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COMMODITEL LIMITED
ABN 30 000 386 685

13 September 2005

Manager of Company Announcements
Australian Stock Exchange Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

PRELIMINARY FINAL REPORT

Please find attached the Company's Appendix 4E – Preliminary Final Report for the year ended 30 June 2005.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'David Riekie', written over a horizontal line.

David Riekie
Chairman

COMMODITEL LIMITED

ABN 30 000 386 685

ASX Preliminary Final Report
Appendix 4E

30 June 2005

Lodged with the ASX under Listing Rule 4.3A

Results for announcement to the market
30 June 2005

KEY ACTIVITY HIGHLIGHTS

- **Customer Subscriptions**
 Prior to the financial year end the Company achieved a key milestone of 15,000 customer subscribers for prepaid mobile phone cards.
- **Key Strategic Relationships**
 Development of the prepaid mobile phone template Revolution and signing of branded dealer agreements with 7 Eleven and Bartercard and an MOU with Infnitel.
- **Appointments**
 Appointment of Managing Director and CEO, Mr George Gelavis, (ex B Digital) who has significant experience in the telecommunications industry.
- **Capital Reconstruction and Capital Raising**
 The Company successfully completed a capital reconstruction resulting in the cancellation of various vendor incentive shares and options, and initiated a capital raising program for approximately \$1.49m by way of a rights issue and placement which was completed in July 2005.

Activities

The principal activities of the consolidated entity are the provision of telecommunications services and internet based services.

Consolidated

		2005	2004
		\$	\$
Revenue from ordinary activities	Down 14%	1,294,360	1,498,895
Profit/(Loss) before Interest, Tax, Depreciation and Amortisation (EBITDA) from ordinary activities	Up 203%	(2,652,784)	(876,563)
Profit/(Loss) before Interest and Tax (EBIT) from ordinary activities	Up 58%	(2,995,310)	(1,899,530)
Net Profit/(Loss) for the period attributable to members (NPAT)	Up 60%	(2,917,630)	(1,819,374)

Dividends	Amount per security \$	Franked amount per security \$
Final dividend	0	0
Interim dividend	0	0

REVIEW OF ACTIVITIES

Operational Activities – CommodityTel (Australia) Pty Ltd

During the year the Company secured 15,000 subscriber connections in line with management's previous forecasts, released to the market during the year. The Company has demonstrated improving performance and an acceleration in customer subscriptions since launch to 30 June 2005.

**	Actual December Quarter 04	Actual March Quarter 05	Actual June Quarter 05
Cumulative customers	885	4,037	15,021

The Company has over the past six months been able to capitalise on its lower cost marketing strategy and built momentum in respect of the level of subscribers through CommodityTel across the current brands available.

The Revolution brand developed by CommodityTel, was introduced to the market utilising a web based affiliate program and has operated as a significant test case of the Company's business model.

The second brand launched utilising the Network Capacity Agreement with Vodafone, is 7 Eleven's "SpeakUp". This is the first client branded product of its type in the industry and has been released through the 7 Eleven store network. The Company intends to assist 7 Eleven to progressively roll out "SpeakUp" through its 350 franchise stores on the eastern seaboard of Australia.

The Company has also executed an MOU with Infnitel Pty Ltd to sell branded SIM cards. Infnitel, through its flagship brand Zany Mobile and Mobile Mojo, is one of Australia's largest sellers of mobile games, ringtones and wallpapers. The relationship with Infnitel is anticipated to allow CommodityTel to enter this high growth segment of the telecommunication market.

Adaptive Systems Pty Ltd

Throughout the year Adaptive has consolidated its position with in its existing customer base in the key Canberra based government sector. Adaptive also engaged two key sale executives to promote the rollout of a key product for this sector for commercial release towards the end of this calendar year. Adaptive continues to develop its position as a provider of online business solutions from its base in Canberra.

CORPORATE ACTIVITIES

Rights Issue, Placement and Capital Reconstruction

The Company successfully completed a reconstruction of capital program, in conjunction with a rights issue to raise further capital for CommodityTel (Australia) Pty Ltd. Prior to the capital raising the Company had 251,040,915 shares on issues. The Company released a prospectus dated 22 June 2005 (with a supplementary prospectus lodged on 15 July 2005) for a non-renounceable rights issue of approximately 125,520,457 shares at a price of \$0.01 per share on the basis of 1 share for every 2 shares held on 1 July 2005. The issue to raise up to approximately \$1,255,204 was fully underwritten and closed on 26 July 2005. In addition, the Company also completed a placement of 23,438,628 shares raising \$234,386. A total of \$1,489,590 (before costs) was raised pursuant to the Company's capital raising program.

