

27 February 2008

## **ComTel Rings up Robust Half-Year Maiden Profit**

### **Highlights for the 6 months ending 31 December 2007:**

- **EBITDA \$4 million, NPAT \$3.2 million**
- **Completed full acquisitions of Empowered and Sonnet Corporation**
- **Half year performance positions ComTel to achieve \$8 million FY08 EBITDA**

Chairman Kevin Weldon (AM) and the Board of ComTel Corporation Limited (ComTel, ASX code CMO) today announced the company's half-year EBITDA of \$4 million and net profit after tax of \$3.2 million, for the six months ending 31 December 2007.

The result marks a financial turnaround for the mobile and e-marketing group, which reported a net loss after tax of \$654,345 for the corresponding period in 2006.

Mr Weldon said the outstanding profit result was bolstered by a six-fold increase in customer revenue and strongly positions ComTel to achieve its forecasted 2008 financial year EBITDA of \$8 million.

ComTel's EBITDA forecast was upgraded from \$6 million to \$8 million in November 2007 as a result of its acquisition of Empowered Communications, the e-marketing group, which in three months to 31 December 2007 contributed \$459,350 in EBITDA.

"Our maiden profit signals our shift from acquisition to organic growth," Mr Weldon said.

"We have rigorously pursued our strategy of acquiring the right mix of assets and skills necessary to organically grow mobile and ISP offerings that satisfy the needs of retail, wholesale and potentially corporate customers."

### **Income Tax Losses**

During the half year, ComTel booked the benefit of accumulated income tax losses not previously recognised. As ComTel is now generating positive earnings, the benefit of these tax losses has been recognised, resulting in a once off tax expense credit of \$2.2m in the income statement for the half-year. As ComTel generates earnings in the second half of FY08, the tax losses will continue to be utilised.

### **Successful acquisitions**

- Sonnet Corporation Limited, Jul 2007
- AAPT's stand-alone post-paid customer base, Jul 2007
- Empowered Communications, Nov 2007, earnings accretive from 1 Oct

ComTel has positioned itself at the forefront of Australia's new media market, by acquiring one of the largest permission based customer bases, building a substantial base of pre and post paid users and enhancing capabilities to build and support new solutions.

### **Growth potential**

- Extend online functions to existing brands
- Build marketing-enabled solutions that satisfy the needs of social networks

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ComTel is an early mover in mobilizing communities by offering competitive member to member rates, bringing internet applications such as email to the mobile and offering greater value through 'opt-in' initiatives. ComTel's latest branded offer, Amichi, specifically caters to communities of users aged 18 to 29 and is the culmination of 12 months focus on customer insights, research in market and fine tuning the product.

### **New revenue streams**

- Advertising, online and mobile
- Large organisations looking to create their own community-tailored mobile offering

ComTel's Managing Director David Sweet believes that revenue growth within the maturing mobile industry will depend on successfully creating a happy and trusted medium between mobile users and advertisers.

"Combining our expertise with the marketing strengths of Empowered, we are creating advertising enabled mobile offerings that can deliver content of interest to the user, in a way they find engaging, and via the most effective means - internet and mobile," he said.

Mr Sweet said that ComTel also anticipates a strong uptake among large associations to create and brand their own customer-facing mobile offerings.

"Opt-in' permission based marketing is phenomenally successful in Europe, while in the US a growing number of retailers are branding their own mobile offerings and using them as a direct interface with consumers.

"ComTel is taking the best of these successful developments in order to capitalize on both growth fronts.

"We are excited to be in the position to organically pursue this vision, and remaining consistent with our strategy to date, we will continue to assess suitable acquisitions that facilitate growth."

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### **About ComTel Corporation Limited**

ComTel Corporation Limited is an Australian ASX listed (CMO) mobile and e-marketing company, formerly known as ComodiTel. Its competitive mobile offerings incorporate permission-based advertising and internet functionalities to generate value of personal relevance to users and real-time customer reach for advertisers. ComTel has a long-term Network Capacity Agreement with Vodafone Australia, which also enables it to service wholesale customers operating their own mobile and ISP brands.

### **About Amichi Mobile**

Amichi, meaning friends in Latin, is custom built to satisfy the needs of users looking to create their own mobile community, entitling them to competitive rates, and in time, email capability via the mobile and PC, a range of online social networking tools, and special offers that match their registered profile. Its 'opt-in' and community focused design presents a powerful value proposition to both consumers and advertisers. The freedom, flexibility and value provided by Amichi is expected to attract greatest interest from the 18-29 year old consumer segment estimated to comprise over 2 million Australians.

ComTel expects to white label the Amichi model for large-scale organisations looking to extend their value propositions to include mobile services, thereby creating a direct and real-time mobile marketing interface with individuals.

### **For further information**

David Sweet, Managing Director  
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**COMTEL CORPORATION LIMITED**

**(formerly Commoditel Limited)**

**ABN 30 000 386 685**

**Appendix 4D**  
**including Half-Yearly Report for the**  
**period ended on 31 December 2007**

**ComTel Corporation Limited  
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**ComTel Corporation Limited**  
**Appendix 4D**  
**for the half-year ended 31 December 2007**

**Current Period:** 31 December 2007

**Previous Corresponding Period:** 31 December 2006

**1 Results for announcement to the market**

	<b>31-Dec-07</b> \$	<b>31-Dec-06</b> \$	<b>Change</b> \$	<b>Change</b> %
Revenue from ordinary activities	19,787,890	3,269,385	16,518,505	505%
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>4,009,033</b>	<b>25,656</b>	<b>3,983,377</b>	15526%
Net profit (loss) from ordinary activities after tax attributable to members	3,207,832	(1,031,012)	4,238,844	411%
Net profit (loss) for the period attributable to members	3,207,832	(1,031,012)	4,238,844	411%

The previous corresponding period does not include Empowered Communications (Holdings) Pty Ltd and Sonnet Corporation Limited and their wholly owned subsidiaries.

