ACN: 063 074 635

FINANCIAL REPORT

30 JUNE 2017

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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 "consolidated entity" or "Group"), for the year ended 30 June 2017.

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 Angus Parker - Executive Director
- Mr Nicholas Ong – Non-Executive Chairman
- Mr Matt Fahey – Commercial Director
- Mr David Vilensky – Non-Executive Director

Information on Directors & Company Secretary

Nicholas Ong - Non-Executive Chairman

Mr Ong was previously a Principal Adviser at the ASX in Perth and brings over 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 Bachelor of Commerce and 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 and Tianmei BG Corp Ltd.
Previous: Excelsior Gold Limited, Auroch Minerals Limited, Fraser Range Metals Group Limited.

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 – Joint Company Secretary
Mr Foy was previously a Senior Adviser at the ASX and has ten 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 Energy Limited, Frontier Resources Limited, Love Group Global Limited, XTD Limited and Emergent Resources Ltd.

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 – Joint 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 company secretary of ASX-listed Taruga Gold Limited, CoAssets Limited and Love Group Global 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	22,374,869	6,950,861	6,950,861	18,120,000
Nicholas Ong	260,000	-	-	9,760,000
Matt Fahey	8,676,971	1,969,807	1,969,807	18,120,000
David Vilensky	260,000	-	-	10,200,000

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:

	Number of Meetings	
Directors	**Attended**	**Eligible to Attend**
Angus Parker	4	4
Nicholas Ong	4	4
Matt Fahey	4	4
David Vilensky	4	4

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 2017 are:

	30-Jun-17	30-Jun-16	% Change
Cash and cash equivalents ($)	384,624	581,540	(34%)
Net liabilities ($)	(3,170,377)	(2,032,339)	56%
Revenue ($)	7,553,228	6,014,792	26%
Net loss after tax ($)	(9,737,819)	(12,410,441)	(22%)
Loss per share (cents)	(1.70)	(3.18)	(47%)

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

During the year, the Company continued to develop and grow its established cloud hosted PBX system and retail customer base. Total group revenues rose by 26% during the reporting period.

The Retail division under the brand, Vonex Telecom, has continued to grow its sales revenues base achieved via the sale of IP hardware, full suite of telecommunication services including the provision of data, internet, voice (including IP voice) and billing services within Australia. As a result of this growth, we will see an expansion from August 2017 of our in-bound call centre team based in Cebu in the Philippines providing our frontline telco customer support.

The retail division has also undertaken numerous advancements in the automation of new customer service accounts received from our dealer channel partners. This has contributed to improved efficiencies within our sales department and new customer service activations.

The reporting period has seen the Retail division achieve a 31% increase in its total revenues along with a 24% net increase in customer accounts from June 2016 to June 2017. These results have been achieved solely via "organic" growth and "word of mouth" on the back of stronger brand exposure and recognition.

The Wholesale division has also continued to grow its sales revenues achieved via the offering of wholesale "white-label" hosted PBX services under license to Internet Service Providers (ISP's), Telco's and Cloud Vendors within Australia and Internationally. The reporting period has seen the Wholesale division achieve a

DIRECTORS' REPORT

12.5% increase in its direct sales revenue along with a 23% increase in the user numbers hosted with Vonex from June 2016 to June 2017.

Vonex continues to be successful with the Research and Development (R&D) tax offset rebates. The Vonex group has received a non-refundable R&D tax offset of $355,596 in June 2017 relating to the 2015/2016 financial year.

Execution of Wholesale License Agreement

On 21 February 2017 the Company advised it had executed a Wholesale License Agreement (the Wholesale Agreement) with ASX-Listed Inabox Group Limited (**Inabox**). Inabox was established in 2003 and has grown to become a leading Managed IT, Cloud and communications provider to SME's and Corporates, with annual revenues for FY2016 of A$88 million.

The Agreement with Inabox is for the management of a hosted VoIP PBX service under license, including a development program where Inabox can commission the Vonex development team to customize their instance to their own requirements. Vonex will also provide ongoing technical support and service upgrades.

The Agreement highlights the synergies between the two companies; both Vonex and Inabox operate in the Managed IT, Cloud and Communications sectors, and share a common goal of providing unparalleled services to Australian and international SME and corporate customers.

Corporate

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

- 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;
- issue of up to 2,500,000 secured convertible notes with a face value of $1 per note, interest of 25% per annum and a maturity date of 25 April 2017 to the providers of the facility as set out in the explanatory memorandum (**Secured Convertible Note**); and
- the issue of up to 23,400,000 Performance Rights to Directors and management.

DIRECTORS' REPORT

Golden Eagle Agreement

On 3 January 2017, the Company advised it had executed a binding share sale agreement to sell the Golden Eagle project in Grand Country, Utah (**Golden Eagle Agreement**). The key terms of the Golden Eagle Agreement were as follows:

i) Cash consideration of $100;

ii) From the date of the Golden Eagle Agreement, Halcyon, the purchaser, assumes all ongoing expenses and liabilities associated with maintaining the Golden Eagle project in good standing; and

iii) At settlement, Halcyon will assume all outstanding liabilities associated with the Golden Eagle project and indemnify Vonex against any current or future claims. Outstanding liabilities include costs associated with any environmental restoration at the Golden Eagle project, as well as any amounts owing to regulatory or governing authorities in the United States.

Settlement of the Golden Eagle Agreement occurred on or around 3 January 2017.

Octavus Facility

On or about 27 April 2017, the Company entered into a convertible loan facility with Octavus Development Limited (an unrelated party to the Company and its directors) for a facility amount of $400,000 (**Octavus Facility**). The material terms of the Octavus Facility are as follows:

(i) Facility amount: $400,000. The Company calculates the principal and interest accrued as at 31 August 2017 to be $415,912.

(ii) Interest rate: 12% per annum. The interest will be calculated every six month period and added to the face value of the loan facility.

(iii) Conversion: At any time based on the holders' election or automatically on completion by the Company of an initial public offering, reverse takeover or introduction to trading on the Australian Securities Exchange or equivalent overseas stock exchange, the Notes will automatically convert into Shares of the Company.

(iv) Conversion price: the higher of 80% of the IPO price, or a price per share based on a valuation of $15 million.

(v) Security: Nil.

Convertible Note Holder and Shareholder Meetings

On 28 April 2017 at a meeting of convertible note holders, a resolution approving an extension to the convertible note maturity date to 30 September 2017 was approved.

