



Connecting You

(Formerly Aleator Energy Ltd)

FINANCIAL REPORT

30 JUNE 2016

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for Vonex Limited ("Vonex" or "the Company") and its controlled entities (collectively the "Group"), for the year ended 30 June 2016.

Directors

The names and qualifications of persons who have held the position of Director of Vonex Limited at any time during the financial year and up to the date of this report are:

- Mr Lewis Cross - Non-Executive Chairman (Resigned 14 June 2016)
- Mr Mark Rowbottom - Executive Director (Resigned 1 April 2016)
- Mr Angus Parker - Executive Director (Appointed 5 February 2016)
- Ms Brydie McKee - Executive Director (Appointed 5 February 2016) (Resigned 14 June 2016)
- Mr Gennady Varitsky - Non-Executive Director (Resigned 5 February 2016)
- Mr Nicholas Ong – Non-Executive Chairman (Appointed 14 June 2016)
- Mr Matt Fahey – Commercial Director (Appointed 14 June 2016)
- Mr David Vilensky – Non-Executive Director (Appointed 14 June 2016)

Information on Directors & Company Secretary

Nicholas Ong - Non-Executive Chairman

Mr Ong was previously a Principal Adviser at the ASX in Perth and brings ten years' experience in listing rules compliance and corporate governance to the board. Mr Ong was an active member of the ASX JORC Group and has overseen the admission of in excess of 100 companies to the official list of the ASX. Mr Ong is a member of Australian Institute of Company Directors, Governance Institute Australia and has a MBA from the University of Western Australia.

Other directorships of Australian listed companies held by Mr Ong in the last three years are:

Current: CoAssets Limited, Segue Resources Limited. *Previous:* Excelsior Gold Limited, Auroch Minerals Limited, MSM Corporation Limited, Fraser Range Metals Group Limited.

Mr Ong is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.

Angus Parker - Managing Director

Mr Parker is co-founder and CEO of Vonex Ltd. He is a futurist and innovator, with a track record in advancing technology. With 10+ years' experience in the development of VoIP products and solutions, he works with world leaders in the field to establish products for Vonex Ltd. His vision has led him to all corners of the globe, where, as innovator with voice, he leads the development world with cloud-based solutions to assist in connecting people.

Mr Parker has not held any other directorships of Australian listed companies in the last three years.

Matt Fahey - Commercial Director

Mr Fahey is Vonex Telecom's chief commercial officer and joined the Board as Commercial Director. Mr Fahey joined Vonex Ltd in 2013, through the Vonex Group's acquisition of iTrinity (IP Voice & Data) where he had served as Sales Director. Matt brings with him 20 years of extensive experience in building and managing Telecommunications companies with a well-regarded reputation in the industry for excellence in VoIP and Telco. 2014 saw amazing growth for Vonex Ltd with the partner program increasing from 90 to over 400 partners.

Mr Fahey transitioned from Sales Director at Vonex Ltd to Chief Commercial Officer and is part of the executive leadership team responsible for commercial strategy and development. Mr Fahey oversees the retail and wholesale business units and is focused on driving marketing, sales and the continued development of diverse products in order to accelerate business growth and expand Vonex's market share.

Mr Fahey has not held any other directorships of Australian listed companies in the last three years.

DIRECTORS' REPORT

David Vilensky - Non-Executive Director

Mr Vilensky is a practicing corporate lawyer and the managing director of Perth law firm Bowen Buchbinder Vilensky. He has more than 30 years' experience in the areas of corporate and business law and in commercial and corporate management. Mr Vilensky practices mainly in the areas of corporate and commercial law, mergers and acquisitions, mining and resources, trade practices and competition law and complex dispute resolution. Mr Vilensky acts for a number of listed and private companies and advises on directors' duties, due diligence, capital raisings, compliance with ASX Listing Rules, corporate governance and corporate transactions generally.

Other directorships of Australian listed companies held by Mr Vilensky in the last three years are:

Current: Zambezi Resources Limited, Latin Resources Limited.

Mr Vilensky has a Bachelor of Arts and a Bachelor of Laws from the University of Capetown and is a member of the Law Society of Western Australia.

Matthew Foy - Company Secretary

Mr Foy was previously a Senior Adviser at the ASX and has nine years' experience in facilitating the compliance of listed companies. Mr. Foy is a qualified Chartered Secretary and has reviewed and approved the listing of over 40 companies during his tenure at the ASX. Mr. Foy is also Company Secretary of ASX-listed Segue Resources Limited, Protean Wave Energy Limited, Frontier Resources Limited, Datetix Limited, XTD Limited and Auroch Minerals Limited.

Mr Foy is a member of the Australian Institute of Company Directors, Governance Institute Australia, has a Graduate Diploma (Applied Finance) from FINSIA and a B. Com from the University of Western Australia.

Daniel Smith - Company Secretary

Mr Smith holds a BA and is a member of the Australian Institute of Company Directors and the Governance Institute of Australia. He has primary and secondary capital markets expertise, having been involved in a number of IPOs and capital raisings. Mr Smith is currently a director of Minerva Corporate, a private corporate consulting firm. Mr Smith is a director of ASX-listed companies and is also company secretary of ASX-listed Taruga Gold Limited, CoAssets Limited and DateTix Group Ltd.

Mr Smith holds a BA and is a member of the Australian Institute of Company Directors and the Governance Institute of Australia.

Interests in the securities of the Company

As at the date of this report, the interests of the directors in securities of the Company were:

Directors	Ordinary Shares	Class B Performance Shares	Class C Performance Shares	Performance Rights
Angus Parker ¹	95,574,350	34,754,310	34,754,309	3,900,000
Nicholas Ong ²	-	-	-	3,900,000
Matt Fahey ³	27,084,858	9,849,039	9,849,040	3,900,000
David Vilensky ⁴	-	-	-	3,900,000
Brydie McKee ⁵	-	-	-	-
Lewis Cross ⁶	-	-	-	-
Mark Rowbottam ⁷	-	-	-	-
Gennady Varitsky ⁸	-	-	-	-

1. Appointed 5 February 2016.
2. Appointed 14 June 2016.
3. Appointed 14 June 2016.
4. Appointed 14 June 2016.
5. Appointed 5 February 2016, resigned 14 June 2016.
6. Resigned 14 June 2016.
7. Resigned 1 April 2016.
8. Resigned 5 February 2016.

DIRECTORS' REPORT

Meetings of Directors

The attendance of directors at meeting of the company's Board of Directors held during the year is as follows:

Directors	Number of Meetings	
	Attended	Eligible to Attend
Angus Parker ¹	2	2
Nicholas Ong ²	2	2
Matt Fahey ³	2	2
David Vilensky ⁴	2	2
Brydie McKee ⁵	1	1
Lewis Cross ⁶	8	8
Mark Rowbottom ⁷	8	8
Gennady Varitsky ⁸	6	6

1. Appointed 5 February 2016.

2. Appointed 14 June 2016.

3. Appointed 14 June 2016.

4. Appointed 14 June 2016.

5. Appointed 5 February 2016, resigned 14 June 2016.

6. Resigned 14 June 2016.

7. Resigned 1 April 2016.

8. Resigned 5 February 2016.

Principal Activities

The principal activity of the consolidated entity during the year has been the development of technologies in communications, including its established cloud hosted PBX system. Vonex is also developing oper8tor App, a multi-platform voice, messaging and social media app that allows users to connect with all social media friends, followers and contacts from a single app.

Financial Position & Operating Results

The financial results of the consolidated entity for the financial year ended 30 June 2016 are:

	30-Jun-16	30-Jun-15	% Change
Cash and cash equivalents (\$)	581,540	177,901	227%
Net liabilities (\$)	(2,032,339)	(833,837)	(144%)
Revenue (\$)	6,014,792	4,872,345	23%
Net loss after tax (\$)	(12,410,441)	(376,490)	(3,196%)
Loss per share (cents)	(3.18)	(0.14)	(2,171%)

Dividends Paid or Recommended

There were no dividends declared or paid by the company during the year and no dividend is recommended.

Review of Operations

Acquisition of Vonex Wholesale Limited (formerly Vonex Ltd)

On 8 July 2015 the Company entered into the Acquisition Agreement with Vonex Wholesale Limited and its majority shareholders for the option to conditionally acquire 100% of the issued capital in Vonex Wholesale Limited, which the Company exercised on 13 August 2015.

Vonex Wholesale Limited is an award-winning Perth based telecommunications company that develops new technologies in the communications industry. Vonex has developed technologies in communications, including a cloud hosted PBX system. Vonex Wholesale Limited is also developing oper8tor App, a multi-platform voice, messaging and social media app that allows users to connect with all social media friends, followers and contacts from a single app.

DIRECTORS' REPORT

Vonex Wholesale Limited developed a cloud based hosted PBX system which delivers innovative features to the business customer otherwise unachievable using conventional phone systems. With the addition of AMPT (Automated Management and Provisional Terminal) Vonex Wholesale Limited has successfully cut the time of deploying PBX systems into offices from weeks to a matter of minutes. This innovation has the potential to save companies thousands of dollars in set up costs as well as massive savings in their telecommunications expenses ongoing. In addition the business model is extremely scalable.

On 30 November 2015 the company held its Annual General Meeting and shareholders approved the resolutions to acquire all of the issued capital in Vonex Wholesale Limited and make a significant change of nature and scale of the Company's activities.

On 4 December 2015 the Company lodged its prospectus with ASIC for the offer of up to 111,111,111 shares at an issue price of \$0.045 per share to raise up to \$5,000,000 with a minimum subscription of 80,000,000 shares to raise at least \$3,600,000 ("Public Offer"). The prospectus also contained an offer of up to 233,333,333 shares and 400,000,000 Performance Shares (being 133,333,333 Class A Performance Shares, 133,333,333 Class B Performance Shares and 133,333,334 Class C Performance Shares) (Consideration Securities) to the Vonex Wholesale Limited Vendors (Vendor Consideration Offer).

On 16 December 2015 the Company announced that its prospectus Offer dated 3 December 2015 had been fully subscribed at \$5 million and had closed. The offer received overwhelming investor support and was heavily oversubscribed.

