

5 January 2024

Ms Caitlyn Cooke
Advisor, Listings Compliance
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

By email: ListingsCompliancePerth@asx.com.au

Dear Caitlyn,

Vonex Limited

I refer to your letter dated 28 December 2023 (we have lightly edited your questions for clarity).

1. Is VN8 able to confirm that in the Directors' Opinion the Annual Report:

- 1.1 complies with the relevant Accounting Standards; and**
- 1.2 gives a true and fair view of VN8's financial performance and position?**

Yes.

To further assist users of the financial statements to assess the financial performance of the company, Vonex also produced an Investor Presentation to accompany the financial statements, which was released to the ASX on 31 August 2023 at the same time as the release of the financial statements.

Page 13 of that presentation set out a number of non-cash accounting entries and one-off non-recurring expenditures incurred during the year. That reconciliation outlined for users of the financial statements that - despite a statutory loss for accounting purposes for the year of approximately \$22.8m - the business had an underlying EBITDA for the year of approximately \$5m, had these non-cash adjustments and non-recurring expenses not been incurred during the year.

2. Does VN8 consider that its financial condition is sufficient to warrant the continued quotation of its securities and listing on ASX for the purposes of Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:

- 2.1 VN8's negative working capital of \$28,223,108 and net liability position of (\$2,926,895) as at 30 June 2023**

2.2 VN8's cash and cash equivalents as at 30 June 2023 of \$1,793,030.

Vonex suggests that, in assessing the entity's financial condition, in addition to the negative working capital of \$28,223,108 and net liability position of \$2,926,895 as at 30 June 2023, the following need to be taken into account:

- as set out in Note 1 and Note 20 of the financial statements, approximately \$2.65m of the Trade Payables balance was expected to be settled through the issuance of shares as consideration.
- As set out in Note 21 of the financial statements, the entity had \$22m of debt through a facility which was due to mature in August 2024. By virtue of the expiry date falling within the subsequent 12 months, it was shown as a current liability in the financial statements. However, as noted in Note 1, the debt financier remained supportive of the business, and conversations had taken place to extend the maturity date of the debt, such that the liability would not become due and payable within the subsequent 12 months. Vonex can confirm these conversations have since resulted in a formal offer from the financier to extend the facility through to approximately the end of 2025. Once the relevant agreement giving effect to that offer is approved and executed by the Board of Vonex, it will be announced to the market. This is anticipated to occur later this month.
- As set out in Note 1 and the Cashflow Statement contained in the financial statements, the business generated positive cashflows from operating activities of approximately \$2.56m for the year, and these cashflows were expected to increase in subsequent years. This positive cashflow generation needs to be viewed in contrast to the statutory loss for accounting purposes for the year of approximately \$22.8m which included primarily non-cash and non-recurring items.

When the complete position is considered, as set out in the financial statements themselves, the liabilities expected to be settled with cash in the subsequent 12 months are far less than the negative working capital of \$28,223,108 and net liability position of \$2,926,895 as at 30 June 2023 would suggest.

Vonex has maintained cash and cash equivalents of approximately \$1.8m or more at the end of the month for the majority of the 2023 calendar year. It considers this to be an adequate level of cash for the ongoing operation of the business, whilst acknowledging that cash management remains tight.

The business continues to generate cash from operating activities (as set out in the Cashflow Statement included in the financial statements), and continues to use the cash generated to pay down debt (predominantly Trade Payables) to de-risk the business, whilst maintaining cash and cash equivalents of approximately \$1.8m at month end.

Following the expected extension of the debt facility later this month, the settlement via shares of the Trade Payables of up to approximately \$2.65m, and the non-recurrence of the one-off non-cash items that arose in 2023, Vonex expects the 'real' financial condition of the business to be more clearly apparent on the face of the financial statements in 2024, compared to 2023. While we sought to set out those adjustments in the 2023 financial statements, we acknowledge that it will be more clear to users of the financial statements when the adjustments no longer need to be made.

