



17/18

ANNUAL REPORT

Corporate Information

VONEX LIMITED

ABN 39 063 074 635/ACN 063 074 635/ASX CODE: VN8

Directors

Mr Chen Chik (Nicholas) Ong (Non-Executive chairman)

Mr Matthew Fahey (Managing director)

Mr David Vilensky (Non-Executive director)

Ms Winnie Lai Hadad (Non-Executive director)

Registered and Business Office

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Solicitors

Bowen Buchbinder Vilensky

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Company Secretaries

Mr Matthew Foy

Mr Daniel Smith

Share Registry

Computershare Investor Services Pty Limited

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Auditor

RSM Australia Partners

Level 32, Exchange Tower, 2 The Esplanade, Perth WA 6000

Bankers

Commonwealth Bank of Australia

ANZ Bank

Westpac Bank

www.vonex.com.au

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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 2018.

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 Nicholas Ong—Non-Executive Chairman
- > Mr Matthew Fahey—Managing Director and CEO
- > Mr David Vilensky—Non-Executive Director
- > Ms Winnie Lai Hadad—Non-Executive Director (appointed 1 January 2018)
- > Mr Angus Parker—Managing Director (resigned 31 December 2017)

Information on Directors & Company Secretary

Nicholas Ong—Non-executive Chairman

Mr Ong was a Principal Adviser at the Australian Securities Exchange (ASX) and brings 14 years' experience in IPO, listing rules compliance and corporate governance. Mr Ong has developed a wide network of clients in Asia-Pacific region and provides corporate and transactional advisory services through boutique firm Minerva Corporate Pty Limited. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.

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

Current: Helios Energy Limited, CoAssets Limited, Arrow Energy Limited and Black Star Petroleum Limited.

Previous: Excelsior Gold Limited, Auroch Minerals Limited, Fraser Range Metals Group Limited, Tianmei Beverage Group Corporation Limited, Bojun Agriculture Holdings Limited and Jiajiafu Modern Agriculture Limited.

Matthew Fahey—Managing Director and CEO

Mr Fahey is Vonex Telecom's Chief Executive Officer and joined the Board as Managing Director. Mr Fahey joined Vonex Limited in 2013, through the Vonex Group's acquisition of iTrinity (IP Voice & Data) where he had served as Sales Director. Mr Fahey brings with him 20 years' of extensive experience in building and managing telecommunications companies with a well-regarded reputation in the industry for channel partner programs as well as excellence in VoIP and Telco. 2014 saw amazing growth for Vonex winning the CRN Fast50 award for fastest growing IT company in Australia.

In January 2018 Mr Fahey was appointed as Chief Executive Officer and Managing Director and sees significant opportunities for the Vonex business both in Australia and internationally. Mr Fahey 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.

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 Cape Town and is a member of the Law Society of Western Australia.

Winnie Lai Hadad—Non-Executive Director (Appointed 1 January 2018)

Ms Lai Hadad has expertise in change management, corporate governance and business process improvement and has been involved in listings on the Australian Securities Exchange. Ms Lai Hadad has been involved with both investments into China and out-bound investment from China. Her past roles include implementing Coca-Cola bottling strategies into Greater China and administering the first Chinese direct investment in an iron ore mine in the Pilbara Region of Western Australia.

Ms Lai Hadad has not held any other directorships of Australian listed companies in the last three years

Ms Lai Hadad is a lawyer admitted to practice in Western Australia, a qualified CPA, holds a BA, BCom and MSc, and is a graduate of both the Australian Institute of Company Directors and Governance Institute of Australia.

Angus Parker – Former Managing Director (Resigned 31 December 2017)

Mr Parker is co-founder and Chief Technology Officer of Vonex Limited. 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 Limited. 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.

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 Arrow Resources Limited, Protean Energy Limited, XTD Limited and Emergent Resources Limited.

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

Daniel Smith—Joint Company Secretary

Mr Smith has primary and secondary capital markets expertise, having been involved in a number of IPOs and capital raisings. Mr Smith is a director of Minerva Corporate, a private corporate consulting firm. Mr Smith is currently a director and company secretary of ASX and AIM-listed Europa Metals Limited and ASX-listed Lachlan Star Limited and HIPO Resources Limited, and is Company Secretary for Taruga Minerals Limited and Love Group Global Limited.

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	Performance Rights	Options
Nicholas Ong	2,460,000	2,550,000	84,499
Matthew Fahey	6,408,291	8,830,000	Nil
David Vilensky	2,550,000	2,550,000	Nil
Winnie Lai Hadad	Nil	Nil	Nil

Meetings of Directors

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

Directors	Number of Meetings	
	Attended	Eligible to Attend
Nicholas Ong	4	4
Matthew Fahey	4	4
David Vilensky	4	4
Winnie Lai Hadad	4	4
Angus Parker	Nil	Nil

Directors' Report (continued)

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. One of our key R&D projects going forward is the Oper8tor app development. The Oper8tor app will aim 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 forcing notice. As at the end of the anticipated development, Oper8tor will look to be able to link mobile phones, landlines, Skype, Google Hangouts and WeChat simultaneously into a single voice call.