The parties agreed that all conditions precedent had been met or waived, and as a result settled the acquisition agreement on 28 January 2016.

On 4 March 2016 the Company issued a Supplementary Prospectus intended to be read with the prospectus dated 3 December 2015. The effect of this Supplementary Prospectus is that the Company must give subscribers to the 4 December 2015 Prospectus the right, for a period of one month from the date of the Supplementary Prospectus, to withdraw their application and be repaid their application money.

Povorotnoye Gas and Condensate Field

During the period the Company announced that it had entered into a binding share sale agreement for the sale of its investment in Honoratus Investments Limited (**Honoratus**), the holding company of its Ukraine assets. The material terms of the share sale agreement were as follows:

- The purchaser will purchase 100% of the shares of Honoratus which are held by the Company, free from encumbrances;
- The purchaser will assume all liabilities post settlement; and
- The consideration receivable by the company is \$250,000.

The Company had received the entire consideration of \$250,000 from the sale of its investment in Honoratus. The sale allowed the Company to be released from its liabilities and obligations, leaving the Company free to continue its strategic shift to the telecommunications sector.

The Company retains its interest in the Golden Eagle project in Utah, USA and the Johnston Range iron ore royalty.

Share Purchase Plan & Outstanding Creditor Settlement

During the period the Company completed a share purchase plan (SPP) which closed heavily oversubscribed. The Company issued 140,000,000 (pre-consolidation of capital) fully paid ordinary shares at \$0.005 per share to raise \$700,000 and an additional 20,000,000 (pre-consolidation of capital) and 12,000,000 (pre-consolidation of capital) fully paid ordinary shares at \$0.005 and \$0.03 respectively per share to clear \$120,000 worth of outstanding creditors.

Completion of Unmarketable Parcel Share Sale Facility

During the period the Company completed the Unmarketable Parcel Shares Sale Facility announced on 16 July 2015 following the sale of 6,088,947 (pre-consolidation of capital) shares for 3,985 shareholders. The sale price was \$0.015 per share, being the equivalent price to the funding commitments announced on 24 September 2015.

DIRECTORS' REPORT

The Unmarketable Parcel Share Sale Facility allowed shareholders with less than a marketable parcel of shares to exit the Company's register without brokerage fees or other costs, thereby reducing the Company's administrative expenses and other share registry fees associated with these small holdings.

Consolidation of Capital

On 30 November 2015 at the Company's Annual General Meeting, shareholders approved the share consolidation on the basis that every three (3) shares be consolidated into one (1) share.

Conversion of Debt

On 1 December 2015 the Company issued 12,000,000 (pre-consolidation of capital) fully paid ordinary shares at \$0.03 on conversion of debt worth \$120,000.

Working Capital Loan Facility Agreement

During the period the Company entered into a short term working capital loan facility, used to offset any funds used and maintain the total of the funds held under trust from the Application received under the Prospectus (**Facility**). As at 30 June 2016 the Company had drawn down a net amount \$430,000 of the Facility.

The key terms of the Facility are as follows:

- (a) the lender agrees to provide a short term working capital loan facility to the Company in the amount of \$1,000,000 (**Facility Amount**) to be used by the Company for any working capital purposes;
- (b) the Facility Amount is held on trust for the Company since September 2015;
- (c) the Facility Amount will be provided to the Company in the manner requested on request of the Company; and
- (d) the Company agrees to repay the Facility Amount in full to the lender within 30 days following re-admission of the Company to the Official List.

On 5 February 2016 the Company appointed Ms Brydie McKee and Mr Angus Parker Executive Directors and as CEO and CTO respectively following settlement of the heads of agreement between Vonex Limited (formally Aleator Energy Limited and Vonex Wholesale Limited (formerly Vonex Limited). Concurrently the Company accepted the resignation of Mr Gennady Varitsky as director of the Company.

On 8 February 2016, on achieving all conditions precedent to the heads of agreement, including that the Company had received conditional approval for re-admission to the Official List of the ASX and in the Company's discretion all the conditions were achievable prior to 3 March 2016, the Company issued 111,111,111 fully paid ordinary shares pursuant to the Public Offer together with 233,333,333 fully paid ordinary shares and 400,000,000 performance shares as consideration for the settlement of the Vonex acquisition.

On 19 February 2016 the Company received written confirmation from ASIC confirming the registration on change of company name from Aleator Energy Limited to Vonex Limited. The Company also changed the address of its registered office and principal place of business to Unit 5, Ground Floor, 1 Centro Avenue, Subiaco, WA 6008.

On 22 February 2016 the Company received written confirmation from ASX notifying the Company that its change of name and code was effective as of 23 February 2016.

On 26 February 2016, ASX raised queries in relation to whether the Company:

- (a) failed to make the offer of the securities the subject of the Prospectus in or accompanied by the Prospectus, in accordance with section 721(1) of the Corporations Act; and
- (b) failed to hold the application money and all other money paid to the Company on account of securities the subject of the Prospectus on trust for the applicant until the securities were issued on 8 February 2016, in accordance with section 722 of the Corporations Act.

On 26 February 2016 the Company applied to ASIC for relief to modify section 723(3) of the Corporations Act pursuant to section 741 of the Corporations Act, so the Company may extend the period for which to obtain quotation for an additional period of three months commencing the date of the Supplementary Prospectus. On 4 March 2016 the Company issued a Supplementary Prospectus intended to be read with the prospectus dated 3 December 2015. Pursuant to the Supplementary Prospectus, ASIC granted the Company relief from sections 723(3) and 724 of the Corporations Act and the Company was granted an additional three months from 4 March 2016 within which its securities must be re-admitted to quotation on ASX. A condition of this relief was that, for

DIRECTORS' REPORT

a period of one month from the date of the Supplementary Prospectus, applicants must be given the opportunity to withdraw their application and be repaid their application money.

On 7 March 2016 the Company announced an operations update. The update related to a positive increased in revenue numbers, customer and reseller growth, and the development status of the oper8tor App.

On 1 April 2016 the Company announced that it had accepted the resignation of Executive Director, Mr Mark Rowbottom.

On 5 April 2016 the Company provided a summary of the withdrawals processed under the Supplementary Prospectus dated 4 March 2016. Following close of the period for exiting applicants to withdraw application monies on 4 April 2016, the Company received and processed refunds totalling \$4,103,696.64.

On 8 April 2016 the Company announced that it had accepted the resignations of Ms Brydie McKee and Mr Lew Cross as Directors of the Company, subject to the appointment of replacement directors as nominated by the Company in due course.

On 12 April 2016, the Company was informed by the ASX that it would be removed from the Official List of the ASX immediately, in accordance with listing rule 17.12.

Also in April, the Company sought to raise additional working capital and funds to repay remaining subscribers to the Prospectus dated 3 December 2015, via the issue of a convertible note facility. During the period the Company raised \$1,137,000 via the convertible note facility.

On 14 June 2016 the Company advised that all subscribers who had lodged applications for shares under the Prospectus dated 3rd December 2015 as supplemented by the Supplementary Prospectus dated 4 March 2016 had been refunded their application money in full.

In addition, on 14 June 2016 the Company advised of the appointments of Mr Nicholas Ong as Non-Executive Chairman, Mr David Vilensky as Non-Executive Director and Vonex Telecom's chief commercial officer Mr Matt Fahey as Commercial Director to the Board of the Company. Following the appointments of Messrs. Ong, Vilensky and Fahey, the Company advised that the resignations of Mr Lew Cross and Ms. Brydie McKee had been effected.

The Company further advised that Mr Matthew Foy and Mr Daniel Smith had been appointed joint company secretaries of the Company. Following the appointments of Messrs. Foy and Smith Mr Ranko Matic resigned as Company Secretary.

Significant Changes in the State of Affairs

During the Period the Company held its Annual General Meeting and shareholders approved the resolutions to acquire all of the issued capital in Vonex Wholesale Limited (formerly Vonex Limited) and make a significant change of nature and scale of the Company's activities. On 27 January 2016, on achieving all conditions precedent to the heads of agreement, including that the Company had received conditional approval for re-admission to the Official List and in the Company's discretion all the conditions were achievable prior to 3 March 2016, the Company issued 111,111,111 fully paid ordinary shares pursuant to the Public Offer together with 233,333,333 fully paid ordinary shares and 400,000,000 performance shares as consideration for the settlement of the Vonex acquisition.

On 19 February 2016 the Company received written confirmation from ASIC confirming the registration on change of company name from Aleator Energy Limited to Vonex Limited. The Company also changed the address of its registered office and principal place of business to Unit 5, Ground Floor, 1 Centro Avenue, Subiaco, WA 6008.

On 12 April 2016, the Company was informed by the ASX that it would be removed from the Official List of the ASX immediately, in accordance with listing rule 17.12.

Other than as outlined above, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

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Events after the reporting period

Subsequent to the period the Company raised an additional \$250,000 of funds pursuant to the convertible note facility.

On 20 September 2016 at an extraordinary general meeting of members, the Company's shareholders approved, amongst other things:

- variation to the Class A Performance Shares on issue such that the 133,333,334 Class A Performance Shares converted into ordinary shares on a one-for-one basis;
- variation to the conversion milestone terms of the Class B Performance Shares on issue such that each Class B Performance Share will convert into one ordinary fully paid share in the Company, ranking equally with and conferring rights identical to the ordinary shares on issue on the occurrence of revenue of the Vonex Group exceeding \$9 million per annum in any quarter within three years of 8 February 2016, or if the multi-platform phone call and messaging communication app called "Oper8tor" is spun out into a separate company, or the Company is the target of a successful takeover;
- variation to the conversion milestone terms of the Class C Performance Shares on issue such that each Class C Performance Share will convert into one ordinary fully paid share in the Company, ranking equally with and conferring rights identical to the ordinary shares on issue on the occurrence of revenue of the Vonex Group exceeding \$12 million per annum in any quarter within three years of 8 February 2016, or if the multi-platform phone call and messaging communication app called "Oper8tor" is spun out into a separate company, or the Company is the target of a successful takeover;
- the issue of up to 2,500,000 convertible notes to the providers of the facility as set out in the explanatory memorandum;
- the issue of up to 3,900,000 Performance Rights to Mr Nicholas Ong;
- the issue of up to 3,900,000 Performance Rights to Mr Angus Parker;
- the issue of up to 3,900,000 Performance Rights to Mr David Vilensky;
- the issue of up to 3,900,000 Performance Rights to Mr Matt Fahey;
- the issue of up to 3,900,000 Performance Rights to Mr Matthew Foy; and
- the issue of up to 3,900,000 Performance Rights to Mr Daniel Smith.