3. If the answer to question 2 is "No", please explain what steps VN8 has taken, or proposes to take, to warrant the continued quotation of its securities and its continued listing on ASX for the purpose of Listing Rule 12.2.

n/a

4. Given the Auditor has been unable to obtain sufficient and appropriate audit evidence as to whether Vonex can continue as a going concern and VN8 has cash and cash equivalents of \$1,793,030 and total current liabilities of \$34,118,039, on what basis do the directors consider that VN8 is a going concern.

At 30 June 2023, the nominal potential maturity of the \$22m debt facility in August 2024 represented a debt the Company may have been challenged to repay if called upon at that point (although, as noted in the notes to the accounts, the Directors were of the view that they could have secured a refinancing, or undertaken an equity raise, or a combination of similar actions, to ensure the ongoing viability of the business, had that unlikely event come to pass in August 2024. As an aside, the Company did not consider it necessary to seek to undertake an equity raise, or seek alternative financing, given its confidence that it would reach the accommodation with its financier, that has now been offered to it).

With the offer by the Company's financiers to extend the facility through to 2025 now made (though yet to be executed as noted above), the single biggest factor in questioning the immediate 'going concern' basis for accounting of the entity has been removed.

As described above, Vonex continues to generate sufficient positive cashflow to both service its debt, including making all interest repayments as and when due, as well as also making inroads into the overall debt of the business (predominantly trade payables at this time). Hence, the Directors consider the entity to be a going concern, and that basis of accounting continues to be appropriate.

In further support of Vonex's approach to reduce ongoing risk, our CEO detailed at the AGM (as set out in the CEO's presentation released to the market on 29 November 2023) the efforts already made to reduce costs within the business during 2023. These included a 28% reduction in staff (full time equivalents) and the restructuring and consolidation of the entity's call centres. Both of these efforts resulted in increased one-off costs in 2023, but will aid in generating greater cashflow in the 2024 and beyond.

5. Please confirm that VN8 is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

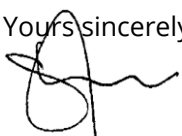
The Company confirms that it continues in compliance with Listing Rule 3.1.

For completeness, we confirm that the documentation to give effect to the offer from the Company's financier to extend the debt facility, discussed above, is still not yet completed nor formally approved by the Vonex Board and will be announced to the market once approved and executed.

6. Please confirm that VN8's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of VN8 with delegated authority from the board to respond to ASX on disclosure matters.

Yes, these responses have been authorised and approved by the Board of Vonex.

Yours sincerely,



Stephen Wilks
Chair



28 December 2023

Reference: 86073

Mr Mike Stabb
Company Secretary
Vonex Limited
Level 8, 99 St Georges Terrace
PERTH WA 6000

By email: mike@hiddenpersuaders.com

Dear Mr Stabb

Vonex Limited ('VN8'): Quarterly Cash Flow and Financial Condition Query

ASX refers to the following:

1. VN8's full year results for the year ended 30 June 2023 lodged with ASX Market Announcements Platform and released on 31 August 2023 ('2023 Full Year Report').
2. ASX notes that the Independent Auditor's Report attached to the 2023 Full Year Report' ('Auditor's Report') states the following:

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group has incurred a net loss of \$22,816,233 during the year ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its current assets by \$28,223,108. As stated in Note 1, this condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

3. Note 1 (y) of the 2023 Full Year Report which states the following with respect to the basis upon which VN8's directors believe that there are reasonable grounds to believe that VN8 will continue as a going concern and why it is appropriate to adopt the going concern basis in the preparation of VN8's 2023 Full Year Report:

(y) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The consolidated entity has incurred a net loss of \$22,816,233 during the year ended 30 June 2023 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$28,223,108.

