



30 April 2020

ASX Announcement

March 2020 Quarterly Shareholder Update and Appendix 4C

- Q3 FY20 was the Company's strongest quarter ever, achieving Total Contract Value (TCV) of new customer sales of \$1.99m, up 109% compared to Q3 FY19, and cash receipts of \$2.85 million, up 18% year-on-year
- TCV of new customer sales totaled \$787k in March 2020 – strongest month in Vonex's history, with sales momentum continuing to accelerate, boosting annualised recurring revenue (ARR) to \$15.5 million
- Strong initial contribution from 2SG Wholesale business which was acquired in March 2020, with integration into the Vonex business completed smoothly
- Highly experienced telco executive Jason Gomersall was appointed to Vonex's Board as a Non-Executive Director as part of 2SG Wholesale acquisition
- Third-party testing of Oper8tor App successfully completed, controlled group testing commenced and Ragnar Capital Partners LLP engaged to assist global commercialisation
- US patent protection secured for Oper8tor platform
- Definitive agreements signed to sell non-core royalty assets for up to \$2.5 million

Telecommunications innovator Vonex Limited ("Vonex" or the "Company") (ASX: VN8) is pleased to provide an update on its activities for the quarter ended 31 March 2020.

FINANCIAL COMMENTARY

- Unaudited sales revenue of \$3.23 million for the quarter increased by 49% compared to prior corresponding period (PcP) of \$2.17 million
- Annualised Recurring Revenue (ARR) grew to \$15.5 million, substantially driven by sales momentum and the acquisition of 2SG
- Cash receipts totaled \$2.85 million (compared to PcP of \$2.41 million)
- Cash at end of quarter totaled \$1.98 million

Vonex Limited ABN: 39 063 074 635

Level 8, 99 St Georges Terrace, Perth WA 6000 // PO Box 5638, Perth St Georges Terrace WA 6831
Ph: +61 8 6388 8888 // Fax: +61 8 6388 8898 // Web: www.vonex.com // Email: info@vonex.com



Annual Reoccurring Revenue (ARR)



Graph shows Annual Recurring Revenue represented in \$m

OPERATIONAL COMMENTARY

On 1 April 2020, Vonex reported a 109% year-on-year increase in the Total Contract Value (TCV) of new customer sales made in Q3 FY20. TCV of new customer sales for the March quarter increased to a Company record \$1.99 million, substantially driven by:

- A historic shift towards working from home for SME staff, driven by social distancing rules imposed to mitigate the COVID-19 outbreak.
- The proactive 'Stay at Home with Vonex' marketing campaigns grew softphone sales by more than 1,000% in February and March 2020 over the comparable period in 2019. Vonex's softphone products are the desktop and mobile apps which act as an extension of a worker's business phone system, offered as part of the Company's ONdesk monthly plans.