On 9 December 2016 the Company has entered into a non-binding Heads of Terms agreement with a third party which outlines the initial conditions precedent required of both parties prior to a binding Term Sheet being entered into. The Heads of Terms agreement has been executed under "Commercial-In-Confidence". Upon completion of due diligence and all conditions precedent being met it is expected that a formal binding Term Sheet will be entered into. It will be at this point that a formal announcement to shareholders will be made by the Company. One of the expected outcomes from these negotiations is an approximate capital raising of £5M (GBP) – approx. AUD\$8.4M.

The directors are not aware of any other matter of circumstance, that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity the results of those operations, or the state of affairs of the consolidated entity in future financial years

Environmental Regulation

Vonex Limited is committed to environmental care and aims to carry out its activities in an environmentally-responsible and scientifically-sound way. In performing exploration activities, some disturbance of the land in the creation of tracks, drill rig pads, sumps and the clearing of vegetation occurs. These activities have been managed in a way that reduces environmental impact to a practical minimum and rehabilitation of any land disturbance commences after exploration activity in an area has been completed.

Vonex Limited has complied with all statutory requirements involving protection of the environment as enforced by the Western Australian Department of Industry and Resources, Department of Environment, and Department of Conservation and Land Management.

The Company also has environmental obligations with respect to its proposed operations in Utah, USA. These obligations are regulated by the Utah Division of Oil, Gas and Mining, and the Bureau of Land Management of the Federal Department of the Interior.

The directors have considered the enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information

DIRECTORS' REPORT

about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of developments, the directors have determined that the NGER Act will have no effect on the company for the current or subsequent financial year. The directors will reassess this position as and when the need arises.

Officer's Indemnities and Insurance

The Company has indemnified the directors and executives of the company for the costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Options

At the date of this report the company did not have any options on issue.

Performance Rights

On 20 September 2016 shareholders approved the issue of up to 3,900,000 Performance Rights each to the Director and Company Secretaries on the following conditions with a five year terms:

- (a) 1,300,000 Performance Rights ("**Tranche 1 Performance Rights**");
- (b) 1,300,000 Performance Rights ("**Tranche 2 Performance Rights**"); and
- (c) 1,300,000 Performance Rights ("**Tranche 3 Performance Rights**").

Performance Conditions

Subject to any exchange imposed escrow, the Performance Rights will vest only if:

- (a) The Tranche 1 Performance Rights when the Company lists on an alternative securities exchange other than the Australian Securities Exchange;
- (b) The Tranche 2 Performance Rights if the Key Executives are still in their current positions whether as directors or joint secretaries respectively on a date 12 months from the date of their respective appointments;
- (c) The Tranche 3 Performance Rights when the revenue of the Vonex Group reaches \$10 million dollars per annum in any quarter;
- (d) Notwithstanding the Performance Conditions above, all the Performance Rights will vest automatically if there is a trade sale of all or any part of the business or assets of the Company or if the Company merges with another company or is the subject of a successful takeover or if the multi-platform phone call and messaging communication app called "Oper8tor" is spun out into a separate Company.

No Performance Rights shall vest upon the sale of any of the mining tenements owned by the Company. For the avoidance of doubt there is nothing to prevent the Tranche 2 Performance Rights from vesting before the Tranche 1 Performance Rights as the case may be and the Performance Rights will vest upon the occurrence of the respective Performance Conditions irrespective of whether any of the other Performance Rights have already vested.

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Subject to achievement of the Performance Conditions one share will be issued for each Performance Right that has vested on the same terms and conditions as the Company's issued shares and will rank equally with all other issued shares from the issue date.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 6 to the financial statements. The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR

RSM Australia Partners was appointed as the Group's auditor at the 2011 Annual General Meeting and continues in office in accordance with section 327 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's Independence declaration as required under section 307C of the Corporations Act 2001 is included within this financial report.

This directors' report, is signed in accordance with a resolution of the Board of Directors.



Nicholas Ong
Chairman
14 December 2016

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Vonex Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2016 \$	2015 \$
Sales revenue	2	5,467,162	4,568,339
Cost of sales	3	(3,562,309)	(3,041,499)
Gross profit		1,904,853	1,526,840
Other revenues	2	547,630	304,006
Administration expenses		(444,168)	(278,543)
Amortisation	3	(73,716)	(72,504)
Audit fees		(44,295)	(20,000)
Bad & doubtful debt expenses		(12,475)	(23,524)
Contractor expenses		(541,248)	(276,254)
Depreciation expenses	3	(70,316)	(66,709)
Directors fees		(79,309)	-
Finance costs	3	(432,995)	(156,543)
Insurance expense		(32,236)	(20,488)
Legal fees		(156,663)	(50,416)
Loss on disposal of equipment		(87,319)	-
Occupancy expenses	3	(129,601)	(77,779)
Share based payment expense	29	(10,915,379)	-
Travel expenses		(111,417)	(61,630)
Employee expenses	3	(1,731,787)	(1,102,946)
Loss before income tax		(12,410,441)	(376,490)
Income tax expense		-	-
Net loss for the year		(12,410,441)	(376,490)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	-
Income tax relating to components of other comprehensive income for the year		-	-
Other comprehensive income / (loss) for the year, net of tax		-	-
Total comprehensive loss for the year		(12,410,441)	(376,490)
Basic and diluted earnings per share of loss attributable to the owners of Vonex Limited (cents per share)			
		3.18	0.14

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	8	581,540	177,901
Trade and other receivables	9	515,543	408,851
Other current assets	10	54,909	124,285
TOTAL CURRENT ASSETS		1,151,992	711,037
NON CURRENT ASSETS			
Intangible assets	11	522,311	579,172
Property, plant and equipment	14	196,986	219,785
Other non-current assets	10	249,642	50,915
TOTAL NON CURRENT ASSETS		968,939	849,872
TOTAL ASSETS		2,120,931	1,560,909
CURRENT LIABILITIES			
Trade and other payables	16	1,865,884	1,537,950
Provisions	15	261,592	106,438
Borrowings	17	1,931,944	683,993
TOTAL CURRENT LIABILITIES		4,059,420	2,328,381
NON-CURRENT LIABILITIES			
Provisions	15	73,366	35,348
Borrowings	17	20,484	31,017
TOTAL NON-CURRENT LIABILITIES		93,850	66,365
TOTAL LIABILITIES		4,153,270	2,394,746
NET LIABILITIES		(2,032,339)	(833,837)
EQUITY			
Issued capital	18	16,014,130	4,802,191
Reserves	19	19,114	19,114
Accumulated losses	23	(18,065,583)	(5,655,142)
TOTAL EQUITY		(2,032,339)	(833,837)

The accompanying notes form part of these financial statements.

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
At 1 July 2014	4,802,191	(5,278,652)	19,114	(457,347)
Comprehensive income:				
Loss for the year	-	(376,490)	-	(376,490)
Total comprehensive loss for the year	-	(376,490)	-	(376,490)
Transactions with owners, in their capacity as owners				
Shares issued during the year	-	-	-	-
Capital raising costs	-	-	-	-
At 30 June 2015	4,802,191	(5,655,142)	19,114	(833,837)
At 1 July 2015	4,802,191	(5,655,142)	19,114	(833,837)
Comprehensive income:				
Loss for the year	-	(12,410,441)	-	(12,410,441)
Total comprehensive income / (loss) for the year	-	(12,410,441)	-	(12,410,441)
Transactions with owners, in their capacity as owners				
Share buy-back	(173,688)	-	-	(173,688)
Shares issued during the year	858,698	-	-	858,698
Share-based payment - acquisition	10,526,929	-	-	10,526,929
At 30 June 2016	16,014,130	(18,065,583)	19,114	(2,032,339)

The accompanying notes form part of these financial statements.

VONEX LIMITED
FOR THE YEAR ENDED 30 June 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,450,972	4,522,375
Payments to suppliers and employees		(6,059,731)	(4,714,291)
Research and development tax offset		249,489	302,946
Interest paid		(119,033)	(129,071)
Interest received		10,671	385
Net cash used in operating activities	22	(467,632)	(17,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary		(655,256)	-
Receipts from disposal of fixed assets		16,713	-
Payments for fixed assets		(123,103)	(49,738)
Payment for research and development (intangibles)		(15,548)	(11,988)
Net cash provided by investing activities		(777,194)	(61,726)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings		1,728,465	206,636
Payments for share buyback		(80,000)	(34,500)
Net cash received by financing activities		1,648,465	172,136
Net increase in cash and cash equivalents		403,639	92,754
Cash and cash equivalents at the beginning of the financial year		177,901	85,147
Cash and cash equivalents at end of the financial year	8	581,540	177,901

The accompanying notes form part of these financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements and notes represent those of Vonex Limited and the entities it controlled during the year ("the consolidated entity"). Vonex Limited is a unlisted public company, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Suite 1, 1 Centro Avenue, Subiaco, WA, 6008.

The separate financial statements of the parent entity, Vonex Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue by the Board on 14 December 2016.

Note 1: Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, and financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

All amounts are presented in Australian dollars.

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 the discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a net loss of \$12,410,441 and had net cash outflows from operating activities of \$467,632 for the year ended 30 June 2016. As at that date, the consolidated entity had net current liabilities \$2,907,428 and net liabilities of \$2,032,339.

