of the office premises at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia, and includes all outgoing (exclusive of GST). The lease is for a 7 year term expiring 30 June 2013 and contains a rent review increase each year alternating between 5% and the greater of market rate or CPI + 1%.

#### (b) Exploration Tenement Leases - Commitments for Expenditure

- (i) In order to maintain current rights of tenure to its Australian exploration tenements, OEQ is required to outlay lease rentals and meet minimum expenditure commitments. Based on tenements which have been granted as at the date of this report, OEQ has a 12 month commitment of \$45,154.
- (ii) OEQ has also committed to spend A\$250,000 on exploration and evaluation over a 12 month period (from date of grant on 21 March 2006) in respect of a reconnaissance licence over a 5,000 square kilometre area in the Chitral Region, North-West Frontier Province, Pakistan, prospective for gold and copper.

OEQ's financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### 26. CONTINGENT LIABILITIES AND ASSETS

The Company does not have any material contingent assets or liabilities at Balance Date.

#### Orion Equities Limited

- (a) Hume Mining NL (Hume) (a subsidiary of OEQ) and Strike Resources Limited (SRK) Agreement** - By an agreement dated 15 September 2005 (as amended), Hume disposed of an interest in various tenements located in the Northern Territory and in Western Australia to SRK. Under the agreement, Hume is entitled to receive a royalty of 2% of gross revenues (exclusive of GST) arising from any commercial exploitation of any minerals from the tenements.
- (b) Native Title** - OEQ's mining tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the consolidated entity.

### 27. EVENTS AFTER BALANCE SHEET DATE

- (a)** On 25 May 2006, the Company entered into a share sale agreement with a syndicate of investors to dispose of 10,699,428 (17.25%) in Altera Capital Limited (AEA) in consideration for \$34,849 cash. On 3 August 2006, AEA shareholders approved the sale and on 8 August 2006, the sale was completed with the Company also receiving \$ 17,782 from AEA being the full repayment of a loan advanced to AEA during the financial year. AEA also terminated an irrevocable unsecured letter of credit of \$17,000 provided by the Company to AEA on 12 June 2006.
- (b)** On 7 July 2006, through OEQO Pty Ltd, a wholly owned subsidiary of OEQ incorporated on 7 July 2006, acquired a 143 hectare property in Gingin, Western Australia (approximately 100 km north of Perth) comprising the Koorian Olive Grove (which has approximately 64,500, 7 year old olive tree plantings) and certain grove related equipment/infrastructure, for a consideration of \$1.2 million. OEQO also entered into an option deed (with a 9 month term) to acquire 200 hectares of nearby land, the transfer of a water licence, water bore/equipment, shed, harvester and other equipment which services the grove, from an adjacent property owner. The grove acquisition is subject to obtaining relevant Waters and Rivers Commission (WR&C) of Western Australia approvals and subject to receipt of such consent(s), is expected to settle by 3 October 2006 (subject to extension by agreement of the parties pending WR&C consent).
- (c)** On 12 September 2006, the Directors of OEQ declared a final dividend of 3.0 cents per share fully franked. The record date will be 12 October 2006 with payment to be effected on 19 October 2006.
- (d)** On 13 September 2006, the Directors of the Company (QE) declared a final dividend of 0.5 cent per share fully franked. The record date will be 25 September with payment to be effected on 29 September 2006.
- (e)** On 2 August 2006, OEQ implemented an Unmarketable Parcel Sale Facility for affected shareholders holding less than A\$500 worth of shares (an Unmarketable Parcel). Under this facility, OEQ provided 6 weeks notice for affected shareholders to advise OEQ of their wish to retain their Unmarketable Parcel shareholding. OEQ shareholders who fail to return a Share Retention form by the deadline of 15 September 2006 will have their Unmarketable Parcel shareholding aggregated and sold on-market by OEQ on their behalf.

The Board of OEQ have advised that they will sell such Unmarketable Parcels by way of an on-market sale through nominated broker(s) as soon as practicable after 15 September 2006 having regard to liquidity in OEQ shares and as market conditions dictate. Affected shareholders who have had their Unmarketable Parcel shares sold will receive a pro-rata share of the total proceeds of sale without any deduction for brokerage or other costs of sale (which will be borne by OEQ).

OEQ directors have advised they may concurrently undertake an on market buy-back through a different broker(s) nominated by the OEQ Board.

## DIRECTORS' DECLARATION

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The Directors of the Company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement, and accompanying notes as set out on pages 24 to 54 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Executive Chairman and Managing Director, the person who performs the chief executive function, and by the Company Secretary, the person who performs the chief financial officer function, for the purposes of section 295A, who have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements are in accordance with the *Corporations Act 2001*, comply with Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
  - (c) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.



