



30 April 2020

ASX Announcement

March 2020 Quarterly Shareholder Update and Appendix 4C

- Q3 FY20 was the Company's strongest quarter ever, achieving Total Contract Value (TCV) of new customer sales of \$1.99m, up 109% compared to Q3 FY19, and cash receipts of \$2.85 million, up 18% year-on-year
- TCV of new customer sales totaled \$787k in March 2020 – strongest month in Vonex's history, with sales momentum continuing to accelerate, boosting annualised recurring revenue (ARR) to \$15.5 million
- Strong initial contribution from 2SG Wholesale business which was acquired in March 2020, with integration into the Vonex business completed smoothly
- Highly experienced telco executive Jason Gomersall was appointed to Vonex's Board as a Non-Executive Director as part of 2SG Wholesale acquisition
- Third-party testing of Oper8tor App successfully completed, controlled group testing commenced and Ragnar Capital Partners LLP engaged to assist global commercialisation
- US patent protection secured for Oper8tor platform
- Definitive agreements signed to sell non-core royalty assets for up to \$2.5 million

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 31 March 2020.

FINANCIAL COMMENTARY

- Unaudited sales revenue of \$3.23 million for the quarter increased by 49% compared to prior corresponding period (PcP) of \$2.17 million
- Annualised Recurring Revenue (ARR) grew to \$15.5 million, substantially driven by sales momentum and the acquisition of 2SG
- Cash receipts totaled \$2.85 million (compared to PcP of \$2.41 million)
- Cash at end of quarter totaled \$1.98 million

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Annual Reoccurring Revenue (ARR)



Graph shows Annual Recurring Revenue represented in \$m

OPERATIONAL COMMENTARY

On 1 April 2020, Vonex reported a 109% year-on-year increase in the Total Contract Value (TCV) of new customer sales made in Q3 FY20. TCV of new customer sales for the March quarter increased to a Company record \$1.99 million, substantially driven by:

- A historic shift towards working from home for SME staff, driven by social distancing rules imposed to mitigate the COVID-19 outbreak.
- The proactive 'Stay at Home with Vonex' marketing campaigns grew softphone sales by more than 1,000% in February and March 2020 over the comparable period in 2019. Vonex's softphone products are the desktop and mobile apps which act as an extension of a worker's business phone system, offered as part of the Company's ONdesk monthly plans.

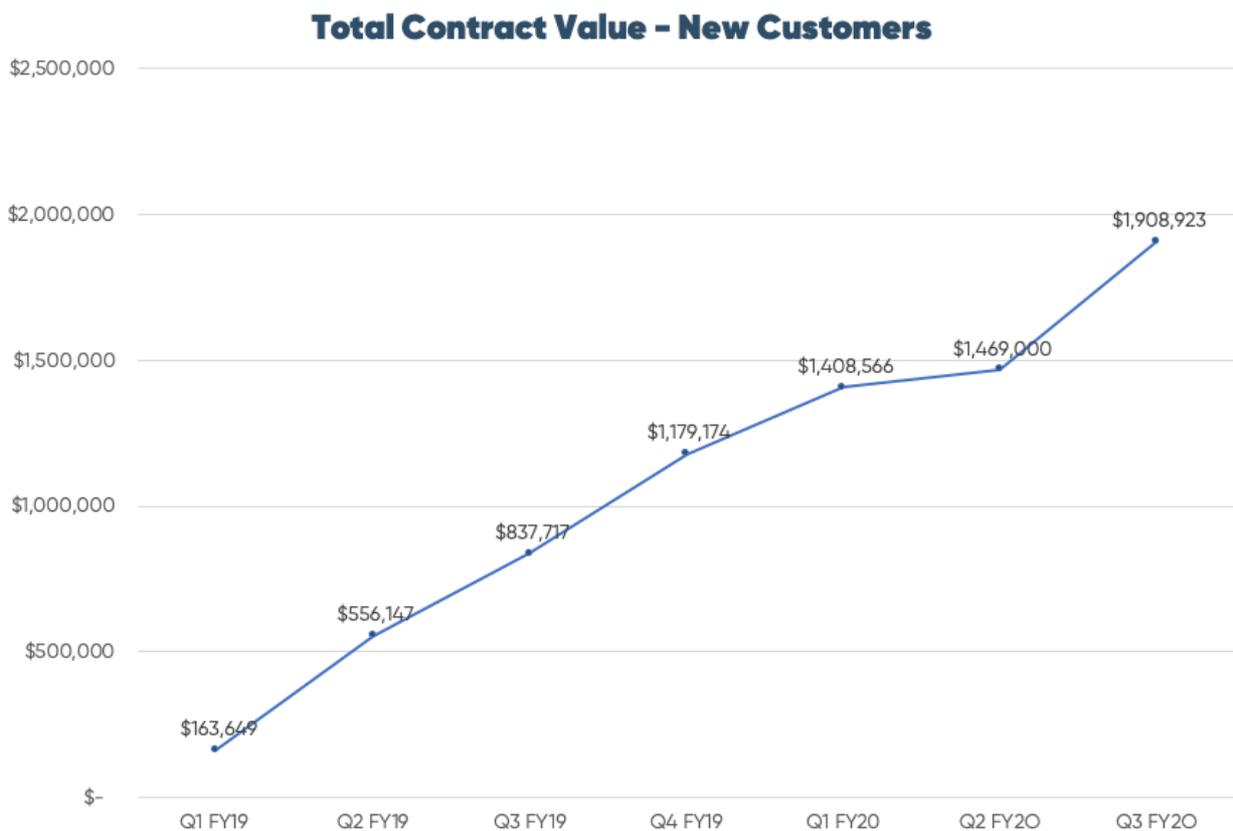
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- Vonex's partnership with Qantas Business Rewards (QBR), which launched in August 2019 and continues to provide a major contribution to new sales each month with the ONdesk plans. In early April, QBR sent a campaign featuring Vonex and showcasing the Company's flexible communications solutions for its ONdesk & NBN plans to their SME subscriber base. This campaign drove a 550% increase in the typical daily traffic to the Vonex website, indicating the interest to accrue Qantas Points for use in the longer term appears to be high.

