



Queste Communications Limited

A.B.N 58 081 688 164

HALF YEAR REPORTS:

**ASX Appendix 4D - Results For Announcement To Market
Directors' Report
Financial Report
Audit Review Report**

31 December 2003



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CORPORATE DIRECTORY

BOARD

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

COMPANY SECRETARY

Victor P. H. Ho

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STOCK EXCHANGE

Australian Stock Exchange
Perth, Western Australia

ASX CODE

QUE

AUDITOR

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BANKER

National Australia Bank
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Perth Western Australia 6000

RESULTS FOR ANNOUNCEMENT TO MARKET

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 1 July 2003 to 31 December 2003
Previous Corresponding Period: 1 July 2002 to 31 December 2002

For and on behalf of the Directors,



..... Date: 24 February 2004
Victor Ho
Company Secretary

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)

Company			Dec 2003	Dec 2002
			\$	\$
Revenue from ordinary activities	Down	33%	69,800	104,583
Profit (loss) from ordinary activities after tax attributable to members	Up	385%	2,284,955	(802,677)
Net profit (loss) for the period attributable to members	Up	385%	2,284,955	(802,677)
Consolidated Entity			Dec 2003	Dec 2002
			\$	\$
Revenue from ordinary activities	Up	14602%	19,206,829	130,641
Profit (loss) from ordinary activities after tax attributable to members	Up	3070%	18,008,441	(606,260)
Net profit (loss) for the period attributable to members	Up	2275%	8,723,540	(401,155)

Dividends

No dividends have been paid or declared during the financial half year. The Directors have made no determination on the payment of a dividend in respect of the current financial year but reserves the right to make such determination prior to the end of the financial year.

Brief Explanation of Revenue, Net Profit and Dividends (above)

On 12 January 2004, Central Exchange Ltd (a controlled entity of the Company) received \$19,051,014 from Minara Resources Limited (formerly Anaconda Nickel Limited) ("**Anaconda**") pursuant to the terms of payment under a settlement deed between Anaconda and Central Exchange dated 17 September 1996. Such receipt is accounted for as revenue from ordinary activities during the current reporting period of the Consolidated Entity as the liability for payment by Anaconda to Central Exchange Ltd occurred on 28 November 2003.

The consolidated financial report incorporates controlled entities including Central Exchange Ltd ABN 77 000 742 843

DIRECTORS' REPORT

The Directors present their report on Queste Communications Limited ("**Company**" or "**Queste**") and its controlled entities (the "**Consolidated Entity**") for the half year ended 31 December 2003 ("**Balance Date**").

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

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. Controlled entities are Central Exchange Ltd ABN 77 000 742 843 ("**Central Exchange**") (controlled throughout the financial half year) and Queste Communications (USA), Inc. (controlled throughout the financial half year).

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

SECURITIES IN THE COMPANY

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

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

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

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

The terms of issue of the Company's 20,000,000 partly paid shares are disclosed at the back of the half year reports.

OPERATING RESULTS

	Consolidated Entity		Company	
	Dec 2003	Dec 2002	Dec 2003	Dec 2002
	\$	\$	\$	\$
Net profit (loss) before tax	18,843,571	(631,115)	2,284,955	(827,532)
Income Tax expense	(835,130)	24,855	-	24,855
Net profit (loss) after tax	18,008,441	(606,260)	2,284,955	(802,677)

EARNINGS PER SHARE

	Consolidated Entity		Company	
	Dec 2003	Dec 2002	Dec 2003	Dec 2002
Basic earnings per share (cents)	29.67	(1.48)	7.77	(1.81)
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

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, 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.

DIRECTORS' REPORT

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 backing of the Company and Consolidated Entity have been considered below.

The Directors also note that:

- The Company's net tangible assets at Balance Date includes a valuation of the Company's 4,149,112 shares in Central Exchange (representing a 48.817% interest) at Central Exchange's net tangible asset backing of \$2.19 per share;
- The Consolidated Entity's net tangible assets at Balance Date includes the effects of the net tangible asset position of all controlled entities of the Company, including ASX listed (but currently suspended) Central Exchange.