Other activities include the year on year growth within our Retail and Wholesale Telco divisions.

Financial Position & Operating Results

The financial results of the consolidated entity for the financial year ended 30 June 2018 are:

	30-Jun-18	30-Jun-17	% Change
Cash and cash equivalents (\$)	5,223,854	384,624	1,258%
Net assets (liabilities) (\$)	5,079,307	(3,170,377)	260%
Revenue (\$)	8,486,196	7,553,228	12%
Net loss after tax (\$)	(14,713,402)	(9,737,819)	(51%)
Loss per share (cents)	(21.35)	(17.03)	(25%)

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 sales revenues rose by 15% 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.

The Retail division has also undertaken numerous advancements in the automation of new customer service accounts received from our dealer channel partners including the most recent announcement regarding our latest technology release Sign On Glass on 3 July 2018.

The reporting period has seen the Retail division achieve a 14% increase in its total revenues along with a 18% net increase in customer accounts from June 2017 to June 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 (ISP's), Telcos and Cloud Vendors within Australia and internationally. The reporting period has seen the Wholesale division achieve a 13% increase in its direct sales revenue along with a 27% increase in the user numbers hosted with Vonex from June 2017 to June 2018.

Vonex continues to be successful with the Research and

Development (R&D) tax offset rebates. The Vonex group received a non-refundable R&D tax offset of \$253,127 in May 2018 relating to the 2016/2017 financial year.

Oper8tor Development

On 25 June 2018 the Company announced the commencement of the development of Oper8tor, following the successful listing on ASX. Oper8tor will allow users to communicate seamlessly across digital platforms and geographies, removing what are traditional barriers in cross-platform calls and messaging.

The onboarding of developers will increase the skill base of the current development team in areas such as Software Architecture, Big Data, Functional Programming, Machine Learning and Mobile Development. Beta testing will commence from October 2018 and will involve up to 5,000 controlled users targeting data collection, bug report testing and tracking, scalability testing on elastic servers, redundancy and online marketing. Beta development will also include refinement of the user interface functionality.

Corporate

Board Composition

During the period and effective from 1 January 2018, Mr Angus Parker transitioned from CEO & Managing Director to his previous role as Chief Technology Officer, where he is spearheading the development of Oper8tor, as well as the Company's numerous other technology products. Mr Matthew Fahey moved from Chief Commercial Officer to the CEO & Managing Director role. On the same day Ms Winnie Lai Hadad joined the Board as a Non-Executive Director to further strengthen the Company's corporate governance and commercial experience. Ms Lai Hadad is a highly experienced lawyer, accountant and public company advisor.

ASX Listing

During the period on 13 June 2018 the Company listed on the Australian Securities Exchange (ASX) under the ticker code VN8 after successfully raising \$6 million (before expenses) by way of a full form prospectus ("Offer"). The listing on ASX also allowed the Company to convert \$2,804,319 of convertible notes, reducing payables and strengthening the Company's balance sheet.

State One Equities Pty Limited partially underwrote the Offer for \$5.5 million.

Small Holding Share Sale Facility

On 25 June 2018 the Company announced that it had established a sale facility for shareholders with holdings valued at less than A\$500 ("Sale Facility"). The Sale Facility enables eligible shareholders to sell their Vonex shares without incurring any brokerage or handling costs. This initiative will substantially reduce administration costs incurred by Vonex.

At the Record Date there were 1,433 shareholders who would be eligible to participate in the Sale Facility, representing 57.57% of total shareholders. The eligible shareholders hold 1,868,507 ordinary shares in Vonex, representing 1.26% of total issued capital.

Partial Settlement of Outstanding Debt

On 1 August 2017 the consolidated entity partially settled outstanding borrowings and creditors totaling \$474,765 via the issue of new ordinary shares and part debt forgiveness.

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;
- (e) The Exercise Price for the Note Options would be \$0.10 with an expiry date of 30 November 2022;
- (f) On 30 October 2017, the Company and the Trustee of the Secured Convertible Note entered into a variation of the Convertible Note Trust Deed extending the maturity date of the convertible notes from 14 November 2017 to 30 November 2017;
- (g) On 11 November 2017, the Company and the Trustee of the Secured Convertible Note entered into a variation of the Convertible Note Trust Deed extending the maturity date of the convertible notes from 30 November 2017 to 20 December 2017 on the same terms;
- (h) On 5 December 2017, the Company and the Trustee of the Secured Convertible Note entered into a variation of the Convertible Note Trust Deed extending the maturing date of the convertible notes from 20 December 2017 to 30 April 2018 on the same terms and to allow the Company the time it needs to pursue a new listing opportunity on the ASX; and
- (i) On 30 April 2018, the Company convened a meeting with the Convertible Note Holders to pass a resolution to extend the maturity date of the convertible notes from 30 April 2018 to 12 June 2018 to enable the Company to list onto the ASX under the same terms. Resolution was passed and conversion of the convertible notes was undertaken on 7 June 2018.

