



HALF YEAR REPORT

31 December 2018

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
30 JUNE 2018 ANNUAL REPORT OF THE COMPANY
LODGED ON ASX ON 25 OCTOBER 2018



ASX Code: QUE

Queste Communications Ltd
A.B.N. 58 081 688 164

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CORPORATE DIRECTORY**BOARD**

Farooq Khan (Chairman and Managing Director)
Victor Ho (Executive Director)
Yaqoob Khan (Non-Executive Director)

COMPANY SECRETARY

Victor Ho

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ASX CODE

QUE

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APPENDIX 4D HALF YEAR REPORT

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

Current Reporting Period: 1 July 2018 to 31 December 2018
 Previous Corresponding Period: 1 July 2017 to 31 December 2017
 Balance Date: 31 December 2018
 Company: Queste Communications Ltd (**QUE** or the **Company**)
 Consolidated Entity: The Company and controlled entities, being ASX-listed Orion Equities Limited (A.C.N. 000 742 843) (**Orion** or **OEQ**) and controlled entities of Orion (**Questa**).

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| COMPANY | Dec 2018 \$ | Dec 2017 \$ | Change % | Up/ Down |
|---|------------------|----------------|-------------|-------------|
| Total revenues | 7,390 | 91,142 | 92% | Down |
| Net gain/(loss) on financial assets | (140,814) | 193,878 | 173% | Gain Down |
| Share of Associate entity's profit/(loss) | (32,006) | 11,614 | 367% | Profit Down |
| Other Expenses | (80,625) | (75,802) | 6% | Up |
| Profit/(Loss) before tax | (246,055) | 220,832 | 211% | Gain Down |
| Income tax expense | - | - | | |
| Profit/(Loss) for the half year | (246,055) | 220,832 | 211% | Profit Down |

| CONSOLIDATED ENTITY | Dec 2018 \$ | Dec 2017 \$ | Change % | Up/ Down |
|---|------------------|----------------|-------------|---------------|
| Total revenues | 26,387 | 22,795 | 16% | Up |
| Net gain on sale of non-current asset | 201,786 | - | N/A | N/A |
| Net gain/(loss) on financial assets | (117,200) | 185,688 | 163% | Gain Down |
| Share of Associate entity's profit/(loss) | (458,945) | 194,888 | 335% | Profit Down |
| Other Expenses | (430,721) | (360,710) | 19% | Up |
| Profit/(Loss) before tax | (778,693) | 42,661 | 1,925% | Gain Down |
| Income tax expense | (38,973) | - | N/A | N/A |
| Profit/(Loss) for the half year | (817,666) | 42,661 | 2,017% | Profit Down |
| Net (profit)/loss attributable to non-controlling interest | 270,202 | (42,746) | 732% | Up |
| Loss after tax attributable to owners of the Company | (547,464) | (85) | 643,972% | Profit Down p |
| Basic and diluted loss per share (cents) | (2.02) | (0.0003) | 649,063% | Loss Up |

| CONSOLIDATED ENTITY | Dec 2018 | Jun 2018 | Change % | Up/ Down |
|-------------------------------|----------|----------|-------------|-------------|
| NTA backing per share (cents) | 5.3 | 8.5 | 38% | Down |

BRIEF EXPLANATION OF RESULTS

The Consolidated Entity's results incorporate the results of controlled entity, ASX-listed investment company, Orion Equities Limited (**OEQ**) and controlled entities of OEQ (**Orion**).

The Consolidated Entity realised \$1.46 million cash (gross) and generated a net gain of \$0.202 million from the sale of Orion's Agribusiness Assets in October 2018.

The Consolidated Entity's overall net loss relate principally to Orion's investment portfolio performance including investments in Strike Resources Limited (ASX:SRK) and a share of Bentley Capital Limited's (ASX:BEL) net loss (being an Associate entity).

APPENDIX 4D HALF YEAR REPORT

Please refer to the attached Directors' Report and Financial Report for further information on a review of Queste's operations and the financial position and performance of Queste for the financial half year ended 31 December 2018.

DIVIDENDS

The Directors have not declared a dividend in respect of the financial half year ended 31 December 2018.

ASSOCIATE ENTITY

Orion has accounted for the following share investment at the Balance Date as an investment in an Associate entity (on an equity accounting basis):

- (1) 26.946% interest (20,513,783 shares) in Bentley Capital Limited (ASX:BEL) (30 June 2018 and 31 December 2017: 26.946%; 20,513,783 shares).

The Company also has a 1.61% (1,225,752 shares) direct interest in BEL as at Balance Date (30 June 2018: 1.61%; 1,252,752 shares; 31 December 2017: 1.708% and 1,300,000).

Accordingly, the Consolidated Entity has equity accounted for a 28.556% total interest in BEL (30 June 2018: 28.556%).

CONTROLLED ENTITIES

The Consolidated Entity did not gain or cease control of any entities during the Current Reporting Period.

For and on behalf of the Directors,



Victor Ho
Executive Director and Company Secretary
Telephone: (08) 9214 9777

Date: 28 February 2019

Email: cosec@queste.com.au

DIRECTORS' REPORT

The Directors present their report on Queste Communications Ltd (**Company** or **QUE**) and its controlled entities (the **Consolidated Entity** or **Queste**) for the financial half year ended 31 December 2018 (**Balance Date**).

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

The Consolidated Entity's results incorporates the results of controlled entity, ASX listed investment company, Orion Equities Limited (**Orion** or **OEQ**). The Company has a 59.86% (9,367,653 shares) shareholding interest in Orion (30 June 2018: 59.86% (9,367,653 shares)).

