



ASX Appendix 4E Preliminary Final Report

30 June 2006

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ASX Code: QUE

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CONTENTS

Results For Announcement To The Market	2
Status of Audit	3
Dividends	3
Brief Explanation of Results	3
Commentary On Results And Other Significant Information	4
Annual General Meeting	7
Income Statement	8
Balance Sheet	9
Cash Flow Statement	10
Notes to Financial Statements	11

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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

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Perth, Western Australia

ASX CODE

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APPENDIX 4E PRELIMINARY FINAL REPORT

This Preliminary Final Report is provided to the Australian Stock Exchange (**ASX**) under ASX Listing Rule 4.3A

Current Reporting Period:	Financial year ended year ended 30 June 2006
Previous Corresponding Period:	Financial year ended year ended 30 June 2005
Balance Date:	30 June 2006
Company:	Queste Communications Ltd (QUE)
Consolidated Entity:	QUE and controlled entities: <ol style="list-style-type: none"> (1) Orion Equities Limited (formerly Central Exchange Limited; name changed on 2 December 2005) (OEO), an ASX listed investment company in which QUE is a 48% controlling shareholder (2) Silver Sands Developments Pty Ltd (a wholly owned subsidiary of OEO); (3) Hume Mining NL (a wholly owned subsidiary of OEO).

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	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
Profit/(loss) before tax	8,900,387	1,024,112	769% Up	480,208	(395,247)	Profit 221% Up
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 221% Up
Net profit attributable to minority interests	(3,119,114)	(516,213)	504% Up	-	-	unchanged
Profit/(loss) after tax attributable to members	3,527,773	175,552	1910% Up	480,208	(395,247)	Profit 221% Up
Basic earnings/(loss) per share (cents)	12.00	0.60	1910% Up	1.63	(1.34)	Earnings 221% Up
Diluted earnings/(loss) per share (cents)	7.29	0.36	1910% Up	0.99	(0.82)	Earnings 221% Up
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.

APPENDIX 4E PRELIMINARY FINAL REPORT

STATUS OF AUDIT

This Preliminary Final Report is based on:

Accounts that are in the process of being audited.

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

BRIEF EXPLANATION OF RESULTS

Queste Communications Ltd ("**Company**" or "**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%).

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).

Please also refer to the attached financial statements and notes thereto.

APPENDIX 4E PRELIMINARY FINAL REPORT

COMMENTARY ON RESULTS AND OTHER SIGNIFICANT INFORMATION

The principal activities of Queste 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.

1.1. Current Status of Investment in Orion Equities Limited

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%).

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.

Questa shareholders are advised to refer to the 30 June 2006 Directors Report and financial statements and monthly NTA disclosures lodged by Orion Equities on 13 September 2006 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 and Orion Equities' market announcements may be viewed from the ASX website (www.asx.com.au) under ASX code "OEQ".

Sections 1.2 to 1.4 below contain information extracted from Orion Equities' public statements.

1.2. 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
Profit before tax	8,791,168	1,316,811	568%	Up
Income tax	(2,253,500)	(332,347)	578%	Up
Profit after tax attributable to members	6,537,668	984,464	564%	Up
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

APPENDIX 4E PRELIMINARY FINAL REPORT

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).

1.3. 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

APPENDIX 4E PRELIMINARY FINAL REPORT

1.4. 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%
TOTAL	100%

* 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

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
TOTAL	21.19	80.327		

* BEL and SCB have been accounted for as Associate entities

APPENDIX 4E PRELIMINARY FINAL REPORT

+ The investment in Strike Resources Limited comprise:

	<u>Fair Value</u> <u>\$'million</u>	<u>% of</u> <u>Net</u> <u>Assets</u>	<u>ASX Code</u>	
(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: (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%.
(d) Unlisted 20 cent (9 Feb 2011) Options	0.73	2.9%		
	<u>3.29</u>	<u>12.9%</u>		

ANNUAL GENERAL MEETING

Details of the Company's Annual General Meeting (which is required to be held by no later than 30 November 2006) is still to be determined by the Board.