Total Contract Value of New Sales Continues to Grow

Vonex's sales momentum continued to accelerate, with TCV of new customer sales totaling \$787k in March 2020, marking the strongest month in the Company's history.



Graph shows TCV added each quarter since beginning of FY19

TCV of provisioned customers is calculated using the minimum monthly commitment multiplied by the contract length and is typically realised over a period of between one and three years. Vonex's quoted TCV metric relates only to new customers and excludes existing customers re-contracting.

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PBX Registrations

The Company exceeded the 37,500 active user mark on its Private Branch Exchange (“PBX”) cloud-based phone system platform, with growth driven by global events superseding what can historically be a seasonally slower period for SME investment decisions. Growth in registered PBX users indicates business development progress as Vonex penetrates the multibillion-dollar Australian market for telco services to SMEs. PBX use reflected a slight decline due to call centres being closed amid COVID-19 lockdown however the Company expects active users will shortly resume a growth trajectory.

2SG Wholesale

In March, Vonex completed the acquisition of the business and operations of Brisbane-based telecommunications and data wholesaler 2SG Wholesale, first announced in November 2019. In FY19, 2SG Wholesale achieved revenue of circa \$7 million, with revenue from mobile broadband a key growth driver. The acquisition has brought a highly capable and experienced team to Vonex that is well positioned to drive further growth from immediate cross sell opportunities, and a dedicated technical support team.

2SG Wholesale’s mobile broadband capability provides Australian ISPs the opportunity to sell a wireless broadband solution via the Optus 4G Network. Integration with Australia’s premier carriers facilitates the delivery of the latest fixed line, mobile connectivity and hardware solutions country-wide.

COVID-19

In light of the global COVID-19 pandemic, Vonex implemented a range of initiatives in March to minimise impact of the virus on its operations. These included:

- The Company’s call centre in Cebu in the Philippines remains open as normal with a remote working strategy in place if Cebu staff are placed in lock down and cannot attend work.
- Handset stock sourced from China has been stockpiled and Vonex has several months of inventory to continue to fulfil new and existing orders without new stock arriving.
- Adapting nimbly to the current climate, the Company rapidly rolled out ‘work from home’ marketing campaigns to existing and potential SME customers which highlight how Vonex’s Hosted PBX technology enables a seamless transition for staff to work from home. These campaigns contributed towards Vonex achieving the strongest month of new customer sales in its history in March 2020.

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Oper8tor Development Progress

In March, Vonex announced the successful completion of third-party testing of its Oper8tor App, including testing of cross-platform message and call blast functionality. The third-party testing verified Oper8tor's cross-platform message functionality across several social media platforms as well as SMS and its ability to call blast landline and mobile numbers.