FINANCIAL POSITION

| COMPANY | Dec 2018 | Jun 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | 61,886 | 123,108 |
| Current investments - equities | 3 | 15,302 |
| Investment in Associate entity | 52,217 | 84,223 |
| Investment in subsidiary | 1,405,148 | 1,545,663 |
| Receivables | 26,004 | 3,906 |
| Deferred tax assets | 523,632 | 523,632 |
| Other assets | 57,805 | 54,325 |
| Total Assets | 2,126,695 | 2,350,159 |
| Tax liabilities (current and deferred) | - | - |
| Other payables and liabilities | (193,156) | (202,789) |
| Net Assets | 1,933,539 | 2,147,370 |
| Issued capital | 6,239,370 | 6,239,370 |
| Reserves | 2,347,229 | 2,347,229 |
| Accumulated losses | (6,653,060) | (6,439,229) |
| Total Equity | 1,933,539 | 2,147,370 |

OPERATING RESULTS

| COMPANY | Dec 2018 | Dec 2017 |
|---|------------------|-----------------|
| | \$ | \$ |
| Total revenues | 7,390 | 149,812 |
| Net gain/(loss) on financial assets | (140,814) | 135,208 |
| Share of Associate entity's profit/(loss) | (32,006) | 11,614 |
| Other Expenses | (80,625) | (75,803) |
| Profit/(Loss) before tax | (246,055) | 220,832 |
| Income tax expense | - | - |
| Profit/(Loss) for the half year | (246,055) | 220,832 |

LOSS PER SHARE

| CONSOLIDATED ENTITY | Dec 2018 | Dec 2017 |
|---|-----------------|-----------------|
| Basic loss per share (cents) | (2.02) | (0.0003) |
| Weighted average number of fully paid ordinary shares in the Company outstanding during the half year used in the calculation of basic loss per share | 27,072,332 | 27,286,327 |

DIRECTORS' REPORT

DIVIDENDS

The Directors have not declared a dividend in respect of the financial half year ended 31 December 2018.

SECURITIES ON ISSUE

At the Balance Date (and currently), the Company had 27,072,332 listed fully paid ordinary shares (30 June 2018: 27,072,332 fully paid ordinary shares) on issue.

All such shares are listed on ASX. The Company does not have other securities on issue.

REVIEW OF OPERATIONS

1. Orion Equities Limited (ASX:OEQ)

1.1. Current Status of Investment in Orion

Orion is a listed investment company.

The Company holds 9,367,653 shares in Orion, being 59.86% of its issued ordinary share capital (30 June 2018: 9,367,653 shares (59.86%)). Orion has been recognised as a controlled entity and included as part of the Queste Consolidated Entity's results since 1 July 2002.

Queste shareholders are advised to refer to the 31 December 2018 Half Year Report, 2018 Annual Report and monthly NTA disclosures lodged by Orion for further information about the status and affairs of the company.

Information concerning Orion may be viewed from its website: www.orionequities.com.au

Orion's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "OEQ".

Sections 1.2 to 1.3 below contain information extracted from Orion's public statements.

1.2. Orion's Portfolio Details as at 31 December 2018

Asset Weighting

| | % of Net Assets | | |
|--|-----------------|-------------|-------------|
| | Dec 2017 | Jun 2018 | Dec 2017 |
| Australian equities | 36% | 45% | 53% |
| Agribusiness ¹ | - | 35% | 30% |
| Property held for development and resale | 39% | 31% | 24% |
| Net tax liabilities (current year and deferred tax assets/liabilities) | - | - | - |
| Net cash/other assets and provisions | 25% | (11)% | (7)% |
| Total | 100% | 100% | 100% |

| Equities | Fair Value \$'million | % of Net Assets | ASX Code | Industry Sector Exposures |
|--------------------------|--------------------------|--------------------|-------------|------------------------------|
| Bentley Capital Limited | 1.95 | 62% | BEL | Diversified Financials |
| Strike Resources Limited | 0.42 | 13% | SRK | Materials |
| Total | 2.37 | 75% | | |

¹ Agribusiness net assets comprised olive grove land, olive trees, buildings and plant and equipment

DIRECTORS' REPORT

1.3. Orion's Assets

(a) Bentley Capital Limited (ASX:BEL)

Bentley is a listed investment company.

Queste holds 1.61% (1,225,752 shares) and Orion holds 26.95% (20,513,783 shares) of Bentley's issued ordinary share capital as at 31 December 2018 (30 June 2018: Queste held 1,225,752 shares (1.61%) and Orion held 20,513,783 shares (26.95%)).

Bentley's asset weighting as at 31 December 2018 was 98% Australian equities (30 June 2018: 95.1%), 2.4% intangible assets (30 June 2018: 1%) and -0.3% net cash/other assets (30 June 2017: 3.9%).

Bentley had net assets of \$7.36 million as at 31 December 2018 (30 June 2018: \$9.347 million) and generated an after tax net loss of \$1.607 million for the financial half year (31 December 2017: \$0.893 million after-tax net profit).

During the financial half year, Bentley paid a 0.50 cent fully franked dividend.

Orion received \$0.103 million dividends from Bentley during the financial half year (6 months to 30 June 2018: \$0.103 million).

Queste received \$6,129 dividend from Bentley during the financial half year (6 months to 30 June 2018: \$6,500).

Bentley has a long distribution track record, as illustrated below²:

| Rate per share | Nature | Payment Date |
|----------------|--------------------|-------------------|
| 0.50 cent | Dividend | 20 July 2018 |
| 0.50 cent | Dividend | 25 January 2018 |
| 0.50 cent | Dividend | 31 August 2017 |
| 0.50 cent | Dividend | 31 March 2017 |
| 0.50 cent | Dividend | 29 September 2016 |
| 0.50 cent | Dividend | 18 March 2016 |
| 0.50 cent | Dividend | 25 September 2015 |
| 0.55 cent | Dividend | 20 March 2015 |
| 0.95 cent | Dividend | 26 September 2014 |
| One cent | Dividend | 21 March 2014 |
| One cent | Return of capital | 12 December 2013 |
| One cent | Return of capital | 18 April 2013 |
| One cent | Return of capital | 30 November 2012 |
| One cent | Return of capital | 19 April 2012 |
| 5.0 cents | Return of capital | 14 October 2011 |
| 2.4 cents | Dividend (Special) | 26 September 2011 |
| One cent | Dividend | 26 September 2011 |
| One cent | Dividend | 17 March 2011 |

Note: Bentley has paid a distribution to shareholders every year (save on 4 occasions in its 31 year history) since its admission to ASX in 1986. Refer to Bentley's website for full distribution history

Queste shareholders are advised to refer to the 31 December 2018 Half Year Report, 2018 Annual Report and monthly NTA disclosures lodged by Bentley for further information about the status and affairs of the company.

Information concerning Bentley may be viewed from its website: www.bel.com.au

² Bentley has advised that it has paid a distribution to shareholders every year (save on 4 occasions) since its admission to ASX in 1986. Please also refer to Bentley's website for its full distribution history.

DIRECTORS' REPORT

Bentley's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "BEL".