Shareholder Meetings

At a shareholders' meeting held on 28 July 2017 shareholders approved, amongst other things, a consolidation of capital whereby the issued capital of the Company was consolidated on the basis that every five ordinary shares be

consolidated into one ordinary share. In addition, shareholders approved the issue of 6 million ordinary shares and 34 million performance rights (on a post-consolidation basis) to Mr Angus Parker and Mr Matthew Fahey 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 Oper8tor intellectual property.

The Company's annual general meeting was held on 30 November 2017 with the resolution to re-elect Mr David Vilensky passed by a show of hands.

On 29 January 2018 at a general meeting of shareholders, shareholders approved, amongst other things, the consolidation of the Company's capital on a two for one basis, a variation to the terms of the Class B and Class C Performance Shares, variations to Performance Rights held by directors and key management personnel, and the issuing of a prospectus to raise up to \$7 million by way of issuance of up to 35,000,000 shares. All resolutions were carried on a show of hands.

Noteholder Meeting

On 5 December 2017 the Company advised that noteholders had approved the extension of the term of the outstanding convertible notes to 30 April 2018, with 100% of votes cast by noteholders voting in favour of the resolution.

On 30 April 2018 the Company had advised that noteholders had approved a further extension of the term of the outstanding convertible notes to 12 June 2018, with 100% of votes cast by noteholders voting in favour of the resolution.

Significant Changes in the State of Affairs

During the year the company was successfully listed in the ASX on 13 June 2018.

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

Directors' Report (continued)

Events after the reporting period

Launch of Sign On Glass

On 3 July 2018 Vonex announced the first release of its latest technology, called Sign On Glass ("SOG"), to more efficiently manage the Company's new and existing customers. SOG is available on all internet enabled devices and facilitates the sign up, activation and ongoing management of customers. This SOG technology will be rolled out to the entire channel partner network and will provide more accurate provisioning and significantly reduce connection times, saving up to a week for typical orders.

Using the SOG portal, channel partners will be able to activate the entire range of products for their new and existing clients. Their existing client information will be available within the interface, so they can perform upgrades, additions and modifications.

The Company will continue to develop the product and will, in time, seek to provide a complete portal for the channel partner which will check product availability and site readiness prior to sign up. The technology will also automate the dispatch of hardware and provide various reports to the channel partner.

Vonex has commenced testing of these advanced features with hundreds of test applications to date used by the development team.

CounterPath strategic partnership

On 2 August 2018 the Company announced a strategic partnership with NASDAQ and TSX listed CounterPath, a global provider of award-winning Unified Communications solutions for enterprises and service providers. The CounterPath product suite includes Bria 5, that leverages over 10 years of softphone experience and replaces the need for a telephone to connect to a VoIP phone service, or hosted PBX extension. Its Stretto Platform™ enables

the provisioning of desktop and mobile VoIP software. CounterPath Bria software is used by millions of users across the globe.

The partnership agreement will see Vonex and CounterPath collaboratively working on new customer growth in Australia. For Vonex, this could open up much larger opportunities to work with enterprise clients previously not targeted, plus enable Vonex to expand its offering to existing business, enterprise and channel customers.

Results of Share Sale Facility

On 14 August 2018 the Company announced the results of the Share Sale Facility. As at market close on 22 June 2018, there were 1,868,507 ordinary shares held by 1,433 shareholders that had a market value of less than A\$500. The final number of shares eligible to be sold under the Facility was 1,302,079 ordinary shares from 1,025 shareholders which represented approximately 41% of the total number of shareholders holding shares in the Company.

PBX registered user growth

On 20 August 2018 the Company announced that Vonex had achieved 24,000 registered active PBX users by the end of July 2018. Registered PBX users are currently growing at 500 per month and is expected to grow as Vonex's marketing goes into full swing in the NBN rollout areas. Vonex had 18,700 PBX users in July 2017, the growth represents a 28% gain in PBX user's year on year.

Placement of small shareholding shares

On 24 August 2018 the Company announced that it has received firm commitments from a range of sophisticated and high net worth investors to place all the shares available under the Share Sale Facility ("Facility") at \$0.1325 per

cent share pursuant to clause 3.5 of the Company's constitution. The final number of shares sold under the Facility was 1,295,709 ordinary shares from 1,022 shareholders which represents approximately 41% of the total number of shareholders.