Vonex Limited ABN: 39 063 074 635

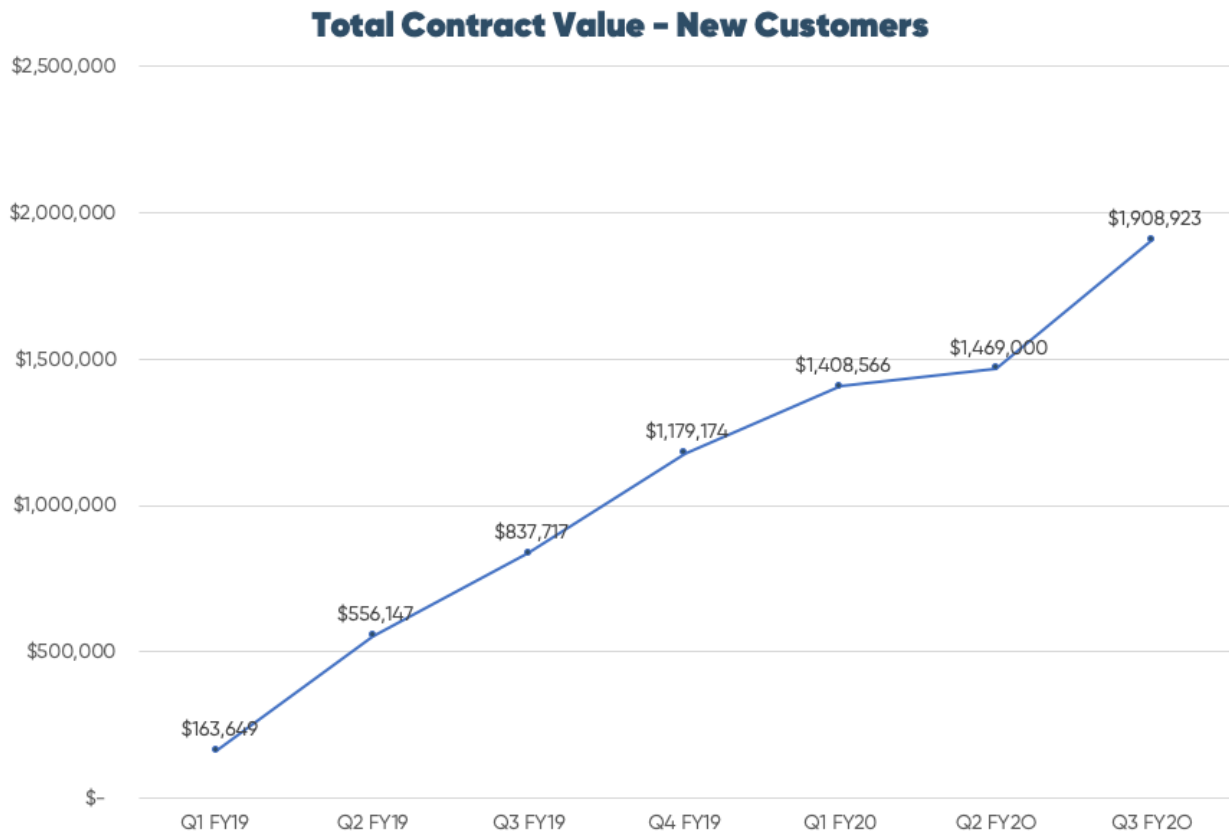
Level 8, 99 St Georges Terrace, Perth WA 6000 // PO Box 5638, Perth St Georges Terrace WA 6831
Ph: +61 8 6388 8888 // Fax: +61 8 6388 8898 // Web: www.vonex.com // Email: info@vonex.com



- Vonex's partnership with Qantas Business Rewards (QBR), which launched in August 2019 and continues to provide a major contribution to new sales each month with the ONdesk plans. In early April, QBR sent a campaign featuring Vonex and showcasing the Company's flexible communications solutions for its ONdesk & NBN plans to their SME subscriber base. This campaign drove a 550% increase in the typical daily traffic to the Vonex website, indicating the interest to accrue Qantas Points for use in the longer term appears to be high.

Total Contract Value of New Sales Continues to Grow

Vonex's sales momentum continued to accelerate, with TCV of new customer sales totaling \$787k in March 2020, marking the strongest month in the Company's history.



Graph shows TCV added each quarter since beginning of FY19

TCV of provisioned customers is calculated using the minimum monthly commitment multiplied by the contract length and is typically realised over a period of between one and three years. Vonex's quoted TCV metric relates only to new customers and excludes existing customers re-contracting.



PBX Registrations

The Company exceeded the 37,500 active user mark on its Private Branch Exchange (“PBX”) cloud-based phone system platform, with growth driven by global events superseding what can historically be a seasonally slower period for SME investment decisions. Growth in registered PBX users indicates business development progress as Vonex penetrates the multibillion-dollar Australian market for telco services to SMEs. PBX use reflected a slight decline due to call centres being closed amid COVID-19 lockdown however the Company expects active users will shortly resume a growth trajectory.