Farooq Khan  
Chairman

Perth, Western Australia

18 September 2006



Chartered Accountants  
& Advisers

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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUESTE COMMUNICATIONS LIMITED

### Scope

#### *The Financial Report and Directors' Responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, 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 2006. 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.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

## **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 2006 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

A handwritten signature in black ink, appearing to read 'B. McVeigh', written in a cursive style.

## **BG McVeigh**

Partner

Perth, Western Australia

Dated this 18<sup>th</sup> day of September 2006

# CORPORATE GOVERNANCE

## COMPLIANCE WITH CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES

The extent to which the Company has followed the ASX Corporate Governance Council's 10 principles of good corporate governance and best practice recommendations are as follows:

<b>Principle 1: Lay solid foundations for management and oversight</b>	<b>Compliance</b>	<b>CGS References / Comments</b>
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	2, 3.3, 4.1
1.2 Provide the information indicated in Guide to reporting on Principle 1.  The following material should be included in the corporate governance section of the annual report:  • an explanation of any departure from best practice recommendation 1.1.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • the statement of matters reserved for the board or a summary of the board charter or the statement of delegated authority to management.	Yes	Annual Reports Website CGS
<b>Principle 2: Structure the board to add value</b>		
2.1 A majority of the board should be independent directors.	No	3.5
2.2 The chairperson should be an independent director	No	3, 3.3, 3.5
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	3, 3.2, 3.3, 4.1
2.4 The board should establish a nomination committee	No	4.2
2.5 Provide the information indicated in Guide to reporting on Principle 2.  The following material should be included in the corporate governance section of the annual report:  • the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report  • the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds  • a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company  • the term of office held by each director in office at the date of the annual report  • the names of members of the nomination committee and their attendance at meetings of the committee  • an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • a description of the procedure for the selection and appointment of new directors to the board  • the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee  • the nomination committee's policy for the appointment of directors.	Yes	Annual Reports Website CGS

# CORPORATE GOVERNANCE

<b>Principle 3: Promote ethical and responsible decision-making</b>	<b>Compliance</b>	<b>CGS References / Comments</b>
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	No	6
3.1.1 the practices necessary to maintain confidence in the company's integrity		
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Disclose the policy concerning trading in company securities by directors officers and employees.	Yes	3.8
3.3 Provide the information indicated in Guide to reporting on Principle 3.  The following material should be included in the corporate governance section of the annual report:  • explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10.  • the trading policy or a summary of its main provisions.	Yes	Annual Reports Website CGS 3.8
<b>Principle 4: Safeguard integrity in financial reporting</b>		
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	4.1, 7
4.2 The board should establish an audit committee.	No	4.2
4.3 Structure the audit committee so that it consists of:	No	4.2, 3
• only non-executive directors		
• a majority of independent directors		
• an independent chairperson, who is not chairperson of the board		
• at least three members.		
4.4 The audit committee should have a formal charter.	No	4.2
4.5 Provide the information indicated in Guide to reporting on Principle 4.  The following material should be included in the corporate governance section of the annual report:  • details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee  • the number of meetings of the audit committee and the names of the attendees  • explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • the audit committee charter  • information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	Yes	Annual Reports Website CGS

# CORPORATE GOVERNANCE

<b>Principle 5: Make timely and balanced disclosure</b>	<b>Compliance</b>	<b>CGS References / Comments</b>
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	7, 8.2
5.2 Provide the information indicated in Guide to reporting on Principle 5.  The following material should be included in the corporate governance section of the annual report:  • explanation of any departures from best practice recommendation 5.1 or 5.2.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	Yes	Annual Reports Website CGS
<b>Principle 6: Respect the rights of shareholders</b>		
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Yes	8.1
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Annual General Meetings
6.3 Provide the information indicated in Guide to reporting on Principle 6.  The following material should be included in the corporate governance section of the annual report:  • explanation of any departures from best practice recommendations 6.1 or 6.2.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • a description of the arrangements the company has to promote communication with shareholders.	Yes	Annual Reports Website CGS
<b>Principle 7: Recognise and manage risk</b>		
7.1 The board or appropriate board committee should establish policies on risk oversight and management.	Yes	7
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:  7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.  7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	7
7.3 Provide the information indicated in Guide to reporting on Principle 7.  The following material should be included in the corporate governance section of the annual report:  • explanation of any departures from best practice recommendations 7.1, 7.2 or 7.3.  The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  • a description of the company's risk management policy and internal compliance and control system.	Yes	Annual Reports Website CGS