Remuneration report (Audited)

The remuneration report is set out under the following main headings:

- A Remuneration Governance
- B Remuneration Structure
- C Details of Remuneration
- D Share-based compensation
- E Equity instruments issued on exercise of remuneration options
- F Value of options to Directors
- G Equity instruments disclosures relating to key management personnel
- H Other transactions with key management personnel
- I Additional statutory information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*. The remuneration arrangements detailed in this report are for the Key Management Personnel (KMP) of the Group as follows:

- > Mr Nicholas Ong—Non-Executive Chairman
- > Mr Matthew Fahey—Managing Director and CEO
- > Mr David Vilensky—Non-Executive Director
- > Ms Winnie Lai Hadad—Non-Executive Director (appointed 1 January 2018)
- > Mr Angus Parker—Managing Director (resigned 31 December 2017)

Use of remuneration consultants

The Company did not employ services of consultants to review its existing remuneration policies.

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received 95.47% of "yes" proxy votes on its remuneration report for the 2017 financial year, inclusive of discretionary proxy votes. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

A. Remuneration Governance

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Group and Executives of the Group. The performance of the Group depends upon the quality of its key management personnel. To prosper the Group must attract, motivate and retain appropriately skilled directors and executives.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Group does not engage the services of any remuneration consultants.

B. Remuneration Structure

Non-Executive remuneration arrangements

The remuneration of Non-Executive Directors (NED) consists of Directors' fees, payable in arrears. They serve on a month to month basis and there are no termination benefits payable. They do not receive retirement benefits but are able to participate in share option-based incentive programmes in accordance with Group policy.

Directors are paid consulting fees on time spent on Group business, including reasonable expenses incurred by them on business of the Group, details of which are contained in the Remuneration Table disclosed in Section C of this Report. Remuneration of Non-Executive Directors are based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

The Group has provided variable remuneration incentive schemes to certain Non-Executive Directors as detailed in Note 29.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at \$500,000 per annum as per Section 13.8 of the Company's constitution and may be varied by ordinary resolution of the shareholders in general meeting.

Directors' Report (continued)

C. Details of Remuneration

The Key Management Personnel (KMP) of the Group are the Directors and management of XTD Limited detailed in the table below. Details of the remuneration of the Directors of the Group are set out below:

30/06/2018	Short-term benefits			Post-employment benefits	Share-based payment		Percentage remuneration consisting of performance rights for the year
	Salary & fees	Cash bonus	Long Service Leave	Superannuation	Performance rights (iv)	Total	
	\$	\$	\$	\$	\$	\$	
Directors							
Mr Fahey	229,015	-	3,542	17,424	60,000	309,981	19%
Mr Ong	48,567	-	-	269	924,000	972,836	95%
Mr Vilensky	60,000	-	-	269	968,000	1,028,269	94%
Ms Lai Hadad (i)	30,000	-	-	2,850	-	32,850	0%
Other KMP							
Mr Parker (ii)	206,901	-	13,127	17,253	60,000	297,281	20%
Total	574,483	-	16,669	38,065	2,012,000	2,641,217	76%

(i) Ms Lai Hadad (Non-Executive Director) (appointed on 1 January 2018)

(ii) Mr Parker (Executive Director) (resigned 31 December 2017)

30/06/2017	Short-term benefits			Post-employment benefits	Share-based payment		Percentage remuneration consisting of performance rights for the year
	Salary & fees	Cash bonus	Long Service Leave	Superannuation	Performance rights	Total	
	\$	\$	\$	\$	\$	\$	
Directors							
Mr Parker	232,210	-	-	17,392	175,500	425,102	41%
Mr Fahey	230,800	-	-	17,100	175,500	423,400	41%
Mr Ong	48,000	-	-	-	175,500	223,500	79%
Mr Vilensky	59,113	-	-	-	175,500	234,613	75%
Other KMP							
Mr King (iii)	180,000	-	-	17,100	356,120	197,100	0%
Total	750,123	-	-	51,592	702,000	1,503,715	47%

(i) The Board reviewed the KMP's of the Group during the year and determined that Mr King no longer met the definition.

(ii) During the period 10,060,000 performance rights were granted to KMP's for a total value of \$2,012,000. This represents the face value of the performance rights granted subject to future vesting conditions.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - LTI **	
	2018	2017	2018	2017
Director				
Mr Fahey	81%	59%	19%	41%
Mr Ong	5%	59%	95%	41%
Mr Vilensky	6%	21%	94%	79%
Ms Lai Hadad	100%	-	0%	-
Other KMP				
Mr Parker	80%	25%	20%	75%
Mr King	-	100%	-	0%

** Fixed Remuneration includes short term benefits and post-employment benefits

Performance rights are at risk - **Long term incentives are provided by way of the performance rights issued with long term performance milestones (Tranche 1,2 and 3). The percentages disclosed reflect the fair value of remuneration based on the value of the performance rights at grant date subject to future vesting conditions.

Remuneration Policy

Non-Executive Directors

Total remuneration for all Non-Executive Directors, is not to exceed \$500,000 per annum as approved by shareholders. This does not include Consulting Fees.

Non-Executive Directors, received a fixed fee for their services of \$60,000 per annum (excl. GST) plus superannuation for services performed. Executive Director, Mr Fahey, is paid a fixed fee of \$36,000 (excl. GST) plus superannuation.