2SG Wholesale

In March, Vonex completed the acquisition of the business and operations of Brisbane-based telecommunications and data wholesaler 2SG Wholesale, first announced in November 2019. In FY19, 2SG Wholesale achieved revenue of circa \$7 million, with revenue from mobile broadband a key growth driver. The acquisition has brought a highly capable and experienced team to Vonex that is well positioned to drive further growth from immediate cross sell opportunities, and a dedicated technical support team.

2SG Wholesale’s mobile broadband capability provides Australian ISPs the opportunity to sell a wireless broadband solution via the Optus 4G Network. Integration with Australia’s premier carriers facilitates the delivery of the latest fixed line, mobile connectivity and hardware solutions country-wide.

COVID-19

In light of the global COVID-19 pandemic, Vonex implemented a range of initiatives in March to minimise impact of the virus on its operations. These included:

- The Company’s call centre in Cebu in the Philippines remains open as normal with a remote working strategy in place if Cebu staff are placed in lock down and cannot attend work.
- Handset stock sourced from China has been stockpiled and Vonex has several months of inventory to continue to fulfil new and existing orders without new stock arriving.
- Adapting nimbly to the current climate, the Company rapidly rolled out ‘work from home’ marketing campaigns to existing and potential SME customers which highlight how Vonex’s Hosted PBX technology enables a seamless transition for staff to work from home. These campaigns contributed towards Vonex achieving the strongest month of new customer sales in its history in March 2020.



Oper8tor Development Progress

In March, Vonex announced the successful completion of third-party testing of its Oper8tor App, including testing of cross-platform message and call blast functionality. The third-party testing verified Oper8tor's cross-platform message functionality across several social media platforms as well as SMS and its ability to call blast landline and mobile numbers.

The Oper8tor App is a disruptive aggregated communications platform targeting the inclusion of Conference, Voice, Message and Video functionality, facilitating user communication across different channels. The mobile app aims to seamlessly link all voice calls as well as messaging across multiple platforms and devices.

Vonex has commenced controlled group testing with up to 500 users to review the user experience and to test the stability and scalability of Oper8tor V1.0. On completion of this closed user group review, an updated Version 1.X of the Oper8tor App is expected to launch to a wider community, including investors, through a controlled launch.

During the quarter, Vonex was granted a patent from the US Patents Office for the unique Oper8tor platform. The patent protects Vonex's unique system and method for establishing communications over a plurality of communications platforms.

With US patent law setting a precedent for other jurisdictions globally, the Company looks forward to progressing Oper8tor's development with less risk to commercialisation.

CORPORATE

Appointment of Director

Jason Gomersall joined the Vonex board as a Non-Executive Director in March, following completion of the 2SG Wholesale acquisition.

Mr Gomersall is a former Director of 2SG Wholesale and is the Founder, CEO and Managing Director of i-Seek Communications. He has long been at the forefront of the telecommunications industry and the mobile phone market since being one of the foundation franchisees of the Optus World chain of retail stores in the 1990s.

Engagement of Advisor

During the quarter, Vonex engaged London-based investment advisory firm Ragnar Capital Partners LLP to target potential partners who could help take Oper8tor through its rollout and commercialisation phases now that testing of the platform is largely complete.



Sale of Koolyanobbing Royalty

In February, Vonex announced it had entered into a preliminary purchase and sale agreement to dispose of its entitlements to iron ore production royalties derived from the Koolyanobbing Iron Ore Project ("Koolyanobbing"). This progressed to a definitive binding agreement in April.

Koolyanobbing is currently being mined by Yilgarn Iron Pty Ltd, a subsidiary of Mineral Resources Limited. When ore has been mined and sold from tenement M77/1258, Vonex has been entitled to a 2% royalty calculated on a quarterly basis.

Vonex has agreed to a proposal from Vox Royalty Australia Pty Ltd, a wholly owned subsidiary of SilverStream SEZC, a Canadian mining-focused royalty and streaming company, to acquire the Koolyanobbing royalty for total consideration of up to A\$2,500,000.