(b) Strike Resources Limited (ASX:SRK)

Strike owns the high grade Apurimac Magnetite Iron Ore Project and Cusco Magnetite Iron Ore Project in Peru and is currently developing its Burke Graphite Project in Queensland and lithium exploration tenements in Western Australia; Strike also retains relatively strong cash reserves and liquid investments totalling ~\$3.654 million (as at 31 December 2018)³.

Orion holds 10,000,000 Strike shares (6.88%) (30 June 2018: 10,000,000 shares (6.88%)) while Bentley holds 52,553,493 Strike shares (36.16%). Therefore, Orion has a deemed relevant interest in 62,553,493 Strike shares (43.041%)⁴.

During the half year, Strike shares traded on ASX within a range of 4.4 to 6.2 cents with a closing price of 4.5 cents as at 31 December 2018 and a current closing price of 4 cents (as at 22 February 2019).

Information concerning Strike may be viewed from its website: www.strikeresources.com.au

Strike's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "SRK".

(c) Other Assets

In October 2018, Orion sold its 143 hectare commercial olive grove operation (which was on care and maintenance) located in Gingin, Western Australian for \$1.46 million (gross). Orion generated a net gain of \$0.202 million from the sale.

Orion also owns a property held for redevelopment or sale (currently rented out) located in Mandurah, Western Australia.

DIRECTORS

Information concerning Directors in office during or since the half year:

| Farooq Khan | Executive Chairman and Managing Director |
|--|---|
| <i>Appointed</i> | 10 March 1998 |
| <i>Qualifications</i> | BJuris, LLB (<i>Western Australia</i>) |
| <i>Experience</i> | Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments. |
| <i>Relevant interest in shares</i> | 5,344,872 shares ⁵ |
| <i>Other current directorships in listed entities</i> | (1) Executive Chairman of Bentley Capital Limited (ASX:BEL) (since 2 December 2003) (2) Executive Chairman of Orion Equities Limited (ASX:OEQ) (since 23 October 2006) (3) Chairman (appointed 18 December 2015) of Strike Resources Limited (ASX:SRK) (Director since 1 October 2015) |
| <i>Former directorships in other listed entities in past 3 years</i> | None |

³ Refer SRK's ASX Announcement dated 31 January 2019: December 2018 Quarterly Report

⁴ Refer Orion's Change in Substantial Holding Notice dated 4 September 2016

⁵ Refer Farooq Khan's Change of Director's Interest Notice dated 7 June 2016

DIRECTORS' REPORT

| Victor P. H. Ho | Executive Director and Company Secretary |
|--|--|
| <i>Appointed</i> | Executive Director since 3 April 2013; Company Secretary since 30 August 2000 |
| <i>Qualifications</i> | BCom, LLB (<i>Western Australia</i>), CTA |
| <i>Experience</i> | Mr Ho has been in Executive roles with a number of ASX listed companies across the investments, resources and technology sectors over the past 19 years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations. |
| <i>Relevant interest in shares</i> | 17,500 shares ⁶ |
| <i>Other current positions held in listed entities</i> | <ol style="list-style-type: none"> (1) Executive Director and Company Secretary of Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003) (2) Director and Company Secretary of Strike Resources Limited (ASX:SRK) (Director since 24 January 2014 and Company Secretary since 1 October 2015) (3) Company Secretary of Bentley Capital Limited (ASX:BEL) (since 5 February 2004) (4) Company Secretary of Keybridge Capital Limited (ASX:KBC) (since 13 October 2016) |
| <i>Former directorships in other listed entities in past 3 years</i> | None |

| Yaqoob Khan | Non-Executive Director |
|--|---|
| <i>Appointed</i> | 10 March 1998 |
| <i>Qualifications</i> | BCom (<i>Western Australia</i>), Master of Science in Industrial Administration (<i>Carnegie Mellon</i>) |
| <i>Experience</i> | After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan has been an integral member of the team responsible for the pre-IPO structuring and IPO promotion of a number of ASX floats and has been involved in the management of such companies. Mr Khan brings considerable international experience in key aspects of corporate finance and the strategic analysis of listed investments. |
| <i>Relevant interest in shares</i> | 68,345 shares ⁷ |
| <i>Other current directorships in listed entities</i> | Non-Executive Director of Orion Equities Limited (ASX:OEQ) (since 5 November 1999). |
| <i>Former directorships in other listed entities in past 3 years</i> | None |

At the Company's 2018 AGM⁸:

- Victor Ho retired as a Director (by rotation) pursuant to the Company's Constitution and was re-elected a Director at that AGM.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 10. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

⁶ Refer Victor Ho's Initial Director's Interest Notice dated 3 April 2013

⁷ Refer Yaqoob Khan's Change of Director's Interest Notice dated 6 September 2011

⁸ Refer Queste's ASX Announcement dated 28 November 2018: Results of 2018 Annual General Meeting

DIRECTORS' REPORT

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



Farooq Khan
Chairman

28 February 2019



Victor Ho
Executive Director

*R*OTHSA Y

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The Directors
Queste Communications Ltd
Level 2 23 Ventnor Ave
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2018 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 28 February 2019



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AUSTRALIA • NEW ZEALAND

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2018

| | Note | 31 Dec 18 \$ | 31 Dec 17 \$ |
|---|------|------------------|-----------------|
| Revenue | 2 | 26,387 | 22,795 |
| Other | | | |
| Net gain on sale of non-current assets | | 201,786 | - |
| Share of Associate entity's profit | | - | 194,888 |
| Net gain on financial assets at fair value through profit or loss | | - | 185,688 |
| Total revenue | | 228,173 | 403,371 |
| Expenses | 3 | | |
| Share of Associate entity's loss | | (458,945) | - |
| Net loss on financial assets at fair value through profit or loss | | (117,200) | - |
| Land operation expenses | | (7,794) | (5,435) |
| Personnel expenses | | (245,113) | (213,070) |
| Occupancy expenses | | (19,655) | (16,733) |
| Corporate expenses | | (41,694) | (40,465) |
| Finance expenses | | (660) | (1,555) |
| Administration expenses | | (59,046) | (61,991) |
| Profit/(Loss) before income tax | | (721,934) | 64,122 |
| Loss from discontinued operations | 5 | (56,759) | (21,461) |
| Income tax expense | | (38,973) | - |
| Profit/(Loss) from continuing operations | | (817,666) | 42,661 |
| OTHER COMPREHENSIVE INCOME | | | |
| Revaluation of assets, net of tax | | (102,746) | - |
| Total comprehensive income for the half year | | (920,412) | 42,661 |
| Loss attributable to: | | | |
| Owners of Queste Communications Ltd | | (547,464) | (85) |
| Non-controlling interest | | (270,202) | 42,746 |
| | | (817,666) | 42,661 |
| Total comprehensive loss for the half year is attributable to: | | | |
| Continuing operations | | (588,706) | 21,376 |
| Discontinued operations | | (102,746) | (21,461) |
| Owners of Queste Communications Ltd | | (691,452) | (85) |
| Continuing operations | | (270,202) | 42,746 |
| Discontinued operations | | 41,242 | - |
| Non-controlling interest | | (228,960) | 42,746 |
| | | (920,412) | 42,661 |
| Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the Company | 6 | (2.02) | (0.0003) |