**2 Dividends**

<b>Dividends (distributions)</b>	Amount per security	Franked amount per security
Interim dividend	-	-
Previous corresponding period	-	-

**3 Net Tangible Assets per Security**

	Current period	Previous corresponding period
Net Tangible Assets per Ordinary Share	(0.9) cent	(0.4) cents

**4 Compliance Statement**

The Appendix 4D is to be read in conjunction with the annual financial report for the year ended 30 June 2007. It is also recommended that the Appendix 4D be considered together with any public announcements by the Company during the half-year ended 31 December 2007.

**5 Acquisitions**

During the half-year ended 31 December 2007, the Company made two acquisitions. Refer to note 9 in the attached condensed Half-Year Report.

**ComTel Corporation Limited  
Directors' Report  
for the half-year ended 31 December 2007**

The directors submit their report for the half-year ended 31 December 2007.

**DIRECTORS**

The names of the Company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Kevin Weldon	Non Executive Director	
David Sweet	Executive Director	
Roger Steinepreis	Non Executive Director	
Victoria Lord	Non Executive Director	
Ilario Faenza	Executive Director	Resigned 5 December 2007
Charles Morgan	Non Executive Director	Resigned 7 July 2007

**PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the half-year were the provision of mobile telecommunications services (mobile segment). Effective 1 October 2007, the entity began earning advertising revenue from providing permission based e-marketing and research services (media segment).

**OPERATING AND FINANCIAL REVIEW**

**Operating results for the year**

The consolidated entity earnings before interest, tax, depreciation and amortisation (EBITDA) for the six months to 31 December 2007 was \$4,009,033 (2006: \$25,656). The consolidated entity profit after income tax for the six months to 31 December 2007 was \$3,207,832. (2006: loss of \$1,031,012).

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

On 1 July 2007, CS Mobile Pty Limited, a wholly owned subsidiary that was initially set up as a joint venture between the Company and Sonnet Corporation Limited, took ownership of approximately 31,000 post paid mobile customers acquired for total consideration of \$7.4 million.

On 5 July 2007, CS Mobile Pty Limited secured a bridging finance facility of \$3,000,000 to fund in part its post paid customer base acquisition. This facility was for 90 days with an interest rate of 12% per annum. On 30 September 2007, the Company repaid \$1,750,000 of the debt and rolled over the balance of \$1,250,000 for a further 60 days to 30 November 2007. On 30 November 2007, the Company repaid the balance of \$1,250,000. A total of 12,000,000 listed options (1), exercisable at 1.5 cents (1) prior to 30 December 2009, were issued to the lenders upon repayment.

(1) On the 22 January 2008, the Company completed a twenty to one share consolidation.

**ComTel Corporation Limited**  
**Directors' Report (continued)**  
**for the half-year ended 31 December 2007**

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (continued)**

On 10 July 2007, the four holders of the Company's existing convertible notes on issue with a total face value of \$2,500,000, agreed to convert all of their convertible notes into ordinary shares at an issue price of 1 cent per share (1). In addition, upon conversion of these notes, the holders were issued one option for every ComodiTel share issued with an exercise price of 1.2 cents (1) per ordinary share. The holders agreed to convert all of these 250,000,000 (1) options into ordinary shares, raising a total of \$3,000,000. 100,000,000 (1) were converted on 16 July 2007 and the balance of 150,000,000 (1) was converted on 20 July 2007. These monies were used to fund in part the cash component of the Sonnet Corporation Limited acquisition consideration.

On 10 July 2007, in consideration for agreeing to convert the existing convertible notes totalling \$2,500,000, the four holders of these convertible notes entered into a loan and convertible agreements with the Company to issue further convertible notes with a face value totalling \$1,500,000. These funds raised were used to fund the remainder of the cash component of the Sonnet acquisition consideration. The material conditions of these agreements are a term of three years with interest payable at 11% per annum, payable quarterly in arrears. The Company must repay the principal amounts totalling \$1,500,000 if the notes have not been converted into ordinary shares by the end of the three year term. The conversion price is 2 cents (1). For every one share issued on conversion, the Company must issue the note holder one option to acquire an ordinary share with an exercise price of 2.5 cents (1) per share with an expiry date of four years from the date of issue.

On 11 July 2007, the Company's off-market takeover offer of Sonnet Corporation Limited closed with acceptances received totalling 96.15% of Sonnet's ordinary shares. All the conditions of the takeover were met on 11 July 2007 and the takeover became unconditional. Sonnet was de-listed from the Australian Stock Exchange on 21 August 2007. The compulsory acquisition process of the remaining 3.85% was completed on 26 August 2007.

On 20 July 2007, the Company issued a prospectus for a non-renounceable pro rata entitlements issue to shareholders raising net funds totalling \$4,000,000. These funds will be used to fund in part the acquisition of the CS Mobile Pty Ltd post paid customers acquired. Shareholders were entitled to apply for one new ordinary for every ten shares held on the record date of 31 July 2007 at an issue price of 2 cents (1) per share. The offer closed on 16 August 2007 and was fully underwritten by Cygnet Capital Pty Limited.

On 8 November 2007, at the Company's Annual General Meeting, shareholders approved by ordinary resolution the issue of 20,000,000 (1) unlisted options to Mr. David Sweet exercisable on or before 31 July 2009 at an exercise price of 2.5 cents (1) per share. The shareholders also approved a change of name of the Company to ComTel Corporation Limited.