# CORPORATE GOVERNANCE

<b>Principle 8: Encourage enhanced performance</b>	<b>Compliance</b>	<b>CGS References / Comments</b>
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	3.11
8.2 Provide the information indicated in Guide to reporting on Principle 8.  The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> <li>• whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted</li> <li>• an explanation of any departure from best practice recommendation 8.1.</li> </ul> The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> <li>• a description of the process for performance evaluation of the board, its committees and individual directors, and key executives.</li> </ul>	Yes	Annual Reports Website CGS
<b>Principle 9: Remunerate fairly and responsibly</b>		
9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the report link between remuneration paid to directors and key executives and corporate performance.	Yes	Annual Reports
9.2 The board should establish a remuneration committee.	No	4.2
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Annual Reports
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	N/A	No equity-based executive remuneration in place
9.5 Provide the information indicated in Guide to reporting on Principle 9.  The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> <li>• disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1</li> <li>• the names of the members of the remuneration committee and their attendance at meetings of the committee</li> <li>• the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors</li> <li>• an explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5.</li> </ul> The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> <li>• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.</li> </ul>	Yes	Annual Reports Website CGS
<b>Principle 10: Recognise the legitimate interests of stakeholders</b>		
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations.	No	6
10.2 Provide the information indicated in Guide to reporting on Principle 10.  The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> <li>• an explanation of any departure from best practice recommendation 10.1.</li> </ul> The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> <li>• any applicable code of conduct or a summary of its main provisions.</li> </ul>	Yes	Annual Reports Website CGS

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT (CGS)

### 1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ("Council"). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of all of the Council's recommendations can be found on the ASX website at <http://www.asx.com.au/supervision/governance/index.htm>.

### 2. Board of Directors - Role and responsibilities

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

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.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following.

- (1) formulation and approval of the strategic direction, objectives and goals of the Company;
- (2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- (3) the resourcing, review and monitoring of executive management;
- (4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (5) the identification of significant business risks and ensuring that such risks are adequately managed;

- (6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- (7) the establishment and maintenance of appropriate ethical standards;
- (8) responsibilities typically assumed by an audit committee including:
  - (a) reviewing and approving the audited annual and reviewed half yearly financial reports;
  - (b) reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;
- (9) responsibilities typically assumed by a remuneration committee including:
  - (a) reviewing the remuneration and performance of both Executive and Non-Executive Directors;
  - (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executive's performance, including, setting goals and reviewing progress in achieving those goals;
  - (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes.
- (10) responsibilities typically assumed by a nomination committee including:
  - (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors;
  - (b) oversight of Board and Executive succession plans.

### 3. Board of Directors – Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and the scale and nature of the Company's activities. The names of the Directors and their qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

#### 3.1. Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board should contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and Director-level business or corporate experience, having regard to the scale and nature of activities of the Company.

# CORPORATE GOVERNANCE

## 3.2. Non-Executive Directors

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Three of the current Board's four Directors are Non-Executive Directors – Messrs Yaqoob Khan, Michael van Rens and Azhar Chaudhri, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

## 3.3. Chairman and Managing Director

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Company's Executive Chairman and Managing Director is Mr Farooq Khan, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

## 3.4. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is currently Mr Victor Ho, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

## 3.5. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

- (1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (2) within the last 3 years has not been employed in an Executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- (3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with a service provider;
- (4) is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (5) has no material contractual relationship with the Company other than as a Director of the Company;
- (6) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- (7) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Farooq Khan (Executive Chairman and Managing Director) and Mr Azhar Chaudhri are not regarded as independent Directors as both do not meet the above criteria for independence adopted by the Company, being (directly and indirectly) substantial shareholders of the Company. Mr Yaqoob Khan is a relative of both Messrs Farooq Khan and Azhar Chaudhri. Mr Michael van Rens is considered to be an independent Non-Executive Director of the Company.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of Directors required for the Board to properly perform its responsibilities and functions.

## 3.6. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

- (1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- (2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

## 3.7. Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

## 3.8. Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities, is set by the Board. The Board restricts Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

# CORPORATE GOVERNANCE

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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 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

### 3.9. Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

### 3.10. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. 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 election, whichever is longer, without submitting himself for re-election. One third of the Directors (save for a Managing Director) 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.

### 3.11. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

### 3.12. Meetings of the Board

The Chairman and Company Secretary generally schedules monthly formal Board meetings. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between scheduled monthly meetings. Circulatory Resolutions are also utilised where appropriate either in place or in addition formal Board meetings. Board meetings are held predominantly by telephone conferencing as not all Directors are resident in the one city. However, the Board will convene face to face meetings from time to time as is appropriate based on the particular items of business for consideration.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

### 3.13. Independent Professional Advice

Subject to prior consultation with the Chairman, 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.