The Group has provided variable remuneration incentive schemes to certain Non-Executive Directors as detailed in Note 29. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

Executive Director—Mr Fahey—Chief Executive Officer

Outlined below is a summary of the material provisions of the Executive Services Agreement between the Company and Mr Fahey. Mr Fahey receives an annual salary of \$250,000 plus statutory superannuation. Mr Fahey is also entitled to director fee of \$36,000 per annum. Either party may terminate the Executive Services Agreement by giving six months written notice.

A bonus based on Key Performance Indicators (KPIs) will be paid as follows.

Other KMP—Mr Angus Parker—Chief Technology Officer

Outlined below is a summary of the material provisions of the Executive Services Agreement between the Company and Mr Angus Parker. Mr Parker receives an annual salary of \$250,000 plus statutory superannuation. Either party may terminate the Executive Services Agreement by giving six months written notice.

A bonus based on Key Performance Indicators (KPIs) will be paid as follows.

D. Share-based Compensation

Short term and long term incentives

During the financial year Mr Fahey, Mr Ong, Mr Vilensky and Mr Parker were issued performance rights incentives for their work and ongoing commitment and contribution to the Company.

Directors' Report (continued)

The performance rights were issued in three tranches, each with different performance milestones. Details of the performance rights issued are as follows:

Tranche	Director and Other KMP	Number Issued	Grant Date	Expected Date of Milestone Achievements	Underlying Share Price on Grant Date	Total Fair Value (\$)
1	Mr Fahey	100,000	28/07/17	Vested	0.20	20,000
	Mr Ong	2,200,000				440,000
	Mr Vilensky	2,420,000				484,000
	Mr Parker	100,000				20,000
2	Mr Fahey	100,000	28/07/17	28/07/21	0.20	20,000
	Mr Ong	1,210,000				242,000
	Mr Vilensky	1,210,000				242,000
	Mr Parker	100,000				20,000
3	Mr Fahey	100,000	28/07/17	28/07/21	0.20	20,000
	Mr Ong	1,210,000				242,000
	Mr Vilensky	1,210,000				242,000
	Mr Parker	100,000				20,000
		10,060,000				2,012,000

The performance milestones attached with each of the tranches are detailed below:

1. Vonex Limited successful listing on an alternative securities exchange other than the Australian Securities Exchange. On 29 January 2018, the performance rights relating to Tranche 1 were amended such that they vest upon a successful listing on the Australia Securities Exchange. Milestone was achieved on 7 June 2018 and performance rights vested.
2. Vonex achieving audited gross revenue of \$15 million in a financial year.
3. Vonex achieving audited net profit after tax of \$1 million in a financial year.

Where applicable, amounts in the table above, have been adjusted for the 5:1 and 2:1 share consolidation completed on 28 July 2017 and 29 January 2018 respectively.

Refer to Note 29 for further details in respect to the performance rights granted.

E. Equity Instruments Issued on Exercise of Remuneration Options

No equity instruments were issued during the year to Directors or key management as a result of exercising remuneration options (2017: Nil).

F. Value of options to Directors

No options were granted, exercised or lapsed during the year to Directors or key management as part of their remuneration (2017: Nil).

G. Equity instruments disclosures relating to key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each Director and other key management personnel of the Group are set out below.

2018	Opening Balance	Received as Remuneration	Received During Year on Exercise of Options	Net Change Other	Closing Balance
Directors					
Mr Matthew Fahey	2,838,485	100,000 ¹	-	3,469,806 ²	6,408,291
Mr Nicholas Ong	130,000	2,200,000 ³	-	130,000 ⁴	2,460,000
Mr David Vilensky	130,000	2,420,000 ⁵	-	-	2,550,000
Ms Winnie Lai Hadad	-	-	-	-	-
Other KMP					
Mr Angus Parker	9,687,434	100,000 ⁶	-	8,451,158 ⁷	18,238,592
	12,785,919	4,820,000		12,050,964	29,656,883

Notes:

1. Conversion into ordinary shares of 100,000 Performance Rights following ASX Listing.
2. Comprising:
 - a. Conversion into ordinary shares of a total of 984,903 Class B Performance Shares.
 - b. Conversion into ordinary shares of a total of 984,903 Class C Performance Shares.
 - c. Issue of 1,500,000 IP Consideration shares.
3. Conversion into ordinary shares of 2,200,000 Performance Rights following ASX Listing.
4. Participation in IPO offer.
5. Conversion into ordinary shares of 2,420,000 Performance Rights following ASX Listing.
6. Conversion into ordinary shares of 100,000 Performance Rights following ASX Listing.
7. Comprising:
 - a. Conversion into ordinary shares of a total of 3,475,429 Class B Performance Shares.
 - b. Conversion into ordinary shares of a total of 3,475,429 Class C Performance Shares.
 - c. Issue of 1,500,000 IP Consideration shares.
 - d. Acquisition of 300 ordinary shares on market.