On 15 November 2007, the Company settled the purchase of Empowered Communications (Holdings) Pty Ltd and its wholly owned subsidiaries, a permission based on line advertising company. The Company gained control of Empowered from 1 October 2007. The total cost of the Empowered acquisition was \$23,820,001 and comprised an issue of 250,000,000 ordinary shares in the Company (1), an initial cash payment totalling \$8,000,000, deferred cash consideration of \$5,000,000, earn out consideration based upon achieving EBITDA targets for financial years 2008 and 2009 and costs directly attributable to the combination.

(1) On the 22 January 2008, the Company completed a twenty to one share consolidation.

**ComTel Corporation Limited  
Directors' Report (continued)  
for the half-year ended 31 December 2007**

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (continued)**

During the 6 months to 31 December 2007, the Company recognised on the balance sheet a deferred tax asset of \$2,153,400 and a credit in the income statement to income tax expense of \$2,153,400 for carried forward income tax losses not previously recognised. These losses are being recognised for the first time because it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

**EVENTS SUBSEQUENT TO BALANCE DATE**

On 7 January 2008, at an extraordinary meeting of shareholders, shareholders approved by ordinary resolution the consolidation of the Company's securities by consolidating every twenty ordinary shares, listed options and unlisted options on issue into one ordinary share, listed option and unlisted option. The consolidation was completed on 22 January 2008.

On 13 February 2008, CS Mobile Pty Ltd, a wholly owned subsidiary of the Company, signed a Deed of Settlement with the telecommunications carrier who it purchased a post paid customer base from in July 2007. This deed settled a dispute over the migration of the customers and gave rise to income of \$1,027,439.

**AUDITOR'S INDEPENDENCE STATEMENT**

The auditor's independence declaration is included immediately following this Directors' Report, and forms part of the Directors' Report.

Signed in accordance with a resolution of the directors.



**DAVID SWEET**  
**Director**

Sydney  
27 February 2008

# ComTel Corporation Limited Auditors Independence Declaration



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## Auditor's Independence Declaration to the Directors of ComTel Corporation Limited

In relation to our review of the financial report of ComTel Corporation Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Garry Wayling".

Garry Wayling  
Partner  
27 February 2008

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**ComTel Corporation Limited**  
**Income Statement**  
**for the half-year ended 31 December 2007**

	<b>Notes</b>	<b>Consolidated 2007 \$</b>	<b>2006 \$</b>
<b>Income</b>			
Rendering of services	3(a)	18,554,510	3,267,223
Other income	3(b)	1,233,380	2,162
<b>Expenses</b>			
Cost of sales		(9,148,132)	(1,754,323)
Employee benefits expense	3(d)	(2,924,510)	(771,486)
Other expenses	3(e)	(3,706,215)	(717,920)
<b>Earnings before interest, tax depreciation and amortisation (EBITDA)</b>		<b>4,009,033</b>	<b>25,656</b>
Depreciation and amortisation expense	3(c)	(1,748,812)	(408,088)
Earnings before interest and income tax expense (EBIT)		2,260,221	(382,432)
Net finance costs	3(f)	(521,122)	(648,580)
Profit (loss) before income tax		1,739,099	(1,031,012)
Income tax benefit		1,468,733	-
<b>Net profit (loss) after income tax (NPAT)</b>		<b>3,207,832</b>	<b>(1,031,012)</b>
<b>Net profit (loss) attributable to members of the parent</b>		<b>3,207,832</b>	<b>(1,031,012)</b>
Basic and diluted (loss) per share (cents) attributable to ordinary equity holders of the parent (1)			
From continuing operations:			
- basic		0.14	(0.18)
- diluted		0.14	(0.18)

(1) On the 22 January 2008, the Company completed a twenty to one share consolidation.

The income statement is to be read in conjunction with the notes to the financial statements.

**ComTel Corporation Limited**  
**Balance Sheet as at 31 December 2007**

	Notes	Consolidated 31 December 2007 \$	30 June 2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,502,198	699,946
Trade and other receivables		5,413,078	507,930
Other financial assets		1,272,840	850,048
Other		269,614	737,407
Inventories		115,006	203,143
<b>Total Current Assets</b>		<u>10,572,736</u>	<u>2,998,474</u>
<b>Non-Current Assets</b>			
Other financial assets		-	772,000
Plant and equipment		848,303	88,607
Investments		58,848	-
Deferred tax assets		1,567,361	-
Goodwill		55,022,161	-
Intangible assets		12,123,728	1,930,000
<b>Total Non-Current Assets</b>		<u>69,620,401</u>	<u>2,790,607</u>
<b>Total Assets</b>		<u>80,193,137</u>	<u>5,789,081</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	10,808,080	3,704,996
Provisions		634,786	1,164,748
Interest-bearing loans and borrowings	8	2,251,337	800,000
Other liabilities		755,664	-
Income tax provision		254,569	-
<b>Total Current Liabilities</b>		<u>14,704,436</u>	<u>5,669,744</u>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	8	12,561,690	3,350,000
Trade and other payables	7	7,242,395	-
Deferred tax liabilities		3,655,111	-
Provisions		17,829	-
<b>Total Non-Current Liabilities</b>		<u>23,477,025</u>	<u>3,350,000</u>
<b>Total Liabilities</b>		<u>38,181,461</u>	<u>9,019,744</u>
<b>Net Assets</b>		<u>42,011,676</u>	<u>(3,230,663)</u>
<b>Equity</b>			
Contributed equity	4	93,459,804	51,646,925
Other reserves		2,982,178	2,760,550
Accumulated losses		(54,430,306)	(57,638,138)
<b>Total Equity attributable to equity holders of the parent</b>		<u>42,011,676</u>	<u>(3,230,663)</u>

The balance sheet is to be read in conjunction with the notes to the financial statements.