The undiluted (which includes a representation of the extent (1/20th) to which the partly paid shares have been paid) and diluted (which includes the full effects of all partly paid shares) net tangible asset backing per share as at the Balance Date are as follows:

(1) UNDILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	Dec 2003	Dec 2002	Dec 2003	Dec 2002
Net assets	\$22,120,504	\$4,112,062	\$12,550,233	\$3,878,298
Less intangible assets	-	-	-	-
Net tangible assets	\$22,120,504	\$4,112,062	\$12,550,233	\$3,878,298
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
Net undiluted tangible asset backing per share as at Balance Date (cents)	75.23	13.98	42.68	13.19

(2) DILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	Dec 2003	Dec 2002	Dec 2003	Dec 2002
Undiluted net tangible assets	\$22,120,504	\$4,112,062	\$12,550,233	\$3,878,298
Plus: 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 net tangible assets	\$25,920,504	\$7,912,062	\$16,350,233	\$7,678,298
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
Net diluted tangible asset backing share as at Balance Date (cents)	53.55	16.35	33.78	15.86

DIRECTORS' REPORT

DIRECTORS

The names of Directors in office during and since the financial half year are:

1. **Farooq Khan** - Chairman and Managing Director
2. **Michael van Rens** - Non-Executive Director
3. **Yaqoob Khan** - Non-Executive Director
4. **Azhar Chaudhri** - Non-Executive Director

Messrs Azhar Chaudhri and Yaqoob Khan are currently resident overseas.

REVIEW OF OPERATIONS

1. VOICENET SYSTEM VOIP TECHNOLOGY

The Company has not had any positive results from the commercially exploitation of its VoiceNet System VoIP technology during the financial half year. At the date of this report, the Company is not in discussions with any party in relation to the commercial exploitation of such technology.

2. GENERAL INVESTMENT STRATEGIES

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

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

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

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

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

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

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

DIRECTORS' REPORT

The Board is considering the Company as the "lead" or "master" company in this regard. The aggregation process in such scenario may involve:

- Participating companies effecting a "transfer" of their available net tangible assets ("NTA") to the Company in exchange for shares in the Company (priced at the Company's NTA backing per share);
- The participating companies would effect a capital return to its shareholders via an in-specie distribution of the Company's shares;
- Such participating companies' shareholders would then become shareholders of the Company but will retain their existing shareholdings in their respective companies (at reduced NTA backing per share);
- The Company's NTA would be expanded by the contributions of the NTA of the participating companies – this is with the aim of achieving the minimum capital base of \$15m referred to earlier;
- Such contributions or transfer of NTA may comprise cash or liquid investments (valued in turn at NTA backing or market value as is appropriate);
- In relation to contributions by way of liquid investments, the "transfer" of NTA value may involve a share acquisition agreement between the Company and each of the participating companies;
- Alternatively, and also in relation to contributions of cash, the "transfer" of NTA value from participating companies to the Company may be pursuant to a specific share placement or wider capital raising undertaken by the Company;
- Post aggregation, the balance sheet of the Company would comprise existing assets (including its investment in Central Exchange Ltd) and the assets contributed by the participating companies, being a combination of cash and liquid investments;
- In all of the above "transfer" scenarios, the Company would value the shares it would issue at the NTA backing of the Company and likewise, each of the participating companies would value their contribution of liquid investments at NTA backing or market value as is appropriate – so as to ensure that there is no or minimal "value shift" as between the companies.

Based on the above it is likely that a general meeting will be required to be convened to consider and approve such aggregation process and other matters arising from or incidental to such process. The Board expects that the final proposed aggregation strategy will be settled and agreed with participating companies and announced within the next few months for completion before the of the financial year (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules).

3. CENTRAL EXCHANGE LTD

3.1 Current Status

The Company holds 4,149,112 shares in Central Exchange (being 48.817% of its issued ordinary share capital).

In light of such significant shareholding, Central Exchange has been consolidated into the Company accounts since 1 July 2002.

At the request of the ASX, Central Exchange has been suspended from quotation on ASX since 30 July 2002.

ASX has advised Central Exchange that prior to reinstatement to ASX, Central Exchange will be required to re-comply with the ASX Listing Rules. This includes seeking shareholder approval in relation to its activities and meeting the requirements of the Listing Rules as if it were applying for admission to the official list of ASX as a new company.

On 18 February 2004, Central Exchange announced the following matters:

- (1) the declaration of an interim unfranked dividend of 10 cents per share. The record date for entitlements to such interim dividend will be 29 April 2004 and payment will be effected on or about 7 May 2004.

DIRECTORS' REPORT

In this regard, the Company notes that it stands to receive \$414,911 dividend income from Central Exchange.

- (2) A General Meeting to be convened to seek shareholder approval for:
- (i) Plans for the re-admission of the company on ASX as a listed investment company;
 - (ii) A two for one share split to double the issued share capital of the company from 8,499,263 to 16,998,526 fully paid ordinary shares;
 - (iii) A change of name.

The intended investment objectives and strategies of the company will be detailed in its general meeting documentation, expected to be despatched by 19 March 2004 for a meeting expected to be held on 21 April 2004.