Where applicable, amounts in the table above, have been adjusted for the 5:1 and 2:1 share consolidation completed on 28 July 2017 and 29 January 2018 respectively.

Directors' Report (continued)

Deferred performance shares holdings

The table shows how many deferred KMP performance shares were granted, vested and forfeited during the year.

	Year Granted	No Granted	Grant Date Value per share Vested	Grant Date value	Vested value in FY17	Vested value in FY18	Forfeited value in FY18	Maximum value yet to vest
Mr Fahey								
Tranche 1	FY17	130,000	\$0.45	\$58,500	-	-	\$58,500	-
Tranche 2 *	FY17	130,000	\$0.45	\$58,500	\$58,500	-	-	-
Tranche 3	FY17	130,000	\$0.45	\$58,500	-	-	-	\$58,500
Tranche 1 **	FY18	100,000	\$0.20	\$20,000	-	\$20,000	-	-
Tranche 2	FY18	100,000	\$0.20	\$20,000	-	-	-	\$20,000
Tranche 3	FY18	100,000	\$0.20	\$20,000	-	-	-	\$20,000
Mr Ong								
Tranche 1	FY17	130,000	\$0.45	\$58,500	-	-	\$58,500	-
Tranche 2*	FY17	130,000	\$0.45	\$58,500	\$58,500	-	-	-
Tranche 3	FY17	130,000	\$0.45	\$58,500	-	-	-	\$58,500
Tranche 1**	FY18	2,200,000	\$0.20	\$440,000	-	\$440,000	-	-
Tranche 2	FY18	1,210,000	\$0.20	\$242,000	-	-	-	\$242,000
Tranche 3	FY18	1,210,000	\$0.20	\$242,000	-	-	-	\$242,000
Mr Vilensky								
Tranche 1	FY17	130,000	\$0.45	\$58,500	-	-	\$58,500	-
Tranche 2*	FY17	130,000	\$0.45	\$58,500	\$58,500	-	-	-
Tranche 3	FY17	130,000	\$0.45	\$58,500	-	-	-	\$58,500
Tranche 1**	FY18	2,420,000	\$0.20	\$484,000	-	\$484,000	-	-
Tranche 2	FY18	1,210,000	\$0.20	\$242,000	-	-	-	\$242,000
Tranche 3	FY18	1,210,000	\$0.20	\$242,000	-	-	-	\$242,000
Mr Parker								
Tranche 1	FY17	130,000	\$0.45	\$58,500	-	-	\$58,500	-
Tranche 2*	FY17	130,000	\$0.45	\$58,500	\$58,500	-	-	-
Tranche 3	FY17	130,000	\$0.45	\$58,500	-	-	-	\$58,500
Tranche 1**	FY18	100,000	\$0.20	\$20,000	-	\$20,000	-	-
Tranche 2	FY18	100,000	\$0.20	\$20,000	-	-	-	\$20,000
Tranche 3	FY18	100,000	\$0.20	\$20,000	-	-	-	\$20,000

* Deferred performance rights which vested during the period as a result of the performance milestone being achieved were issued to Directors and Other KMP on 23 June 2017.

** Deferred performance rights which vested during the period as a result of the performance milestone being achieved were issued to Directors and Other KMP on 7 June 2018.

Where applicable, amounts in the table above, have been adjusted for the 5:1 and 2:1 share consolidation completed on 28 July 2017 and 29 January 2018 respectively.

H. Other transactions with key management personnel

On 28 July 2017 Vonex Limited issued 17,000,000 performance rights to Mr Parker and Mr Fahey 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 Oper8tor intellectual property. No value has been allocated to the performance rights due to significant uncertainty of the meeting the performance milestone which are based on future events.

Performance Milestones:

- a) 2,000,000 Performance Rights which shall vest and convert into ordinary fully paid shares in the issued share capital of the Assignee upon completion of the beta version of the Oper8tor app and commencement of the official Oper8tor launch in Europe;
- b) 5,000,000 Performance Rights which shall vest and convert into ordinary fully paid shares in the issued share capital of the Assignee when Oper8tor reaches 10 million Active Users; and
- c) 10,000,000 million Performance Rights which shall vest and convert into ordinary fully paid shares in the issued share capital of the Assignee when Oper8tor reaches 50 million Active Users.

On 28 July 2017, Vonex Limited also issued 3,000,000 to Mr Angus Parker and Mr Matthew Fahey fully paid ordinary shares for assignment of the intellectual property relating to the communication platform known as Oper8tor to the Company.