Annual Report and General Meeting

CMO expects to despatch its Annual Report and Notice of Annual General Meeting during the 4th week of October and hold its AGM on 28th November 2005.

Commentary

The year in question has seen the Company progress its successful business model and develop key strategic relationships with industry players. The reconstruction of capital and developing revenues has put the Company on a strong platform for further development of its business model.

Audit Status

The audit of the financial report is currently being concluded and the audit report will be issued upon the approval of the financial statements by the directors.

Preliminary Consolidated Statement of Financial Performance
For the Year ended 30 June 2005

	Notes	2005 \$	2004 \$
Revenues From Ordinary Activities	3	1,294,360	1,498,895
Cost of services rendered		(867,189)	(147,195)
Salaries and employee related benefits		(1,797,153)	(1,230,286)
Depreciation and amortisation expenses	4	(342,526)	(240,802)
Administration expenses		(714,303)	(390,276)
Borrowing costs expense		(1,813)	-
Other expenses from ordinary activities	4	(489,006)	(1,309,710)
		<hr/>	<hr/>
(Loss) From Ordinary Activities Before Income Tax Expense		(2,917,630)	(1,819,374)
Income Tax Expense Relating to Ordinary Activities		-	-
		<hr/>	<hr/>
Net (Loss) attributable to the members of CommodiTel Limited		(2,917,630)	(1,819,374)
		<hr/>	<hr/>
Basic loss per share(cents per share)	5	2.07	1.5

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Statement of Financial Position
As at 30 June 2005**

	Notes	2005 \$	2004 \$
Current Assets			
Cash assets		596,593	2,514,139
Receivables		243,439	177,810
Inventories		57,727	40,000
Other		54,265	50,229
Total Current Assets		952,024	2,782,178
Non-Current Assets			
Receivables		-	-
Property, plant and equipment		345,369	327,293
Intangibles		3,536,488	3,738,309
Total Non-Current Assets		3,881,857	4,065,602
TOTAL ASSETS		4,833,881	6,847,780
Current Liabilities			
Payables		954,478	226,079
Provisions		221,422	46,090
Interest bearing liabilities		-	-
Total Current Liabilities		1,175,900	272,169
Non-Current Liabilities			
Interest bearing liabilities		-	-
Provisions		-	-
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		1,175,900	272,169
NET ASSETS/(DEFICIENCY)		3,657,981	6,575,611
Equity			
Contributed equity	7	47,357,158	47,357,158
Reserves		2,727,000	2,727,000
Accumulated losses	8	(46,426,177)	(43,508,547)
TOTAL EQUITY/(DEFICIENCY)		3,657,981	6,575,611

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Statement of Cash Flows
For the Year ended 30 June 2005**

	Notes	2005 \$	2004 \$
Cash Flows from Operating Activities			
Receipts from customers		1,313,576	1,597,558
Other income		810	-
Interest received		79,493	78,376
Interest paid		(1,813)	-
Research and development tax credit received		129,212	-
Payments to suppliers and employees		(3,303,010)	(2,564,522)
Net cash flows from/(used in) operating activities	9	(1,781,732)	(888,588)
Cash Flows from Investing Activities			
Payments for acquisition of business		-	(171,906)
Purchases of property, plant and equipment		(118,814)	(201,281)
Payments to term deposits		(17,000)	-
Proceeds from sale of non-current assets		-	45,549
Net cash flows from/(used in) from investing activities		(135,814)	(327,638)
Cash Flows from Financing Activities			
Proceeds from issues of ordinary shares		-	3,845,486
Proceeds from borrowings		-	350,000
Repayment of borrowings		-	(505,148)
Payment of share issue expenses		-	(61,671)
Net cash flows from/(used in) from financing activities		-	3,628,667
Net increase/(decrease) in cash held		(1,917,546)	2,412,441
Cash at the beginning of the financial year		2,514,139	101,698
Cash at the end of the financial year		596,593	2,514,139

The accompanying notes form part of these financial statements.

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2005

1. BASIS OF THE PREPARATION OF THE PRELIMINARY FINAL REPORT

The preliminary final report has been prepared in accordance with the ASX Listing rule 4.3A and the disclosure requirements of ASX Appendix 4E. It is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by CommodityTel Limited and its controlled entities during the financial year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year. The preliminary final report does not include full disclosures of the type normally included in the annual financial report.

2. DIVIDENDS

The Directors do not recommend that a dividend relating to the year ending 30 June 2005 be paid.