**ComTel Corporation Limited**  
**Statement of Changes in Equity**  
**for the half-year ended 31 December 2007**

	Contributed equity \$	Accumulated losses \$	Other reserves \$	Total \$
<b>CONSOLIDATED</b>				
<b>At 1 July 2007</b>	51,646,925	(57,638,138)	2,760,550	(3,230,663)
Total income and expense for the Period recognised directly in equity	-	-	-	-
Net profit after tax the half-year	-	3,207,832	-	3,207,832
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total income and expense for the Period	-	3,207,832	-	3,207,832
Equity transactions:				
Issue of ordinary shares	42,123,556	-	-	42,123,556
Share issue costs	(310,677)	-	-	(310,677)
Cost of share-based payments	-	-	221,628	221,628
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At 31 December 2007</b>	<u>93,459,804</u>	<u>(54,430,306)</u>	<u>2,982,178</u>	<u>42,011,676</u>
<b>At 1 July 2006</b>	49,473,966	(50,816,578)	2,727,000	1,384,388
Total income and expense for the Period recognised directly in equity	-	-	-	-
Net loss after tax for the half-year	-	(1,031,012)	-	(1,031,012)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total income and expense for the Period	-	(1,031,012)	-	(1,031,012)
Equity transactions:				
Issue of ordinary shares	2,186,070	-	-	2,186,070
Share issue costs	(173,300)	-	-	(173,300)
Cost of share-based payments	164,500	-	12,760	177,260
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At 31 December 2006</b>	<u>51,651,236</u>	<u>(51,847,590)</u>	<u>2,739,760</u>	<u>2,543,406</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

**ComTel Corporation Limited**  
**Cash Flow Statement**  
**for the half-year ended 31 December 2007**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	18,014,857	3,275,521
Payments to suppliers and employees	(14,979,775)	(2,402,250)
Interest received	119,552	6,293
Interest paid	(342,150)	(99,079)
Income tax paid	(227,739)	-
	<u>2,584,745</u>	<u>780,485</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(364,090)	(64,220)
Proceeds on disposal of non-current assets	-	3,000
Payment for intangible assets	(5,676,351)	(3,300,000)
Costs incurred on acquisition of subsidiary/investment	(488,244)	-
Acquisition of subsidiary/investment	(11,480,120)	-
Loan given	(100,000)	-
Proceeds from repayment of loan	500,000	-
	<u>(17,608,805)</u>	<u>(3,361,220)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	7,556,456	2,186,070
Rights issue capital raising costs	(310,677)	(173,300)
Proceeds from borrowings	15,300,000	2,500,000
Repayment of borrowings	(4,719,467)	(166,670)
	<u>17,826,312</u>	<u>4,346,100</u>
Net increase in cash and cash equivalents held	2,802,252	1,765,365
Cash and cash equivalents at beginning of period	699,946	245,215
	<u>3,502,198</u>	<u>2,010,580</u>
<b>Cash and cash equivalents at end of period</b>		

The cash flow statement is to be read in conjunction with the notes to the financial statements.

**ComTel Corporation Limited**  
**Notes to the Financial Statements**  
**for the half-year ended 31 December 2007**

**1. CORPORATE INFORMATION**

The condensed financial report of ComTel Corporation Limited (the Company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 27 February 2007. ComTel Corporation Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in The Directors Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This condensed half-year financial report is to be read in conjunction with the 30 June 2007 Annual Financial Report.

It is also recommended that the condensed half-year financial report be considered together with any public announcements by the Company during the half-year ended 31 December 2007 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The condensed half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

**(a) Basis of preparation**

The condensed half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The condensed half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars. For the purposes of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The Directors believe that the Company's significantly improved earnings and positive cash flow from operations will continue to generate sufficient cash flows to meet all its obligations as and when they fall due. For the half-year ended 31 December 2007, the Company generated \$2.8 million in cash flows from operations. This included \$862,000 in non-recurring restructuring cost payments that were provided for in the 2007 financial year. There are no further restructuring payments to be made this financial year.

The Directors believe that the Company and the consolidated entity will be able to continue as going concerns and, as a consequence, the half-year financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Directors are aware however that as at 31 December 2007 the group has an excess of current liabilities over current assets of \$4.1 million.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Basis of preparation (continued)**

The Directors expect that the excess of current liabilities over current assets will reduce as the Company continues to generate positive cash flows from operations. Based upon the Company's 2008 financial year EBITDA forecast of \$8 million, the Company expects to generate net cash inflows of approximately \$350,000 per month.

**(b) Significant accounting policies**

The condensed half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

Effective 1 July 2007 the Group has adopted AASB 7 Financial Instruments: Disclosures which is a disclosure standard only. This has had no impact on the half year financial report but will result in additional disclosure in the 30 June 2008 Annual report.

There are other amendments to current accounting standards which are now effective. The impact of these amendments is not expected to be significant for ComTel Corporation Limited.