Transactions with related parties

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Services provided:		
Consultancy by The Telephone People (director-related entity of Mr Matthew Fahey)	-	50,000
Company secretarial, corporate compliance and accounting fees from Minerva Corporate (director-related entity of Mr Nicholas Ong)	195,904	147,500
Payments for legal fees from Bowen Buchbinder Vilensky (director-related entity of Mr David Vilensky)	99,714	105,000

Receivable from and payable to related parties

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

	2018	2017
	\$	\$
Current payables:		
Trade payables to Minerva Corporate (director-related entity of Mr Nicholas Ong)	8,766	215,914
Trade payables to Bowen Buchbinder Vilensky (director-related entity of Mr David Vilensky)	-	81,180
Trade payables to JS Capital Partners (director-related entity of Mr Angus Parker)	-	3,068
Trade payables to The Telephone people & Sliver Consulting (director-related entity of Mr Matthew Fahey)	56,032	44,872

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:

	2018	2017
	\$	\$
Current payables:		
Loans from related parties (i)	-	30,000

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

Terms and conditions

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

Directors' Report (continued)

I. Additional statutory information

Relationship between remuneration and the Group's performance

The following table shows key performance indicators for the Group over the last five years:

	2018	2017	2016	2015	2014
Loss for the year	\$14,713,402	\$9,737,819	\$12,410,441	(\$376,490)	(\$917,276)
Closing Share Price	14.0 cents	N/A*	N/A*	N/A*	N/A*
KMP Incentives	\$ 2,012,000	\$ 702,000	\$nil	\$nil	\$nil
Total KMP Remuneration	\$ 2,641,217	\$ 1,503,715	\$858,640	\$720,172	\$835,664

*No closing share price as the company was unlisted.

End of Audited Remuneration Report

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Officer's indemnities and insurance

The Company has paid a premium for a contract insuring all directors and executive officers of the Company and certain related bodies corporate against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The directors have not included in this report details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and executive officers insurance liability contract as disclosure is prohibited under the terms of the contract.

The Company has agreed to indemnify each person who is, or has been a director, officer or agent of the Company and/or of certain of its related bodies corporate against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as director, officer or agent, except where the liability arises out of conduct involving a lack of good faith. The Company is required to meet the full amount of any such liabilities, including costs and expenses for a period of seven years.

No liability has arisen since the end of the previous financial year which the Company would, by operation of the above indemnities, be required to meet.

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 the following options on issue:

- 133,750 options exercisable at \$0.90 on or before 3 August 2020;
- 7,500,000 options exercisable at \$0.20 on or before 7 June 2020;
- 14,500,000 options exercisable at \$0.30 on or before 7 June 2023; and
- 14,719,731 options exercisable at \$0.20 on or before 30 November 2022.

Performance Rights

As at 30 June 2018 the company had 27,610,000 performance rights on issue. As at the date of this report the Company has 27,560,000 performance rights held with the following performance conditions:

- 780,000 convertible upon the Company reaching \$10 million annualised revenue per annum in any quarter (i);
- 4,840,000 convertible upon the Company achieving audited gross revenue of \$15 million in a financial year (ii);
- 4,840,000 convertible upon the Company achieving audited net profit after tax of \$1 million in a financial year (ii);

- d) 2,000,000 convertible into ordinary shares upon completion of the beta version of the Oper8tor app and commencement of the official Oper8tor launch in Europe;
- e) 5,000,000 convertible into ordinary shares upon the Oper8tor app achieving 10 million Active Users;
- f) 10,000,000 convertible into ordinary shares upon the Oper8tor app achieving 20 million Active Users;
- g) 50,000 converted into ordinary share on 1 July 2018;
- h) 50,000 convertible into ordinary share on 1 July 2019; and
- i) 50,000 converted into ordinary share on 1 July 2020.

(i) 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.

(ii) 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 takeover of 50.1% or more, 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

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out below.

The Board has considered the position and, in accordance with the advice received from the Audit Compliance and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. The directors are satisfied that the provision of non-audit services by the Auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:d

- all non-audit services are reviewed by the Audit Compliance and Risk Management Committee to ensure they do not impact the impartiality, and
- objectivity of the Auditor none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	2018	2017
	\$	\$
Assurance services		
Audit Services		
RSM Australia Partners	62,500	62,500
Total remuneration for audit and assurance services	62,500	62,500
Corporate Services		
RSM Australia Pty Limited	26,410	-
Total remuneration for corporate services	26,410	-

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
31 August 2018

RSM Australia Partners

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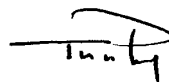
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Vonex Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2018

Consolidated statement of profit or loss and other comprehensive income

AS AT 30 JUNE 2018

	Note	2018	2017
		\$	\$
Sales revenue	2	8,067,027	7,019,641
Cost of sales		(5,035,941)	(4,702,643)
Gross profit		3,031,086	2,316,998
Other revenues	2	419,169	533,587
Administration expenses		(806,620)	(378,792)
Amortisation	3	(77,510)	(75,336)
Account and audit fees		(122,343)	(144,176)
Bad & doubtful debt expenses		(26,726)	(16,446)
Contractor expenses		(485,715)	(492,451)
Depreciation expenses	3	(40,071)	(68,716)
Directors fees		(214,812)	(202,046)
Finance costs	3	(607,753)	(198,642)
Insurance expense		(42,542)	(45,869)
Legal fees		(198,856)	(79,014)
Loss on disposal of subsidiaries	13	-	(204,955)
Occupancy expenses	3	(269,492)	(221,633)
Repairs and maintenance		(3,726)	(173)
Share based payment expense	29	(13,514,260)	(8,663,344)
Travel expenses		(176,135)	(125,930)
Employee expenses		(1,577,096)	(1,670,881)
Loss before income tax		(14,713,402)	(9,737,819)
Income tax expense		-	-
Net loss for the year		(14,713,402)	(9,737,819)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(14,713,402)	(9,737,819)
Basic and diluted earnings per share of loss attributable to the owners of Vonex Limited (cents per share)		21.35	17.03