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

-On 9 December 2016, the consolidated entity has entered into a non-binding Heads of Terms agreement with a third party which outlines the initial conditions precedent required of both parties prior to a binding Term Sheet being entered into. Upon completion of due diligence and all conditions precedent being met it is expected that a formal binding Term Sheet will be entered into. It will be at this point that a formal announcement to shareholders will be made by the Company. One of the expected outcomes from these negotiations is an approximate capital raising of £5M (GBP) – approx. AUD\$8.4M.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

-Subsequent to the period end the Company raised an additional \$250,000 of funds pursuant to the convertible note facility. The Company expects to convert these along with convertible notes amounting to \$1,421,250 as per Note 17 to fully paid ordinary shares.

-The directors' expect the Company's Retail and Wholesale segments will continue to trade profitably for the financial year 2017, while the corporate segment costs are reduced post restructure.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The ability of the consolidated entity to continue as a going concern is principally dependent upon having sufficient working capital to fund the continued operations, further capital through the issue of equity, growth in its revenues and to maintain the continued support of the consolidated entity's lenders.

Should the consolidated entity not achieve the matters set out above, there is a material uncertainty which may cast significant doubt as to whether the consolidated entity will 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 financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity is not able to continue as a going concern.

(a) Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 13.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and result of entities controlled by Vonex Wholesale Limited at the end of the reporting period. A controlled entity is an entity over which Vonex Wholesale Limited has the ability or right to govern the financial and operating policies so as to obtain benefits from the entity's activities. In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(c) Acquisition of Vonex Wholesale Ltd

During the period ended 30 June 2016 Vonex Ltd acquired all the shares in Vonex Wholesale Ltd by issuing 233,333,333 shares in Vonex Ltd, on a post-consolidation basis, to Vonex Wholesale Shareholders, giving Vonex Wholesale a controlling interest in Vonex Ltd and equating to a controlling interest in the combined entity. Vonex Wholesale has thus been deemed the acquirer for accounting purposes. The acquisition of Vonex Ltd by Vonex Wholesale is not deemed to be a business combination, as Vonex Ltd is not considered to be a business under AASB 3 Business Combinations. As such, the consolidation of these two companies was on the basis of the continuation of Vonex Wholesale with no fair value adjustments, whereby Vonex Wholesale was deemed to be the accounting parent. The comparative information of Vonex Ltd is that of Vonex Wholesale as presented in its last set of year-end audited financial statements.

The transaction has therefore been treated as a share based payment under AASB 2 Share Based Payments, whereby Vonex Wholesale is deemed to have issued shares in exchange for the net assets and listing status of Vonex Ltd. As the deemed acquirer, Vonex Wholesale has acquisition accounted for Vonex Ltd as at 30 June 2016. As a result, the following principles and guidance on the preparation of the consolidated financial statements has been applied:

- Fair value adjustments arising at acquisition were made to Vonex Ltd's assets and liabilities, and not those of Vonex Wholesale.
- The cost of acquisition is based on the notional amount of shares that Vonex Wholesale would need to issue to acquire the majority interest of Vonex Ltd shares that the shareholders did not own after the acquisition times the fair value of Vonex Ltd shares at acquisition date.
- Retained earnings and other equity balances in the consolidated financial statements at the date of acquisition are the retained earnings and other equity balances of Vonex Wholesale immediately before the acquisition.
- A share based payment transaction arises where-by Vonex Wholesale is deemed to have issued shares in exchange for the net assets of Vonex Ltd, together with Vonex Ltd's listing status. The listing status does not qualify for recognition as an intangible asset and has therefore been expensed in profit and loss for the period.
- The amounts recognised as issued equity instruments in the consolidated financial statements have been determined by adding the share based payment to the issued equity of Vonex Wholesale immediately before the acquisition.
- The results for the year ended 30 June 2016 comprise the results of Vonex Wholesale for the full year and results of Vonex Ltd subsequent to the acquisition.
- The weighted average number of shares outstanding for the period in which the reverse acquisition took place is based on the weighted average number of shares in Vonex Wholesale that are outstanding from the beginning of the period to the date of acquisition. The number of shares is multiplied by the exchange ratio established in the acquisition and added to the actual number of shares of Vonex Ltd outstanding in the period following acquisition. The comparative weighted average number of shares is based on Vonex Wholesale's historical weighted average number of shares multiplied by the exchange ratio.

Refer Note 29 for further details on the acquisition accounting treatment.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(d) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit and loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit and loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

(e) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (revenue) is charged or credited outside profit or loss when the tax related to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(e) Income Tax (Continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(f) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value, less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed included the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of fixed assets is depreciated on the straight line method over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and Fixtures	15% - 25%
Plant and Equipment	15% - 33.3%
Leasehold Improvements	12%
Motor Vehicles	20%
Computer Equipment	50%

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(f) Plant and Equipment (continued)

The asset's residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(g) Exploration and Development Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest or sale of that area of interest, or exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to the area of interest.

(h) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss and other comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the statement of profit and loss and other comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment testing is performed annually for intangible assets with indefinite useful lives.

(i) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(j) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(j) Foreign Currency Transactions and Balances (continued)

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised directly in the statement of profit and loss and other comprehensive income except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in statement of profit or loss and other comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(k) Employee Entitlements

Provision is made for the consolidated entity's obligation for short-term employee benefits. Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated entity's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The consolidated entity's obligations for employees' annual leave entitlements are recognised as provisions in the statement of financial position.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(k) Employee Entitlements (Cont.)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(l) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as "at fair value through profit or loss". Transaction costs related to instruments classified as "at fair value through profit or loss" are expensed to the statement of profit or loss and other comprehensive income immediately.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the consolidated entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of profit and loss and other comprehensive income.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designed as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the statement of profit or loss and other comprehensive income.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(m) Financial Instruments (Cont.)

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method. Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of Assets

At the end of each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to the statement of profit or loss and other comprehensive income at this point.

(n) Cash and Cash Equivalents

Cash and equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments. For the purpose of the statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand and subject to an insignificant risk of changes in value.

(o) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Rendering of telecommunications services

Revenue from the rendering of retail telecommunications services includes the provision of data, internet, voice and other services. Revenue from the rendering of data and internet services to consumers and corporate customers is recognised on a straight-line basis over the period the service is provided. Revenue for voice services is recognised at completion of the call. Revenue from wholesale hosted PBX service customers is charged based on the number of PBX registrations recorded on a daily basis and invoiced monthly in arrears.

Where revenue for services is invoiced to customers and/or received in advance, the amount that is unearned at a reporting date is recognised in the statement of financial position as deferred income, and its recognition in the income statement is deferred until the period to which the invoiced amount relates.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(o) Revenue and Other Income (Cont.)

Sale of goods

Revenue from the sale of goods represents sales of customer equipment to consumer and corporate customers. Cash sales are recognised immediately and credit sales are recognised over the life of the contract.

Revenue arrangements with multiple deliverables

Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable is considered to be a separate unit of accounting and is accounted for separately.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as they are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the comprehensive income statement in the period in which they are incurred. Borrowing costs predominately consist of interest and other costs that the company incurs in connection with the borrowing of funds.

(q) Goods and Services Tax (GST)

The company is registered for GST. Revenues, expenses and assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows.

(r) Trade and other payables

These amounts represent liabilities for goods, services and other commitments provided to the company at the end of the reporting period that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms. Trade payables are predominately unsecured but the Company does have an agreement with one major supplier who has placed a fixed and floating charge over certain assets of the subsidiary company, PPSA Security Interest over PPSA Personal Property and a personal guarantee for the security of all monies payable throughout the service provision period. Refer to Note 16.

All trade debtors are recognised initially at the transaction price (i.e. cost) less any provision for impairment and allowance for any uncollectable amounts. Receivable terms for the group are due for settlement within 4-30 days from the date of the invoice. Collectability of trade debtors is reviewed on an ongoing basis.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other assets are classified as non-current assets.

At the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

When identified, debts which are known to be uncollectible are written off.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

There have been no judgements, apart from those involving estimation, in applying accounting policies that have a significant effect on the amounts recognised in these financial statements. Following is a summary of the key assumptions concerning the future and other key sources of estimation at reporting date that have not been disclosed elsewhere in these financial statements.

Exploration and evaluation expenditure

The board of directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The directors' decision is made after considering the likelihood of finding commercially viable reserves. No areas of interest have been abandoned at the date of this report.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the consolidated entity as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Share based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(t) Critical Accounting Estimates and Judgements (cont.)

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Impairment

The consolidated entity assesses impairment at the end of each reporting period by evaluation conditions and events specific to the consolidated entity that may be indicative of impairment triggers. Validity for future operations are all elements that are considered. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(u) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expense, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments operating results are regularly review by the Company's Directors' to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Company engages in business activities within two segments, being wholesale and retail services within the telecommunications industry. Performance results of the two operating segments are disclosed within the financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(v) Intangibles

Customer List

Customer List is amortised on a straight line basis over the period of 10 years from May 2013. The residual values and useful lives are reviewed annually at each balance date and adjusted, if appropriate.

Trademarks

Trademark is amortised on a straight line basis over the period of 10 years from April 2013. The residual values and useful lives are reviewed annually at each balance date and adjusted, if appropriate.

Patents

Patent is amortised on a straight line basis over the period of 10 years from April 2013. The residual values and useful lives are reviewed annually at each balance date and adjusted, if appropriate. The patent is covering the "Oper8tor" development as outlined in the Directors' Report.

(w) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(x) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, tax, from the proceeds.