Certain Australian Accounting Standards and Interpretations have been recently issued or amended but are not yet effective. These standards have not yet been adopted by ComTel Corporation Limited in the 31 December 2007 condensed half year financial report. The Directors are in the process of finalising their assessment of the impact of these standards and interpretations to the extent relevant to the Company.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**3. REVENUE AND EXPENSES**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue</b>		
Revenue from rendering services	18,554,510	3,267,223
	<u>18,554,510</u>	<u>3,267,223</u>
<b>(b) Other income</b>		
Customer base purchase settlement income (1)	1,027,439	-
Sundry income	205,941	2,162
	<u>1,233,380</u>	<u>2,162</u>
<b>(c) Depreciation and amortisation</b>		
Depreciation:		
Plant and equipment	126,618	31,421
Amortisation:		
Intangible assets – customer base	1,622,194	376,667
	<u>1,748,812</u>	<u>408,088</u>
<b>(d) Employee benefits expense</b>		
Salaries and wages	2,393,310	518,990
Share based payments	193,625	177,260
Superannuation	151,684	42,223
Leave	(43,993)	220
Payroll tax	94,303	-
Training and recruitment	127,001	8,920
Other	8,580	23,873
	<u>2,924,510</u>	<u>771,486</u>
<b>(e) Other expenses</b>		
Billing expense	555,344	209,280
Director fees	437,474	23,873
Rent & office supplies	435,794	32,638
Marketing expense	376,525	152,541
Bad debts	271,300	40,000
Other	1,629,778	259,588
	<u>3,706,215</u>	<u>717,920</u>

(1) This income resulted from the settlement of a dispute over the migration of post paid customers. As at 31 December 2007, the Company was negotiating the final terms of the settlement and was virtually certain that this income would be received. The settlement deed was signed on 13 February 2008.

**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**3. REVENUE AND EXPENSES (continued)**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(f) Net Finance costs</b>		
Interest income	(119,549)	-
Interest expense	604,065	99,079
Fair value adjustment on borrowings	(95,903)	-
Accretion (income)/expense – convertible note	(70,826)	404,325
Finance fees	198,266	-
Loss on financial instrument attached to convertible note	405,069	145,176
Recovery of loan previously written off	(400,000)	-
	<u>521,122</u>	<u>648,580</u>
Total net financial costs	<u>521,122</u>	<u>648,580</u>

**4. CONTRIBUTED EQUITY**

**Issued and paid-up capital**

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>31 December 2007</b>		<b>30 June 2007</b>	
	<b>Number (1)</b>	<b>\$</b>	<b>Number (1)</b>	<b>\$</b>
Fully paid ordinary shares	2,651,628,104	93,459,804	802,773,890	51,646,925
	<u>2,651,628,104</u>	<u>93,459,804</u>	<u>802,773,890</u>	<u>51,646,925</u>
<b>Movements in shares on issue</b>				
Beginning of the financial period	802,723,890	51,646,925	475,000,000	49,473,966
Issued in relation to rights issue	214,228,900	4,284,578	18,380,933	183,809
Issued in relation to placement	1,121,000,107	31,217,100	285,737,427	2,000,162
Issued in relation to conversion of options to ordinary shares	513,675,207	6,621,878	155,530	2,849
Issued in relation to performance bonuses for staff	-	-	23,500,000	164,500
Share issue expenses	-	(310,677)	-	(178,361)
	<u>2,651,628,104</u>	<u>93,459,804</u>	<u>802,773,890</u>	<u>51,646,925</u>
End of financial period	<u>2,651,628,104</u>	<u>93,459,804</u>	<u>802,773,890</u>	<u>51,646,925</u>

The reconciliation is only for the half-year ended 31 December 2007.

- (1) On the 22 January 2008 the Company completed a twenty to one share consolidation.

**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**5. SEGMENT INFORMATION**

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

As a result of the Empowered acquisition, a Media segment has been added.

**Business Segments**

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half-year ending 31 December 2007 and 31 December 2006.

	<b>Mobile</b>	<b>Media</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2007</b>			
<b>Revenue</b>			
Sales to external customers	17,548,736	1,005,774	18,554,510
Other revenue	1,233,380	-	1,233,380
Inter-segment sales	-	39,777	39,777
Total segment revenue	18,782,116	1,045,551	19,827,667
Inter-segment elimination			(39,777)
<b>Total consolidated revenue</b>			<b>19,787,890</b>
<b>Result</b>			
EBITDA	3,549,683	459,350	4,009,033
Segment result (EBIT)	1,800,871	459,350	2,260,221
Net finance costs			(521,122)
Profit before income tax			1,739,099
Income tax benefit			1,468,733
Net profit for the period			3,207,832
<b>Assets &amp; liabilities</b>			
Total segment assets	68,381,029	10,244,747	78,625,776
Unallocated segment assets			1,567,361
Total segment assets			80,193,137
Segment Liabilities	25,916,155	8,610,195	34,526,350
Unallocated segment liabilities			3,655,111
Total segment liabilities			38,181,461
<b>Other segment information</b>			
Capital expenditure	14,436,007	980	14,436,987
Depreciation and amortisation	(1,748,812)	-	(1,748,812)
<b>Cash flow information</b>			
Net cash flow from operating activities	2,175,854	364,505	2,540,359
Net cash flow from investing activities	(8,585,471)	(8,978,948)	(17,564,419)
Net cash flow from financing activities	10,063,130	7,763,182	17,826,312

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**5. SEGMENT INFORMATION (continued)**

	<b>Mobile</b>	<b>Media</b>	<b>Total</b>
	<b>\$</b>		<b>\$</b>
<b>31 December 2006</b>			
<b>Revenue</b>			
Sales to external customers	3,267,223	-	3,267,223
Other revenue	2,162	-	2,162
Total segment revenue	3,269,385	-	
<b>Total consolidated revenue</b>			<b><u>3,269,385</u></b>
<b>Result</b>			
EBITDA	25,656	-	25,656
Segment result (EBIT)	(382,432)	-	(382,432)
Net finance costs			(648,580)
Loss before income tax			(1,031,012)
Income tax expense			-
Loss for the period			<u>(1,031,012)</u>
<b>Assets &amp; liabilities</b>			
Total segment assets	8,980,109	-	8,980,109
Total segment liabilities	6,436,703	-	6,436,703
		-	
<b>Other segment information</b>			
Capital expenditure	3,332,799	-	3,332,799
Depreciation and amortisation	(408,088)	-	(408,088)
<b>Cash flow information</b>			
Net cash flow from operating activities	780,485	-	780,485
Net cash flow from investing activities	(3,361,220)	-	(3,361,220)
Net cash flow from financing activities	4,346,100	-	4,346,100