On 7 June 2017 at a meeting of convertible note holders, resolutions approving the removal of the convertible note trustee, A.C.N. 611 920 999 Pty Ltd (ACN 611 920 999) and the appointment of Mr Clement Liao as the new trustee were passed.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

DIRECTORS' REPORT

Events after the reporting period

Extraordinary General Meeting

On 28 July 2017, at an extraordinary general meeting of members, the Company's shareholders approved, amongst other things the:

- Consolidation of the Company's issued capital on the basis that five ordinary shares be consolidated into one ordinary share and, where this consolidation results in a fraction of a share being held, the Company be authorised to round that fraction down to the nearest share or zero, as applicable;
- Company to issue up to that number of post-consolidation Shares which, when multiplied by the Raising Price, will raise up to $8 million on the terms and conditions in the explanatory memorandum;
- Variation to the Class B Performance Shares by adding an additional performance milestone to Milestone 2 (as this term is defined in Schedule 3 to the Amendment Deed dated 16 July 2015 which amended the Heads of Agreement entered into between Aleator Energy Limited and the Company dated 7 July 2015 and as varied at a meeting of shareholders on 20 September 2016), such that each Class B Performance Share may also convert into one ordinary fully paid share in the Company ranking equally with and conferring rights identical to the ordinary shares in the Company currently on issue on the occurrence of the Company listing on an alternative securities exchange other than the Australian Securities Exchange;
- Variation to the Class C Performance Shares by adding an additional performance milestone to Milestone 3 (as this term is defined in Schedule 3 to the Amendment Deed dated 16 July 2015 which amended the Heads of Agreement entered into between Aleator Energy Limited and the Company dated 7 July 2015 and as varied at a meeting of shareholders on 20 September 2016), such that each Class C Performance Share may also convert into one ordinary fully paid share in the Company ranking equally with and conferring rights identical to the ordinary shares in the Company currently on issue on the occurrence of the Company listing on an alternative securities exchange other than the Australian Securities Exchange;
- issue of 6 million Shares and 34 million Performance Rights (on a post-consolidation basis) to Mr Angus Parker and Mr Matt Fahey (or their nominees) as the Inventors of the Oper8tor App in consideration for them executing a Deed of Confirmation of Assignment of Patent agreement to confirm the Company's ownership of the Intellectual Property in the Oper8tor App;
- grant of up to 9,680,000 Performance Rights (on a post-consolidation basis) for no consideration to each of Mr Nicholas Ong and Mr David Vilensky or their nominee on the terms and conditions set out in the explanatory memorandum; and
- grant of up to 7,260,000 Performance Rights (on a post-consolidation basis) for no consideration to each of Mr Matthew Fahey and Mr Angus Parker or their nominee on the terms and conditions set out in the explanatory memorandum.

Partial Settlement of Outstanding Debt

On 1 August 2017 the consolidated entity partially settled outstanding borrowings and creditors totalling $474,765 via the issue of new ordinary shares at a conversion price of $0.10 per share (post-consolidation). In addition, on 10 August 2017 the Company issued 267,500 options exercisable at $0.45 on or before 3 August 2020 as a facilitation fee with respect to a debt issue.

NSX IPO Prospectus

On 28 August 2017, the Company lodged a Replacement Prospectus with ASIC that replaced an original prospectus dated 14 August 2017 (**Prospectus**). The Prospectus has been prepared to facilitate the listing of the Company's securities on the National Stock Exchange of Australia (NSX) and seeks to raise up to $8 million through the issue of up to 80,000,000 new shares at an issue price of $0.10 per share.

Variation to Secured Convertible Note Terms

On 6 September 2017, the Company and the Trustee to the Secured Convertible Note Terms entered into a variation to the Convertible Note Trust Deed on the following basis:

(a) The Conversion Price would reduce from $0.10 to $0.08;
(b) The Maturity Date would be extended from 30 September 2017 to 14 November 2017;
(c) interest will continue to accrue at the agreed rate until 14 November 2017 and would be calculated to this date even if the NSX listing was achieved by the Company prior to this date;
(d) The Noteholders would be entitled to be issued by the Company one free attaching option (**Note Options**) for each share issued to Noteholders respectively following the conversion; and
(e) The Exercise Price for the Note Options would be $0.10 with an expiry date of 30 November 2022.

DIRECTORS' REPORT

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 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 has 267,500 options exercisable at $0.45 on or before 3 August 2020 on issue.

Performance Rights

As at the date of this report the Company has 71,000,000 performance rights held by Directors and Management with the following performance conditions:

a) 16,080,000 convertible upon the Company listing on an alternative securities exchange other than the Australian Securities Exchange;
b) 1,560,000 convertible upon the Company reaching $10 million annualised revenue per annum in any quarter;
c) 9,680,000 convertible upon the Company achieving audited gross revenue of $15 million in a financial year;
d) 9,680,000 convertible upon the Company achieving audited net profit after tax of $1 million in a financial year
e) 4,000,000 convertible into ordinary shares upon completion of the beta version of the Oper8tor app and commencement of the official Oper8tor launch in Europe;
f) 10,000,000 convertible into ordinary shares upon the Oper8tor app achieving 10 million Active Users; and
g) 20,000,000 convertible into ordinary shares upon the Oper8tor app achieving 20 million Active Users.

DIRECTORS' REPORT

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.

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
29 September 2017

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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 2017, 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

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 29 September 2017

TUTU PHONG
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017	2016
		$	$
Sales revenue	2	7,019,641	5,467,162
Cost of sales		(4,702,643)	(3,562,309)
Gross profit		2,316,998	1,904,853
Other revenues	2	533,587	547,630
Administration expenses		(378,792)	(444,168)
Amortisation	3	(75,336)	(73,716)
Account and audit fees		(144,176)	(44,295)
Bad & doubtful debt expenses		(16,446)	(12,475)
Contractor expenses		(492,451)	(541,248)
Depreciation expenses	3	(68,716)	(70,316)
Directors fees		(202,046)	(79,309)
Finance costs	3	(198,642)	(432,995)
Insurance expense		(45,869)	(32,236)
Legal fees		(79,014)	(156,663)
Loss on disposal of equipment		-	(87,319)
Loss on disposal of subsidiaries	13	(204,955)	-
Occupancy expenses	3	(221,633)	(129,601)
Repairs and maintenance		(173)	-
Share based payment expense	29	(8,663,344)	(10,915,379)
Travel expenses		(125,930)	(111,417)
Employee expenses	3	(1,670,881)	(1,731,787)
Loss before income tax		(9,737,819)	(12,410,441)
Income tax expense	4	-	-
Net loss for the year		(9,737,819)	(12,410,441)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(9,737,819)	(12,410,441)
Basic and diluted earnings per share of loss attributable to the owners of Vonex Limited (cents per share)		1.70	3.18