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

| | Note | 31 Dec 18 \$ | 30 Jun 18 \$ |
|---|------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | | 1,117,064 | 158,883 |
| Financial assets at fair value through profit or loss | 7 | 420,003 | 567,203 |
| Receivables | | 39,788 | 86,091 |
| Other current assets | | 2,760 | 6,196 |
| Total current assets | | 1,579,615 | 818,373 |
| Non current assets | | | |
| Receivables | | 23,048 | 22,010 |
| Property held for development or resale | | 1,220,000 | 1,220,000 |
| Investment in Associate entity | 10 | 619,513 | 1,187,156 |
| Property, plant and equipment | | 18,865 | 1,420,221 |
| Deferred tax asset | | - | 38,973 |
| Total non current assets | | 1,881,426 | 3,888,360 |
| Total assets | | 3,461,041 | 4,706,733 |
| Current liabilities | | | |
| Payables | | 363,577 | 644,566 |
| Provisions | | 134,099 | 139,417 |
| Total current liabilities | | 497,676 | 783,983 |
| Non current liabilities | | | |
| Deferred tax liability | | - | 38,973 |
| Total non current liabilities | | - | 38,973 |
| Total liabilities | | 497,676 | 822,956 |
| Net assets | | 2,963,365 | 3,883,777 |
| Equity | | | |
| Issued capital | | 6,239,370 | 6,239,370 |
| Reserves | | 5,654,967 | 6,145,896 |
| Accumulated losses | | (10,473,452) | (10,085,211) |
| Parent interest | | 1,420,885 | 2,300,055 |
| Non-controlling interest | | 1,542,480 | 1,583,722 |
| Total equity | | 2,963,365 | 3,883,777 |

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2018

| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Non- controlling interest \$ | Total \$ |
|--|-------------------------|------------------|-----------------------------|---------------------------------------|------------------|
| Balance at 1 Jul 2017 | 6,149,888 | 3,182,215 | (6,281,531) | 2,088,208 | 5,138,780 |
| Profit/(Loss) for the half year | - | - | (85) | 42,746 | 42,661 |
| Profits reserve transfer | - | 2,988,517 | (2,988,517) | - | - |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the half year | - | 2,988,517 | (2,988,602) | 42,746 | 42,661 |
| Transactions with owners in their capacity as owners: | | | | | |
| Transactions with non-controlling interest | - | - | - | (56,534) | (56,534) |
| Partly paid shares | 106,615 | - | - | - | 106,615 |
| Balance at 31 Dec 2017 | 6,256,503 | 6,170,732 | (9,270,133) | 2,074,420 | 5,231,522 |
| Balance at 1 Jul 2018 | 6,239,370 | 6,145,896 | (10,085,211) | 1,583,722 | 3,883,777 |
| Profit/(Loss) for the half year | - | - | (547,464) | (270,202) | (817,666) |
| Profits reserve transfer | - | (159,223) | 159,223 | - | - |
| Other comprehensive income | - | (102,746) | - | 41,242 | (61,504) |
| Total comprehensive loss for the half year | - | (261,969) | (388,241) | (228,960) | (879,170) |
| Transactions with owners in their capacity as owners: | | | | | |
| Transactions with non-controlling interest | - | (228,960) | - | 187,718 | (41,242) |
| Balance at 31 Dec 2018 | 6,239,370 | 5,654,967 | (10,473,452) | 1,542,480 | 2,963,365 |

The accompanying notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2018

| | 31 Dec 18 \$ | 31 Dec 17 \$ |
|---|------------------|-----------------|
| Cash flows from operating activities | | |
| Receipts from customers | 106,445 | 18,850 |
| Dividends received | 108,698 | 193,378 |
| Interest received | 4,395 | 803 |
| Payments to suppliers and employees | (754,313) | (257,528) |
| Interest paid | (48) | (8) |
| Sale of financial assets at fair value through profit or loss | 82,844 | 36,580 |
| Purchase of financial assets at fair value through profit or loss | - | (4,000) |
| Net cash used in operating activities | (451,979) | (11,925) |
| Cash flows from investing activities | | |
| Purchase of plant and equipment | (2,840) | (2,040) |
| Proceeds from disposal of agricultural assets | 1,456,500 | - |
| Commission from sale of agricultural assets | (43,500) | - |
| Net cash used in investing activities | 1,410,160 | (2,040) |
| Cash flows from financing activities | | |
| Proceeds from calls on partly paid shares | - | 106,615 |
| Orion dividends paid | - | (140,843) |
| Net cash provided by financing activities | - | (34,228) |
| Net decrease in cash held | 958,181 | (48,193) |
| Cash and cash equivalents at beginning of financial year | 158,883 | 235,476 |
| Cash and cash equivalents at end of financial half year | 1,117,064 | 187,283 |

The accompanying notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These half year financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2018 to the date of this report. The half-year report complies with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Consolidated Entity's financial statements for the financial year ended 30 June 2018.

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

In the current reporting period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity include:

- AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards
- AASB 9 *Financial Instruments*, and relevant amending standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Impact on Application

The adoption of the aforementioned standards has not had a quantitatively material impact on the interim financial statements of the Consolidated Entity as at 31 December 2018. A more detailed discussion on the impact of the adoption of AASB 9 and AASB 15 is included below.

AASB 15: *Revenue from Contracts with Customers* (AASB 15)

AASB 15 establishes a comprehensive five-step framework for determining the timing and quantum of revenue recognised. It has replaced the existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue as control of a good or service transfers to a customer. The Consolidated Entity has adopted the modified transition approach. The adoption of AASB 15 from 1 July 2018 has not resulted in any adjustments.