(y) New, revised or amending Accounting Standards and Interpretations adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

(y) New, revised or amending Accounting Standards and Interpretations adopted (Cont.)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 2: Revenue and Other Income

	2016	2015
	\$	\$
Operating Activities		
Sales	5,467,162	4,568,339
Other income		
Interest received	10,671	385
Research & development tax offset	249,489	302,946
Debt forgiveness	287,409	-
Other income	61	675
Total other income	547,630	304,006
Total revenue	6,014,792	4,872,345

Note 3: Loss for the year

Loss before income tax from continuing activities includes the following specific expenses

	2016	2015
	\$	\$
Expenses		
Costs of sales	(3,562,309)	(3,041,499)
Depreciation and amortisation	(144,032)	(139,213)
Employee benefits expense (superannuation)	(130,229)	(101,773)
Borrowing costs	(432,995)	(156,543)
Rental expense on operating leases	(129,601)	(77,779)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 4: Income Tax Expense

	2016	2015
	\$	\$

(a) Reconciliation

The prima facie tax on the loss is reconciled to income tax expense as follows:

Loss for the year	(12,410,441)	(376,490)
Prima facie tax expense at 30%	(3,723,132)	(112,947)
Non-deductible expenses	3,276,105	-
Current year temporary differences	82,789	-
Deferred tax asset not brought to account	364,238	112,947
Income tax benefit relating to loss	-	-

(b) Deferred Tax Asset

Deferred tax asset not brought to account comprises the future benefits at applicable tax rates:

	2016	2015
	\$	\$
Tax losses – revenue (resident)	1,322,448	958,210
	1,322,448	958,210

Resident tax losses calculated at the Australian income tax rate of 30%.

This asset has not been recognised as an asset in the statement of financial position as its realisation is not considered probable. The asset will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the asset from the deductions for the loss to be realised;
- (b) the company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the company in realising the asset from deductions for the losses.

Note 5: Key Management Personnel Disclosures

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2016	2015
	\$	\$
Short-term employee benefits	791,913	675,552
Post-employment benefits	66,727	44,620
	858,640	720,172

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 6: Auditors' Remuneration

	2016	2015
	\$	\$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report (RSM Australia Partners)	52,000	20,000
- other services (RSM Corporate Australia Pty Ltd)	14,000	-
	66,000	20,000

Note 7: Earnings per Share

	2016	2015
Loss for the year (\$)	(12,410,441)	(376,490)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	390,372,946	277,611,932

There is no dilution of shares due to options as the potential ordinary shares are not dilutive and are therefore not included in the calculation of diluted loss per share.

Note 8: Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash on hand	1,352	1,352
Cash at bank	580,188	176,549
	581,540	177,901

Note 9: Trade and Other Receivables

	2016	2015
	\$	\$
CURRENT		
Trade debtors	528,603	419,151
Less: provision for doubtful debts	(13,105)	(10,500)
	515,498	408,651
Other debtors	45	200
	515,543	408,851

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 10: Other Assets

	2016	2015
	\$	\$
CURRENT		
Loans to related parties	17,270	72,478
Bonds/deposits paid	2,929	40,000
Prepayments	34,710	11,807
	<u>54,909</u>	<u>124,285</u>
NON CURRENT		
Bonds/deposits paid (i)	40,916	50,915
Security bonds (ii)	208,726	-
	<u>249,642</u>	<u>50,915</u>

(i) Bank guarantee facilities are in place securing leased premises for staff and operations based in Brisbane, QLD and Perth, WA. Funds held within a Bank term deposit are securing the bank guarantee facility. The bank guarantee facilities will be in place for the term of the property lease.

(ii) Security bond issued held in the United States in relation to the oil and gas leases held in Utah. The bond is held pending rehabilitation of the mining leases.

Note 11. Intangible assets

	Consolidated 2016	2015
Customer list	720,081	720,081
Less: Accumulated amortisation	<u>(228,026)</u>	<u>(156,018)</u>
	<u>492,055</u>	<u>564,063</u>
 Borrowing Costs - at cost	 935	 935
Less: Accumulated amortisation	<u>(292)</u>	<u>(58)</u>
	<u>643</u>	<u>877</u>
 Patents and trademarks - at cost	 28,005	 11,208
Less: Accumulated amortisation	<u>(1,769)</u>	<u>(353)</u>
	<u>26,236</u>	<u>10,855</u>
 Domain name acquisition - at cost (Indefinite useful life)	 3,377	 3,377
	<u>3,377</u>	<u>3,377</u>
	<u><u>522,311</u></u>	<u><u>579,172</u></u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 11. Intangible assets (Cont.)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Customer list	Borrowing Costs	Patents and trademarks	Domain name	Total
Consolidated					
Balance at 1 July 2014	636,071	-	1,051	3,377	640,499
Additions/(Disposal)	-	1,198	9,979	-	11,177
Amortisation expense	(72,008)	(321)	(175)	-	(72,504)
Balance at 30 June 2015	564,063	877	10,855	3,377	579,172
Additions/(Disposal)	-	-	16,855	-	16,855
Amortisation expense	(72,008)	(234)	(1,474)	-	(73,716)
Balance at 30 June 2016	<u>492,055</u>	<u>643</u>	<u>26,236</u>	<u>3,377</u>	<u>522,311</u>

Note 12: Controlled Entities

(a) Parent entities

The parent entity within the Group is Vonex Wholesale Ltd.

(b) Subsidiaries

The Group Structure, from an accounting perspective, reflects Vonex Wholesale Ltd as the parent entity and Vonex Ltd (legal parent) as a subsidiary. Refer to note 29 for further details

Subsidiaries	Country of incorporation	Class of shares	Ownership Interest	
			2016	2015
IP Voice and Data Pty Ltd (ABN 45 147 537 871)	AUS	Ordinary	100%	100%
VoNEX Holdings Pty Ltd (ACN 161 709 002)	AUS	Ordinary	100%	100%
Oper8tor Pty Ltd (ABN 14 601 220 633)	AUS	Ordinary	100%	100%
Subsidiaries of IP Voice and Data Pty Ltd				
Ittrinity Australia Pty Ltd (ACN 131 196 886)	AUS	Ordinary	100%	100%
Subsidiaries of Vonex Ltd				
Western Nickel Limited	AUS	Ordinary	100%(a)	0%
Golden Paradox Inc	USA	Ordinary	100%(a)	0%
Golden Eagle Exploration LLC USA	USA	Ordinary	100%(a)	0%
Golden Eagle Production LLC USA	USA	Ordinary	100%(a)	0%

(a) Acquired upon completion of reverse takeover of Vonex Ltd as a subsidiary (Formerly Aleator Energy Ltd) refer to note 29 for further details.

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 13: Parent Entity Disclosures

Financial Position

Assets

Current assets

Non-current assets

Total assets

Liabilities

Current liabilities

Non-current liabilities

Total liabilities

Net Assets / (Liabilities)

Equity

Issued capital

Asset reserve

Accumulated losses

Total Equity

Financial Performance

Loss for the year

Other comprehensive income / (loss)

Total comprehensive loss for the year

Guarantees

Vonex Limited has not entered into any guarantees in relation to the debts of its subsidiary (2015: nil).

Commitments for expenditure

Vonex Limited Ltd has no commitments to acquire property, plant and equipment, and has no contingent liabilities (2015: nil).

	2016	2015
	\$	\$
	216,389	557,137
	320,836	422,373
	537,225	979,510
	331,289	1,265,278
	27,994	49,156
	359,283	1,314,434
	177,942	(334,924)
	5,487,201	4,802,191
	19,114	19,114
	(5,328,373)	(5,156,229)
	177,942	334,924
	(172,144)	(378,223)
	-	-
	(172,144)	(378,223)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 14: Plant and Equipment

	2016	2015
	\$	\$
Leasehold improvements		
At cost	21,611	106,775
Accumulated depreciation	(980)	(19,638)
	<u>20,631</u>	<u>87,137</u>
Plant and Equipment		
At cost	102,297	26,047
Accumulated depreciation	(18,106)	(15,521)
	<u>84,191</u>	<u>10,526</u>
Office & Computer equipment		
At cost	477,292	451,938
Accumulated depreciation	(413,472)	(371,719)
	<u>63,820</u>	<u>80,219</u>
Licences & Development (inc. software)		
At cost	276,699	276,179
Accumulated depreciation	(248,355)	(234,276)
	<u>28,344</u>	<u>41,903</u>
Total plant and equipment	<u>196,986</u>	<u>219,785</u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements	Plant & Equipment	Office & Computer	Licenses & Development	Total
Balance at 1 July 2014	90,418	12,902	64,328	69,107	236,755
Additions	-	-	49,333	406	49,739
Depreciation	(3,281)	(2,376)	(33,442)	(27,610)	(66,709)
Carrying amount at 30 June 2015	<u>87,137</u>	<u>10,526</u>	<u>80,219</u>	<u>41,903</u>	<u>219,785</u>
	Leasehold Improvements	Plant & Equipment	Office & Computer	Licenses & Development	Total
Balance at 1 July 2015	87,137	10,526	80,219	41,903	219,785
Additions	19,359	59,934	26,219	520	106,032
Additions through acquisition	1,129	28,624	-	-	29,753
Disposal / Write off	(84,342)	(3,579)	(347)	-	(88,268)
Depreciation	(2,652)	(11,314)	(42,271)	(14,079)	(70,316)
Carrying amount at 30 June 2016	<u>20,631</u>	<u>84,191</u>	<u>63,820</u>	<u>28,344</u>	<u>196,986</u>

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 15: Provisions	2016	2015
	\$	\$
CURRENT		
Annual leave	261,592	106,438
	261,592	106,438
NON CURRENT		
Long service leave	73,366	35,348
	73,366	35,348

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the consolidated entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 16: Trade and Other Payables	2016	2015
	\$	\$
Trade payables	1,312,023	919,957
VISA card account	5,717	5,092
PAYG withholding	15,801	54,077
Superannuation guarantee	104,664	79,380
Other payables and accruals	418,094	443,569
Goods and services tax (GST)	9,585	35,875
	1,865,884	1,537,950

Trade creditors are expected to be paid within agreed terms.