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017	2016
		$	$
CURRENT ASSETS			
Cash and cash equivalents	8	384,624	581,540
Trade and other receivables	9	809,766	515,543
Other current assets	10	58,141	54,909
TOTAL CURRENT ASSETS		1,252,531	1,151,992
NON CURRENT ASSETS			
Intangible assets	11	447,652	522,311
Plant and equipment	15	157,339	196,986
Other non-current assets	10	42,030	249,642
TOTAL NON CURRENT ASSETS		647,021	968,939
TOTAL ASSETS		1,899,552	2,120,931
CURRENT LIABILITIES			
Trade and other payables	17	2,267,683	1,865,884
Provisions	16	324,000	261,592
Borrowings	18	2,378,430	1,931,944
TOTAL CURRENT LIABILITIES		4,970,113	4,059,420
NON-CURRENT LIABILITIES			
Provisions	16	91,148	73,366
Borrowings	18	8,668	20,484
TOTAL NON-CURRENT LIABILITIES		99,816	93,850
TOTAL LIABILITIES		5,069,929	4,153,270
NET LIABILITIES		(3,170,377)	(2,032,339)
EQUITY			
Issued capital	19	22,301,567	16,014,130
Reserves	20	2,331,458	19,114
Accumulated losses	24	(27,803,402)	(18,065,583)
TOTAL EQUITY		(3,170,377)	(2,032,339)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Accumulated Losses	Reserves	Total
	$	$	$	$
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 loss for the year	**-**	**(12,410,441)**	**-**	**(12,410,441)**
Transactions with owners, in their capacity as owners				
Shares issued during the year	(173,688)	-	-	**(173,688)**
Capital raising costs	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)**
At 1 July 2016	**16,014,130**	**(18,065,583)**	**19,114**	**(2,032,339)**
Comprehensive income:				
Loss for the year	-	(9,737,819)	-	**(9,737,819)**
Total comprehensive income / (loss) for the year	**-**	**(9,737,819)**	**-**	**(9,737,819)**
Transactions with owners, in their capacity as owners				
Vesting of performance shares and rights	6,351,000	-	-	**6,351,000**
Share-based payment – performance shares and rights	-	-	2,312,344	**2,312,344**
Capital raising costs	(63,563)	-	-	**(63,563)**
At 30 June 2017	**22,301,567**	**(27,803,402)**	**2,331,458**	**(3,170,377)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017	2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITES			
Receipts from customers		6,855,047	5,450,972
Payments to suppliers and employees		(7,595,478)	(6,059,731)
Research and development tax offset		355,296	249,489
Interest paid		(43,560)	(119,033)
Interest received		1,836	10,671
Net cash used in operating activities	**23**	**(426,859)**	**(467,632)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary		-	(655,256)
Receipts from disposal of fixed assets		-	16,713
Receipt of capital grant		145,214	-
Proceeds from disposal of subsidiary	**13**	100	-
Payments for physical non-current assets		(172,795)	(123,103)
Payment for research and development (intangibles)		(2,165)	(15,548)
Net cash used in investing activities		**(29,646)**	**(777,194)**
CASH FLOWS FROM FINANCING ACTIVITES			
Net proceeds from borrowings		279,589	1,728,465
Payments from issue of shares, net of costs		(20,000)	
Payments for share buyback		-	(80,000)
Net cash provided by financing activities		**259,589**	**1,648,465**
Net (decrease)/ increase in cash and cash equivalents		**(196,916)**	403,639
Cash and cash equivalents at the beginning of the financial year		581,540	177,901
Cash and cash equivalents at end of the financial year	**8**	**384,624**	**581,540**

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 an 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 29 September 2017.

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 $9,737,819 and had net cash outflows from operating activities of $426,859 for the year ended 30 June 2017. As at that date, the consolidated entity had net current liabilities $3,717,582 and net liabilities of $3,170,377.

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 28 August 2017, the Company lodged a Replacement Prospectus with ASIC that replaced an original prospectus dated 14 August 2017 (**Prospectus**). Subsequently, on 14 September 2017 a Supplementary Prospectus was lodged intended to be read with the Replacement Prospectus. The Prospectus has been prepared to facilitate the listing of the Company's securities on the National Stock Exchange of Australia (NSX) and seeks to raise up to $8 million through the issue of up to 80,000,000 new shares at an issue price of $0.10 per share. Closing date of the Public Offer is 24 October 2017.

- The directors' expect the Company's Retail and Wholesale segments will continue to trade profitably for the financial year 2018, while the corporate segment costs are reduced post restructure.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies (continued)

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.

Should the consolidated entity not achieve the factors 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 Ltd at the end of the reporting period. A controlled entity is an entity over which Vonex Wholesale Ltd 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.

(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 Ltd with no fair value adjustments, whereby Vonex Wholesale was deemed to be the accounting parent.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies (continued)

(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 (i.e. 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 (continued)

(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 profit or loss.

Depreciation

The depreciable amount of plant and equipment 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 (continued)

(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) 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies (continued)

(j) Employee Entitlements (continued)

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.

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.

(k) 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.

(l) 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

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.

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 profit or loss at this point.

(m) 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.

(n) 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 profit or loss is deferred until the period to which the invoiced amount relates.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies (continued)

(n) Revenue and Other Income (continued)

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.

(o) 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 assets 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.

(p) 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.

(q) 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.

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. Collect ability 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 (continued)

(r) Comparative Figures

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

(s) 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.

Share based payment transactions

The consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined valuation using an appropriate valuation model.

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.

(t) Segment Reporting

An operating segment is a component of the Company that engages in business activities form 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.

(u) 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 form 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 form 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies (continued)

(v) 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.

(w) 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.

(x) 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.

AASB 9 Financial Instruments

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 (continued)

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

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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 2: Revenue and Other Income	**2017**	**2016**
	$	**$**
Operating Activities		
Sales	7,019,641	5,467,162
Other income		
Interest received	1,836	10,671
Research & development tax offset	355,296	249,489
Data Retention Grant	35,578	-
Debt forgiveness	30,380	287,409
Other income	110,497	61
Total other income	533,587	547,630
Total revenue	7,553,228	6,014,792

Note 3: Loss for the year	**2017**	**2016**
Loss before income tax includes the following specific expenses	**$**	**$**
Expenses		
Depreciation and amortisation	(144,052)	(144,032)
Employee benefits expense (superannuation)	(164,174)	(130,229)
Borrowing costs	(198,642)	(432,995)
Rental expense on operating leases	(221,633)	(129,601)

Note 4: Income Tax Expense	**2017**	**2016**
	$	**$**

(a) Reconciliation

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

Loss for the year	(9,737,819)	(12,410,441)
Prima facie tax expense at 27.5% (2016: 30%)	(2,677,900)	(3,723,132)
Non-deductible expenses	2,387,524	3,276,105
Deferred tax asset not brought to account	290,376	447,027
Income tax benefit relating to loss	**0**	**0**

(b) Deferred Tax Asset

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

	2017	**2016**
	$	**$**
Tax losses – revenue (resident)	1,125,321	1,322,448
	1,125,321	1,322,448

Resident tax losses calculated at the Australian income tax rate of 27.5%.