- (3) A proposal to undertake a Share Purchase Plan offer at \$0.90 per share (on a post 2:1 share split basis). The offer is limited to existing shareholders who will be provided with the opportunity to subscribe for up to 5,556 shares (a maximum value of \$5,000) in the company without payment of any fees or brokerage. The offer will issue a maximum of 4,172,222 shares and raise a maximum of \$3,755,000 (before expenses of the offer). The offer is expected to be open on 7 May 2004 and close on 23 June 2004.

Central Exchange advised that it intends to apply for re-admission to ASX after the completion of the Share Purchase Plan offer whereupon the company will be required to demonstrate to ASX that the company satisfies all evidentiary requirements for re-compliance with all relevant ASX Listing Rules. Subject to the ASX being satisfied in this regard, the re-admission date is anticipated to be on or about 2 July 2004.

In this regard, Central Exchange noted that it expected to be able to meet the ASX Listing Rule requirements for:

- A minimum share price of 20 cents;
- A minimum spread of shareholders each having a parcel of at least \$2,000;
- A minimum net tangible asset level of \$15m as a listed investment company;

However, Central Exchange also noted that re-admission of its shares to ASX will ultimately depend on the ASX being satisfied as to the company's re-compliance with relevant provisions of the Listing Rules. The Company looks forward to the re-admission of Central Exchange to ASX.

3.2 Termination Of Licence Agreement

Central Exchange was granted a 14 year non-exclusive Australian licence to the Company's VoiceNet System VoIP technology pursuant to the terms of a licence agreement dated 4 June 1999 ("Licence Agreement"). The Company had also assisted Central Exchange in establishing an Australian telecommunications network utilising the VoiceNet System VoIP technology.

As reported in the Company's and Central Exchange's 2003 Annual Reports, Central Exchange announced on 4 July 2003 that, in light of the disappointingly low revenues generated by its telecommunications network and the limited prospects for future growth, the Directors of Central Exchange could see no commercial benefit in continuing to operate the network and had decided to close down such operations. Central Exchange's telecommunications carrier's licence was also not renewed on 1 July 2003.

On 12 December 2003, pursuant to the terms of the licence agreement with Queste, Central Exchange gave notice of termination of the licence to operate the Queste VoiceNet System VoIP technology.

DIRECTORS' REPORT

3.3 Anaconda Nickel Settlement Deed Payment

Pursuant to a settlement deed between Minara Resources Limited (formerly Anaconda Nickel Limited) ("**Anaconda**") and Central Exchange dated 17 September 1996 ("**Settlement Deed**"), Anaconda agreed to pay Central Exchange \$16,250,000 (to be indexed by the United States Consumer Price Index) on the earlier of certain Review Dates:

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

On 8 October 2002, Anaconda advised Central Exchange that it considered a Review Date was 28 September 2002 – which was triggered with the mining of 250,000 tonnes of ore in September 1999.

On 18 December 2003, Anaconda served Central Exchange with a Review Date Notice confirming the triggering of payment to the Company as at the previous monthly Review Date of 28 November 2003.

On 12 January 2004, the Company received \$19,051,014 from Anaconda pursuant to the terms of payment under the Settlement Deed.

4. CORPORATE

4.1 Adoption Of New Constitution

At the Company's 2003 Annual General Meeting on 28 November 2003, shareholder approved a special resolution adopting a new constitution. Such new constitution is consistent with changes to the law introduced by the *Corporate Law Economic Reform Program Act 1999* (Cth), the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

Signed for and on behalf of the Directors of Queste Communications Limited in accordance with a resolution of the Board,



Farooq Khan
Executive Chairman

Perth, Western Australia

24 February 2004

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	Note	Consolidated Entity		Company	
		31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
		\$	\$	\$	\$
Rendering of services		659	5,723	-	-
Cost of sales	2	(2,929)	(29,553)	-	-
Gross Profit		(2,270)	(23,830)	-	-
Other revenue from ordinary activities	2	19,128,861	118,893	69,800	98,613
Non-operating revenue	2	77,309	6,025	-	5,970
Occupancy expenses	2	(32,641)	(46,982)	(18,968)	(30,460)
Finance expenses	2	(2,006)	(3,527)	(1,251)	(1,990)
Borrowing costs	2	-	(237)	-	(220)
Corporate expenses					
- communications	2	(13,024)	-	(9,548)	-
- other development costs		-	(39,578)	-	(27,949)
- other corporate costs	2	(100,147)	-	(17,015)	-
Administration expenses					
- personnel	2	(120,733)	(292,297)	(120,701)	(144,299)
- write back diminution of investments	2	5,338,926	(103,769)	2,412,919	(649,191)
- cost of investment sold		(5,391,434)	(5,988)	-	(5,840)
- others	2	(39,270)	(239,825)	(30,281)	(72,166)
Operating profit (loss) from ordinary activities before income tax		18,843,571	(631,115)	2,284,955	(827,532)
Income tax expense relating to ordinary activities	4	(835,130)	24,855	-	24,855
Operating profit (loss) from ordinary activities after income tax		18,008,441	(606,260)	2,284,955	(802,677)
Net (profit) loss attributable to outside equity interests		(9,284,901)	205,105	-	-
Net profit attributable to members of the parent entity		8,723,540	(401,155)	2,284,955	(802,677)
Total changes in equity other than those resulting from transactions with owners as owners		8,723,540	(401,155)	2,284,955	(802,677)
Basic earnings per share (cents)	20	29.67	(1.48)	7.77	(1.81)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share		29,404,879	29,404,879	29,404,879	29,404,879