The proposed transaction is conditional on, among other conditions, SilverStream undertaking a minimum capital raise of \$3m USD as part of its TSX (or similar exchange) listing and meeting the conditions of listing.

As announced by AIM3 Ventures Inc. (TSXV: AIMC.P) to the TSXV on 27 March 2020, SilverStream anticipates closing its capital raising transaction in Q2 CY20 and subsequently listing on the TSXV.

Achieving consideration of up to A\$2.5 million represents a significantly improved outcome for Vonex shareholders, given the Board had previously resolved to write down the value of the Company's interest in Koolyanobbing to zero.

Future cash flows from the royalty are offset against a payment of \$3 million which was made to Vonex's predecessor Golden State Resources Ltd – approximately \$2.2 million of which remained outstanding at December 31 2019.

As part of the Company's cash management planning, the Board considers this to be a prudent step to enhance liquidity and maximise long-term shareholder value.

Board fee reduction

In order to preserve its balance sheet amid economic uncertainty, the Company's Executive and Non-Executive Directors volunteered to reduce their fees in aggregate by 22%, effective 1 April 2020 for an initial period of three months. The board fee reductions will be reviewed on a quarterly basis or as required.

Cash Position

As at 31 March 2020, the Company had approximately ~\$2 million of cash and nil debt. The Company retains sufficient funding to carry out its activities over the coming quarters.

Note 6 to Appendix 4C

Payments to related parties of the entity and their associates during the quarter:

- Director fees and wages of approximately \$128,000



- Company secretarial fees of approximately \$11,000
- Accounting and bookkeeping fees of approximately \$15,000

Comparison of Actual Expenditure since Admission against Use of Funds table

Vonex Limited was admitted to the official list of the ASX on 8 June 2018 (admission), having successfully raised \$6,000,000 under an IPO on June 2018. The current Quarter is included in a period covered by a Use of Funds statement in the IPO Prospectus lodged with ASX under Listing Rule 1.1 condition 3. A comparison of the Company's actual expenditure since the date of Admission against estimated expenditure in the Use of Funds statement is set out below.

Use of Proceeds under Prospectus	Budgeted Expenditure Amount (\$)	Actual Expenditure Amount (\$)
Creditors & Debt repayment	1,271,125	(1,271,125)
IP and Patent Protections	100,000	(165,073)
Oper8tor Development	1,734,000	(2,088,000)
Retail & Wholesale Business Development	2,000,000	(1,444,000)
Expenses associated with the Offer	630,900	630,900
Working Capital	1,010,975	(752,000)
TOTAL	6,747,000	(6,351,098)
Add: Receipts from customers between admission and 31 March 2020		16,699,000
Less: Product manufacturing and operating costs as disclosed in Appendix 4C		(9,870,000)
Net funds unexpended between admission and 31 March 2020		477,902

Summary of material variances

Material variances include an overrun in expenditure for the Oper8tor development due to the extra time required to overcome unforeseen complications with two factor authentication resulting in higher wages than initially forecast and additional IP and patents expenses have been incurred as a result of the Company identifying additional patent opportunities during the period to 31 March 2020.



For more details, please contact:

Matthew Fahey
Managing Director
Vonex Ltd
E: matt@vonex.com.au
T: +61 411 244 224

Nicholas Ong
Non-Executive Chairman
Vonex Ltd
E: nick@vonex.com.au
T: +61 424 598 561

Tim Dohrmann
NWR Communications
Investor and Media Enquiries
E: tim@nwrcommunications.com.au
T: +61 468 420 846

About Vonex

Vonex Ltd (ASX: VN8) is a full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services - predominately to the small to medium enterprise ("SME") customer under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX and call termination services at wholesale rates via a white label model.

Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system. Vonex is also developing the Oper8tor App, a multi-platform real-time voice, messaging and social media app that allows users to connect with all social media friends, followers and contacts across different social medias, all consolidated into one app.