

30 July 2020

June 2020 Quarterly Shareholder Update and Appendix 4C

Highlights:

- Vonex increases annualised recurring revenue by 88% during FY20 to more than \$16.4m
- Smooth financial integration of 2SG Wholesale completed, achieving a 75% year-on-year increase in mobile broadband orders in Q4 FY20
- 2SG acquisition is driving growth in wholesale customers and order value, with 2SG recently having signed an agreement to supply business grade mobile broadband to ASX300 company, Data#3 Ltd (ASX: DTL)
- Retail sales remain strong, with Total Contract Value of new customer sales for January to June 2020 reaching \$3.7 million, an increase of 65% year-on-year as Vonex expands through the COVID crisis
- Customer satisfaction remains high with Net Promoter Score (NPS) reaching 54 in the quarter
- Oper8tor identifies commercial opportunities
- \$1.4 million oversubscribed institutional placement completed to fund organic growth and acquisition initiatives
- Cash balance of \$4.81 million as at 30 June 2020

Telecommunications innovator Vonex Limited (“Vonex” or the “Company”) (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 30 June 2020, being the strongest operational and financial quarter that the Company has delivered since listing on the ASX.

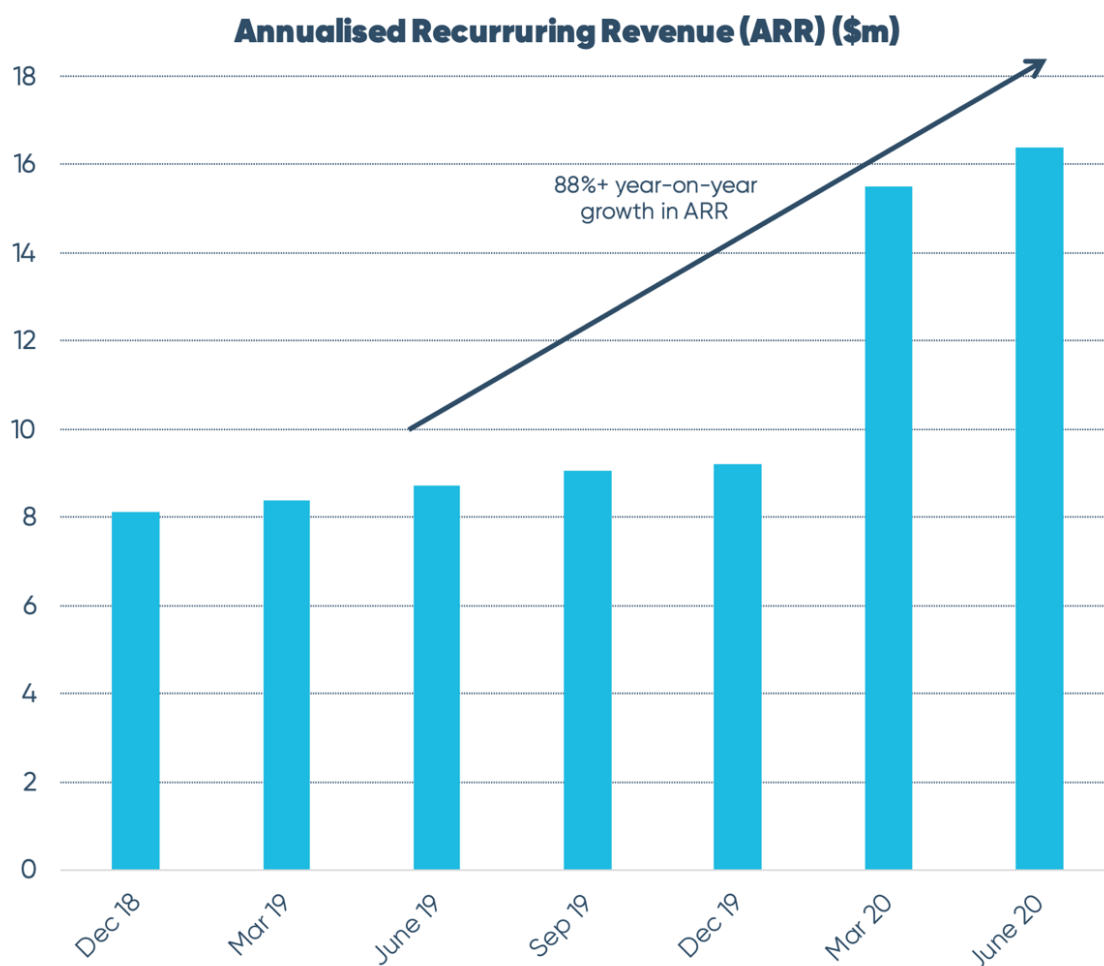
FINANCIAL COMMENTARY

- Unaudited sales revenue of \$4.35 million for the quarter increased by 85% compared to the prior corresponding period (PcP) of \$2.35 million
- Annualised Recurring Revenue (ARR) grew by 88% year-on-year to \$16.4 million
- Cash receipts from customers totaled \$4.25 million, an increase of 49% compared to PcP of \$2.85 million
- Cash at end of quarter totaled \$4.81 million

OPERATIONAL COMMENTARY

Following completion of its acquisition of 2SG Wholesale in March 2020, Vonex reported that its delivery of revenue growth from the combined business was exceeding internal budgeting. Vonex has increased its annualised recurring revenue (ARR) by 88% during FY20, with the acquisition of 2SG Wholesale a major contributor to this growth. The Company sees significant scope to continue its growth, both organically and by way of further acquisitions following the recently completed \$1.4m institutional-led placement.

Substantial sales momentum achieved through successful marketing and partnership initiatives, as well as the smooth integration between the Vonex and 2SG businesses, have driven the Company's ARR to more than \$16.4 million. This compares favourably to management's expectations of \$14 million in group ARR on completion of the 2SG Wholesale acquisition, which Vonex disclosed to the ASX on 29 November 2019.



Wholesale Operations

2SG Wholesale is a telecommunications and data wholesaling business which provides Australian Managed Service Providers, ISPs and System Integrators with access to the latest in hardware and connectivity solutions from leading brands. Its provision of fast, secure, business-grade wireless broadband has met strong customer demand amid the rise of working from home across Australia during recent months – a trend that is set to continue.