AASB 9: *Financial Instruments* (AASB 9)

The Consolidated Entity has adopted AASB 9 from 1 July 2018 which have resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the Interim Financial Report. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the statement of financial position as at 30 June 2018 but recognised in the opening statement of financial position as at 1 July 2018. As per the new impairment model introduced by AASB 9, the Consolidated Entity has not recognised a loss allowance on trade and other receivables as at 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and Measurement

On 1 July 2018, the Consolidated Entity has assessed which business models apply to the financial instruments held by the Consolidated Entity and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Consolidated Entity classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Consolidated Entity's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The following table summarises the impact on the classification and measurement of the Consolidated Entity's financial instruments at 1 July 2018:

| Presentation on Statement of Financial Position | AASB 139 Classification | AASB 9 Classification | AASB 139 Carrying amount | AASB 9 Carrying amount |
|---|---------------------------|------------------------------|--------------------------|------------------------|
| Cash and cash equivalents | Loans and receivables | Amortised cost | No change | No change |
| Receivables | Loans and receivables | Amortised cost or fair value | No change | No change |
| Financial assets at fair value through Profit or Loss (FVTPL) | Financial assets at FVTPL | Financial assets at FVTPL | No change | No change |

Notes:

- (1) The Consolidated Entity may at times hold bank deposits. These items would previously meet the classification of loans and receivables under AASB 139 but will be now measured at amortised cost under AASB 9.
- (2) These investments in other listed securities were classified as FVTPL under AASB 139. The Consolidated Entity has elected to maintain this classification on transition to AASB 9.

The Consolidated Entity does not currently enter into any hedge accounting and therefore there is no impact to the Consolidated Entity's Interim Financial Report.

Impairment

AASB 9 introduces a new expected credit loss (ECL) impairment model that requires the Consolidated Entity to adopt an ECL position across the Consolidated Entity's financial assets at 1 July 2018. The Consolidated Entity's receivables balance comprises trade receivables from customers, GST refunds from the Australian Tax Office, interest receivables and amounts owing to it from the sale of an asset in a previous period. Whilst cash and cash equivalents are also subject to the impairment requirements of AASB 9, an impairment loss would be considered immaterial.

At each reporting date, the Consolidated Entity reviews the carrying value of its financial assets based on the ECL model under AASB 9, which proposes three approaches in assessing impairment:

(i) the simplified approach (which will be applied to most trade receivables) which requires the recognition of lifetime ECLs by considering forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates;

(ii) the general approach (which will be applied to most loans and debt securities) whereby ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, the Consolidated Entity will provide for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance will arise for credit losses expected over the remaining life of exposure, irrespective of the timing of the default; and

(iii) For purchased or originated credit-impaired receivables, the fair value at initial recognition already takes into account lifetime expected losses. At each reporting date, the Consolidated Entity updates its estimated cash flows and adjusts the loss allowance accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Consolidated Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Consolidated Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Consolidated Entity has not recognised any additional impairment to its current receivables or non-current loans and receivables as a result of the application of AASB 9. This is due to the fact that the Consolidated Entity does not consider that there are any further ECL to the current carrying values of its current receivables or its non-current loans and receivables.

Accounting Policies

Due to the mandatory application of AASB 9, the Consolidated Entity has been required to update its accounting policies to meet the requirements of the new standard. The updated policies are detailed in the respective notes to the financial statements as applicable.

Other standards

Other standards that become effective this period that are relevant to the Consolidated Entity include:

- AASB 2016-5 Amendments to Australian Accounting Standards – *Classification and Measurement of Share-based Payment Transactions*; and
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

They do not affect the Consolidated Entity's accounting policies or any of the amounts recognised in the financial statements.

2. REVENUE

The Consolidated Entity's operating loss before income tax includes the following items of revenue:

| | 31 Dec 18 | 31 Dec 17 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Revenue | | |
| Rental revenue | 21,992 | 21,992 |
| Interest revenue | 4,395 | 803 |
| | <u>26,387</u> | <u>22,795</u> |
| Other | | |
| Net gain on sale of non-current assets | 201,786 | - |
| Share of Associate entity's profit | - | 194,888 |
| Net gain on financial assets at fair value through profit or loss | - | 185,688 |
| | <u><u>228,173</u></u> | <u><u>403,371</u></u> |

3. EXPENSES

The Consolidated Entity's operating loss before income tax includes the following items of expenses:

| | 31 Dec 18 | 31 Dec 17 |
|---|-----------|-----------|
| | \$ | \$ |
| Share of Associate entity's loss | 458,945 | - |
| Net loss on financial assets at fair value through profit or loss | 117,200 | - |
| Olive grove operations | | |
| Depreciation of olive grove assets | 3,566 | 13,220 |
| Other expenses | 53,193 | 8,241 |
| Land operations | | |
| Other expenses | 7,794 | 5,435 |
| Salaries, fees and employee benefits | 245,113 | 213,070 |
| Occupancy expenses | 19,655 | 16,733 |
| Finance expenses | 660 | 1,555 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

3. EXPENSES (continued)

| | 31 Dec 18 | 31 Dec 17 |
|-------------------------------|------------------|----------------|
| | \$ | \$ |
| Corporate expenses | | |
| ASX fees | 32,362 | 33,835 |
| Share registry | 6,214 | 6,117 |
| Other corporate expenses | 3,118 | 513 |
| Administration expenses | | |
| Professional fees | 1,351 | 16,785 |
| Audit fees | 14,150 | 14,150 |
| Legal fees | 3,646 | 959 |
| Depreciation | 2,621 | 2,813 |
| Other administration expenses | 37,278 | 27,284 |
| | 1,006,866 | 360,710 |