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 17: Borrowings	2016	2015
	\$	\$
CURRENT		
Unsecured		
Loans from related parties – non-interest bearing	30,000	30,000
Loans from related parties – interest bearing	33,002	70,807
Convertible notes (i)	1,421,250	-
Other financial liabilities	430,000	-
	<u>1,914,252</u>	<u>100,807</u>
Secured		
Loans from related parties – interest bearing (ii)	7,158	573,790
Commercial loans – interest bearing	10,534	9,396
	<u>17,692</u>	<u>583,186</u>
	<u>1,931,944</u>	<u>683,993</u>
NON CURRENT		
Secured		
Commercial loans – interest bearing	20,484	31,017
	<u>20,484</u>	<u>31,017</u>

(i) Conversion is the equal to face value divided by the capital raising price and written notice to the Company of its intention to convert the principle amount and/or accrued interest to shares. The maturity date is the earlier of (a) the date of conversion, (b) The date of redemption, or (c) any earlier date which the company repays the Convertible Note. Interest is calculate at a rate of 25% of the Face Value and is payable on the maturity date. The term is 12 months from issue date, being 25 April 2017.

(ii) Loan from related parties are secured by a fixed and floating charge over certain assets of the parent entity along with PPSA Security Interest over all PPSA Personal Property. The lenders may exercise the right to convert the balance owing to ordinary shares in the parent entity.

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 18: Issued Capital

	2016		2015	
	\$	No.	\$	No.
Fully paid ordinary shares	16,014,130	467,265,084	4,802,191	121,049,654

Movement in ordinary shares		\$	No.	Issue price \$
Balance at 30 June 2014		4,802,191	121,049,654	
Balance at 30 June 2015		4,802,191	121,049,654	
Share buy-back	28/08/2015	(173,688)	(25,097,200)	
Shares issued during the year		858,698	5,790,000	
Elimination of issued capital on acquisition of subsidiary (i)		-	(101,742,454)	
Existing Vonex Limited (formerly Aleator Energy Limited) shares on acquisition (see note 29)	27/01/2016	-	233,931,751	
Issue of shares on acquisition of subsidiary (see note 29)	27/01/2016	10,526,929	233,333,333	0.04500
Balance at 30 June 2016		16,014,130	467,265,084	

- (i) Following the capital restructure, the number of shares outstanding represents the contributed equity of the legal parent, being Vonex Limited.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

At the shareholders meetings each ordinary share is entitled to one vote. The company does not have authorised share capital and there is no par value for shares.

Performance Shares

As part of the consideration on acquisition of subsidiary (see note 29), the Company issued 400,000,000 Performance Shares (being 133,333,333 Class A Performance Shares, 133,333,333 Class B Performance Shares and 133,333,334 Class C Performance Shares) (Consideration Securities) to the Vonex Vendors (Vendor Consideration Offer). The performance milestones for each class issued are as follows:

Class A Performance Share will convert into one (1) AWD Share on the occurrence of:

- revenue of the Vonex and its subsidiaries (the Vonex Group) exceeding \$6 million per annum calculated on a quarterly basis for any two consecutive quarters within two years of the Settlement Date; and
- AWD maintaining a market capitalisation of more than \$40 million for 10 consecutive ASX business days based upon the number of AWD Shares on issue at the time immediately following Settlement and where applicable, adjusted to include additional AWD Shares issued on the conversion of any of the AWD Performance Shares.

Class B Performance Share will convert into one (1) AWD Share on the occurrence of:

- revenue of the Vonex Group exceeding \$9 million per annum calculated on a quarterly basis for any two consecutive quarters within two years of the Settlement Date; and
- AWD maintaining a market capitalisation of more than \$75 million for 10 consecutive ASX business days
- based upon the number of AWD Shares on issue at the time immediately following Settlement and where applicable, adjusted to include additional AWD Shares issued on the conversion of any of the AWD Performance Shares.

VONEX LIMITED
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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 18: Issued Capital (continued)

Class C Performance Share will convert into one (1) AWD Share on the occurrence of either:

- revenue of the Vonex Group exceeding \$12 million per annum calculated on a quarterly basis for any two consecutive quarters within two years of the Settlement Date; and
- AWD maintaining a market capitalisation of more than \$150 million for 10 consecutive ASX business days based upon the number of AWD Shares on issue immediately following Settlement and where applicable, adjusted to include additional AWD Shares issued on the conversion of any of the AWD Performance Shares.

No value has been allocated to the performance shares due to significant uncertainty of the meeting the performance milestone which are based on future events.

Capital Risk Management

The Company is not subject to any externally imposed capital requirements.

Management's objectives when managing capital is to ensure the company continues as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the company at 30 June 2016 and 2015 are as follows:

	2016	2015
	\$	\$
Total borrowings (including trade and other payables)	3,818,312	2,252,960
Less: cash and cash equivalents	(581,540)	(177,901)
Net debt	3,236,772	2,075,059
Total equity	(2,032,339)	(833,837)
Total capital	1,204,433	1,241,222
Gearing ratio	269%	167%

Note 19: Reserves

	2016	2015
	\$	\$
Asset Revaluation Reserve		
Opening Balance	19,114	19,114
Movement during the year	-	-
Closing Balance	19,114	19,114

The reserve records revaluations of non-current assets.

The option reserve records items recognised as expenses on valuation of directors and specified consultant share options.

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 20: Contingent Liabilities and Contingent Assets

Contingent Liabilities

There were no known contingent liabilities at reporting date (2015: nil).

Contingent Assets

There are no contingent assets at reporting date (2015: nil).

Note 21: Operating Segments

Identification of reportable segments

The Group has identified its operating segments based the Group's service offerings, which represents retail and wholesale services within the telecommunications industry. The two main operating segments are:

Retail: engaged in the sale of hardware and the full suite of telecommunication services including the provision of data, internet, voice (including IP voice) and other services within Australia.

Wholesale: engaged in offering wholesale "white-label" hosted PBX services under license for Internet Service Providers ("ISP's"), Telco's and Cloud Vendors within Australia and Internationally.

Corporate: engaged in managing the corporate affairs of the group, including capital-raising and listing endeavours.

Basis of accounting for purposes of report by operating segments

Unless stated otherwise, all amounts reported within the operating segments are by determined in accordance with accounting standards adopted within the annual financial statements.

Segment assets and liabilities

Segment assets and liabilities have been identified based where the direct relationship that exists in the provision of services within the two main operating segments.

Unallocated items

Items of revenue, expense, assets and liabilities that are not allocated to operating segments if they are considered part of the core operations of any segment.

VONEX LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 21: Operating Segments (continued)

SEGMENT INFORMATION

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2016 and 2015 are as follows:

2016	Retail AUSTRALIA	Wholesale AUSTRALIA	Corporate AUSTRALIA	Consolidated
	\$	\$	\$	\$
Revenue	1,323,712	4,681,762	9,318	6,014,792
Total segment revenue	1,323,712	4,681,762	9,318	6,014,792
Segment result before income tax	49,530	463,330	(12,923,301)	(12,410,441)
Loss before income tax				(12,410,441)
Segment assets	239,144	1,092,819	788,968	2,120,931
Total assets				2,120,931
Segment liabilities	337,215	832,984	2,983,071	4,153,270
Total Liabilities				4,153,270
2015	Retail AUSTRALIA	Wholesale AUSTRALIA	Corporate AUSTRALIA	Consolidated
	\$	\$	\$	\$
Revenue	996,662	3,875,946	-	4,872,608
Total segment revenue	996,662	3,875,946	-	4,872,608
Segment result before income tax	(378,223)	74,948	-	(303,275)
Loss before income tax				(303,275)
Segment assets	446,511	548,679	-	995,190
Total assets				995,190
Segment liabilities	1,314,433	1,080,313	-	2,394,746
Total Liabilities				2,394,746

VONEX LIMITED
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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 21: Operating Segments (continued)

Segment performance	30 June 2016			30 June 2015		
	Wholesale	Retail	Corporate	Wholesale	Retail	Corporate
External customer sales	858,953	4,608,209	-	692,493	3,875,946	-
Other revenues	464,758	72,203	-	303,784	-	-
Interest received	1	1,352	9,318	385	-	-
Total segment revenues	1,323,712	4,681,764	9,318	996,662	3,875,946	-
Segmented operating loss	49,530	463,330	(12,923,301)	(378,223)	74,948	-

Reconciliation of segment result to net profit / (loss) before tax

Amounts not included in segment	(12,410,441)	(303,275)
- Unallocated items – Other	-	(73,215)
Net profit/(loss) before tax from continuing operations	(12,410,441)	(376,490)

Segment assets	30 June 2016			30 June 2015		
	Wholesale	Retail	Corporate	Wholesale	Retail	Corporate
Cash and cash equivalents	12,494	132,063	436,983	31,847	146,054	-
Trade and other receivables	96,063	390,672	28,809	128,477	280,026	-
Other assets	19,754	59,425	225,372	73,816	101,384	-
Intangibles	27,873	493,131	1,307	12,511	1,290	-
Property, plant & equipment	82,960	17,528	96,498	199,860	19,925	-
Total segment assets from continuing operations	239,144	1,092,819	788,969	446,511	548,679	-
Reconciliation of segment assets	2,120,931			995,190		
Unallocated assets:						
- Other receivables	-			348		
- Other intangibles	-			565,371		
Total assets from continuing operations	2,120,610			1,560,909		

Segment liabilities	30 June 2016			30 June 2015		
	Wholesale	Retail	Corporate	Wholesale	Retail	Corporate
Trade and other payables	280,516	788,518	1,131,808	667,849	1,011,887	
Borrowings (including related parties)	56,700	44,478	1,851,250	627,724	87,286	
Total segment liabilities from continuing operations	337,216	832,996	2,983,058	1,295,573	1,099,173	
Reconciliation of segment liabilities	4,153,270			2,394,746		
Unallocated liabilities:						
- Other	-			-		
Total liabilities from continuing operations	4,153,270			2,394,746		

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 22: Cash Flow Information

	2016	2015
	\$	\$
(a) Reconciliation of Cash Flows from Operations with Loss after Income Tax		
Loss after income tax	(12,410,441)	(376,490)
Non-cash items:		
Depreciation and amortisation expense	144,032	139,213
Write-off of fixed assets	87,319	-
Interest accrued on convertible notes	284,250	-
Interest accrued on equity loans	29,712	27,472
Share based payments	10,915,379	-
Bad debts	-	2,925
Changes in assets and liabilities:		
(Increase) / Decrease in trade and other receivables		
- Decrease / (Increase) in trade and other receivables (current)	(3,776)	(37,411)
- Decrease / (Increase) in other assets	614,291	59,363
- (Decrease) / Increase in provisions	160,377	29,355
- (Decrease) / Increase in trade and other payables	(288,775)	137,917
- Cash flow from operating activities	(467,632)	(17,656)

Note 23: Accumulated losses

	2016	2015
	\$	\$
Accumulated losses at beginning of financial year	(5,655,142)	(5,278,652)
Net loss attributable to members of the company at end of financial year	(12,410,441)	(376,490)
Accumulated losses at end of financial year	(18,065,583)	(5,655,142)

Note 24: Share Based Payments

Employees and Contractors Option Incentive Plan

The company provides benefits to employees (including directors) and contractors in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

There were no share based payments for the year ended 30 June 2016 (2015: Nil).