2SG Wholesale has brought a new dimension to the Company's business and has allowed Vonex to expand its offering to small and medium enterprise (SME) customers with new products. These new products include fleet mobile, mobile broadband and NBN with 4G backup. 2SG's multi-year investment in a sophisticated network environment is now contributing to a meaningful relationship with Optus Wholesale, helping to build traffic on the Optus network by quickly deploying complex solutions for a broad base of customers.

Vonex plans to expand its network through direct integration to NBN points of interconnect in strategic national locations via 2SG Wholesale. Building upon its existing points of interconnect and those it activated during the June quarter, Vonex will further improve its network quality by adding more direct interconnects with the NBN throughout FY21.

Through 2SG, Vonex is responding to strong interest in the market by enabling a direct NBN relationship for key existing and new wholesale partners. This streamlined supply chain allows customers to enjoy reduced lead times and enhanced assurance while positioning the Company with the best possible commercial structure to leverage future wholesale NBN growth.

New Wholesale Customer Wins

This model is yielding new customer wins by partnering with organisations of national scale. 2SG Wholesale recently signed an agreement to supply business grade layer 2 mobile broadband to Discovery Technology, a subsidiary of business technology solutions leader and ASX300 company, Data#3 Ltd (ASX: DTL). Discovery Technology delivers bespoke public Wi-Fi solutions to a broad range of industries including shopping centres, airports, universities, councils, smart cities, hotels, transport, retailers, supermarkets and stadiums. 2SG is partnering with Discovery to enable the delivery of 4G and 5G network services, powered by Vonex, through to Discovery and wider Data#3 customers.

The Company's smooth integration of 2SG Wholesale has been accompanied by growth in new customers and order value. Vonex added 5 new wholesale customers in May and June 2020, followed by others, including Discovery Technologies, in July.

The Company also achieved an increase of 75% in mobile broadband orders in Q4 FY20 compared to the same period in FY19. This promising growth reflects achievement of the cross-selling opportunities which Vonex identified prior to acquiring 2SG Wholesale.

The Company has also scoped and commenced its plans to integrate 2SG Wholesale's billing with Vonex's existing platform, with completion expected in Q2 FY21. Vonex will continue to pursue both organic and acquisition-led opportunities to grow its Wholesale business in FY21.