For and on behalf of the Directors,



Date: 13 September 2006

Victor Ho
Company Secretary

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	1	484,241	182,308	256,744	2,135
Other income	1	28,021,879	13,416,274	3,516,927	299,156
Share of net profit of associates	1	1,146,453	167,225	-	-
Cost of investments sold	1	(19,564,407)	(10,458,891)	(2,912,982)	(297,541)
Cost of resource projects sold	1	(19,840)	-	-	-
Unrealised net change in fair value	1	(21,143)	(771,859)	(21,143)	(45,349)
Occupancy expenses	1	(46,385)	(45,661)	(24,605)	(26,835)
Finance expenses	1	(6,228)	(6,891)	(2,029)	(2,239)
Borrowing costs	1	(1,462)	(1,795)	(35)	(4)
Corporate expenses	1	(162,292)	(420,963)	(22,946)	(27,071)
Administration expenses					
- personnel	1	(558,123)	(520,453)	(288,430)	(259,273)
- others	1	(372,306)	(515,182)	(21,293)	(38,226)
Profit/ (loss) before income tax expense		8,900,387	1,024,112	480,208	(395,247)
Income tax expense		(2,253,500)	(332,347)	-	-
Profit/ (loss) after income tax expense		6,646,887	691,765	480,208	(395,247)
Net profit attributable to minority equity interests		(3,119,114)	(516,213)	-	-
Net profit/(loss) attributable to members of the Company		3,527,773	175,552	480,208	(395,247)
<hr/>					
Dividends per share	2	0.05	-	0.05	-
Earnings per share					
Basic earnings/(loss) (cents per share)	3	12.0	0.6	1.6	(1.3)
Diluted earnings/(loss) (cents per share)	3	7.3	0.4	1.0	(0.8)
Net tangible assets per share					
Undiluted net tangible asset (cents per share)		52.6	42.1	29.0	35.4
Diluted net tangible asset (cents per share)		39.8	33.4	25.5	29.3

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 30 JUNE 2006

	Note	Consolidated Entity		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	4	4,264,218	125,106	3,161,560	56,014
Trade and other receivables		695,422	402,269	155,236	78,273
Financial assets at fair value		12,671,627	11,171,686	34,849	3,036,946
Other		2,112	1,736	1,029	893
TOTAL CURRENT ASSETS		17,633,379	11,700,797	3,352,674	3,172,126
NON CURRENT ASSETS					
Trade and other receivables		32,823	32,823	-	-
Available for sale asset		-	-	6,290,223	9,291,929
Investments in Associate entities					
- equity accounted	5	9,726,370	7,085,260	-	-
Inventory		3,821,038	3,796,552	-	-
Intangibles		-	-	-	-
Property, plant and equipment		60,578	53,599	26,211	27,064
Tax assets		-	227,053	-	-
Other		-	15,622	-	-
TOTAL NON CURRENT ASSETS		13,640,809	11,210,909	6,316,434	9,318,993
TOTAL ASSETS		31,274,188	22,911,706	9,669,108	12,491,119
CURRENT LIABILITIES					
Trade and other payables		261,679	448,680	110,205	118,502
Current tax liabilities		538,860	564,127	-	-
TOTAL CURRENT LIABILITIES		800,539	1,012,807	110,205	118,502
NON CURRENT LIABILITIES					
Deferred tax liabilities		1,799,674	7,209	1,032,137	1,976,206
TOTAL NON CURRENT LIABILITIES		1,799,674	7,209	1,032,137	1,976,206
TOTAL LIABILITIES		2,600,213	1,020,016	1,142,342	2,094,708
NET ASSETS		28,673,975	21,891,690	8,526,766	10,396,411
EQUITY					
Issued capital	6	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
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	-	-
TOTAL EQUITY		28,673,975	21,891,690	8,526,766	10,396,411

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
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
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)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		1,887,309	(6,765,161)	(139,973)	135,759
CASH FLOWS FROM INVESTING ACTIVITIES					
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
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		2,676,777	(10,889,136)	3,392,544	(173,992)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments to former unmarketable parcels' shareholders		-	(2,039)	-	(490)
Dividend paid		(424,974)	(420,534)	(147,025)	-
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(424,974)	(422,573)	(147,025)	(490)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		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
CLOSING CASH AND CASH EQUIVALENTS AT THE END OF YEAR	4	4,264,218	125,106	3,161,560	56,014

The accompanying notes form part of these financial statements

NOTE TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

1. PROFIT/ (LOSS)	Consolidated Entity		Company	
	2006	2005	2006	2005
The operating profit/(loss) before income tax includes the following items of revenue and expense:	\$	\$	\$	\$
(a) Revenue				
Dividend received	484,241	182,308	256,744	2,135
Other income				
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>
Total revenue	<u>29,652,573</u>	<u>13,765,807</u>	<u>3,773,671</u>	<u>301,291</u>
(b) Expenses				
Cost of sales				
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
Operating expenses				
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	-
Employee entitlements	22,890	25,739	15,477	18,465
Other personnel expenses	535,233	494,714	272,953	240,808
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>
(c) Sale of Assets				
Sale of assets in the ordinary course of business have given rise to the following gains and losses:				
Net Gain/ (Losses):				
- 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>

2. DIVIDENDS

	Date paid	Consolidated Entity		Company	
		2006	2005	2006	2005
Declared and paid during the year		\$	\$	\$	\$
<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>-</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.