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 25: Events After the Reporting Period

Subsequent to the period the Company raised an additional \$250,000 of funds pursuant to the convertible note facility.

Further, on 20 September 2016 at an extraordinary general meeting of members, the Company's shareholders approved, amongst other things:

- variation to the Class A Performance Shares on issue such that the 133,333,334 Class A Performance Shares converted into ordinary shares on a one-for-one basis;
- variation to the conversion milestone terms of the Class B Performance Shares on issue such that each Class B Performance Share will convert into one ordinary fully paid share in the Company, ranking equally with and conferring rights identical to the ordinary shares on issue on the occurrence of revenue of the Vonex Group exceeding \$9 million per annum in any quarter within three years of 8 February 2016, or if the multi-platform phone call and messaging communication app called "Oper8tor" is spun out into a separate company, or the Company is the target of a successful takeover;
- variation to the conversion milestone terms of the Class C Performance Shares on issue such that each Class C Performance Shares will convert into one ordinary fully paid share in the Company, ranking equally with and conferring rights identical to the ordinary shares on issue on the occurrence of revenue of the Vonex Group exceeding \$12 million per annum in any quarter within three years of 8 February 2016, or if the multi-platform phone call and messaging communication app called "Oper8tor" is spun out into a separate company, or the Company is the target of a successful takeover;
- the issue of up to 2,500,000 convertible notes to the providers of the facility as set out in the explanatory memorandum;
- the issue of up to 3,900,000 Performance Rights to Mr Nicholas Ong;
- the issue of up to 3,900,000 Performance Rights to Mr Angus Parker;
- the issue of up to 3,900,000 Performance Rights to Mr David Vilensky;
- the issue of up to 3,900,000 Performance Rights to Mr Matt Fahey;
- the issue of up to 3,900,000 Performance Rights to Mr Matthew Foy; and
- the issue of up to 3,900,000 Performance Rights to Mr Daniel Smith.

On 9 December 2016, the consolidated entity has entered into a non-binding Heads of Terms agreement with a third party which outlines the initial conditions precedent required of both parties prior to a binding Term Sheet being entered into. Upon completion of due diligence and all conditions precedent being met it is expected that a formal binding Term Sheet will be entered into. It will be at this point that a formal announcement to shareholders will be made by the Company. One of the expected outcomes from these negotiations is an approximate capital raising of £5M (GBP) – approx. AUD\$8.4M.

Other than the above, there has not been any other matter of circumstance, other than disclosed above or elsewhere in this report, the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 26: Related Party Transactions

Parent entity

The parent entity within the Group is Vonex Wholesale Ltd.

Subsidiaries

Interests in subsidiaries are set out in note 12.

Key management personnel

Disclosures relating to key management personnel are set out in note 5.

Transactions with related parties

The following transactions occurred with related parties:

	2016	2015
	\$	\$
Services provided:		
Consultancy from BMNB Pty (director-related entity of Brydie McKee)	50,000	-
Consultancy from JS Capital Partners (director-related entity of Angus Parker)	50,000	-
Consultancy from Suzzane King (CFO-related entity of Gregory King)	40,000	-
Consultancy from Nannook Holdings (former director-related entity of Les Pereira)	152,500	-
Company secretarial and accounting fees from Minerva Corporate (director-related entity of Nicholas Ong)	18,000	-
Payments for legal fees from Bowen Buchbinder Vilensky (director-related entity of David Vilensky)	12,000	-

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2016	2015
	\$	\$
Current payables:		
Trade payables to Minerva Corporate (director-related entity of Nicholas Ong)	22,545	-
Trade payables to Bowen Buchbinder Vilensky (director-related entity of David Vilensky)	13,200	-
Trade payables to Nannook Holdings (former director-related entity of Les Pereira)	57,750	-
Trade payables to The Telephone people (director-related entity of Matt Fahey)	2,710	-
Trade payables to Allegra Corporate (Former director-related entity of Mark Rowbottam)	41,667	-

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans to or from related parties at the current and previous reporting date:

	2016	2015
	\$	\$
Current payables:		
Loans to related parties	17,270	18,790
Loans from related parties	31,989	70,807

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments

The consolidated entity's financial instruments consist mainly of deposits with banks, short term investments and accounts receivable and payable, loans to and from related parties, commercial loans, company credit card facilities and operating leases. The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, credit risk, liquidity risk, price risk and foreign exchange risk.

(a) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument will fluctuate as a result of changes in market interest rates and effective average interest rates on those financial assets and liabilities.

The majority of cash at bank held by the Group is in deposit accounts with one of the four large Australian Banks. Considering the amount of surplus working capital cash held by the Group during the last 12 months in these deposit accounts, the Board believes this was the most appropriate to ensure an adequate return being received on funds held.

There are inter-company loans in place within the Group and these facilities currently attract no exposure to interest rate risk.

A director's loan to the subsidiary and company credit card facility in place with the parent entity are the only facilities where there are floating interest rates. Interest rates for these facilities are based credit card interest rates set by one of the 4 major Bank's within the Australian banking industry. It is anticipated that the floating interest rate facilities will be paid down during the 2016-17 financial year.

The Group continues to manage its interest rate risk through a constant monitoring of interest rates, budgets and cash flows.

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Within 1 Year	Fixed Interest Rate Within 1-5 Years	Non- Interest Bearing	Total
	%	\$	\$	\$	\$	\$
2016						
Financial Assets:						
Cash	1.0	580,188	-	-	1,352	581,540
Receivables	-	249,642	-	-	570,452	820,094
Total financial assets		829,830	-	-	571,804	1,401,634
Financial Liabilities:						
Payables	-	-	-	-	1,865,884	1,865,884
Borrowings	14.7	-	1,421,250	-	531,178	1,952,428
Total financial liabilities		-	1,421,250	-	2,397,062	3,818,312
Net financial assets		829,830	(1,421,250)	-	(1,825,258)	(2,416,678)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments (continued)

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Within 1 Year	Fixed Interest Rate Within 1-5 Years	Non- Interest Bearing	Total
	%	\$	\$	\$	\$	\$
2015						
Financial Assets:						
Cash	1.1	176,549	-	-	1,352	177,901
Receivables	-	50,915	-	-	533,136	584,051
Total financial assets		227,464	-	-	534,488	761,952
Financial Liabilities:						
Payables	-	77,920	-	-	1,460,030	1,537,950
Borrowings	4.86	70,808	583,185	31,017	30,000	715,010
Total financial liabilities		148,728	583,185	31,017	1,490,030	2,252,960
Net financial assets		78,736	(583,185)	(31,017)	(955,542)	(1,491,008)

Sensitivity Analysis

The effect on profit and equity as a result of changes in interest rates on net financial assets is immaterial.

(b) Credit Risk

Credit risk related to balances with banks and other financial institutions is managed by the board of directors in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	2016	2015
		\$	\$
Cash and cash equivalents			
— AA Rated	8	581,540	177,901

The maximum exposure to credit risk is the carrying amount as disclosed in the Consolidated Statement of Financial Position and notes to the financial statements.

Group's assets have been pledged to secure borrowings and guarantees are in place for certain borrowings and supplier agreements. All repayment obligations are up to date and within terms of the individual agreements in place at balance date.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments (continued)

Any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the group has been disclosed within the notes to the financial statements.

	2016	2015
	\$	\$
Trade and other receivables		
Trade debtors	528,603	419,151
Less: provision for doubtful debts	(13,105)	(10,500)
	515,498	408,651
Other debtors	45	200
	515,543	408,851
Other current assets		
Loans to related parties	17,270	72,478
Bonds/Deposits paid	2,929	40,000
Prepayments	34,710	11,807
	54,909	124,285

The Group does have a credit risk exposure in relation to:-

- (i) Agreement for the sale of specific assets surplus to the Group's ongoing needs has been reached with a related party of the parent entity. Transfer of ownership will not transpire until full payment for the equipment is received. Full payment for the equipment during the 2015-16 financial year is reliant upon the related party achieving its own capital raising and business operation milestones. Repayments of \$1,100 per month is in place.

Trade and other receivables shown above are within normal terms and appropriate provisions for doubtful debts have been made. Carrying value approximates fair value at 30 June 2015.

(c) Net Fair Values

The net fair value of financial assets and liabilities of the consolidated entity approximated their carrying amount. The consolidated entity has no financial assets and liabilities where the carrying amount exceeds the net fair value at reporting date. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments (continued)

(d) Liquidity Risk

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated entity manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The consolidated entity does not have a significant exposure in terms of financial liabilities or illiquid financial assets and is able to settle its debts or otherwise meet its obligations related to financial liabilities.

The financial asset and financial liability maturity analysis are as follows:

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Financial liabilities								
Payables	1,865,884	1,537,950	-	-	-	-	2,176,045	1,537,950
Total Expected outflows	1,865,884	1,537,950	-	-	-	-	2,176,045	1,537,950
Financial assets								
Cash and cash equivalents	581,540	177,901	-	-	-	-	581,540	177,901
Receivables	515,543	408,851	-	-	-	-	515,543	408,851
Total Anticipated Inflows	1,097,083	586,752	-	-	-	-	1,097,083	586,752
Net inflow on financial instruments	(768,801)	(951,198)	-	-	-	-	(1,078,962)	(951,198)

(e) Price Risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. As at 30 June 2016 and 30 June 2015 the consolidated entity is not exposed to any material price risk.