Retail Growth and Strong Customer Satisfaction

Vonex's Retail operations continue to expand, with new customer additions running at elevated levels through the depths of the COVID-19 crisis. The Company achieved Total Contract Value of new customer sales in the six months from January to June 2020 of \$3.7 million, an increase of 65% on the PcP, with growth accelerating in the June quarter. Vonex's value proposition is resonating with its target market of Australian SMEs, many of which have been attracted by Vonex's ability to rapidly provision scalable cloud-based business phone systems.

Vonex focuses on providing a great customer experience as a core component of its differentiated service offering. The Company is delivering strong customer satisfaction, achieving a net promoter score (NPS) of 54 in April 2020. This measure of customer loyalty is assessed on a scale from -100 to +100, with a score of >30 viewed as an exceptional result, particularly during a month in which COVID-19 caused global disruptions and prompted Vonex's Philippine-based support desk to work from home.

Vonex plans to continue to improve its customer experience through upcoming service updates to Link, the Company's Private Branch Exchange (PBX) management platform. Updates will enable hands on access to make live changes to user information, call handling and after hours options all available from a mobile device. The Link platform also communicates user information changes live to the billing platform to reflect on the customer's monthly telephone bill.

In early July, Vonex expanded upon the Qantas Business Rewards offering, adding mobile plans to the suite of services on which Qantas Points can be earned, with a view to gaining further market share with Australian SME customers.

Oper8tor Development Progress

The Oper8tor desktop and mobile app is a patented, disruptive, aggregated communications platform targeting the inclusion of Conference, Voice, Message and Video functionality, facilitating user communication across different channels. The mobile app aims to seamlessly link all voice calls as well as messaging across multiple platforms and devices.

Following closed user group testing, Vonex made v1.1 of the Oper8tor app available to test from the Apple and Google app stores, allowing investors and other interested parties to participate and provide feedback by downloading the app. Using valuable feedback from early users, the Company has now advanced the app

to version 1.6, with a greatly improved user experience which aligns with the newly revamped Oper8tor website, www.oper8tor.com.

While Vonex intends to pursue its strategy to roll out the Oper8tor app through a consumer value proposition, the Company has identified attractive shorter term commercial applications and has focused its recent product development to address this potential market.

The Company expanded Oper8tor's functionality further during the quarter, developing and launching artificial intelligence-driven call recording within the app, providing a highly requested feature among enterprise and SME customers. Vonex has complemented this feature with its recent launch of real-time call transcription, with accuracy continuously improving and email transcriptions delivered to users within seconds of a call ending.

These features, along with the inclusion of Conference, Voice, Message and Video functionality across multiple communications platforms and devices, will underpin a focused B2B growth strategy for Oper8tor which facilitates growth in users and recurring revenue through a software as a service (SaaS) model, with cross-platform calling for the mobile worker as its key value proposition.

The Company has developed a marketing plan and product roadmap which aligns with this vision, and in conjunction with Ragnar Capital Partners LLP in London, is actively engaging with potential strategic investors and technical partners who can help Oper8tor to execute these goals faster.

CORPORATE

Placement

On 25 June 2020, Vonex announced it had received binding commitments to raise \$1.4 million (before costs) through a placement of 14,736,843 new shares at an issue price of \$0.095 per share. The Placement price of \$0.095 represented a 13.6% discount to the closing price on 22 June 2020 of \$0.11 and a 15.5% discount to the 15-day VWAP of \$0.1125.

The Company received the support of a strong mix of institutional investors across Australia and New Zealand who were introduced by PAC Partners Securities Pty Ltd, who acted as Lead Manager to the Placement.

Vonex will apply the proceeds of the Placement to provide balance sheet support to fund growth initiatives. These initiatives encompass both expanded marketing and continued growth by acquisition, building out cross-selling opportunities and supplementing the Company's organic growth profile.

Sale of Koolyanobbing Royalty

In February 2020, Vonex announced it had entered into a preliminary purchase and sale agreement to dispose of its entitlements to iron ore production royalties derived from the Koolyanobbing Iron Ore Project ("Koolyanobbing").