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:

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 4: Income Tax Expense (continued)

(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:

	2017	2016
	$	$
Short-term employee benefits	750,123	791,913
Post-employment benefits	51,592	66,727
Share-based payments	475,907	-
	1,277,622	**858,640**

Note 6: Auditors' Remuneration

	2017	2016
	$	$
Remuneration of the auditor:		
- auditing or reviewing the financial report	62,500	52,000
- other services	-	14,000
	62,500	**66,000**

Note 7: Earnings per Share

	2017	2016
	$	$
Loss for the year	(9,737,819)	(12,410,441)
	No. Shares	**No. Shares**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	571,180,335	390,372,946

They 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

	2017	2016
	$	$
Cash on hand	1,352	1,352
Cash at bank	383,272	580,188
	384,624	581,540

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 9: Trade and Other Receivables

	2017	2016
	$	$
CURRENT		
Trade debtors	514,343	528,603
Less: provision for doubtful debts	(15,000)	(13,105)
	499,343	515,498
Other debtors	280,076	45
GST	30,347	-
	809,766	515,543

Provision for doubtful debts	15,000	13,105
	15,000	**13,105**
Reconciliation:		
Balance at the beginning of the year	13,105	10,500
Additional provision	10,061	10,767
Amount used	(8,166)	(8,162)
Balance at the end of the year	**15,000**	**13,105**

Note 10: Other Assets

	2017	2016
	$	$
CURRENT		
Loans to related parties	-	17,270
Bonds/deposits paid	2,524	2,929
Prepayments	55,617	34,710
	58,141	54,909
NON CURRENT		
Bonds/deposits paid (i)	42,030	40,916
Security bonds (ii)	-	208,726
	42,030	249,642

(i) Bank guarantee facilities are in place securing leased premises for staff and operations based in Brisbane, QLD and Perth, WA. Funds held in 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 was held in the United States in relation to the oil and gas leases held in Utah. The bond was transferred as part of the disposal of subsidiaries during the year. Refer to Note 13.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 11: Intangible assets

	2017	**2016**
Customer list	720,081	720,081
Less: Accumulated amortisation	(300,069)	(228,026)
	420,012	492,055
Borrowing Costs - at cost	935	935
Less: Accumulated amortisation	(526)	(292)
	409	643
Patents and trademarks - at cost	29,933	28,005
Less: Accumulated amortisation	(4,773)	(1,769)
	25,160	26,236
Domain name acquisition	2,071	3,377
	2,071	3,377
	447,652	522,311

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

Consolidated	Customer list	Borrowing Costs	Patents and trademarks	Domain name	Total
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	492,055	643	26,236	3,377	522,311
Additions/(Disposal)	-	-	677	-	677
Amortisation expense	(72,043)	(234)	(1,753)	(1,306)	(75,336)
Balance at 30 June 2017	420,012	409	25,160	2,071	447,652

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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.

Subsidiaries	Country of incorporation	Class of shares	Ownership Interest 2017	Ownership Interest 2016
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%
Vonex Ltd (ACN 063 074 635)	AUS	Ordinary	100%	100%
Subsidiaries of IP Voice and Data Pty Ltd				
Itrinity Australia Pty Ltd (ACN 131 196 886)	AUS	Ordinary	100%	100%
Subsidiaries of Vonex Ltd				
Western Nickel Limited	AUS	Ordinary	0%(a)	100%(a)
Golden Paradox Inc	USA	Ordinary	0%(a)	100%(a)
Golden Eagle Exploration LLC USA	USA	Ordinary	0%(a)	100%(a)
Golden Eagle Production LLC USA	USA	Ordinary	0%(a)	100%(a)

(a) Entities were disposed of on 3 January 2017. Entities were originally acquired upon completion of a reverse takeover of Vonex Ltd as a subsidiary (formerly Aleator Energy Ltd).

Note 13: Disposal of Subsidiaries

Description
During the year, the Company executed a binding share sale agreement to sell the Golden Eagle project in Grand Country, Utah, USA. As a result, the company lost control of interest in the following subsidiaries: Western Nickel Limited, Golden Paradox Inc, Golden Eagle Exploration LLC USA and Golden Eagle Production LLC USA.

Details of subsidiaries	2017	2016
	$	$
Consideration received		
Cash proceeds from disposal of subsidiaries	100	-
Book values of net assets over which control was lost		
Carrying amount of Trade and other payables at disposal	37,496	-
Carrying amount of tenement bonds	(215,075)	-
Loss during period to date of disposal	(27,476)	-
Loss on disposal of subsidiaries	**(204,955)**	**-**

The loss on disposal of the subsidiaries is included in the statement of profit or loss and other comprehensive income.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 14: Parent Entity Disclosures

	2017	2016
Financial Position	**$**	**$**
Assets		
Current assets	345,885	216,389
Non-current assets	282,504	320,836
Total assets	**628,389**	**537,225**
Liabilities		
Current liabilities	335,771	331,289
Non-current liabilities	42,344	27,994
Total liabilities	**378,115**	**359,283**
Net Assets	**250,274**	**177,942**
Equity		
Issued capital	5,487,201	5,487,201
Asset reserve	19,114	19,114
Accumulated losses	(5,256,041)	(5,328,373)
Total Equity	**250,274**	**177,942**
Financial Performance		
Profit / (Loss) for the year	72,333	(172,144)
Other comprehensive income / (loss)	-	-
Total comprehensive income for the year	**72,333**	**(172,144)**

Guarantees

Vonex Wholesale Ltd has not entered into any guarantees in relation to the debts of its subsidiary (2016: nil).

Commitments for expenditure

Vonex Wholesale Ltd has no commitments to acquire property, plant and equipment, and has no contingent liabilities (2016: nil).