(f) Foreign Exchange Risk

Foreign exchange risks arise when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency.

The consolidated entity is primarily exposed to the fluctuations in the US dollar as the consolidated entity holds US dollar bank deposits and much of the consolidated entity's exploration costs and contracts are denominated in US dollars.

The Group does have a minor exposure to fluctuations in foreign currencies between the US and Australian dollar. Some wholesale customers are based in the United States of America and monthly invoices are rendered in US dollars. When invoices are paid the proceeds are converted into Australian dollars. Depending on exchange rate fluctuations from the time the invoice is rendered and subsequently paid, the Group may have an associated exchange rate gain or loss. Management will continue to conduct monitoring reviews on an ongoing basis of its US based customers

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 28: Commitments for Expenditure

(a) Exploration Expenditure

In order to maintain the mineral tenements in which the company and other parties are involved, the company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure requirements in accordance with the Western Australian Department of Industry and Resources requirements for the next twelve months is \$Nil. These requirements are expected to be fulfilled in the normal course of operations but maybe varied from time to time subject to approval by the Grantor of Titles. The estimated expenditure represents potential expenditure, which may be avoided by relinquishment of tenure, or the gaining of exemptions from the Grantor of Titles.

The minimum estimated expenditure requirements in accordance with the United States Golden Eagles lease rentals for the next twelve months is \$45,205, with a suspended amount payable of \$108,116.

(b) Operating Lease Commitments

	2016	2015
	\$	\$
Payable:		
No later than twelve months	404,462	185,184
One to five years	325,588	306,306
Greater than five years	-	-
	730,050	491,490

Amount shown are GST inclusive, where applicable.

b) Leases – Office premises

The Group has two properties currently under lease. New property lease held by subsidiary commenced 1 July 2014 and has a lease term of 5 years with annual rent reviews of 4% pa. Office premises utilised by the parent entity is under a sub-lease arrangement on a "month by month" term basis.

c) Leases – Plant & Equipment

Rental operating leases are in place for photocopier equipment situated at our Brisbane and Perth offices.

Note 29: Reverse Acquisition Accounting

Vonex Ltd (formerly Aleator Energy Ltd) made a takeover offer for all of the securities in Vonex Wholesale Pty Ltd. The takeover offer was affected through an off-market takeover bid for all of the ordinary shares in Vonex Wholesale on the basis of 2.2934 Vonex Ltd shares for every 1 Vonex Wholesale share held on a post consolidation basis.

Under the acquisition on 28 January 2016, Vonex Ltd acquired all of the shares in Vonex Wholesale by issuing 233,333,333 shares in Vonex Ltd to Vonex Wholesale shareholders, giving Vonex Wholesale a controlling interest in Vonex Ltd and equating to a controlling interest in the combined entity. Vonex Wholesale was thus deemed the acquirer for accounting purposes as it owned 49.94% of the consolidated entity. The acquisition of Vonex Wholesale by Vonex Ltd is not deemed to be a business combination, as Vonex Ltd is not considered to be a business under AASB 3 Business Combinations.

As such the consolidation of these two companies was on the basis of the continuation of Vonex Wholesale with no fair value adjustments, whereby Vonex Wholesale was deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction was to account for it under AASB 2 'Share Based Payments', whereby Vonex Wholesale is deemed to have issued shares to Vonex Ltd Shareholders in exchange for the net assets held by Vonex Ltd.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 29: Reverse Acquisition Accounting (continued)

In this instance, the value of the Vonex Ltd shares provided has been determined as the notional number of equity instruments that the shareholders of Vonex Wholesale would have had to issue to Vonex Ltd to give the owners of Vonex Ltd the same percentage ownership in the combined entity. This has been deemed to be \$10,526,929.

The pre-acquisition equity balances of Vonex Ltd are eliminated against this increase in Share Capital of \$10,526,929 on consolidation and the balance is deemed to be the amount paid for the listing status of Vonex Ltd, being \$10,915,379 (recognised as a share based payment in the statement of profit or loss). This is tabled below:

(a) Deemed consideration

The purchase consideration was the issue of 233,333,333 shares in Vonex Limited to the shareholders of Vonex Wholesale Limited deemed to have a value of \$10,526,929 determined as follows:

Quoted price on 28 January 2016	\$0.045
Vonex Limited shares on issue at acquisition date	233,931,751
Performance shares	-
Deemed consideration	\$10,526,929

As part of the transaction, Vonex Limited issued a total of 400,000,000 performance shares to the shareholders of Vonex Wholesale Limited which convert to fully paid ordinary shares on the basis of one (1) performance share into one (1) fully paid ordinary share in the capital of the Company, upon the achievement of milestones. For further information on milestone see note 18.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the performance milestones which are based on future events.

(b) Fair value of Vonex Limited (formerly Aleator Energy Limited) at acquisition:

Cash deficit	(\$655,256)
Fixed Assets	\$29,753
Other assets – current	\$562,853
Other assets - non-current	\$220,776
Trade and other payables	(\$513,781)
Provisions	(\$32,795)
Fair value of net assets	<u>(\$388,450)</u>

(c) Restructuring and relisting costs (Share based payment):

Excess of consideration provided over the fair value of net liabilities at the date of acquisition expensed, being group restructuring and relisting cost	\$10,915,379
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The equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of Vonex Ltd, including the equity instruments issued by Vonex Ltd to effect the acquisition.

The results for the year ended 30 June 2016 comprise the results of Vonex Wholesale Ltd, and the results of Vonex Ltd subsequent to the acquisition.

Note 30: Company Details

The registered office & principal place of business is:
- Ground Floor, 1 Centro Avenue, Subiaco, WA, 6008

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out in the financial report, are in accordance with the Corporations Act 2001 and:
 - a) comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated entity;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



Nicholas Ong
Chairman
14 December 2016

RSM Australia Partners

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F +61 (0) 8 9261 9111

www.rsm.com.au**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VONEX LIMITED**

We have audited the accompanying financial report of Vonex Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vonex Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

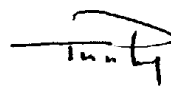
- (a) the financial report of Vonex Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1, which indicates that the consolidated entity incurred a net loss of \$12,410,441 and had net cash outflows from operating activities of \$467,632 for the year ended 30 June 2016. As at that date, the consolidated entity had net current liabilities of \$2,907,428 and net liabilities of \$2,032,339. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 December 2016

ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION (as at 30 November 2016)

- (i) Number of shareholders: 2,331
- (ii) Ordinary shares issued: 600,599,254
- (iii) The twenty largest shareholders hold 368,222,517 ordinary shares representing 61.31% of the issued capital
- (iv) Distribution schedule of holdings

NO OF SHARES	NO OF HOLDERS
1 – 1,000	323
1,001 - 5,000	128
5,001 – 10,000	289
10,001 – 100,000	1,182
100,001 and over	409

VOTING RIGHTS OF ORDINARY SHARES

Each member presents in person, or by proxy, representative or attorney, has one vote on a show of hands and one vote per share on a poll for each share held. Each member is entitled to notice of, and to attend and vote at, general meeting.

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AT 30 November 2016

Rank	Name	Units	% of Units
1.	FINANCE WEST PTY LTD <FINANCE WEST UNIT A/C>	93,811,132	15.62
2.	CARMINE LION GROUP PTY LTD	72,138,031	12.01
3.	CONFADENT LIMITED	35,000,000	5.83
4.	GUAVA CAPITAL PTY LTD	30,786,204	5.13
5.	MR MATTHEW FAHEY	22,774,048	3.79
6.	LATERAL CONSULTING (WA) PTY LTD <PATON SUPER FUND A/C>	12,964,845	2.16
7.	MR SHANE ROBINSON + MRS HELEN ROBINSON <ROBINSON FAMILY A/C>	12,197,327	2.03
8.	LATERAL CONSULTING (WA) PTY LTD	12,135,095	2.02
9.	MR BRUCE HUMMERSTON + MRS JANET HUMMERSTON	10,960,481	1.82
10.	MANNA MANAGEMENT PTY LTD <THOMAS FAMILY A/C>	8,497,160	1.41
11.	MR ROBERT POPOVIC	8,103,027	1.35
12.	THOMAS FAMILY HOLDINGS PTY LTD	7,584,435	1.26
13.	REVOLVE PROJECTS PTY LTD <THE HEM A/C>	7,110,000	1.18
14.	MR RYAN JAMES ROWE	6,890,000	1.15
15.	GC RETIREMENT FUND PTY LTD	6,482,423	1.08
16.	MR GORDON MALCOLM MCKEE	5,605,101	0.93
17.	SILVER CONSULTING AUST PTY LTD	4,310,810	0.72
18.	MR GLENN TAYLOR	3,889,454	0.65
19.	LAMONDE INDUSTRIES PTY LTD <DORIZZI SUPER FUND A/C>	3,512,667	0.58
20.	MR MARK ROWBOTTAM <M J R SOLUTIONS A/C>	3,470,277	0.58
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		368,222,517	61.31
Total Remaining Holders Balance		232,376,737	38.69

ADDITIONAL INFORMATION

PROJECT & JOINT VENTURE SCHEDULE

Project	Tenements	AWD's Interest	Other Parties
Johnston Range Iron Ore Gold and Base Metals	M77/1258	Royalty	Cliff Asia Pacific ⁽³⁾
Golden Eagle Oil & Gas JV, Utah	ML47311, ML47365, ML47533, ML48735, UTU75547, UTU75751, UTU75752, UTU75753, UTU75756, UTU75761, UTU75762, UTU76326, UTU76510, UTU82583, UTU82584, UTU84159	100% ⁽⁴⁾	Eclipse Exploration Corporation, GLNA (LCC), Dave Waters

Notes:

1. Vonex Limited sold all of its interests in Johnson Range to Cliffs Asia Pacific. GSR retains a 2% royalty
2. Vonex Limited has earned 100% working interest. Partners retain a right to back-in to 16.7% working interest.