

Chairmans letter

Dear Shareholders

As Chairman and on behalf of the Board of Directors, it is with pleasure that I present to you the 2018 Annual Report for Vonex Ltd.

This past financial year has seen yet again Vonex's ability to innovate, adapt and overcome significant challenges to achieve a highly anticipated listing on the Australian Securities Exchange (ASX) in June 2018. The admission of Vonex to the official list of ASX was the culmination of more than two years of hard work and dedication by the Company's employees, corporate advisers and shareholders, which resulted in Vonex successfully raising \$6 million through an underwritten public offer by State One Equities Pty Ltd.

The foundations have now been laid for the Company to accelerate its ambitious growth plans within the Australian Telecommunications market and focus development resources on the Oper8tor app.

For the 2018 financial year the Company achieved record revenue exceeding \$8.4 million (including \$253k from R&D rebate) and a statutory loss of \$14,713,402. I would like to take this opportunity to explain to you that excluding extraordinary and once off items, Vonex recorded an underlying EBITDA profit of \$248,562.

A reconciliation between statutory results and underlying results is provided below:

	30-Jun-18	30-Jun-17
Statutory profit (loss) after tax	-\$14,713,402	-\$9,737,819
Add back:		
Tax expense (benefit)	\$0	\$0
Net finance expense	\$605,418	\$196,806
Share based expense payments *	\$13,514,260	\$8,663,344
Capital raising and associated costs **	\$724,705	\$109,205
Disposal of subsidiaries	\$0	\$204,955
Depreciation and amortisation	\$117,581	\$144,052
Underlying EBITDA	\$248,562	-\$419,457

* Share based expense payments are a non-cash outlay. These expenses are reported book valuations placed on share issue related transactions that have occurred during the reporting period and in order to meet reporting requirements under the Australian Accounting Standards. Please refer to the Annual Report for further disclosures made on these reported expenses.

** Costs apportioned to the Statement of Comprehensive Income in accordance with AASB 132.

A key target for the financial year ahead will be revenue growth. This will be on the back of a strategic marketing plan rollout and rebranding. Marketing trials are already underway in specific areas on the east coast of Australia with the view to an Australia-wide rollout in the fourth quarter of this calendar year.

The marketing campaign comes with a high level of anticipation and excitement as it will be the first in the Company's history and will focus on expanding our existing customer base and provide value adding opportunities within our well-established channel partner network.

Furthermore, with the recent partnership of CounterPath, Vonex will shortly commence offering a Vonex branded version of Bria within the existing suite of Vonex VoIP and hosted PBX services. Vonex has also identified a range of enterprise clients it has not previously targeted that could benefit from the expanded service offering and capabilities the Company provides.

Ongoing work is being undertaken within our Vonex Wholesale channel, where clients who have existing PBX users on other platforms will be progressively transferred to Vonex's hosted platform. The transfer of users will be accelerated over the next few months as major Vonex Wholesale clients complete their switchover to Vonex architecture.

Registered and Business Office

Suite 5, 1 Centro Avenue, Subiaco WA 6008

Vonex is also very well positioned to leverage off the NBN rollout, with the latest updates from NBN Co reporting that the construction phase of the NBN rollout is advancing well and still on track for 100% of the initial rollout to 11.6m premises by 2020. This means for end customers the initial migrations to the NBN will occur between now and 2022. The timing of this latest update from NBN could not be better in light of the commencement of our pending marketing plan rollout across Australia.

Whilst it is early days since the ASX listing and prior to the Company's official marketing plan rollout, our Retail and Wholesale Telco divisions have continued to deliver solid gains. Below is a snapshot of the Company's interim results:

- Retail Telco division has recorded monthly customer sales billing at new highs for July 2018 recording \$622k compared to \$516k in July 2017, representing a 20% increase in monthly comparative billing.
- Net Retail customers have increased from July 2017 to July 2018, reporting a 17.5% increase in comparative period, to a total customer billing of 2,281.
- Active PBX Registrations as at the end of July 2018 was 24k compared to 18.7k at the same time last year, representing a 28% growth increase.
- Wholesale Telco division has seen customer billing for July 2018 total \$86k compared to \$73k in July 2017, representing a 17% increase in comparative billing.

Within the Vonex group is a well-established development and engineering department. This department encompasses our voice engineering division which maintains and develops products to keep Vonex ahead of the market.

One of our key R&D projects is the Oper8tor app development. The Oper8tor App will eliminate the need for this as it aims to seamlessly link all voice calls across multiple platforms and devices around the world, as well as messaging, and by doing so will create an innovative piece of communication technology forcing notice. As at the end of the anticipated development, Oper8tor will look to be able to link mobile phones, land lines, and selected communication Apps simultaneously into a single voice call.

Beta testing is planned to commence from October 2018 and will involve up to 5,000 controlled users targeting data collection, bug report testing and tracking, scalability testing on elastic servers, redundancy and online marketing. Beta development will also include refinement of the user interface functionality.

The Company received a R&D tax rebate of \$253k during the 2017-18FY. Oper8tor and some of the Company's internal development for Vonex VoIP and hosted PBX services are qualified for R&D claims. Any R&D refund will be used towards further development and marketing to further drive revenue.

The future is looking bright for Vonex. Through the leadership and determination of your Board and Senior Management, especially over the last 2 years, Vonex has emerged a robust Company that is now well positioned to continue the momentum seen from our recent successes and capitalise on growth ambitions within the telecommunications sector into the 2019 FY. Furthermore, the Board is particularly looking forward to achieving significant development milestones with its Oper8tor app ahead of the anticipated soft launch during in the 2019 calendar year.

I would like to thank each and every employee for their contribution. Their talent and dedication are key in Vonex achieving success in years to come.

I would also like to thank you, our shareholders, for supporting Vonex's vision and development ambitions. I look forward to your continued support.



Nicholas Ong
Chairman
Date: 31 August 2018

Registered and Business Office

Suite 5, 1 Centro Avenue, Subiaco WA 6008