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	Note	Consolidated Entity		Company	
		31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	23	3,252,213	3,453,811	2,931,220	3,039,656
Receivables	5	19,059,216	8,089	660	7,521
Inventory	6	-	-	-	-
Other	7	1,483	6,328	1,483	1,024
TOTAL CURRENT ASSETS		22,312,912	3,468,228	2,933,363	3,048,200
NON CURRENT ASSETS					
Receivables	8	27,872	27,872	13,766	13,766
Other financial assets	9	622,313	646,263	9,620,960	821,061
Property, plant and equipment	10	69,596	76,239	35,202	38,560
Intangibles	11	-	-	-	-
Other	12	6,064	-	-	-
TOTAL NON CURRENT ASSETS		725,845	750,374	9,669,928	873,387
TOTAL ASSETS		23,038,757	4,218,602	12,603,291	3,921,587
CURRENT LIABILITIES					
Payables	13	64,460	90,461	34,395	27,210
Current tax liabilities	14	835,130	-	-	-
NON CURRENT LIABILITIES					
Provisions	15	18,663	16,079	18,663	16,079
TOTAL LIABILITIES		918,253	106,540	53,058	43,289
NET ASSETS		22,120,504	4,112,062	12,550,233	3,878,298
EQUITY					
Contributed equity	16	8,225,939	8,225,939	8,225,939	8,225,939
Reserves	17	-	-	6,386,980	-
Outside equity interest	18	9,527,706	242,804	-	-
Accumulated profit (losses)	19	4,366,859	(4,356,681)	(2,062,686)	(4,347,641)
TOTAL EQUITY		22,120,504	4,112,062	12,550,233	3,878,298

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

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	Note	Consolidated Entity		Company	
		31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		659	70,624	-	181,437
Payments to suppliers and employees		(322,178)	(580,564)	(178,099)	(284,737)
Payments to exploration and evaluation		(6,064)	-	-	-
Income tax paid		(336)	(7,282)	-	(7,282)
Income tax refunded		-	-	-	-
Interest received		77,847	91,997	69,800	72,103
Interest paid		-	(237)	-	(220)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(250,072)	(425,462)	(108,299)	(38,699)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(276)	-	(137)	-
Proceeds from sale of investment securities		48,750	5,852	-	5,840
Proceeds from sale of property, plant and equipment		-	173	-	130
Net cash inflow from acquisition of subsidiary		-	1,019,446	-	-
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		48,474	1,025,471	(137)	5,970
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment in relation to share buy back		-	(15,657)	-	(15,657)
Payments to former unmarketable parcels' shareholders		-	(22,197)	-	(22,197)
Net proceeds from sale of share buy back		-	17,360	-	17,360
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		-	(20,494)	-	(20,494)
NET INCREASE/(DECREASE) IN CASH ASSETS HELD					
Add opening cash assets brought forward		(201,598)	579,515	(108,436)	(53,223)
CLOSING CASH ASSETS AT END OF PERIOD	23	3,252,213	3,424,866	2,931,220	2,791,465

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

1. BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Queste Communications Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Save for the following, the accounting policies adopted in the preparation of this Half Year Report are consistent with those adopted and disclosed in the financial statements for the year ended 30 June 2003:

Investments in Controlled Entities

The carrying amount of investments in controlled entities was previously carried at the lower of cost or net realisable value. The Directors have decided to carry such investments at valuation. The valuation amount is assessed from the security's current market value or their underlying net tangible asset backing. Expected net cash flows have not been discounted to their present values in determining the recoverable amounts. Such investments were (pre 1 July 2003) recorded at cost with appropriate provision made to reflect market value at the balance date. The financial effect of this change resulted in increases in Investments in Controlled Entities and Asset Revaluation Reserves by \$6,386,980 each.