**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**6. SHARE BASED PAYMENT PLANS**

**(a) Employee option plan**

The establishment of an employee option plan was approved by shareholders at the June 2006 general meeting of shareholders. It is open to all full time and part time employees of the Company under which they are issued with options over the ordinary shares of ComTel Corporation Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of the Company. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

	<b>31 Dec 07</b> <b>Number of</b> <b>options</b> <b>(1)</b>	<b>31 Dec 07</b> <b>Weighted</b> <b>average</b> <b>exercise</b> <b>price</b>	<b>31 Dec 06</b> <b>Number of</b> <b>options</b> <b>(1)</b>	<b>31 Dec 06</b> <b>Weighted</b> <b>average</b> <b>exercise</b> <b>price</b>
Balance at beginning of period	22,900,000	\$0.02	-	-
- granted	-	-	10,300,000	\$0.015
- forfeited	-	-	-	-
	<u>22,900,000</u>	<u>\$0.02</u>	<u>10,300,000</u>	<u>\$0.015</u>
Balance at end of period	22,900,000	\$0.02	10,300,000	\$0.015
Exercisable at end of period	<u>22,900,000</u>	<u>\$0.02</u>	<u>10,300,000</u>	<u>\$0.015</u>

The options were granted on the following terms and conditions:

<b>Number</b>	<b>Grant date</b>	<b>Vesting date</b>	<b>Expiry date</b>	<b>Exercise Price (1)</b>	<b>Option Life</b>
10,300,000	24 September 2006	24 September 2006	12 September 2008	1.5 cents	2 years
12,600,000	6 June 2007	6 June 2008	31 May 2010	2 cents	3 years

**(b) Performance options**

On 8 November 2007, at the Company's Annual General Meeting, shareholders approved by ordinary resolution the issue of 20,000,000 (1) unlisted options to Mr. David Sweet exercisable on or before 31 July 2009 at an exercise price of 2.5 cents (1) per share.

The fair value of these equity-settled options was calculated 8 November 2007 using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The expected volatility was determined using an historical sample of the period between 11 July 2007 i.e. the date of the Sonnet acquisition and 8 November 2007. The resulting volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The following table lists the model inputs:

(1) On the 22 January 2008, the Company completed a twenty to one share consolidation.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**6. SHARE BASED PAYMENT PLANS (continued)**

**(b) Performance options (continued)**

Expected volatility	43%
Risk-free interest rate	6.73%
Life of option	1.7 years
Exercise price	2.5 cents

Based on these inputs the options have been valued at \$79,722. This amount has been fully expensed to the income statement. All options remain unexercised at 31 December 2007. The exercise price is pre the twenty to one share consolidation.

There are no additional performance based options on issue. The only performance based options on issue relate to the options referred to in this note.

**(c) Recognised share-based payment expenses**

The expense for share-based payments during the half-year is shown below:

	<b>2007</b>	<b>2006</b>
	\$	\$
Employee option plan	86,940	12,760
Performance options	79,222	164,500
Other share-based payments	27,463	-
	<u>193,625</u>	<u>177,260</u>

**7. TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 June</b>
	<b>2007</b>	<b>2007</b>
	\$	\$
<b>Current</b>		
Trade creditors	7,446,932	3,613,110
Other payables – Customer base purchase	1,393,334	-
Other payables and accruals	1,967,814	91,886
	<u>10,808,080</u>	<u>3,704,996</u>
<b>Non-current</b>		
Other payables – Empowered consideration (1)	7,242,395	-
	<u>7,242,395</u>	<u>-</u>

Note (1). The Empowered consideration represents deferred cash consideration plus estimates of the 2008 and 2009 financial year EBITDA earn out consideration due 31 March 2009 calculated at their fair values. The face value is \$8,329,680.

If the deferred consideration component, with a face value of \$5,000,000, is not paid by 31 March 2009, the Company will issue ordinary shares in lieu of this second cash instalment. The earn out consideration payments are dependant upon the Empowered Group achieving EBITDA targets. If the targets are met, the Empowered Vendors may, at their discretion elect to receive shares in lieu of the earn out consideration.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**8. INTEREST-BEARING LOANS AND BORROWINGS**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 June</b>
	<b>2007</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Secured bank loan (a)	1,500,000	800,000
Secured loans from external parties (b)	680,419	-
Lease liability (d)	70,918	-
	2,251,337	800,000
<b>Non-current</b>		
Secured bank loan (a)	6,375,000	-
Secured loans from external parties (b)	2,392,333	-
Unsecured Vendor loan (c)	1,904,097	-
Convertible notes (e)	1,429,174	2,500,000
Financial instrument (e)	405,069	850,000
Lease liability (d)	56,017	-
	12,561,690	3,350,000

(a) Secured bank loan

This loan was entered into on 15 November 2007 and was used to fund \$8,000,000 of the initial \$10,000,000 Empowered Communications (Holdings) Pty Ltd acquisition consideration. The loan is secured by a fixed and floating charge over the Company and its subsidiaries and a cross guarantee and indemnity. The current portion of the loan is calculated as twelve monthly principal repayments of \$125,000. One repayment was made during the period. The average interest rate for the period was 7.0% p.a.