The Company received its first tranche payment of \$1.75m in May 2020, and is entitled to additional consideration from the Royalty sale of up to A\$750,000, tranching according to the following milestones:

- A\$250,000 cash payable upon three million dry metric tonnes of iron ore being produced and accounted for in royalty invoices from Koolyanobbing
- A\$500,000 cash payable upon five million dry metric tonnes of iron ore being produced and accounted for in royalty invoices from Koolyanobbing

Internal Management Appointments

Vonex made several internal appointments to strengthen management capabilities across its business. Christo Da Silva was appointed as Vonex's Chief Technology Officer through an internal promotion. Mr Da Silva has been with the Company since 2010, and designed and developed processes which have enhanced the reliability, robustness and scalability of Vonex's voice services.

The Company's existing Chief Technology Officer, Angus Parker, was appointed CEO of Oper8tor and will assume responsibility for Oper8tor's commercialisation efforts.

Vonex also appointed 2SG Wholesale employee, Reza Lohrasb, to the newly created role of Executive General Manager of Wholesale.

Cash Position

As at 30 June 2020, the Company had approximately ~\$4.81 million of cash and nil debt. The Company retains sufficient funding to carry out its activities over the coming quarters.

Note 6 to Appendix 4C

Payments to related parties of the entity and their associates during the quarter:

- Director fees and wages of approximately \$113,000
- Company secretarial and accounting fees of approximately \$31,000
- Legal fees of approximately \$11,000

Comparison of Actual Expenditure since Admission against Use of Funds table

Vonex Limited was admitted to the official list of the ASX on 8 June 2018 (Admission), having successfully raised \$6,000,000 under an IPO in June 2018. The current Quarter is included in a period covered by a Use of Funds statement in the IPO Prospectus lodged with ASX under Listing Rule 1.1 condition 3.

A comparison of the Company's actual expenditure since the date of Admission against estimated expenditure in the Use of Funds statement is set out below.

Use of Proceeds under Prospectus	Budgeted Expenditure Amount (\$)	Actual Expenditure Amount (\$)
Creditors & Debt Repayment	1,271,125	(1,271,125)
IP and Patent Protections	100,000	(169,775)
Operator Development	1,734,000	(2,325,000)
Retail & Wholesale Business Development	2,000,000	(1,578,000)
Expenses associated with the Offer	630,900	(630,900)
Working Capital	1,010,975	(803,000)
TOTAL	6,747,000	(6,777,800)
Add: Receipts from customers between admission and 30 June 2020		20,948,000
Less: Product manufacturing and operating costs as disclosed in Appendix 4C		(12,851,000)
Net funds unexpended between admission and 30 June 2020		1,319,200

This announcement has been authorised for release by Matt Fahey, Managing Director of Vonex Ltd.

ENDS

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ABOUT VONEX:

Vonex is a Brisbane-based full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services - predominantly to small to medium enterprise ("SME") customers under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX, call termination services, NBN & 4G mobile broadband at wholesale rates through a white label model.

Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system. Vonex is developing the Oper8tor App, a multi-platform real-time voice, messaging and social media app that allows users to connect with all social media friends, followers and contacts across different social medias, all consolidated into one app.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Vonex Limited

ABN

39 063 074 635

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,249	12,130
1.2 Payments for		
(a) research and development	-	630
(b) product manufacturing and operating costs	(2,981)	(7,681)
(c) advertising and marketing	(67)	(365)
(d) leased assets	-	-
(e) staff costs	(930)	(3,353)
(f) administration and corporate costs	(578)	(2,263)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	8
1.5 Interest and other costs of finance paid	(2)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	101	101
1.8 Other (provide details if material)	22	60
1.9 Net cash from / (used in) operating activities	(186)	(749)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (2SG)	-	(444)
(c) property, plant and equipment	(14)	(74)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investment - mining royalty	1,750	1,750
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	1,736	1,232

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Proceeds from application funds held in trust	1,400	1,400
3.8	Payment in advance for capital raising fees	(80)	(80)
3.9	Payments for lease liabilities (excl. interest charged)	(44)	(162)
3.10	Net cash from / (used in) financing activities	1,276	1,158

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,987	3,173
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(186)	(749)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,736	1,232

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,276	1,158
4.5	Effect of movement in exchange rates on cash held	(1)	(2)
4.6	Cash and cash equivalents at end of period	4,812	4,812

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,439	1,687
5.2	Call deposits	1,373	300
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,812	1,987

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

155

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Consulting fees and directors' fees	\$113,303
Company secretarial and accounting fees	\$ 30,588
Legal fees	\$ 11,360

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	(186)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,812
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,812
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	25

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2020

Authorised by: The board of directors of Vonex Ltd

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.