3. REVENUE FROM ORDINARY ACTIVITIES	2005	2004
	\$	\$
Revenue from ordinary activities		
Revenue from services rendered	1,191,906	1,357,471
Interest received – other persons	79,493	78,376
Other revenue	20,135	17,499
Total revenues from operating activities	1,291,534	1,453,346
Revenue from non-operating activities		
Proceeds from sale of other assets	2,826	45,549
Total Revenue from ordinary activities	1,294,360	1,498,895

4. EXPENSES FROM ORDINARY ACTIVITIES

The operating result before income tax has been determined that:

Cost of Services Rendered	867,189	147,195
Interest Expense	1,813	4,390
Depreciation		
Depreciation on plant and equipment	137,264	94,460
	137,264	94,460

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2005

4. EXPENSES FROM ORDINARY ACTIVITIES	2005	2004
	\$	\$
Amortisation		
Goodwill	202,675	125,187
Intellectual Property	-	21,155
Leasehold	2,587	-
	205,262	146,342

Other Expenses/(Gains) from Ordinary Activities includes the following major items:

Write off of goodwill	-	782,165
Written down value of non-current assets and tenements sold	-	98,915
Legal and professional fees	268,743	232,408
Travel expenses	119,216	54,243
Corporate advisory and associated services	98,440	127,716
Other expenses from ordinary activities	2,607	14,263
	489,006	1,309,710

5. EARNINGS PER SHARE (EPS)	2005	2004
	¢	¢
Basic loss per share (cents per share)	2.07	1.5
Weighted average number of shares used in the calculation of basic EPS	141,040,915	119,184,719

The amount used in the numerator in calculating basic EPS is the same as the net loss reported in the statement of financial performance.

6. SEGMENT REPORTING

(a) Primary Reporting – Business Segment

Industry Segments	Telecomm-unications	Information Technology	Environmental Technology	Other	Eliminations	Consolidated
	2005	2005	2005	2005	2005	2005
	\$	\$	\$	\$	\$	\$
Operating Revenue						
Sales revenue external	271,644	919,909	353	-	-	1,191,906
Other revenue	339	20,343	7,720	74,867	(815)	102,454
Total segment revenue	271,983	940,252	8,073	74,867	(815)	1,294,360
Segment result	(2,060,338)	(266)	(99,835)	(556,921)	(200,270)	(2,917,630)
Segment assets	387,057	1,149,770	-	5,718,492	(2,421,438)	4,833,881
Segment liabilities	(2,775,508)	(2,150,712)	-	(118,119)	3,868,439	(1,175,900)

**Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2005**

	Telecomm- unications	Information Technology	Environmental Technology	Other	Eliminations	Consolidated
	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$
Operating Revenue						
Sales revenue external	-	1,156,677	260,814	-		1,417,491
Other revenue	3,100	1,173	1,709,537	77,056	(1,709,462)	81,404
Total segment revenue	3,100	1,157,850	1,970,351	77,056	(1,709,462)	1,498,895
Segment result	(405,610)	110,390	(1,046,184)	(477,970)	-	(1,819,374)
Segment assets	112,752	1,386,613	124,796	6,205,087	(981,468)	6,847,780
Segment liabilities	(518,365)	(2,170,982)	(195,987)	(47,793)	2,660,958	(272,169)

(b) Secondary Reporting – Geographic Segment

The consolidated entity operates in one geographic segment being Australia.

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

ISSUED & PAID UP CAPITAL

	2005 \$	2004 \$
Ordinary shares fully paid	47,357,138	47,357,138

Movements during the period:

Movements in issued and paid up ordinary share capital of the Company during the period since 30 June 2004 have been:

(a) Ordinary Shares

Date	Details	No. of Shares	\$
30/06/04	Opening Balance	151,040,915	47,157,158
21/06/05	Share issue – Conversion of incentive shares to fully paid ordinary shares	100,000,000	200,000
30/06/05	Closing Balance	251,040,915	47,357,158

(b) Incentive Shares

Date	Details	No. of Shares	\$
30/06/04	Opening Balance	200,000,000	200,000
21/06/05	Cancellation of incentive shares	(100,000,000)	(100,000)
21/06/05	Share issue – Conversion of incentive shares to fully paid ordinary shares	(100,000,000)	(100,000)
30/06/05	Closing Balance	0	0

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2005

Capital Restructure

During the financial period, the capital structure of the company was modified as follows:

- a) 100,000,000 incentive based shares were cancelled;
- b) 100,000,000 incentive based shares were converted to 100,000,000 fully paid ordinary shares;
- c) 50,000,000 incentive based options were cancelled; and
- d) 90,000,000 unlisted options were cancelled.

Restricted Securities

At 30 June 2005, there are the following securities subject to escrow:

100,000,000 ordinary fully paid shares issued on the conversion of 100,000,000 incentive based shares are escrowed for 12 months ending 22 June 2006.