(b) Secured loans from external parties

This Vodafone Network Pty Ltd loan was entered into on 18 November 2004 for the novation of post paid customer contracts. The loan is secured by mortgages over shares in Reward Mobile Pty Ltd and Virtel Mobility Services (AUST) Pty Ltd and fixed and floating charges over the assets and undertakings of both these wholly owned subsidiaries of Virtel Group Ltd. In the event of a default, Vodafone may in its discretion notify the Company that the breach constitutes an event for which the Company must assign or novate the customers back to Vodafone.

The loan term ends in May 2010. No interest is payable on the loan and the loan balance has been stated in the balance sheet at its present value. The face value of the loan as at 31 December 2007 was \$3,678,815.

(c) Unsecured Vendor loan

This fixed rate loan was entered into on 15 November 2007 with the vendors of Empowered Communications Pty Ltd and was used to fund \$2,000,000 of the initial \$10,000,000 Empowered Communications (Holdings) Pty Ltd acquisition consideration. The interest rate is 12% p.a. The term of the loan is until 31 March 2009. The face value of the loan is \$2,000,000.

(d) Lease Liability

The lease liability consists of a finance lease for plant and equipment. The fixed interest rate on the lease is 0.25%.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**8. INTEREST-BEARING LOANS AND BORROWINGS (continued)**

- (e) On 10 July 2007, in consideration for agreeing to convert the existing convertible notes totalling \$2,500,000, the four holders of these convertible notes entered into loan and convertible agreements with the Company to issue further convertible notes with a face value totalling \$1,500,000. These funds raised were used to fund the remainder of the cash component of the Sonnet Corporation Limited acquisition consideration.

The terms and conditions of the convertible notes are as follows:

- The term is for 3 year with a maturity date of 9 July 2010. The Company must repay the total principal amount of \$1,500,000 if the notes have not been converted by this date.
- The advancing of the loan was initially dependant upon the completion of the takeover of Sonnet Corporation Limited. This occurred on 11 July 2007.
- Interest is payable at 11 % per annum, accrued daily and payable quarterly in arrears.
- The notes may be converted into ordinary shares at any time prior to the maturity date at an exercise price of 2 cents (1) per share.
- For every one share issued on conversion, the company must issue the holder one share option (1).
- The share options are exercisable before 30 June 2011 and each option has an exercise price of 2.5 cents (1).

The notes have been classified into two components: a debt component (a contractual arrangement to deliver cash) and an embedded derivative financial instrument component (an option granting the holder the right, for a specified period of time, to convert it into a fixed number of ordinary shares of the Company).

The value of the financial instrument component has been determined using a Monte Carlo pricing model taking into account such factors as share price volatility, expected life, exercise price and the prevailing share price. As at 11 July 2007, this resulted in an initial allocation of \$2,045,135 to the option financial instrument and an allocation of \$1,418,824 to the debt component. As at 31 December 2007, the fair value of the option financial instrument was \$405,069 and the debt component was \$1,429,174.

Over the term of the notes, the financial instrument will be fair valued at each balance date and the movement in fair value recorded through the income statement. As the share price in the Company changes, the value of the option financial instrument will change, resulting in a change to the liability reported in the balance sheet and an income or expense in the income statement.

Over the term of the notes, the carrying value of the debt component will be accreted to the \$1,500,000 principal amount using the effective interest rate method. This accretion will be charged or credited to the income statement as a finance cost.

- (1) On the 22 January 2008 the Company completed a twenty to one share consolidation.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**9. BUSINESS COMBINATIONS**

**(a) Sonnet Corporation Limited**

On 11 July 2007 the Company acquired 96.15% of the shares in Sonnet Corporation Limited, a listed public company based in Australia providing mobile telecommunications services. On 21 August, the Company acquired 100% of the shares in Sonnet. The total cost of the combination was \$31,089,973 and comprised an issue of equity instruments, the payment of cash and costs directly attributable to the combination. The group issued 871,000,107 ordinary shares with a fair value of 3.01 cents each, based on the quoted price of the Company on 11 July 2007.

The fair value of the identifiable assets and liabilities of Sonnet Corporation Limited as at the date of acquisition were:

	<b>\$</b>
Cash and cash equivalents	3,186,285
Trade receivables	1,470,753
Inventories	32,877
Other financial and current assets	1,020,474
Plant and equipment	343,146
Intangible assets	4,589,921
Investments	58,848
Deferred tax assets	247,042
	<hr/>
Total assets	10,949,346
	<hr/>
Trade and other payables	4,411,825
Provisions	473,072
Deferred income	409,068
Loans and borrowings	3,358,310
Deferred tax liabilities	3,808,453
	<hr/>
Total liabilities	12,460,728
	<hr/>
Fair value of identifiable net assets	(1,511,382)
Goodwill arising on acquisition	32,601,355
	<hr/>
Cost of acquisition	31,089,973
	<hr/> <hr/>
Cost of the acquisition comprises:	
Shares issued, at fair value	26,217,100
Cash paid	4,500,167
Direct costs relating to the acquisition	372,706
	<hr/>
	31,089,973
	<hr/> <hr/>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	3,186,285
Cash paid	(4,500,167)
	<hr/>
Net cash consolidated cash outflow	(1,313,882)
	<hr/> <hr/>

Included in the above acquisition accounting are the assets and liabilities of CS Mobile Pty Ltd which was acquired as part of the Sonnet acquisition on 11 July 2007. The consolidated revenue and profit after tax impact of the business combination would not be material if the Sonnet acquisition had occurred on 1 July 2007. For the period 11 July 2007 to 31 December 2007 Sonnet contributed \$2,995,315 to the profit after tax for the consolidated group.