Whilst the above condition indicates a material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report, the

Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The Directors expect the Consolidated Entity's Retail and Wholesale segments will continue to trade profitably;
- Cashflows from operating activities generated \$2,557,410 cashflow for the year ended 30 June 2023 and is expected to increase;
- Trade and other payables as disclosed in Note 20 includes contingent consideration which will be partly settled in shares and restricted share consideration which will convert to equity;
- Despite the net current liability position of \$28,233,108, which is predominantly made up of trade payables and borrowings, the consolidated entity's suppliers and debt financier remain supportive of the business, including the provision of extended payment terms and payment plans, and in the case of borrowings, conversations have included the likely need to extend the maturity date of the debt; and
- The consolidated entity has the ability to raise capital through the issue of equity

On this basis, the Directors are of the opinion that the financial statements should be prepared on a going concern basis and that the consolidated will be able to pay its debts as and when they fall due and payable.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

4. VN8's total equity disclosed in the 2023 Full Year Report as being (\$2,926,895).

5. Listing Rule 12.1 which states:

12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

6. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

7. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX accounts, the following rules apply.

(a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.

(b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

(c) If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If

the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.

- (d) *If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) *If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

Having regard to the above, ASX asks VN8 to respond to each of the following questions:

1. Is VN8 able to confirm that in the Directors' Opinion the Annual Report:
 - 1.1 comply with the relevant Accounting Standards; and
 - 1.2 give a true and fair view of VN8's financial performance and position?
2. Does VN8 consider that its financial condition is sufficient to warrant its continued the continued quotation of its securities and listing on ASX for the purposes of Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:
 - 2.1 VN8's negative working capital of \$28,223,108 and net liability position of (\$2,926,895) as at 30 June 2023
 - 2.2 VN8's cash and cash equivalents as at 30 June 2023 of \$1,793,030.
3. If the answer to question 2 is "No", please explain what steps VN8 has taken, or proposes to take, to warrant the continued quotation of its securities and its continued listing on ASX for the purpose of Listing Rule 12.2.
4. Given the Auditor has been unable to obtain sufficient and appropriate audit evidence as to whether the VN8 can continue as a going concern and VN8 has cash and cash equivalents of \$1,793,030 and total current liabilities of \$34,118,039, on what basis do the directors consider that VN8 is a going concern.
5. Please confirm that VN8 is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
6. Please confirm that VN8's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of VN8 with delegated authority from the board to respond to ASX on disclosure matters.

Quarterly Cash Flow/Quarterly Activity Reporting

Guidance Note 23, section 15 sets out the circumstances in which ASX may require an entity to provide quarterly cash flow and quarterly activity reports under Listing Rules 4.7B and 4.7C, including where the entity's audited or reviewed financial statements include a modified opinion, emphasis of matter or other matter paragraph that questions whether the entity can continue as a going concern.

From ASX's review of VN8's 2023 Full Year Results, it has come to our attention that it contains a material uncertainty relating to going concern meaning that VN8 may be unable to realise its assets and discharge its liabilities in the normal course of business.

Given the above, ASX advises VN8 that pursuant to Listing Rules 4.7B and 4.7C it is now required to complete Appendix 4C quarterly cash flow and quarterly activity reports and lodge them with MAP.

Under Listing Rule 4.7B, VN8 must give ASX the completed Appendix 4C quarterly cash flow report immediately when the information is available, and in any event within one month after the end of the each quarter of its financial year. Further, under Listing Rule 4.7C, VN8 must also give a completed quarterly activity report to ASX at the same time that it gives its Appendix 4C quarterly cash flow report for that quarter.

VN8's first Appendix 4C quarterly cash flow and quarterly activity reports will be for the quarter ending 31 December 2023 and are due no later than Wednesday, 31 January 2024.

If VN8 fails to lodge the completed Appendix 4C quarterly cash flow and quarterly activity reports under Listing Rules 4.7B and 4.7C, ASX will suspend its securities from quotation (if not already suspended) under Listing Rule 17.5 on the trading day immediately after the date on which the completed Appendix 4C quarterly cash flow and quarterly activity reports were due.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10 AM AWST Monday, 8 January 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, VN8's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require VN8 to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in VN8's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in VN8's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to VN8's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that VN8's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

ASX Compliance