4. SEGMENT INFORMATION

| 31 Dec 18 | Investments | Olive grove | Corporate | Total |
|---|------------------|-----------------|------------------|------------------|
| Segment revenues | \$ | \$ | \$ | \$ |
| Revenue | 21,992 | - | 4,395 | 26,387 |
| Other | - | 201,786 | - | 201,786 |
| Total segment revenues | 21,992 | 201,786 | 4,395 | 228,173 |
| Personnel expenses | - | - | 245,113 | 245,113 |
| Finance expenses | - | - | 664 | 664 |
| Administration expenses | 321 | 50,863 | 58,786 | 109,970 |
| Depreciation expenses | - | 3,566 | 2,621 | 6,187 |
| Other expenses | 583,596 | 2,065 | 59,268 | 644,929 |
| Total segment loss | (561,925) | 145,292 | (362,057) | (778,690) |
| Segment assets | | | | |
| Cash and cash equivalents | - | - | 1,117,064 | 1,117,064 |
| Financial assets | 420,003 | - | - | 420,003 |
| Property held for development or resale | 1,220,000 | - | - | 1,220,000 |
| Investment in Associate entity | 619,513 | - | - | 619,513 |
| Property, plant and equipment | - | - | 18,865 | 18,865 |
| Other assets | - | - | 65,596 | 65,596 |
| Total segment assets | 2,259,516 | - | 1,201,525 | 3,461,041 |
| 31 Dec 17 | | | | |
| Segment revenues | | | | |
| Revenue | 22,795 | - | - | 22,795 |
| Other | 380,576 | - | - | 380,576 |
| Total segment revenues | 403,371 | - | - | 403,371 |
| Personnel expenses | - | - | 213,070 | 213,070 |
| Finance expenses | 65 | 61 | 1,555 | 1,681 |
| Administration expenses | - | 1,017 | 27,178 | 28,195 |
| Depreciation expenses | - | 13,220 | 2,813 | 16,033 |
| Other expenses | 7,323 | 7,163 | 87,245 | 101,731 |
| Total segment loss | 395,983 | (21,461) | (331,861) | 42,661 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

4. SEGMENT INFORMATION (continued)

| 30 Jun 18 | Investments | Olive grove | Corporate | Total |
|---|------------------|------------------|----------------|------------------|
| Segment assets | | | | \$ |
| Cash and cash equivalents | - | 62 | 158,821 | 158,883 |
| Financial assets | 567,203 | - | - | 567,203 |
| Property held for development or resale | 1,220,000 | - | - | 1,220,000 |
| Investment in Associate entity | 1,187,156 | - | - | 1,187,156 |
| Property, plant and equipment | - | 907,547 | 20,221 | 927,768 |
| Other assets | - | 492,679 | 153,044 | 645,723 |
| Total segment assets | 2,974,359 | 1,400,288 | 332,086 | 4,706,733 |

5. DISCONTINUED OPERATIONS

On 11 October 2018, the Company completed the sale of its Olive Grove Agribusiness Assets in consideration of \$1.45 million cash. Financial information relating to the discontinued operations are as follows:

| Financial information relating to the discontinued operation which has been incorporated into the Income Statement is as follows: | 31 Dec 18 | 31 Dec 17 |
|---|-----------|-----------|
| | \$ | \$ |
| Revenue | - | - |
| Expenses | (56,759) | (21,461) |
| Loss before income tax | (56,759) | (21,461) |
| Income tax expense | - | - |
| Loss after income tax | (56,759) | (21,461) |

| | | |
|---|-----------|---|
| Gain on sale of Olive Grove Agribusiness Assets | 201,786 | - |
| Income tax | (38,973) | - |
| Gain on sale of Olive Grove Agribusiness Assets after tax | 162,813 | - |
| Reversal of revaluation of assets, net of tax | (102,746) | - |
| Net gain on sale of non-current assets | 60,067 | - |

| The carrying amount of the assets and liabilities of the operation at the date of cessation were: | 31 Dec 18 | 30 Jun 18 |
|---|-------------|-------------|
| | \$ | \$ |
| Total assets | 1,403,475 | 1,401,600 |
| Total liabilities | (5,008,507) | (4,951,201) |
| Net liabilities | (3,605,032) | (3,549,601) |

| The net cash flows of the operations, which have been incorporated into the Cash Flow Statement are as follows: | 31 Dec 18 | 31 Dec 17 |
|---|-----------|-----------|
| | \$ | \$ |
| Net cash used in operating activities | (7,812) | (7,113) |
| Net cash provided by investing activities | 1,413,000 | - |
| Effect on cash flows | 1,405,188 | (7,113) |

Details of sale of operations:

| | |
|---|-------------|
| Consideration received in cash | 1,456,500 |
| Carrying amount of net assets sold | (1,396,433) |
| Gain on sale of Olive Grove Agribusiness Assets | 60,067 |
| Income tax | 38,973 |
| | 99,040 |
| Reversal of revaluation of assets, net of tax | 102,746 |
| Net gain on sale of non-current assets | 201,786 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

5. DISCONTINUED OPERATIONS (continued)

Critical accounting judgement and estimate

Judgements have been made in the determination of consideration pertaining to assets sold during the financial half year. In making these judgements, the Consolidated Entity has considered the conditions and probability of receipt pursuant to the relevant sale agreements.

Accounting policy

A discontinued operation is a component of the Consolidated Entity's business where the operations and cash flows can be clearly distinguished from the rest of the Consolidated Entity and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

6. EARNINGS/(LOSS) PER SHARE

| | 31 Dec 18 | 31 Dec 17 |
|---|---------------|-----------------|
| Basic and diluted earnings/(loss) per share (cents) | <u>(2.02)</u> | <u>(0.0003)</u> |

The following represents the profit/(loss) and weighted average number of shares used in the loss per share calculations:

| | | |
|---|-----------|------|
| Profit/(Loss) after income tax attributable to Owners of Queste Communications Ltd (\$) | (547,464) | (85) |
|---|-----------|------|

| | Number of shares | |
|--|------------------|------------|
| Weighted average number of ordinary shares | 27,072,332 | 27,286,327 |

Under AASB 133 Earnings per Share, potential ordinary shares such as partly paid shares will only be treated as dilutive when their conversion to ordinary shares would increase the earnings/(loss) per share. Diluted earnings/(loss) per share is not calculated as it does not increase the earnings/(loss) per share.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 Dec 18 | 30 Jun 18 |
|---------------------------------|----------------|----------------|
| | \$ | \$ |
| Listed securities at fair value | <u>420,003</u> | <u>567,203</u> |

8. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

AASB 13 (Fair Value Measurement) requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

8. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| 31 Dec 18 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Listed securities at fair value | 420,003 | - | - | 420,003 |
| Total | 420,003 | - | - | 420,003 |
| 30 Jun 18 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Listed securities at fair value | 567,203 | - | - | 567,203 |
| Land at independent valuation | - | - | 1,259,608 | 1,259,608 |
| Total | 567,203 | - | 1,259,608 | 1,826,811 |

There have been no transfers between the levels of the fair value hierarchy during the financial half year.