Comparatives in relation to items appearing on the Statement of Financial Position are as at the last balance date, being 30 June 2003. Comparatives in relation to items appearing on the Statement of Financial Performance are for the previous corresponding period, being for the half year ended 31 December 2002.

2. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES

	Consolidated Entity		Company	
	31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
	\$	\$	\$	\$
The operating profit/(loss) from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating revenue				
Sales revenue				
Rendering of services	659	5,723	-	-
Other revenue				
Settlement deed payment	19,051,014	-	-	-
Rental income	-	31,437	-	31,437
Interest received - other	77,847	87,070	69,800	67,176
Mining royalties	-	386	-	-
	<u>19,129,520</u>	<u>124,616</u>	<u>69,800</u>	<u>98,613</u>
(b) Non-operating revenue				
Revaluation of investments	28,559	-	-	-
Proceeds from sale of assets				
Equipment	-	173	-	130
Share investments	48,750	5,852	-	5,840
Total revenue	<u>19,206,829</u>	<u>130,641</u>	<u>69,800</u>	<u>104,583</u>
(c) Expenses				
Cost of sales and services	2,929	29,553	-	-
Operating expenses				
Occupancy expenses	32,641	46,982	18,968	30,460
Finance expenses	2,006	3,527	1,251	1,990
Borrowing costs - interest paid	-	237	-	220
Corporate expenses				
Communications	13,024	-	9,548	-
Other development costs	-	39,578	-	27,949
Other corporate expenses	100,147	-	17,015	-
Administration expenses				
Depreciation	6,919	17,498	3,496	13,360
Personnel expenses	120,733	292,297	120,701	144,299
Other provisions - Employee entitlements	10,836	10,508	10,836	4,383
Investment related costs	-	21,026	-	-
Write back of diminution of investments	(5,338,926)	103,769	(2,412,919)	649,191
Doubtful debts provision	97	-	-	1,851
Other administrative expenses	15,949	190,625	15,949	52,488
Cost of investment sold	5,391,434	5,988	-	5,840
Cost of equipment sold	-	168	-	84
Cost of intangibles	2,322,839	-	-	-
Write back of amortisation of intangibles	(2,322,839)	-	-	-
Exploration expenses	5,469	-	-	-
	<u>363,258</u>	<u>761,756</u>	<u>(2,215,155)</u>	<u>932,115</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

3. SALE OF ASSETS

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

	Consolidated Entity		Company	
	31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
	\$	\$	\$	\$
(a) Net Gain/ (Losses):				
Equipment	-	5	-	46
Share investments	(5,342,684)	(136)	-	-

4. INCOME TAX EXPENSE

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

	Consolidated Entity		Company	
	31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
	\$	\$	\$	\$
Loss from ordinary activities	18,843,571	(631,115)	2,284,955	(827,532)
Income tax expense calculated at 30% (2003:30%) of operating losses.	5,653,071	(189,335)	685,487	(248,260)
Permanent differences				
Non deductible expenditure	683	252	252	252
Other deductible expenses	(15,010)	-	-	-
Timing differences				
Non deductible expenditure	5,208	-	-	-
Other deductible expenses	(10,007)	-	-	-
Doubtful debts provision	(29)	-	-	-
Diminution of investment	(1,610,246)	31,131	(723,876)	194,757
Exploration expenditure	(1,819)	-	-	-
Software development tax depreciation	(2,617)	(16,192)	(2,617)	(16,192)
Prior year revenue losses brought to account	(2,296,594)	-	-	-
Prior year capital losses brought to account	(941)	-	-	-
Prior year revenue losses of controlled entities brought to account on tax consolidation	(161,000)	-	-	-
Capital losses of controlled entities brought to account on tax consolidation	(241)	-	-	-
Capital loss on termination of VoIP licence	(724,500)	-	-	-
Capital loss on share investments	(828)	-	-	-
Tax losses not brought to account as future income tax benefits	-	174,144	40,754	69,443
	835,130	-	-	-
Overprovision of income tax in previous years	-	(24,855)	-	(24,855)
Income tax expense/ (benefit)	835,130	(24,855)	-	(24,855)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

4. INCOME TAX EXPENSE (contd.)

The final deductibility of prior year losses for the current financial year are to be determined as at the end of the financial year, on 30 June 2004.

However, prior year losses have been brought to account at Balance Date on the basis that they are notionally deductible as at Balance Date (based on advice received by the Directors) and is assumed to continue to be deductible as at the end of the financial year on 30 June 2004.