**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**9. BUSINESS COMBINATIONS (continued)**

**(b) Empowered Communications (Holdings) Pty Ltd**

On 1 October 2007 the Company acquired 100% of the shares in Empowered Communications (Holdings) Pty Limited, an unlisted private company based in Australia, specialising in permission based online marketing.

The total cost of the combination was \$23,820,001 and comprised an issue of equity instruments, the payment of cash, and costs directly attributable to the combination. The group issued 250,000,000 ordinary shares (pre the 22 January 2008 twenty to one share consolidation) with a fair value of 2 cents each.

The fair value of the consolidated identifiable assets and liabilities of Empowered Communications (Holdings) Pty Ltd and its subsidiaries as at the date of acquisition was:

	\$
Cash and cash equivalents	1,340,216
Trade receivables	955,560
Other current assets	31,375
Plant and equipment	80,225
Other non-current assets	2,402
	<hr/>
Total assets	2,409,778
	<hr/>
Trade payables	91,884
Other payables	187,989
Provisions	730,710
	<hr/>
Total liabilities	1,010,583
	<hr/>
Fair value of identifiable net assets	1,399,195
Goodwill arising on acquisition	22,420,806
	<hr/>
Cost of acquisition	23,820,001
	<hr/> <hr/>
Cost of the acquisition comprises:	
Shares issued, at fair value	5,000,000
Cash paid	11,506,454
Payable in a future period	7,242,395
Direct costs relating to the acquisition	71,152
	<hr/>
	23,820,001
	<hr/> <hr/>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	1,340,216
Cash paid	(11,506,454)
	<hr/>
Net cash consolidated cash outflow	(10,166,238)
	<hr/> <hr/>

If the combination had taken place from the beginning of the year, the net profit after tax for the Company would have been \$2,032,306 and revenue from ordinary activities would have been \$21,243,201. For the period 1 October 2007 to 31 December 2007 Empowered contributed \$235,357 to the profit after tax for the consolidated group.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**9. BUSINESS COMBINATIONS (continued)**

The details in this note for the Sonnet and Empowered acquisitions reflect the initial recording of the acquisitions on a provisional basis as at 31 December 2007. The Directors are still in the process of identifying whether there are any further intangible assets to be recognised separately as a result of the Empowered acquisition. Contributing towards the goodwill of both acquisitions is the synergies within the acquired businesses and also synergies expected to be achieved as a result of combining Sonnet and Empowered with the rest of the Group.

The Sonnet Corporation Limited and CS Mobile Pty Ltd acquisitions provided the Company with a significant increase in customer numbers enabling it to achieve critical mass and economy of scale efficiencies. In addition, these mobile customers acquired, together with the member base purchased through the Empowered acquisition, give the Company the capacity to generate organic revenue growth for both segments. These three factors also contributed towards the goodwill of both acquisitions.

**10. COMMITMENTS AND CONTINGENCIES**

**(a) Operating lease commitments**

Future operating lease rentals:	<b>2007</b>	<b>2006</b>
	\$	\$
Not later than one year	410,936	44,874
Later than one year and not later than two years	1,175,937	74,791
	<u>1,586,873</u>	<u>119,665</u>

**(b) Capital Commitments**

There were no capital commitments as at 31 December 2007.

**(c) Contingent assets and liabilities**

There were no contingent assets or liabilities as at 31 December 2007.

**11. RESTATEMENT OF PRIOR PERIOD**

During the previous year, the Directors revised their assessment of the useful life of the customer base intangible from infinite to 5 years for post paid customers and 3 years for pre paid customers. The net effect of this error in the previous period was an increase in the amortisation expense and accumulated amortisation of \$376,667. This restatement therefore had the effect of overstating consolidated intangible assets, consolidated retained earnings and consolidated net loss before and after tax for the 6 months ending 31 December 2006 by \$376,667.

The change has resulted in a restatement of each of the affected financial statement line items for the prior year as described above.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a reduction of \$0.06 per share.

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**ComTel Corporation Limited**  
**Notes to the Financial Statements (continued)**  
**for the half-year ended 31 December 2007**

**12. EVENTS SUBSEQUENT TO BALANCE DATE**

On 7 January 2008, at an extraordinary meeting of shareholders, shareholders approved by ordinary resolution the consolidation of the Company's securities by consolidating every twenty ordinary shares, listed options and unlisted options on issue into one ordinary share, listed option and unlisted option. The consolidation was completed on 22 January 2008.

On 13 February 2008, CS Mobile Pty Ltd, a wholly owned subsidiary of the Company, signed a Deed of Settlement with the telecommunications carrier who it purchased a post paid customer base from in July 2007. This deed settled a dispute over the migration of the customers and gave rise to income of \$1,027,439.

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## ComTel Corporation Limited Directors' Declaration

In the opinion of the directors of ComTel Corporation Limited:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (a) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
  - (a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 27<sup>th</sup> day of February 2008.

Signed in accordance with a resolution of the Directors.



**DAVID SWEET**  
Director

# ComTel Corporation Limited Independent Review Report



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680 George Street  
Sydney NSW 2000  
Australia

■ Tel 61 2 9248 5555  
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GPO Box 2646  
Sydney NSW 2001

To the members of ComTel Corporation Limited

## Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ComTel Corporation Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 date and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ComTel Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved under  
Professional Standards Legislation.

## ComTel Corporation Limited Independent Review Report



### *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 financial report of ComTel Corporation Limited is not 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 2007 and of its performance for the half-year duration ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Garry Wayling'.

Garry Wayling  
Partner  
Sydney  
27 February 2008