8. ACCUMULATED LOSSES	2005	2004
	\$	\$
Balance at the beginning of the year	43,508,547	41,689,173
Loss from ordinary activities after tax	2,917,630	1,819,374
Balance at the end of the year	<u>46,426,177</u>	<u>43,508,547</u>

9. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of the operation loss after tax to the net cash flows from operations:

Operating (loss) after income tax	(2,917,630)	(1,819,374)
Non cash items		
(Profit) / Loss on sale of non-current assets	(575)	53,365
Increment in value of non-current assets	(22,392)	-
Amortisation	205,262	146,342
Depreciation	137,264	94,459
Write-off of goodwill	-	782,165
Changes in assets and liabilities		
Movement in net receivables	(65,629)	204,234
Movement in inventories	(17,727)	(40,000)
Movement in other assets and liabilities	(4,036)	(50,229)
Movement in net payables	728,399	(199,519)
Movement in provisions	175,332	(60,031)
Net cash flow from/(used in) operating activities	<u>(1,781,732)</u>	<u>(888,588)</u>
Reconciliation of Cash		
Cash at bank	403,591	602,414
Short term deposits	193,002	1,911,725
	<u>596,593</u>	<u>2,514,139</u>

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2005

10. EVENTS SUBSEQUENT TO REPORTING DATE

Rights Issue

On 17 August 2005, ComodiTel Limited completed a non-renounceable rights issue pursuant to a prospectus dated 22 June 2005 and a supplementary prospectus dated 15 July 2005. 125,520,457 shares were issued at a price of \$0.01 per share raising \$1,255,204.

Placement

On 17 August 2005, ComodiTel Limited placed 23,438,628 shares at \$0.01 each to raise a total of \$234,386, to parties nominated by Australian Heritage Group Pty Ltd pursuant to a private placement. 17,578,971 shares are subject to voluntary escrow for six months from the date of issue.

11. CONTROLLED ENTITIES

	Country of Origin	Class of Share	Percentage Owned %	
			2005	2004
ComodiTel (Australia) Pty Ltd	Australia	Ord	100	100
Adaptive Systems Pty Ltd	Australia	Ord	100	100
Natural Resource Intelligence Pty Ltd	Australia	Ord	100	100
Revolution Telecom Pty Ltd	Australia	Ord	100	100

Discontinued operation

On 19th March 2004, the group publicly announced the decision of its Board of Directors to discontinue the operation of its non core subsidiary Natural Resource Intelligence Pty Ltd. The disposal of assets and liabilities was completed during the financial period. Natural Resource Intelligence Pty Ltd contributed \$99,835 to the consolidated net loss for the financial period.

12. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows.

Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS committee.

(i) Goodwill

Under AASB 3 Business Combination, amortisation of goodwill will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating units.

This will result in a change in the accounting policy in which the goodwill is amortised on a straight line basis over a period during which the benefits are expected and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, net loss would have been \$1,172,470 lower.

(ii) Income Tax

The application of AASB 112 Income Taxes could result in increases in deferred tax assets and deferred tax liabilities as a consequence of the recognition of deferred taxes associated with fair value adjustments in relation to business combinations, revaluations of land and buildings and investments in associates.

Deferred tax assets could also increase due to the differing requirements for the recognition of carried forward tax losses.

There will be no impact on the cumulative financial position at 30 June 2005. This is because a deferred tax asset has not been recognised for carry forward tax losses because it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

Reconciliation of Net Loss	
Net Loss reported under Australian Standards	(2,917,630)
- Recognition of Amortisation expense	(1,172,470)
Net profit/(loss) under AIFRS	<u>(4,090,100)</u>
Reconciliation of Equity	
Total equity reported under Australian Accounting Standards	3,657,981
Retrospective adjustments to equity at 1 July 2004:	
Recognition of Amortisation expense	(1,172,470)
Total equity under AIFRS	<u>2,485,511</u>

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2005

13. COMPLIANCE STATEMENT

This report is based on financial statements to which the following applies:

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The financial statements have been audited. | <input type="checkbox"/> | The financial statements have been supplied to review. |
| <input checked="" type="checkbox"/> | The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> | The financial statements have not yet been audited or reviewed. |

The Company has a formally constituted Audit Committee.



David Riekie
Director

Date: 13 September 2005

CORPORATE DIRECTORY

DIRECTORS

David Riekie (Non-Executive Chairman)
George Gelavis (Managing Director)
David Paganin (Non-Executive Director)
David Sweet (Executive Director)

COMPANY SECRETARY

Nicki Telfer

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS

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