Note 15: Plant and Equipment

	2017	2016
	$	**$**
Leasehold improvements		
At cost	31,517	21,611
Accumulated depreciation	(4,027)	(980)
	27,490	20,631
Plant and Equipment		
At cost	114,973	102,297
Accumulated depreciation	(44,946)	(18,106)
	70,027	84,191
Office & Computer equipment		
At cost	490,580	477,292
Accumulated depreciation	(438,468)	(413,472)
	52,112	63,820

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 15: Plant and Equipment (continued)

Licences & Development (inc. software)		
At cost	263,276	276,699
Accumulated depreciation	(255,566)	(248,355)
	7,710	28,344
Total plant and equipment	**157,339**	**196,986**

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 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	20,631	84,191	63,820	28,344	196,986
	Leasehold Improvements	**Plant & Equipment**	**Office & Computer**	**Licenses & Development**	**Total**
Balance at 1 July 2016	20,631	84,191	63,820	28,344	196,986
Additions	9,906	4,388	179,157	-	193,451
Grant Funding Received	-	-	(164,382)	-	(164,382)
Depreciation	(3,047)	(18,552)	(26,483)	(20,634)	(68,716)
Carrying amount at 30 June 2017	27,490	70,027	52,112	7,710	157,339

Note 16: Provisions

	2017	2016
	$	$
CURRENT		
Annual leave	324,000	261,592
	324,000	**261,592**
NON CURRENT		
Long service leave	91,148	73,366
	91,148	**73,366**

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 16: Provisions (continued)

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 pertains to 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 17: Trade and Other Payables	**2017**	**2016**
	$	**$**
Trade payables	1,680,646	1,312,023
VISA card account	3,537	5,717
PAYG withholding	28,449	15,801
Superannuation guarantee	106,243	104,664
Other payables and accruals	418,461	418,094
Goods and services tax (GST)	30,347	9,585
	2,267,683	**1,865,884**

Trade creditors are expected to be paid within agreed terms.

Note 18: Borrowings	**2017**	**2016**
	$	**$**
CURRENT		
Unsecured		
Loans from related parties – non-interest bearing	30,000	30,000
Loans from related parties – interest bearing	26,176	33,002
Convertible notes (i)	407,759	-
Other financial liabilities (ii)	430,000	430,000
	893,935	493,002
Secured		
Convertible notes (iii)	1,472,679	1,421,250
Loans from related parties – interest bearing (iv)	-	7,158
Finance lease – interest bearing	11,816	10,534
	1,484,495	1,438,942
	2,378,430	**1,931,944**
NON CURRENT		
Secured		
Finance lease – interest bearing	8,668	20,484
	8,668	**20,484**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 18: Borrowings (continued)

(i) On 27 April 2017 the Company raised $400,000 via the issue of a senior unsecured convertible note which is convertible into fully paid ordinary shares upon certain terms and conditions. The face value of the notes is $1 and have a maturity date of 24 months from the date of the agreement. The convertible notes will accrue interest at a rate of 12% per annum, calculated every six months and added to the note face value. The convertible note will convert into ordinary shares upon completion of an initial public offering, reverse takeover or introduction to trading on the Australian Securities Exchange or equivalent overseas stock exchange at a price equal to 80% of the IPO price.

(ii) Loan from unrelated parties. Nil interest payable and no specified repayment date.

(iii) Conversion of the secured convertible note is equal to face value divided by the capital raising price of $0.08c (unless there is any further capital raised by the Company at a lower price) and written notice to the Company of its intention to convert the principal 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 calculated at a rate of 25% per annum compounding monthly of the Face Value from 26 April 2017 and is payable on the maturity date. The expiry of the facility is 14 November 2017
(iv) Loan from related parties in prior year were secured by a fixed and floating charge over certain assets of the parent entity along with PPSA Security Interest over all PPSA Personal Property.

Note 19: Issued Capital	**2017**		**2016**	
	$	**No.**	**$**	**No.**
Fully paid ordinary shares	22,301,567	608,398,417	16,014,130	467,265,084

Movement in ordinary shares		**$**	**No.**	**Issue price $**
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	27/01/2016	-	233,931,751	
Issue of shares on acquisition of subsidiary	27/01/2016	10,526,929	233,333,333	0.04500
Balance at 30 June 2016		**16,014,130**	**467,265,084**	
Vesting of Class A vendor shares	20/09/2016	6,000,000	133,333,333	0.04500
Vesting of Tranche B performance rights	23/06/2017	351,000	7,800,000	0.04500
Capital raising costs		(63,563)		
Balance at 30 June 2017		**22,301,567**	**608,398,417**	

(i) Following the capital restructure, the number of shares outstanding represents the issued capital 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 19: Issued Capital (continued)

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) Vonex Ltd Share on the occurrence of:

- the milestone for this class was varied at a shareholder meeting held on the 20 September 2016. As a result Class A performance shares vested immediately.

Class B Performance Share will convert into one (1) Vonex Ltd 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; or
- 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; or
- the Company listing on an alternative securities exchange other than the Australian Securities Exchange.
- an expense of $1,931,484 has been recognised during the year relating to Class B performance shares as these performance shares are expensed over the expected vesting periods.

Class C Performance Share will convert into one (1) Vonex Ltd 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; or
- 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; or
- the Company listing on an alternative securities exchange other than the Australian Securities Exchange.
- no value has been allocated to the ClassC 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 2017 and 2016 are as follows:

	2017	2016
	$	$
Total borrowings (including trade and other payables)	4,654,781	3,818,312
Less: cash and cash equivalents	(384,624)	(581,540)
Net debt	**4,270,157**	**3,236,772**
Total equity	(3,170,377)	(2,032,339)
Total capital	**1,099,780**	**1,204,433**
Gearing ratio	388%	269%

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 20: Reserves

	2017	2016
	$	$
Asset revaluation reserve	19,114	19,114
Share-based payments reserve	2,312,344	-
Balance at the end of the year	**2,331,458**	**19,114**

Asset revaluation reserve	2017	2016
	$	$
Balance at the beginning of the year	19,114	19,114
Balance at the end of the year	**19,114**	**19,114**

The reserve records revaluations of non-current assets.

Share-based payments reserve	2017	2016
	$	$
Balance at the beginning of the year	-	-
Expense related to performance shares issued 20 September 2016	1,949,484	-
Expense related to performance rights issued 20 September 2016	713,860	-
Conversion of Tranche B performance rights to ordinary shares	(351,000)	-
Balance at the end of the year	**2,312,344**	-

The reserve records the valuation of performance shares and performance rights issued to vendors (shares) and key management personnel (rights).

Note 21: Contingent Liabilities and Contingent Assets

Contingent Liabilities
There were no known contingent liabilities at reporting date (2016: nil).