(a) Valuation techniques

The fair value of the listed securities traded in active markets is based on closing bid prices at the end of the reporting period. These investments are included in Level 1.

The fair value of any assets that are not traded in an active market are determined using certain valuation techniques. The valuation techniques maximise the use of observable market data where it is available, or independent valuation and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

At Level 3, the land was valued by an independent qualified valuer (a Certified Practising Valuer and Associate Member of the Australian Property Institute) as at 15 June 2017 was sold (Note 5). These assets have been valued based on similar assets, location and market conditions or Direct Comparison or Comparative Sales Approach. The land value per hectare based on rural land sold in the general location provided a rate which included ground water licence.

(b) Level 3 assets

| | Land | Olive trees | Total |
|--------------------------|------------------|---------------|------------------|
| | \$ | \$ | \$ |
| At 1 Jul 2017 | 1,340,455 | 65,500 | 1,405,955 |
| Revaluation/(Impairment) | (80,847) | (65,500) | (146,347) |
| At 30 Jun 2018 | 1,259,608 | - | 1,259,608 |
| Disposal | (1,259,608) | - | (1,259,608) |
| At 31 Dec 2018 | - | - | - |

(c) Fair values of other financial assets and liabilities

| | 31 Dec 18 | 30 Jun 18 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | 1,117,064 | 158,883 |
| Receivables | 39,788 | 86,091 |
| | 1,156,852 | 244,974 |
| Payables | (363,577) | (644,566) |
| | 793,275 | (399,592) |

Due to their short-term nature, the carrying amounts of cash, current receivables and current payables is assumed to approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

9. DIVIDENDS

| | Paid On | 31 Dec 18 \$ | 31 Dec 17 \$ |
|---|-----------|------------------|------------------|
| Dividends paid in cash during the financial year: | | | |
| by OEQ - 0.90 cent per share fully franked dividend | 29-Sep-17 | - | 140,843 |
| | | <u>3,053,798</u> | <u>3,014,892</u> |

OEQ Franking credits available for subsequent periods based on a tax rate of 27.5%

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the receipt of dividends recognised as receivables at balance date;
- Franking credits that will arise from the payment of the amount of the provision for income tax; and
- Franking debits that will arise from the payment of dividends recognised as a liability at balance date.

The franking credits attributable to the Consolidated Entity include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

10. INVESTMENT IN ASSOCIATE ENTITY

| | Ownership Interest | | Carrying Amount | |
|--|--------------------|-----------|--------------------|--------------------|
| | 31 Dec 18 | 30 Jun 18 | 31 Dec 18 \$ | 30 Jun 18 \$ |
| Bentley Capital Limited (ASX:BEL) | 28.56% | 28.56% | <u>619,513</u> | <u>1,187,156</u> |
| Movements in carrying amounts | | | | |
| Opening balance | | | 1,187,156 | 2,003,264 |
| Share of net loss after tax | | | (458,945) | (586,548) |
| Dividends received | | | (108,698) | (218,138) |
| Disposal of shares through Equal access share buy-back | | | - | (11,422) |
| Closing balance | | | <u>619,513</u> | <u>1,187,156</u> |
| Fair value (at market price on ASX) of investment in Associate entity | | | <u>2,065,256</u> | <u>2,065,256</u> |
| Net asset backing value of investment in Associate entity | | | <u>2,101,957</u> | <u>2,669,174</u> |
| Summarised statement of profit or loss and other comprehensive income | | | | |
| Revenue | | | 15,251 | 1,291,720 |
| Expenses | | | (1,622,392) | (3,135,545) |
| Loss before income tax | | | <u>(1,607,141)</u> | <u>(1,843,825)</u> |
| Income tax expense | | | - | - |
| Loss after income tax | | | <u>(1,607,141)</u> | <u>(1,843,825)</u> |
| Other comprehensive income | | | - | - |
| Total comprehensive income | | | <u>(1,607,141)</u> | <u>(1,843,825)</u> |
| Summarised statement of financial position | | | | |
| | | | \$ | \$ |
| Current assets | | | 5,382,005 | 7,092,182 |
| Non-current assets | | | 2,230,534 | 2,593,165 |
| Total assets | | | <u>7,612,539</u> | <u>9,685,347</u> |
| Current liabilities | | | 251,865 | 323,579 |
| Non-current liabilities | | | - | 14,805 |
| Total liabilities | | | <u>251,865</u> | <u>338,384</u> |
| Net assets | | | <u>7,360,674</u> | <u>9,346,963</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2018

11. RELATED PARTY TRANSACTIONS

The Company has control of Orion Equities Limited (**Orion**) as it holds 59.86% (9,367,653 shares) of Orion's issued capital (30 June 2018: 59.86% and 9,367,653 shares). During the half year there were transactions between the Company, Orion and Associate Entity, Bentley Capital Limited (ASX:BEL), pursuant to shared office and administration expense arrangements. There were no outstanding amounts at the reporting date.

| | 31 Dec 18 | 31 Dec 17 |
|--------------------------------|----------------|----------------|
| Bentley Capital Limited | \$ | \$ |
| Dividends Received | <u>108,698</u> | <u>109,069</u> |

During the half year, the Consolidated Entity generated \$21,992 rental income from a KMP/close family member of KMP (the KMP being Queste and Orion Director, Farooq Khan), pursuant to a standard form residential tenancy agreement in respect of Property Held for Resale (held by Orion subsidiary, Silver Sands Developments Pty Ltd) (31 Dec 2017: \$21,992).

12. CONTINGENCIES

(a) Directors' Deeds

The Company has entered into Deeds of Indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as Directors/Officers of the Consolidated Entity. At the end of the financial period, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

(b) Tenement Royalties

The Consolidated Entity is entitled to receive a royalty of 2% of gross revenues (exclusive of GST) from any commercial exploitation of any minerals from the Paulsens East (Iron Ore) Project tenement (currently a Retention Licence RL 47/7) in Western Australia currently held by Strike Resources Limited (ASX:SRK).

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since the end of the financial half year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (1) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the financial half year ended on that date; and
 - (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting", *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (2) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Farooq Khan
Chairman



Victor Ho
Executive Director

28 February 2019



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Independent Review Report to the Members of Queste Communications Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Queste Communications Ltd for the half-year ended 31 December 2018.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Queste Communications Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Queste Communications Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'Rothsay'.

Rothsay Auditing

A handwritten signature in blue ink that reads 'G Swan'.