### 3.14. Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive Management. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### 3.15. Directors' Deeds

The Company has also entered into a deed with each of the current Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries). A summary of the terms of such deed is contained within the Remuneration Report in the Director's Report for the year ended 30 June 2006.

## 4. Management

### 4.1. Executives

The Managing Director is responsible and accountable to the Board for the Company's management.

The Company's Executive Chairman and Managing Director roles are fulfilled by one person – Mr Farooq Khan. The Company presently has one other Executive Officer being the Company Secretary.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an independent Non-Executive Chairman.

The Board is of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties and the Board is satisfied that Mr Farooq Khan as both Chairman and as Managing Director plays an important role in the continued success and performance of the Company and is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman and does not consider that his dual role in any way diminishes the efficient organisation and conduct of the Board's overall function.

The Company does not presently have a Chief Financial Officer ("CFO"). The Board has determined that the Executive Chairman and Managing Director and the Company Secretary are the appropriate persons to make the chief executive and CFO declarations respectively, as required under section 295A and recommended by the Council.

# CORPORATE GOVERNANCE

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## 4.2. Board and Management Committees

In view of the current composition of the Board (which comprises three Executive and one Non-Executive Director) and the nature and scale of the Company's 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 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). That is, matters typically dealt with by an audit, nominations and remuneration committee are dealt with by the full Board.

## 5. Remuneration Policy

Please refer to the Remuneration Report in the Director's Report for the year ended 30 June 2006.

## 6. Code of Conduct and Ethical Standards

The Company is not of a size that warrants the establishment of a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. However, the Company's policies are focussed on ensuring that all Directors, Executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

## 7. Internal Control and Risk Management

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

The Board has determined that the Executive Chairman and Managing Director and the Company Secretary are the appropriate persons to make the chief executive and CFO declarations respectively, on the risk management and internal compliance and control systems recommended by the Council.

## 8. Communications

### 8.1. Communications 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:

- (1) The Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- (2) The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- (3) The Half-Yearly Directors' and Financial Reports;

- (4) Other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: [www.queste.com.au](http://www.queste.com.au) or the ASX website: [www.asx.com.au](http://www.asx.com.au) under ASX code "QUE". The Company also maintains an email list for the distribution of the Company's announcements via email in a timelier manner.

### 8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- (1) concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- (2) that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

18 October 2006

## TERMS OF ISSUE OF PARTLY PAID SHARES

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The Company has on issue 20,000,000 ordinary shares at an issue price of 20 cents each which have been partly paid to 1 cent each and upon which there is an outstanding amount payable of 19 cents per share. Such partly paid shares were issued on 3 August 1998. The total outstanding liability of the holders of these shares is the sum of \$3,800,000.

The terms of issue of such partly paid shares (as disclosed in the Company's initial public offering prospectus dated 6 August 1998) are as follows:

1. No call will be made by the Directors on such partly paid shares until the expiry of at least two years from the date of issue of such shares;
2. No more than two (2) calls will be made upon such shares in any one financial year and no call within any one financial year will be made within six (6) months from the date of a previous call;
3. No call may be made for more than Ten Percentum (10%) of the then outstanding amount due and payable for such shares;
4. The Directors may with the prior written consent of a particular holder of such shares vary as for that particular holder the foregoing terms upon which the Directors shall be entitled to make a call;
5. Nothing shall prevent the holders of such shares pre-paying up from time to time or at any one time the whole or part of the amount unpaid on such shares even though no amount has been called to be paid up by the Directors;
6. Dividends of the Company shall be paid to the holders of such shares in the proportion which the amount paid (not credited) on the share is of the total amounts paid and payable (excluding amounts credited) on such share held by them. An amount paid in advance of a call is not to be included as an amount paid on that share for the purposes of calculating entitlement to dividends for such a share;
7. Where the Company shall be listed upon the ASX, the Company will not whilst there shall remain any outstanding liability with respect to such shares apply for Official Quotation of the same with the ASX;
8. Upon such shares being fully paid for in accordance with calls made by the Directors such that there shall be no outstanding liability with respect to the same, such shares will rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company then on issue;
9. Where the Company shall be listed upon the ASX, upon such shares being fully paid for in accordance with calls made by the Directors such that there shall be no outstanding liability with respect to the same, the Company will within three (3) business days from receipt of the monies fully paying up such shares, apply for Official Quotation of all such shares, in accordance with the Corporations Law and the Listing Rules of the ASX;
10. Where the Company shall reorganise its capital, the number of such partly paid shares must be reorganised in the same proportions as other classes of shares and the reorganisation must not involve cancellation or reduction of the total amount payable and unpaid by the holder of such shares;
11. The holders of such shares shall 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. An amount paid in advance of a call is not to be included as an amount paid up on that share for the purposes of calculating the voting entitlement of such a share;
12. The holders of such shares shall not be entitled to vote at a meeting in respect of those shares on which calls are outstanding and unpaid;
13. Where there is any inconsistency between the terms of issue of these partly paid shares and the terms of the Listing Rules of the ASX (in circumstances where the Company shall be listed upon the ASX) the terms of the Listing Rules of the ASX shall prevail; and
14. Save for the specific terms of issue of these partly paid shares as referred to above (and subject to the Listing Rules of the ASX) in all other respects, the terms of issue of such partly paid shares shall be in accordance with the provisions of the Constitution of the Company.

