

Dear Shareholders

As Chairman and on behalf of the Board of Directors, it is with pleasure that I present to you the interim financial report for the half year ended 31 December 2018.

This past six months since our successful admission on the Australian Securities Exchange (ASX) has seen Vonex pursue a strong re-engagement program with our Channel Partners, commencement of an online marketing campaign rolled out across Australia, the introduction of technology initiatives including the Sign on Glass (SOG) sales software, and the recruitment of staff and resources to bolster our foundations to support anticipated growth throughout 2019.

These foundations have already seen early positive results. In the December quarter, Vonex recorded monthly billing of more than \$740,000 for the first time in the Company's history. Furthermore, Vonex reached a new record of 26,000 registered Private Branch Exchange (PBX) users as at the end of January 2019, with PBX annual user growth running at approximately 22%. Registered PBX users are continuing to grow now at a solid rate and the Company has just announced its latest milestone reaching 27,000 PBX users. The rate of PBX user growth will continue to be a key indicator of the Company's performance going forward.

For the half year, the Company achieved another positive period in sales growth of 9% from the comparative period last year, recording sales revenue exceeding \$4.27 million and a statutory loss of \$1.63 million (excluding \$313k from our latest R&D tax rebate received on the 9th of February 2019). The Company recorded an underlying EBITDA loss, excluding the Operator development and extraordinary items, of \$518,792.

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

| | 31-DEC-18 | 31-DEC-17 |
|---|--------------------|------------------|
| Statutory profit (loss) after tax | (\$1,628,791) | (\$1,771,345) |
| Add back: | | |
| Tax expense (benefit) | \$0 | \$0 |
| Net finance (income)/expense | (\$10,790) | \$273,475 |
| Share based expense payments * | \$458,513 | \$1,298,241 |
| Capital raising and associated costs ** | \$0 | \$313,940 |
| Operator development expense *** | \$585,603 | \$0 |
| Depreciation and amortisation | \$76,667 | \$56,197 |
| Underlying EBITDA | (\$518,792) | \$170,508 |

* Share based expense payments are a non-cash outlay. These expenses are reported book valuations placed on share/option issue related transactions in accordance with relevant Australian Accounting Standards that relate to the reporting period. Please refer to the Annual Report for further disclosures made on these reported expenses.

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

*** Expenses will be considered for inclusion in the Company's 2018-19 financial year R&D claim in accordance with joint Australian Government Department of Industry, Innovation and Science and Australian Taxation Office guidelines.

Highlights of the Company's interim results for the half-year ending 31 December 2018 include:

- Vonex continued to develop and grow its established cloud hosted PBX system and retail customer base. Total group sales revenues rose by 9% during the reporting period.
- The Retail division achieved a 9% increase in its total revenues along with a 10% net increase in customer accounts from July 2018 to December 2018. These solid results have been achieved solely 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 (ISPs), telcos and cloud vendors within Australia and Internationally. The reporting period has seen the Wholesale division achieve a 12% increase in its direct sales revenue along with a 24% increase in the user numbers hosted with Vonex.

In October 2018, Vonex successfully launched the Vonex Phone App for iOS and Android mobile devices, as well as Windows and Mac desktop computers. Building on the Vonex and CounterPath joint marketing and distribution agreement formed in August 2018, the Vonex Phone App leverages Vonex and CounterPath's combined understanding of connectivity and mobility requirements in the enterprise market. The Company anticipates further opportunities to strengthen its relationship with CounterPath during the course of the year with a view to developing new product offerings for Vonex's retail and wholesale channels.

The Company received its R&D tax rebate of \$313k on the 9th of February 2019. Going forward, development of the Oper8tor App and some of the Company's internal developments for Vonex VoIP and hosted PBX services will continue to qualify for R&D claims. Any R&D refund will be used towards further development and marketing to further drive revenue.

On 28 November 2018, Vonex announced progress in its beta testing of Oper8tor Conference, the first pillar of its minimum viable product (MVP) for its Oper8tor aggregated communications app. The Oper8tor App aims to seamlessly link all voice calls across multiple platforms and devices around the world, as well as messaging, and by doing so will create an innovative piece of communication technology. Over the course of the anticipated development, Oper8tor will look to be able to link mobile phones, land lines, and selected communication apps simultaneously into a single voice call.

With a successful round of beta testing now completed, the initial release of the Oper8tor app is expected in Australia via the Apple App Store and Google Play Store in March 2019, ahead of an anticipated commercial launch in Europe by July 2019.

Vonex continued to sign up and on-board new Channel Partners sourced through inbound enquiries and targeted marketing, with 30 Channel Partners as at the reporting date, and a further 15 Channel Partners since then with a solid pipeline of enquiries continuing to build. Vonex remains on track to add 100 new Channel Partners by the end of the 2019 financial year. These Channel Partners help to accelerate the Company's growth by selling Vonex's proprietary technologies, including its cloud-based PBX and Vonex branded traditional mobile, internet and business phone plans.

Vonex continues to be very well positioned to leverage off the NBN rollout, with the latest updates from NBN Co reporting that the construction phase of the NBN rollout is advancing well and still on track for 100% of the initial rollout to 11.6m premises by 2020. Currently there are 4.1 million premises that are ready for service and not yet connected to the NBN, with approximately an additional 3.5 million premise connections still under construction. As more and more telco customers are compelled to upgrade to NBN, the Company's targeted marketing and continued channel partner expansion will see Vonex well placed to maximise the growth opportunity from this nationwide event.

In addition to growth triggered by the NBN, according to ACMA (Australian Communications and Media Authority) the telco industry in Australia is expected to grow from \$44bn to \$47bn between now and 2020.

The past six months has been of critical importance to the Company to establish the core foundations, marketing and strategies in pursuit of its various sales growth plans. It has also seen the Company achieve solid progress with the Oper8tor App.

It is expected that these growth initiatives will continue to translate into enquiry and order growth, and lead to growth in Vonex's top line revenues. The way the Company ended the December half year was very pleasing, with the highest monthly Company billing recorded, and the marketing campaign generating heavy traffic to our newly improved website.

I would like to send my continued thanks and appreciation to the entire Vonex team. The work undertaken by the team and pride in their pursuit of customer service excellence has been exceptional with customer average wait time reported at less than 30 seconds.

I would also like to thank you, our shareholders, for your continued support. With the recent release of our shareholder telco bundle special representing a new way to add value for our supporters, I encourage our shareholders to take up the offer and continue to underpin Vonex's growth plans.



Nicholas Ong
Chairman