

natural

INTELLIGENCE

30 January 2004

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

By E-Lodgement

QUARTERLY REPORT – APPENDIX 4C

Please find attached the Company's Quarterly Report and Appendix 4C for the quarter ended 31 December 2003.

For and on behalf of the Board



David Rickie
Director

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

NATURAL INTELLIGENCE LIMITED

ABN

30 000 386 685

Quarter ended ("current quarter")

31 December 2003

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A '000	\$A '000
Cash flows related to operating activities		
1.1 Receipts from customers	275	822
1.2 Payments for		
(a) staff costs	(227)	(550)
(b) advertising and marketing	(4)	(7)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(284)	(784)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(3)	(4)
1.6 Income taxes paid	-	-
1.7 Other		
- Grants Received	-	-
	(242)	(522)
Net operating cash flows		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter	Year to date (6 months)	
	\$A'000	\$A'000	
1.8	Net operating cash flows (carried forward)	(242)	(522)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	(172)	(172)
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(2)	(4)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other – cash on acquisition of subsidiaries	-	-
	Net investing cash flows	(174)	(176)
1.14	Total operating and investing cash flows	(416)	(698)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, etc	1,915	3,958
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	(10)	(289)
1.19	Dividends paid	-	-
1.20	Other	-	-
	Net financing cash flows	1,905	3,669
	Net increase (decrease) in cash held	1,489	2,971
1.21	Cash at beginning of quarter/year to date	1,584	102
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	3,073	3,073

Notes:

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in items 1.2, 1.9 & 1.15	188
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Payments to directors and associates of directors	30
	Fees paid to Grange Consulting Group Pty Ltd for corporate advisory services	39
	Fees paid to Steinepreis Paganin for legal services	119

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Pursuant to shareholders agreement dated 24 December 2003, the Company acquired all the issued capital in Allgrove Pty Ltd by way of the issue of incentive based shares and options to the value of \$200,000
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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Appendix 4C
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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	-	109
4.2 Deposits at call	3,187	1,475
4.3 Bank overdraft	(114)	(5)
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,073	1,584


Acquisitions and disposals of business entities

There were no acquisitions or disposals during the quarter.

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Allgrove Pty Ltd	-
5.2 Place of incorporation or registration	Australia	-
5.3 Consideration for acquisition or disposal	\$372,000 (includes \$200,000 in share capital plus additional \$172,000 in acquisition costs)	-
5.4 Total net assets	-	-
5.5 Nature of business	Telecommunications	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2004
 (Director)

Print name: DAVID RIEKIE

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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