**Graham Swan FCA
Partner**

Dated 28 February 2019



SECURITIES INFORMATION

as at 31 December 2018

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

| Spread | of | Holdings | Number of Holders | Number of Units | % of Total Issue Capital |
|--------------|----|----------|-------------------|-------------------|--------------------------|
| 1 | - | 1,000 | 17 | 8,811 | 0.033% |
| 1,001 | - | 5,000 | 44 | 121,362 | 0.448% |
| 5,001 | - | 10,000 | 59 | 526,496 | 1.945% |
| 10,001 | - | 100,000 | 88 | 2,457,867 | 9.079% |
| 100,001 | - | and over | 20 | 23,957,796 | 88.496% |
| Total | | | 228 | 27,072,332 | 100.00% |

UNMARKETABLE PARCELS

| Spread | of | Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|--------------|----|----------|-------------------|-------------------|---------------------------|
| 1 | - | 7,936 | 79 | 250,520 | 0.925% |
| 7,937 | - | over | 149 | 26,821,812 | 99.075% |
| TOTAL | | | 228 | 27,072,332 | 100.00% |

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 7,936 shares or less, being a value of \$500 or less in total, based upon the Company's last sale price on ASX as at 31 December 2018 of \$0.063 per share.

SUBSTANTIAL SHAREHOLDERS

| Substantial Shareholders | Registered Shareholder | Shareholding | Total Shares | % Voting Power ⁵ |
|---|---|--------------|--------------|-----------------------------|
| Azhar Chaudhri, Chi Tung Investments Limited and Renmuir Holdings Limited ¹ | Chi Tung Investments Ltd | 3,608,956 | 8,322,737 | 30.743% |
| | Renmuir Holdings Ltd | 3,277,780 | | |
| | Mr Azhar Chaudhri | 1,436,001 | | |
| Farooq Khan and Associate ² | Mr Farooq Khan + Ms Rosanna De Campo <KDC Superannuation Fund A/C> | 3,671,295 | 5,344,872 | 19.743% |
| | Island Australia Pty Ltd | 1,673,577 | | |
| Geoff Wilson and Associates ³ | Dynasty Peak Pty Ltd <The Avoca Super Fund A/C> | 4,391,975 | 4,391,975 | 16.223% |
| Fred Woollard and Samuel Terry Asset Management Pty Ltd ATF Samuel Terry Absolute Return Fund ⁴ | J P Morgan Nominees Australia Limited | 3,869,568 | 3,869,568 | 14.293% |

Notes:

- (1) Based on the substantial shareholding notice filed by Azhar Chaudhri and associates dated 23 October 2017 (updated to reflect current registered shareholdings and percentage voting power, as applicable)
- (2) Based on the Change of Interests of Substantial Holder notice filed by Farooq Khan and associates dated 20 November 2014 (updated to reflect current registered shareholdings and percentage voting power, as applicable) and the Change of Director's Interest Notice filed by Farooq Khan dated 8 January 2018
- (3) Based on the Change of Interests of Substantial Holder Notice filed by Geoff Wilson and associates dated 14 February 2018 (updated to reflect current registered shareholdings and percentage voting power, as applicable)
- (4) Based on the Notice of Initial Substantial Holder notice filed by Samuel Terry Asset Management Pty Ltd dated 5 February 2018 (updated to reflect current registered shareholdings and percentage voting power, as applicable)
- (5) Movements of less than 1% in voting power are not required to be disclosed to ASX via an updated substantial shareholding notice and accordingly, there may be variances between the shareholdings recorded in the table above and the most recent substantial shareholding notices lodged on ASX. Current registered shareholdings have been disclosed (where applicable).

SECURITIES INFORMATION

as at 31 December 2018

TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

| Rank | Shareholder | Shares Held | Total Shares | % Issued Capital |
|--------------|---|-------------|-------------------|------------------|
| 1 | CHI TUNG INVESTMENTS LTD | 3,608,956 | 0 | 0 |
| | RENMUIR HOLDINGS LTD | 3,277,780 | 0 | 0 |
| | MR AZHAR CHAUDHRI | 1,436,001 | 0 | 0 |
| | Sub-total | | 8,322,737 | 30.743% |
| 2 | MR FAROOQ KHAN + MS ROSANNA DE CAMPO <KDC SUPERANNUATION FUND A/C> | 3,671,295 | 0 | 0 |
| | ISLAND AUSTRALIA PTY LTD | 1,673,577 | 0 | 0 |
| | Sub-total | | 5,344,872 | 19.743% |
| 3 | DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C> | | 4,391,975 | 16.223% |
| 4 | J P MORGAN NOMINEES AUSTRALIA LIMITED | | 3,869,568 | 14.293% |
| 5 | MS ROSANNA DE CAMPO | | 268,100 | 0.990% |
| 6 | GLENVIEW SERVICES PTY LTD | | 250,000 | 0.923% |
| 7 | GIBSON KILLER PTY LTD | | 220,000 | 0.813% |
| 8 | MR AYUB KHAN | | 215,000 | 0.794% |
| 9 | MRS AFIA KHAN | | 215,000 | 0.794% |
| 10 | MR SIMON KENNETH CATO & MRS KAYE LOUISE HOPKINS | 118,000 | 0 | 0 |
| | ROSEMONT ASSET PTY LTD | 75,000 | 0 | 0 |
| | Sub-total | | 193,000 | 0.713% |
| 11 | GM & AM LEAVER INVESTMENTS PTY LTD | | 191,400 | 0.707% |
| 12 | TOMATO 2 PTY LTD | | 185,019 | 0.683% |
| 13 | MR JOHN CHENG-HSIANG YANG & MS PING MOK | | 136,125 | 0.503% |
| 14 | MR ANTHONY NEALE KILLER & MRS SANDRA MARIE KILLER | | 130,000 | 0.480% |
| 15 | MR EUGENE RODRIGUEZ | | 110,000 | 0.406% |
| 16 | MRS MARY THERESE CAMILLERI | | 100,000 | 0.369% |
| 17 | MRS LINDA ANN OATES | | 100,000 | 0.369% |
| 18 | DR SIEW NAM UN | | 87,500 | 0.323% |
| 19 | MRS WENDY MARGARET BELL | | 75,000 | 0.277% |
| 20 | MANAR NOMINEES PTY LTD | | 72,247 | 0.270% |
| Total | | | 24,477,543 | 90.40% |