Contingent Assets
There are no contingent assets at reporting date (2016: nil).

Note 22: Operating Segments

Identification of reportable segments
The Consolidated entity has identified its operating segments based its 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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 22: Operating Segments (continued)

Segment assets and liabilities have been identified based on 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.

SEGMENT INFORMATION
The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2017 and 2016 are as follows:

2017	**Wholesale AUSTRALIA**	**Retail AUSTRALIA**	**Corporate AUSTRALIA**	**Consolidated**
	$	**$**	**$**	**$**
Revenue	1,163,281	6,128,670	261,277	**7,553,228**
Total segment revenue	1,163,281	6,128,670	261,277	**7,553,228**
Segment result before income tax	72,333	728,348	(10,538,500)	**(9,737,819)**
Loss before income tax				**(9,737,819)**
Segment assets	254,341	723,191	922,020	**1,899,552**
Total assets				**1,899,552**
Segment liabilities	378,115	832,362	3,859,452	**5,069,929**
Total Liabilities				**5,069,929**

2016	**Wholesale AUSTRALIA**	**Retail 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**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 22: Operating Segments (continued)

	30 June 2017			30 June 2016		
Segment performance	**Wholesale**	**Retail**	**Corporate**	**Wholesale**	**Retail**	**Corporate**
External customer sales	966,005	6,053,637	-	858,953	4,608,209	-
Other revenues	197,276	73,917	260,558	464,758	72,203	-
Interest received	-	1,116	720	1	1,352	9,318
Total segment revenues	1,163,281	6,128,670	261,278	1,323,712	4,681,764	9,318
Segmented operating loss	72,333	728,348	(10,538,500)	49,530	463,330	(12,923,301)
Reconciliation of segment result to net profit / (loss) before tax	(9,737,819)			(12,410,441)		
Amounts not included in segment						
- Unallocated items – Other	-			-		
Net profit/(loss) before tax	(9,737,819)			(12,410,441)		

	30 June 2017			30 June 2016		
Segment assets	**Wholesale**	**Retail**	**Corporate**	**Wholesale**	**Retail**	**Corporate**
Cash and cash equivalents	88,360	294,500	1,765	12,494	132,063	436,983
Trade and other receivables	93,025	348,436	368,305	96,063	390,672	28,809
Other assets	454	58,965	40,752	19,754	59,425	225,372
Intangibles	26,782	858	420,012	27,873	493,131	1,307
Property, plant & equipment	45,720	20,432	91,186	82,960	17,528	96,498
Total segment assets	254,341	723,191	922,020	239,144	1,092,819	788,968
Reconciliation of segment assets	1,899,552			2,120,931		
Unallocated assets:						
- Other receivables	-			-		
- Other intangibles	-			-		
Total assets	1,899,552			2,120,931		

	30 June 2017			30 June 2016		
Segment liabilities	**Wholesale**	**Retail**	**Corporate**	**Wholesale**	**Retail**	**Corporate**
Trade and other payables	274,024	741,744	1,251,916	253,948	751,800	875,787
Borrowings (including related parties)	42,344	34,316	2,310,438	56,700	44,478	1,851,250
Provisions	61,747	56,302	297,098	26,567	36,706	256,034
Total segment liabilities	378,115	832,362	3,859,452	337,215	832,984	2,983,071
Reconciliation of segment liabilities	5,069,929			4,153,270		
Unallocated liabilities:						
- Other	-			-		
Total liabilities	5,069,929			4,153,270		

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 23: Cash Flow Information	**2017**	**2016**
	$	**$**
(a) Reconciliation of Cash Flows from Operations with Loss after Income Tax		
Loss after income tax	(9,737,819)	(12,410,441)
Non-cash items:		
Depreciation and amortisation expense	144,052	144,032
Write-off of fixed assets	-	87,319
Interest accrued on convertible notes	134,188	284,250
Interest accrued on equity loans	20,894	29,712
Share based payments	8,663,344	10,915,379
Loss on disposal of investments	204,955	-
Bad debts	16,446	-
Debt forgiven	(30,380)	
Changes in assets and liabilities:		
Trade and other receivables		
- trade and other receivables (current)	(310,669)	(3,776)
- other assets	(676)	614,291
- provisions	80,190	160,377
- trade and other payables	388,616	(288,775)
Cash flow provided by operating activities	**(426,859)**	**(467,632)**

Note 24: Accumulated losses	**2017**	**2016**
	$	**$**
Accumulated losses at beginning of financial year	(18,065,583)	(5,655,142)
Net loss attributable to members of the company at end of financial year	(9,737,819)	(12,410,441)
Accumulated losses at end of financial year	**(27,803,402)**	**(18,065,583)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 25: Events After the Reporting Period

Extraordinary General Meeting

On 28 July 2017 at an extraordinary general meeting of members, the Company's shareholders approved, amongst other things the:

- Consolidation of the Company's issued capital on the basis that five ordinary shares be consolidated into one ordinary share and, where this consolidation results in a fraction of a share being held, the Company be authorised to round that fraction down to the nearest share or zero, as applicable;
- Company to issue up to that number of post-consolidation Shares which, when multiplied by the Raising Price, will raise up to $8 million on the terms and conditions in the explanatory memorandum;
- Variation to the Class B Performance Shares by adding an additional performance milestone to Milestone 2 (as this term is defined in Schedule 3 to the Amendment Deed dated 16 July 2015 which amended the Heads of Agreement entered into between Aleator Energy Limited and the Company dated 7 July 2015 and as varied at a meeting of shareholders on 20 September 2016), such that each Class B Performance Share may also convert into one ordinary fully paid share in the Company ranking equally with and conferring rights identical to the ordinary shares in the Company currently on issue on the occurrence of the Company listing on an alternative securities exchange other than the Australian Securities Exchange;
- Variation to the Class C Performance Shares by adding an additional performance milestone to Milestone 3 (as this term is defined in Schedule 3 to the Amendment Deed dated 16 July 2015 which amended the Heads of Agreement entered into between Aleator Energy Limited and the Company dated 7 July 2015 and as varied at a meeting of shareholders on 20 September 2016), such that each Class C Performance Share may also convert into one ordinary fully paid share in the Company ranking equally with and conferring rights identical to the ordinary shares in the Company currently on issue on the occurrence of the Company listing on an alternative securities exchange other than the Australian Securities Exchange;
- issue of 6 million Shares and 34 million Performance Rights (on a post-consolidation basis) to Mr Angus Parker and Mr Matt Fahey (or their nominees) as the Inventors of the Oper8tor App in consideration for them executing a Deed of Confirmation of Assignment of Patent agreement to confirm the Company's ownership of the Intellectual Property in the Oper8tor App;
- grant of up to 9,680,000 Performance Rights (on a post-consolidation basis) for no consideration to each of Mr Nicholas Ong and Mr David Vilensky or their nominee on the terms and conditions set out in the explanatory memorandum; and
- grant of up to 7,260,000 Performance Rights (on a post-consolidation basis) for no consideration to each of Mr Matthew Fahey and Mr Angus Parker or their nominee on the terms and conditions set out in the explanatory memorandum.