Tax benefits, including the benefits associated with prior year losses of \$2,458,535 above (which is equivalent to prior year tax losses of \$8,195,117), will only be obtained if, in relation to the financial year ended 30 June 2004:

- (i) there is assessable income of a nature and of an amount sufficient to enable the benefit from deductions to be realised;
- (ii) conditions for deductibility imposed by taxation legislation, including prior year revenue and capital losses, are complied with;
- (iii) Central Exchange Ltd and its controlled entities have entered into tax consolidation on 29 June 2004; and
- (iv) no changes in taxation legislation adversely affect the realisation of the benefit from deductions.

5. CURRENT RECEIVABLES

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
Amounts receivable from	\$	\$	\$	\$
Trade receivables	-	840	-	-
Director related entities	-	7,091	-	7,091
Others	19,059,216	158	660	430
	<u>19,059,216</u>	<u>8,089</u>	<u>660</u>	<u>7,521</u>

6. INVENTORY

Work in progress - at cost	-	-	-	-
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7. OTHER CURRENT ASSETS

Prepayments	1,483	6,328	1,483	1,024
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8. NON - CURRENT RECEIVABLES

Bonds and guarantees	27,872	27,872	13,766	13,766
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9. OTHER NON-CURRENT FINANCIAL ASSETS

Shares and options in listed corporations - at cost	679,883	6,071,318	637,902	637,902
Shares in controlled entities - at cost	-	-	2,699,575	2,699,575
	<u>679,883</u>	<u>6,071,318</u>	<u>3,337,477</u>	<u>3,337,477</u>
Less: provision for recoverable write-down	(57,570)	(5,425,055)	(103,497)	(2,516,416)
	<u>622,313</u>	<u>646,263</u>	<u>3,233,980</u>	<u>821,061</u>
Add: revaluation of shares in CXL (refer Note 17)	-	-	6,386,980	-
	<u>622,313</u>	<u>646,263</u>	<u>9,620,960</u>	<u>821,061</u>
Market value of listed investments - refer (i)	9,174,463	952,807	9,086,555	886,957

- (i) The market value of the Company's investment in controlled entity, Central Exchange Ltd ("CXL"), is based on the company's net tangible asset ("NTA") backing of \$2.19 per share as at 31 December 2003. CXL was suspended from ASX on 30 July 2002. CXL's last traded price on ASX was 1.50 cents per share (pre CXL's 1:10 share consolidation on 8 August 2002) or adjusted to 15 cents per share (post 1:10 share consolidation).

The Directors are of the opinion that the recoverable value of the Company's investment in CXL is at least equal to the carrying value of \$9,086,555 (at \$2.19 per share) for the reasons stated below:

- (a) CXL's NTA is more reflective of an appropriate market value for CXL given the nature of the assets of CXL (cash and investments in listed securities);
- (b) CXL's current NTA is significantly in excess of the last traded price on 30 July 2002;
- (c) The Company's investment comprise 48.82% of CXL's issued shared capital and represents a significant strategic parcel of shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

(a) Investment in Controlled Entities	Ownership Interest	
	31 Dec 03	30 Jun 03
Central Exchange Ltd (A.C.N. 000 742 843)	48.82%	48.82%
Queste Communications (USA) Inc. Incorporated in Delaware, USA on 15 February 2000 This company does not currently have any operations.	100%	100%

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

10. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED ENTITY	Building	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$
Gross Carrying Amount				
Balance at 30 June 2003	-	260,903	43,575	304,478
Additions	-	276	-	276
Balance at 31 December 2003	-	261,179	43,575	304,754
Accumulated Depreciation				
Balance at 30 June 2003	-	(210,121)	(18,118)	(228,239)
Depreciation expense	-	(5,005)	(1,914)	(6,919)
Balance at 31 December 2003	-	(215,126)	(20,032)	(235,158)
Net Book Value				
As at 31 December 2002	398,224	56,496	27,698	482,418
As at 30 June 2003	-	50,782	25,457	76,239
As at 31 December 2003	-	46,053	23,543	69,596
COMPANY:				
Gross Carrying Amount				
Balance at 30 June 2003	-	78,642	21,787	100,429
Additions	-	138	-	138
Balance at 31 December 2003	-	78,780	21,787	100,567
Accumulated Depreciation				
Balance at 30 June 2003	-	(52,811)	(9,058)	(61,869)
Depreciation expense	-	(2,539)	(957)	(3,496)
Balance at 31 December 2003	-	(55,350)	(10,015)	(65,365)
Net Book Value				
As at 31 December 2002	398,224	29,352	13,849	441,425
As at 30 June 2003	-	25,831	12,729	38,560
As at 31 December 2003	-	23,430	11,772	35,202