	Date paid	Consolidated Entity		Company	
		2006	2005	2006	2005
Dividends declared post balance date		\$	\$	\$	\$
<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>-</u>	<u>147,024</u>	<u>-</u>
Franking credit balance		1,186,057	847,995	159,343	-
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>1,421,190</u>	<u>96,333</u>	<u>-</u>

3. EARNINGS PER SHARE

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

(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:

	Consolidated Entity		Company	
	2006	2005	2006	2005
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:

	2006 No.	2005 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	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>

4. CASH AND CASH EQUIVALENTS

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank	166,972	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>3,161,560</u>	<u>125,106</u>	<u>3,161,560</u>	<u>56,014</u>

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, OEQ subsidiary Hume Mining NL 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.

5. 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%	-	2,799,771
Scarborough Equities Limited (SCB)	Investments	27.86%	19.03%	8,231,713	4,285,489
				<u>8,231,713</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
	\$	\$
Movement in Investments in Associates		
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	-	-
Carrying amount at the end of the financial year	<u>8,231,713</u>	<u>7,085,260</u>
Fair value of listed investments in associates		
Bentley International Limited	-	2,444,944
Scarborough Equities Limited	-	<u>2,399,865</u>
		<u>4,844,809</u>
Net tangible asset backing value of listed investments in associates		
Bentley International Limited	-	3,339,941
Scarborough Equities Limited	-	<u>4,079,770</u>
		<u>7,419,711</u>
Share of Associates' profits		
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>

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
Total assets	<u>5,463,956</u>	<u>4,506,536</u>	<u>5,742,164</u>	<u>3,118,630</u>
Current liabilities	(50,030)	(33,088)	(22,170)	(68,753)
Non current liabilities	-	(1,567)	(446,688)	-
Total liabilities	<u>(50,030)</u>	<u>(34,655)</u>	<u>(468,858)</u>	<u>(68,753)</u>
Net assets	<u>5,413,926</u>	<u>4,471,881</u>	<u>5,273,306</u>	<u>3,049,877</u>
Revenues	<u>791,176</u>	-	<u>1,920,920</u>	<u>707,519</u>
Profit after income tax of associates	<u>538,998</u>	-	<u>-</u>	<u>167,225</u>

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 8(a)

6. ISSUED CAPITAL	Consolidated Entity		Company	
	2006	2005	2006	2005
Issued and Paid-Up Capital	\$	\$	\$	\$
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	Number of shares		
(i) Fully paid ordinary 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.

(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.

7. CONSOLIDATED SEGMENT REPORTING

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

Segment Revenues & Results	External Revenue		Operating results	
	2006	2005	2006	2005
	\$	\$	\$	\$
Investments	28,326,876	13,250,327	8,518,692	1,655,133
Unallocated	179,244	515,480	(764,758)	(631,021)
	<u>28,506,120</u>	<u>13,765,807</u>		
Profit before income tax			7,753,934	1,024,112
Income tax expense			(2,253,500)	(330,922)
Loss after income tax			<u>5,500,434</u>	<u>693,190</u>

Segment Assets & Liabilities	Assets		Liabilities	
	2006	2005	2006	2005
	\$	\$	\$	\$
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>

Other Segment Information	Investments	
	2006	2005
	\$	\$
Acquisition of segment assets	-	23,808,335
Other non-cash expenses		
Diminution of segment assets	21,143	771,859

8. 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 outgoings (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.

9. 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.

10. 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 (QUE) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

11. 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*.

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.

11.1. 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. 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 consistencies with those policies applied by the Company.

11.2. 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 5 to the financial statements. All associate entities have a June financial year-end.

11.3. 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

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.

11.4. 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 7 of the notes to the financial statements.

11.5. 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.

11.6. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

11.7. 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.

11.8. 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.

11.9. 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.

11.10. 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.

11.11. 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:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

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.

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.

11.12. 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.

11.13. 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.

11.14. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

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.

11.15. 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.

11.16. 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.

11.17. 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.

11.18. 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.

11.19. 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 technically 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.