Partial Settlement of Outstanding Debt

On 1 August 2017 the consolidated entity partially settled outstanding borrowings and creditors totalling $474,765 via the issue of new ordinary shares at a conversion price of $0.10 per share (post-consolidation). In addition, on 10 August 2017 the Company issued 267,500 options exercisable at $0.45 on or before 3 August 2020 as a facilitation fee with respect to a debt issue.

NSX IPO Prospectus

On 28 August 2017, the Company lodged a Replacement Prospectus with ASIC that replaced an original prospectus dated 14 August 2017 (**Prospectus**). The Prospectus has been prepared to facilitate the listing of the Company's securities on the National Stock Exchange of Australia (NSX) and seeks to raise up to $8 million through the issue of up to 80,000,000 new shares at an issue price of $0.10 per share. The Company lodged a Supplementary Prospectus on 14 September 2017.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 25: Events After the Reporting Period (continued)

Variation to Secured Convertible Note Terms
As confirmed in the Supplementary Prospectus dated 14 September 2017, on 6 September 2017, the Company and the Trustee to the Secured Convertible Note Terms entered into a variation to the Convertible Note Trust Deed on the following basis:

(a) The Conversion Price would reduce from $0.10 to $0.08;
(b) The Maturity Date would be extended from 30 September 2017 to 14 November 2017;
(c) Interest will continue to accrue at the agreed rate until 14 November 2017 and would be calculated to this date even if the NSX listing was achieved by the Company prior to this date;
(d) The Noteholders would be entitled to be issued by the Company one free attaching option (**Note Options**) for each share issued to Noteholders respectively following the conversion; and
(e) The Exercise Price for the Note Options would be $0.10 with an expiry date of 30 November 2022.

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:

	2017	2016
	$	$
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)	-	40,000
Consultancy The Telephone people (director-related entity of Matt Fahey)	50,000	-
Consultancy from Suzanne 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)	147,500	18,000
Payments for legal fees from Bowen Buchbinder Vilensky (director-related entity of David Vilensky)	105,000	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:

	2017	2016
	$	$
Current payables:		
Trade payables to Minerva Corporate (director-related entity of Nicholas Ong)	215,914	22,545
Trade payables to Bowen Buchbinder Vilensky (director-related entity of David Vilensky)	81,180	13,200
Trade payables to Nannook Holdings (former director-related entity of Les Pereira)	-	57,750
Trade payables to JS Capital Partners (director-related entity of Angus Parker)	3,068	-
Trade payables to The Telephone people (director-related entity of Matt Fahey)	44,872	2,710
Trade payables to Allegra Corporate (former director-related entity of Mark Rowbottam)	-	41,667

Note 26: Related Party Transactions (continued)

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:

	2017	2016
	$	$
Current payables:		
Loans to related parties	-	17,270
Loans from related parties (i)	30,000	61,989

(i) There is a loan from Finance West Pty Ltd as at 30 June 2017 of $30,000. Angus Parker is an Executive Director of Vonex Ltd and is also a director and shareholder of Finance West Pty Ltd.

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

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 consolidated entity'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 consolidated entity is in deposit accounts with one of the four large Australian Banks. Considering the amount of surplus working capital cash held by the consolidated entity 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 consolidated entity and these facilities currently attract no exposure to interest rate risk.

A director's loan to a 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 on 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 2017-18 financial year.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments (continued)

The consolidated entity 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
	%	$	$	$	$	$
2017						
Financial Assets:						
Cash	1.0	383,272	-	-	1,352	**384,624**
Receivables	-	-	-	-	809,766	**809,766**
Total financial assets		**383,272**	**-**	**-**	**811,118**	**1,194,390**
Financial Liabilities:						
Payables	-	-	-	-	2,267,683	2,267,683
Borrowings	6.5	-	1,880,438	-	450,484	2,330,922
Total financial liabilities		**-**	**1,880,438**	**-**	**2,718,167**	**4,598,605**
Net financial assets		**383,272**	**(1,880,438)**	**-**	**(1,907,049)**	**(3,404,215)**

	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	-	-	-	-	515,543	**515,543**
Total financial assets		**580,188**	**-**	**-**	**516,895**	**1,097,083**
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		**580,188**	**(1,421,250)**	**-**	**(1,880,167)**	**(2,721,229)**

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments (continued)

(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	2017	2016
		$	$
Cash and cash equivalents			
— AA Rated	8	**384,624**	**581,540**

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.

The consolidated entity'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.

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

	2017	2016
	$	$
Trade and other receivables		
Trade debtors	514,342	528,603
Less: provision for doubtful debts	(15,000)	(13,105)
GST	30,347	-
	529,689	**515,498**
Other debtors	280,077	45
	809,766	**515,543**
Other current assets		
Loans to related parties	-	17,270
Bonds/Deposits paid	2,524	2,929
Prepayments	55,617	34,710
	58,141	**54,909**

The consolidated entity 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. Repayments of $1,100 per month are 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 2017.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 27: Financial Instruments (continued)

(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.

(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	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Financial liabilities								
Payables	2,267,684	1,865,884	-	-	-	-	**2,267,684**	**1,865,884**
Total Expected outflows	**2,267,684**	**1,865,884**	-	-	-	-	**2,267,684**	**1,865,884**
Financial assets								
Cash and cash equivalents	384,624	581,540	-	-	-	-	**384,624**	**581,540**
Receivables	809,766	515,543	-	-	-	-	**809,766**	**515,543**
Total Anticipated Inflows	**1,194,390**	**1,097,083**	**-**	**-**	**-**	**-**	**1,194,390**	**1,097,083**
Net outflow on financial instruments	**(1,073,294)**	**(768,801)**	**-**	**-**	**-**	**-**	**(1,073,294)**	**(768,801)**

(d) Foreign Exchange Risk
The consolidated entity 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 consolidated entity 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) Operating Lease Commitments

	2017	2016
	$	$
Payable:		
No later than twelve months	276,016	404,462
One to five years	329,965	325,588
Greater than five years	-	-
	605,981	**730,050**

Amount shown are GST inclusive, where applicable.