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

11. INTANGIBLES

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
VoiceNet System VoIP Technology - at cost	2,000,000	2,000,000	2,000,000	2,000,000
VoiceNet System VoIP Licence - at cost	-	2,300,000	-	-
Less: Accumulated amortisation	(1,100,000)	(3,400,000)	(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 HALF YEAR ENDED 31 DECEMBER 2003**

12. OTHER NON-CURRENT ASSETS

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
Deferred Exploration Expenditure				
Balance at beginning of the year	-	-	-	-
Direct expenditure	6,064	-	-	-
Balance at the end of the period	6,064	-	-	-

13. CURRENT PAYABLES

Trade creditors	14,273	3,350	5,640	3,093
Other creditors and accruals	50,187	87,111	28,755	24,117
	64,460	90,461	34,395	27,210

14. CURRENT TAX LIABILITIES

Income tax payable	835,130	-	-	-
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15. NON-CURRENT PROVISIONS

Provision for employee entitlements	18,663	16,079	18,663	16,079
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Number of employees (including Executive Directors and Officers) at balance date

5	5	5	5
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16. CONTRIBUTED EQUITY

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
Issued and Paid-Up Capital				
28,404,879 (2003: 28,404,879) fully paid ordinary shares	5,887,927	5,887,927	5,887,927	5,887,927
20,000,000 (2003: 20,000,000) partly paid ordinary shares	200,000	200,000	200,000	200,000
Option premium	2,138,012	2,138,012	2,138,012	2,138,012
	8,225,939	8,225,939	8,225,939	8,225,939

(a) Movement in Issued Ordinary Share Capital

(i) Fully paid ordinary shares	5,887,927	5,887,926	5,887,927	5,887,926
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There were no movements during the period for fully paid ordinary shares

(ii) Partly paid ordinary shares

There were no movements during the period 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

17. RESERVES

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
Asset Revaluation Reserve	-	-	6,386,980	-

The Asset Revaluation Reserve relates to a revaluation of the Company's investments in Central Exchange Ltd ("CXL") from a cost of \$2,699,575 to a carrying value of \$9,086,555.

Such revaluation is pursuant to a change of accounting policy for the disclosure of Investments in controlled entities as described in Note 1.

Please refer to Note 9 for further details about the Directors determination of the carrying value of such investment at Balance Date.

18. OUTSIDE EQUITY INTERESTS

	Consolidated Entity	
	31 Dec 03	30 Jun 03
	\$	\$
Outside equity interests in controlled entity comprises:		
Contributed equity	14,729,915	14,729,915
Accumulated losses	(6,289,272)	(15,574,174)
Reserves	1,087,063	1,087,063
	<u>9,527,706</u>	<u>242,804</u>

19. ACCUMULATED PROFIT (LOSSES)

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
Balance at beginning of the year	(4,356,681)	(3,922,649)	(4,347,641)	(3,814,412)
Net profit/(loss) for the first half of the financial year	8,723,540	(401,155)	2,284,955	(802,677)
Net profit/(loss) for the second half of the financial year	-	(32,877)	-	269,448
Balance at end of half year	<u>4,366,859</u>	<u>(4,356,681)</u>	<u>(2,062,686)</u>	<u>(4,347,641)</u>

20. EARNINGS PER SHARE

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	cents per share			
Basic profit (loss) per share	29.67	(1.48)	7.77	(1.81)

(a) Basic loss per share

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

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
Net Profit (Loss)	8,723,540	(434,032)	2,284,955	(533,229)
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 loss per share

The weighted average market price for one ordinary share during the period is below the balance of the call amount, therefore the shares are not dilutive.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

21. LEASE COMMITMENTS

	Consolidated Entity		Company	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
Non-cancellable operating lease commitments:				
Not longer than one year	54,400	108,800	54,400	108,800

The lease is in relation to the office premises of the Company and includes all outgoings. Such expenditure is shared equally with other companies, including Central Exchange Ltd (a Director Related Entity within the meaning of Accounting Standard AASB 1017 "Related Party Disclosures") pursuant to shared office and administration expense arrangements.