The Oper8tor App is a 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.

Vonex has commenced controlled group testing with up to 500 users to review the user experience and to test the stability and scalability of Oper8tor V1.0. On completion of this closed user group review, an updated Version 1.X of the Oper8tor App is expected to launch to a wider community, including investors, through a controlled launch.

During the quarter, Vonex was granted a patent from the US Patents Office for the unique Oper8tor platform. The patent protects Vonex's unique system and method for establishing communications over a plurality of communications platforms.

With US patent law setting a precedent for other jurisdictions globally, the Company looks forward to progressing Oper8tor's development with less risk to commercialisation.

CORPORATE

Appointment of Director

Jason Gomersall joined the Vonex board as a Non-Executive Director in March, following completion of the 2SG Wholesale acquisition.

Mr Gomersall is a former Director of 2SG Wholesale and is the Founder, CEO and Managing Director of i-Seek Communications. He has long been at the forefront of the telecommunications industry and the mobile phone market since being one of the foundation franchisees of the Optus World chain of retail stores in the 1990s.

Engagement of Advisor

During the quarter, Vonex engaged London-based investment advisory firm Ragnar Capital Partners LLP to target potential partners who could help take Oper8tor through its rollout and commercialisation phases now that testing of the platform is largely complete.

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Sale of Koolyanobbing Royalty

In February, 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"). This progressed to a definitive binding agreement in April.

Koolyanobbing is currently being mined by Yilgarn Iron Pty Ltd, a subsidiary of Mineral Resources Limited. When ore has been mined and sold from tenement M77/1258, Vonex has been entitled to a 2% royalty calculated on a quarterly basis.

Vonex has agreed to a proposal from Vox Royalty Australia Pty Ltd, a wholly owned subsidiary of SilverStream SEZC, a Canadian mining-focused royalty and streaming company, to acquire the Koolyanobbing royalty for total consideration of up to A\$2,500,000.

The proposed transaction is conditional on, among other conditions, SilverStream undertaking a minimum capital raise of \$3m USD as part of its TSX (or similar exchange) listing and meeting the conditions of listing.

As announced by AIM3 Ventures Inc. (TSXV: AIMC.P) to the TSXV on 27 March 2020, SilverStream anticipates closing its capital raising transaction in Q2 CY20 and subsequently listing on the TSXV.

Achieving consideration of up to A\$2.5 million represents a significantly improved outcome for Vonex shareholders, given the Board had previously resolved to write down the value of the Company's interest in Koolyanobbing to zero.

Future cash flows from the royalty are offset against a payment of \$3 million which was made to Vonex's predecessor Golden State Resources Ltd – approximately \$2.2 million of which remained outstanding at December 31 2019.

As part of the Company's cash management planning, the Board considers this to be a prudent step to enhance liquidity and maximise long-term shareholder value.

Board fee reduction

In order to preserve its balance sheet amid economic uncertainty, the Company's Executive and Non-Executive Directors volunteered to reduce their fees in aggregate by 22%, effective 1 April 2020 for an initial period of three months. The board fee reductions will be reviewed on a quarterly basis or as required.



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About Vonex

Vonex Ltd (ASX: VN8) is a full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services - predominately to the small to medium enterprise ("SME") customer under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX and call termination services at wholesale rates via a white label model.

Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system. Vonex is also 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.

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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")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,853	7,881
1.2 Payments for		
(a) research and development	-	630
(b) product manufacturing and operating costs	(1,713)	(4,700)
(c) advertising and marketing	(74)	(298)
(d) leased assets	-	-
(e) staff costs	(733)	(2,423)
(f) administration and corporate costs	(461)	(1,685)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	8
1.5 Interest and other costs of finance paid	(3)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	14	38
1.9 Net cash from / (used in) operating activities	(116)	(563)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (2SG)	(444)	(444)
(c) property, plant and equipment	(14)	(60)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(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	(458)	(504)

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	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Payments for lease liabilities (excl. interest charged)	(34)	(118)
3.10	Net cash from / (used in) financing activities	(34)	(118)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,595	3,173
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(116)	(563)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(458)	(504)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(34)	(118)
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	1,987	1,987

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	1,687	1,304
5.2	Call deposits	300	1,291
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)	1,987	2,595

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**

154

-

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

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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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

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)	(116)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,987
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,837
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	15

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

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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 April 2020

Authorised by:
Daniel Smith – Company Secretary

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.