(i) Leases – Office premises
The consolidated entity 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. The lease on the second property is due to expire in January 2018, with a two year extension option available.

(ii) Leases – Plant & Equipment
Rental operating leases are in place for photocopier equipment situated at the Brisbane and Perth offices.

Note 29: Share Based Payments

The total expense arising from share based payment transactions recognised during the year in relation to the performance rights and performance shares issued amounts to $8,663,344.

Performance Rights
Vonex Ltd issued 23,400,000 performance rights to Executive Directors, management personnel, the Chairman and a non-executive director. These performance rights were issued in three tranches, each with different performance milestones. Each performance right will convert into 1 ordinary share of Vonex Ltd upon achievement of the performance milestone.

The company has assessed each class as being probable of being achieved and have therefore recognised an expense over the expected vesting period. The details of each class are tabled below:

Tranche	Number	Start Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price	Total Fair Value
1	7,800,000	20/09/16	Nil	12/07/22	$0.045	$351,000
2	7,800,000	20/09/16	Nil	14/06/17	$0.045	$351,000
3	7,800,000	20/09/16	Nil	12/07/22	$0.045	$351,000

These performance rights were valued at their issue dates at $1,053,000. Expenses of $731,860 have been recognised during the year as these performance rights are expensed over the expected vesting periods.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

Note 29: Share Based Payments (continued)

Performance Milestones:
A. Vonex Ltd listing on an alternative securities exchange other than the Australian Stock Exchange. This milestone expires five years from the date of shareholder approval (12 July 2022).
B. Key Executives remain in their current positions whether as directors or company secretaries on a date 12 months from the date of their respective appointments. The milestone was met and the performance shares vested on 14 June 2017.
C. Vonex generating total annualised revenue of at least $10 million per annum in any quarter. This milestone expires five years from the date of shareholder approval (20 September 2022).

Performance Shares
On 20 September 2016, Vonex Ltd varied the milestones for 400,000,000 performance shares (on a pre-consolidation basis) which were originally issued to vendors on acquisition of Vonex Wholesale Ltd by Vonex Ltd on 28 January 2016. These performance shares were originally issued in three tranches, each with different performance milestones. Each performance share will convert into 1 ordinary share of Vonex Ltd upon achievement of the performance milestone.

The company has assessed classes A and B as being probable of being achieved and have therefore recognised an expense over the expected vesting period. The details of each class are tabled below:

Class	Number	Start Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price	Total Fair Value
A	133,333,333	20/09/16	Nil	n/a	$0.045	$6,000,000
B	133,333,333	20/09/16	Nil	08/02/19	$0.045	$6,000,000
C	133,333,334	20/09/16	Nil	n/a	$0.045	$nil

Class A performance shares with a value of $6,000,000 vested and were expensed immediately. An expense of $1,931,484 has been recognised during the year relating to Class B performance shares as these performance shares are expensed over the expected vesting periods.

Performance Milestones:
A. The milestone was removed and the performance shares immediately vested.
B. Vonex generating annualised revenue of $9m in any quarter within 3 years of 8 February 2016; **or** if the multi-platform phone call and messaging app called “Oper8tor” is spun out into a separate company; **or** the company is the target of a successful takeover; **or** the Company listing on an alternative securities exchange other than the Australian Securities Exchange. This milestone expires three years from the 8 February 2016 (8 February 2019).
C. Vonex generating annualised revenue of $12m in any quarter within 3 years of 8 February 2016; **or** if the multi-platform phone call and messaging app called “Oper8tor” is spun out into a separate company; **or** the company is the target of a successful takeover; **or** the Company listing on an alternative securities exchange other than the Australian Securities Exchange. This milestone has no expiry date.

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 Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

    b) give a true and fair view of the financial position as at 30 June 2017 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
29 September 2017

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VONEX LIMITED

Opinion

We have audited the financial report of Vonex Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the Group incurred a net loss of $9,737,819 and had net cash outflows from operating activities of $426,859 for the year ended 30 June 2017. As at that date, the Group had net current liabilities $3,717,582 and net liabilities of $3,170,377. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises directors' report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 29 September 2017

ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION (as at 8 September 2017)

(i) Number of shareholders: 2,339
(ii) Ordinary shares issued: 131,930,890
(iii) The twenty largest shareholders hold 83,291,478 ordinary shares representing 63.13% of the issued capital
(iv) Distribution schedule of holdings

NO OF SHARES	NO OF HOLDERS
1 – 1,000	423
1,001 - 5,000	772
5,001 – 10,000	425
10,001 – 100,000	581
100,001 and over	113

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 21 September 2017

Rank	Name	Units	% of Units
1.	FINANCE WEST PTY LTD <FINANCE WEST UNIT A/C>	18,762,226	14.22
2.	CARMINE LION GROUP PTY LTD	14,427,606	10.94
3.	MR MATTHEW FAHEY <FAHEY FAMILY A/C>	7,554,809	5.73
4.	CONFADENT LIMITED	7,000,000	5.31
5.	GUAVA CAPITAL PTY LTD	6,157,240	4.67
6.	REVOLVE PROJECTS PTY LTD <THE HEM A/C>	3,922,000	2.97
7.	MR ANGUS PARKER	3,000,000	2.27
8.	LATERAL CONSULTING (WA) PTY LTD <PATON SUPER FUND A/C>	2,592,969	1.97
9.	MR SHANE ROBINSON + MRS HELEN ROBINSON <ROBINSON FAMILY A/C>	2,439,465	1.85
10.	LATERAL CONSULTING (WA) PTY LTD	2,427,019	1.84
11.	MR BRUCE HUMMERSTON + MRS JANET HUMMERSTON	2,192,096	1.66
12.	MR MARK ROWBOTTAM <M J R SOLUTIONS A/C>	1,994,055	1.51
13.	MR DALLAS THOMAS + MRS RUTH THOMAS <MANNA MANAGEMENT S/FUND A/C>	1,988,945	1.51
14.	MR ROBERT POPOVIC	1,620,605	1.23
15.	THOMAS FAMILY HOLDINGS PTY LTD	1,516,887	1.15
16.	MR RYAN JAMES ROWE	1,378,000	1.04
17.	GC RETIREMENT FUND PTY LTD	1,296,484	0.98
18.	SILVER CONSULTING AUST PTY LTD	1,122,162	0.85
19.	MR GORDON MALCOLM MCKEE	1,121,020	0.85
20.	MR GLENN TAYLOR	777,890	0.59
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**83,291,478**	**63.13**
Total Remaining Holders Balance		**48,639,412**	**36.87**