22. SEGMENT REPORTING

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

Segment Revenues & Results	External Revenue		Operating results	
	31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
	\$	\$	\$	\$
VoIP Technology	659	5,723	(2,367)	(23,830)
Investments	19,128,323	37,289	19,070,346	(124,783)
	19,128,982	43,012	19,067,979	(148,613)
Unallocated	77,847	87,629	(224,408)	(482,502)
	19,206,829	130,641		
Profit from ordinary activities before income tax			18,843,571	(631,115)
Income tax expense relating to ordinary activities			(835,130)	24,855
Loss from ordinary activities after income tax			18,008,441	(606,260)

Segment Assets & Liabilities	Assets		Liabilities	
	31 Dec 03	30 Jun 03	31 Dec 03	30 Jun 03
	\$	\$	\$	\$
VoIP Technology	-	-	-	-
Investments	19,686,931	646,263	(835,130)	-
	19,686,931	646,263	(835,130)	-
Unallocated	3,351,826	3,572,339	(83,123)	(106,540)
	23,038,757	4,218,602	(918,253)	(106,540)

Other Segment Information	VoIP Technology		Investments	
	31 Dec 03	31 Dec 02	31 Dec 03	31 Dec 02
	\$	\$	\$	\$
Other non-cash expenses				
Diminution of segment assets	-	-	(5,338,926)	(103,769)

23. STATEMENT TO CASH FLOWS

Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated Entity			Company		
	31 Dec 03	30 Jun 03	31 Dec 02	31 Dec 03	30 Jun 03	31 Dec 02
	\$	\$	\$	\$	\$	\$
Cash at bank	381,875	985,357	828,415	309,775	571,201	195,014
Term deposit	32,955	28,299	27,700	32,955	28,299	27,700
Bank bills	2,837,383	2,440,155	2,568,751	2,588,490	2,440,156	2,568,751
	3,252,213	3,453,811	3,424,866	2,931,220	3,039,656	2,791,465

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

24. ASSOCIATES AND JOINT VENTURES

The Consolidated Entity did not undertake any investments in associated entities or joint ventures during the financial half year.

25. GAIN/LOSS OF CONTROL OF ENTITIES

There were no entities over which control had been gained or lost by the Consolidated Entity during the financial half year.

26. CONTINGENT ASSETS AND LIABILITIES

The Consolidated Entity does not have any contingent assets or liabilities.

27. SUBSEQUENT EVENTS

(i) On 12 January 2004, Central Exchange Ltd ("CXL") received \$19,051,014 from Minara Resources Limited (formerly Anaconda Nickel Limited) ("Anaconda") pursuant to the terms of payment under a settlement deed between Anaconda and CXL dated 17 September 1996. Such receipt has been accounted for as operating revenue of the Consolidated Entity for the financial half-year as the liability for payment by Anaconda occurred on 28 November 2003.

(ii) On 18 February 2004, CXL announced the following matters:

(a) The declaration of an interim unfranked dividend of 10 cents per share. The Record Date for entitlements to such interim dividend will be 29 April 2004 and payment will be effected on or about 7 May 2004. The Company will receive dividend income of \$414,902 from CXL in this regard.

(b) A General Meeting will be convened to seek shareholder approval for:

- (1) Plans for the re-admission of CXL on ASX as a listed investment company;
- (2) A two for one share split to double the issued share capital of CXL from 8,499,263 to 16,998,526 fully paid ordinary shares;
- (3) A change of name.

The Notice of Meeting and Explanatory Statements will contain more detailed information about CXL's intended investment objectives and strategies. It is expected that the documentation for such meeting will be despatched by 19 March 2004 with an expected meeting date of 21 April 2004.

(c) A proposal to undertake a Share Purchase Plan offer at \$0.90 per share (on a post 2:1 share split basis). The offer is limited to existing CXL shareholders who will be provided with the opportunity to subscribe for up to 5,556 shares (a maximum value of \$5,000) in the company without payment of any fees or brokerage. The offer will issue a maximum of 4,172,222 shares and raise a maximum of \$3,755,000 (before expenses of the offer).

(d) CXL intends to apply for re-admission to ASX after the completion of the Share Purchase Plan offer whereupon CXL will be required to demonstrate to ASX that the company satisfies all evidentiary requirements for re-compliance with all relevant ASX Listing Rules. Subject to the ASX being satisfied in this regard, CXL anticipates the re-admission date to be on or about 2 July 2004.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Queste Communications Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of their performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Farooq Khan
Executive Chairman

Perth, Western Australia

24 February 2004

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
QUESTE COMMUNICATIONS LIMITED****Scope**

We have reviewed the financial report being the Statement of Financial Performance, Statement of Financial Position, Statements of Cash Flows and Directors' Statement of Queste Communications Limited for the half-year ended 31 December 2003. The financial report is the consolidated accounts of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial statements with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

Independence

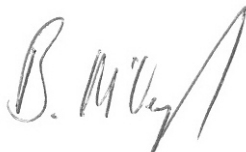
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Queste Communications Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

BDO Chartered Accountants

B G McVeigh
PartnerPerth, Western Australia
25 February 2004

TERMS OF ISSUE OF PARTLY PAID SHARES

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.