The partly paid shares are also subject to the Company's Constitution.

## ADDITIONAL ASX INFORMATION

### as at 18 October 2006

#### DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	12	7,751	0.027
1,001	-	5,000	75	246,864	0.869
5,001	-	10,000	94	874,237	3.077
10,001	-	100,000	158	4,352,948	15.324
100,001	-	and over	25	22,923,079	80.701
<b>Total</b>			<b>364</b>	<b>28,404,879</b>	<b>99.998%</b>

#### Marketable Parcel

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	2,000	30	39,426	0.138
2,001	-	over	334	28,365,453	99.861
<b>Total</b>			<b>364</b>	<b>28,404,879</b>	<b>100%</b>

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 2,000 shares or less, being a value of \$500 or less in total, based upon the Company's closing last bid share price on 18 October 2006 of 25 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.

#### VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- (1) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (2) on a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote;
- (3) on a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share;
- (4) The Company's partly paid shares have a proportional voting entitlement in accordance with the amount paid up for that share.

# ADDITIONAL ASX INFORMATION

## as at 18 October 2006

### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Shares Held	Total Shares	% Issued Capital
1	* FAROOQ KHAN	2,399,484		
	ISLAND AUSTRALIA PTY LTD	3,668,577		
	SKIN-PLEX LABORATORIES PTY	20,000		
	THE ESSENTIAL EARTH PTY LTD	20,000		
		Sub-total	6,108,061	21.503
2	* BELL IXL INVESTMENTS LIMITED	3,174,549		
	CELLANTE SECURITIES	1,838,782		
	CLEOD PTY LTD <CELLANTE SUPER FUND A/C>	867,644		
		Sub-total	5,880,975	20.704
3	* AZHAR CHAUDHRI	10,000		
	CHI TUNG INVESTMENTS LTD	1,050,000		
	RENMUIR HOLDINGS LTD	2,763,500		
		Sub-total	3,823,500	13.46
4	* ABE ZELWER	180,500		
	MANAR NOMINEES PTY LTD	1,725,663		
	MANAR NOMINEES PTY LTD <C/- DR A ZELWER>	140,000		
		Sub-total	2,046,163	7.203
5	ANDREW GRAEME MOFFAT & ELIZABETH ANN MOFFAT		874,150	3.077
6	DONALD GORDON MACKENZIE & GWENNETH EDNA MACKENZIE		849,360	2.99
7	STRIKE RESOURCES LIMITED		826,950	2.911
8	EDWARD JAMES STEPHEN DALLY & SELINA DALLY <LEKDAL FAMILY A/C>		519,852	1.83
9	AMBREEN CHAUDHRI		386,500	1.36
10	ROSANNA DE CAMPO		268,100	0.943
11	MICHAEL JOHN VAN RENS	20,000		
	ALSTER PTY LTD	164,799		
	INTEGRATED INSURANCE PLANNING PTY LTD	75,000		
		Sub-total	259,799	0.844
12	AFIA KHAN		215,000	0.756
13	AYUB KHAN		215,000	0.756
14	TOMATO 2 PTY LTD		185,019	0.651
15	KEITH FRANCIS OATES & LINDA ANN OATES		175,000	0.616
16	SIMON KENNETH CATO <S K CATO SUPER FUND A/C>		118,000	0.415
17	YAQOOB KHAN	15,020		
	KYA CORPORATION PTY LTD	102,900		
		Sub-total	117,920	0.415
18	EUGENE RODRIGUEZ		110,000	0.387
19	NICHOLAS PASTERNAKY		103,750	0.365
20	ALBERTA RESOURCES PTY LTD <BRITISH COLUMBIA S/F A/C>		100,000	0.352
<b>Total</b>			<b>23,183,099</b>	<b>81.538</b>

\* A substantial shareholder of the Company



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