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2018

	Note	2018	2017
		\$	\$
Current assets			
• Cash and cash equivalents	8	5,223,854	384,624
• Trade and other receivables	9	686,142	809,766
• Other current assets	10	59,637	58,141
Total current assets		5,969,633	1,252,531
Non current assets			
• Intangible assets	11	1,035,103	447,652
• Plant and equipment	15	135,020	157,339
• Other non-current assets	10	46,566	42,030
Total non current assets		1,216,689	647,021
Total assets		7,186,322	1,899,552
Current liabilities			
• Trade and other payables	17	1,613,885	2,267,683
• Provisions	16	338,172	324,000
• Borrowings	18	29,080	2,378,430
Total current liabilities		1,981,137	4,970,113
Non-current liabilities			
• Provisions	16	125,878	91,148
• Borrowings	18	-	8,668
Total non-current liabilities		125,878	99,816
Total liabilities		2,107,015	5,069,929
Net assets/(liabilities)		5,079,307	(3,170,377)
Equity			
• Issued capital	19	45,242,507	22,301,567
• Reserves	20	2,353,604	2,331,458
• Accumulated losses	24	(42,516,804)	(27,803,402)
Total Equity		5,079,307	(3,170,377)

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Accumulate Losses	Reserves	Total
	\$	\$	\$	\$
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)
At 1 July 2017	22,301,567	(27,803,402)	2,331,458	(3,170,377)
Comprehensive income:				
• Loss for the year	-	(14,713,402)	-	(14,713,402)
Total comprehensive income / (loss) for the year	-	(14,713,402)	-	(14,713,402)
Transactions with owners, in their capacity as owners				
• Shares issued during the year	7,025,203	-	-	7,025,203
• Vesting of performance shares and rights	13,487,600	-	-	13,487,600
• Conversion of convertible notes to ordinary shares	2,804,319	-	-	2,804,319
• Disposal of assets	-	-	(4,512)	(4,512)
• Share-based payment – options, performance shares and rights	-	-	26,658	26,658
• Capital raising costs	(376,182)	-	-	(376,182)
At 30 June 2018	45,242,507	(42,516,804)	2,353,604	5,079,307

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
• Receipts from customers		8,057,768	7,077,377
• Payments to suppliers and employees		(9,472,541)	(7,595,478)
• Research and development tax offset		475,457	132,966
• Finance costs		(156,523)	(43,560)
• Interest received		2,335	1,836
Net cash used in operating activities	23	(1,093,504)	(426,859)
Cash flows from investing activities			
• Receipt of capital grant		-	145,214
• Proceeds from disposal of subsidiary	13	-	100
• Payments for physical non-current assets		(22,265)	(172,795)
• Payment for development of intangibles		(64,961)	(2,165)
• Loan to other entities		-	-
Net cash used in investing activities		(87,226)	(29,646)
Cash flows from financing activities			
• Proceeds from issue of shares		6,000,000	-
• Net proceeds from borrowings		396,143	279,589
• Payments for issue of shares		(376,183)	(20,000)
Net cash provided by financing activities		6,019,960	259,589
Net increase/(decrease) in cash and cash equivalents		4,839,230	(196,916)
• Cash and cash equivalents at the beginning of the financial year		384,624	581,540
Cash and cash equivalents at end of the financial year	8	5,223,854	384,624

The accompanying notes form part of these financial statements.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

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 31 August 2018.

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.

The consolidated financial statements and notes represent those of Vonex Limited and the entities it controlled during the year ("the consolidated entity"). Vonex Limited is a public company, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Suite 5, 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 31 August 2018.

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.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and result of entities controlled by Vonex Limited at the end of the reporting period. A controlled entity is an entity over which Vonex Limited has the ability or right to govern the financial and operating policies so as to obtain benefits from the entity's activities. In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated entity 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.

(b) 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.

(c) 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 as 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.

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.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

(d) 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%

i. 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.

ii. 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.

iii. 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.

(e) Employee Entitlements

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

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

> Short-term employee benefits

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

> 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.

(f) 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.

(g) Financial Instruments

> Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity

becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

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

> Derecognition

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

> Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

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

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.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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.

(h) 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.

(i) Revenue and Other Income

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.

(j) Borrowing Costs

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

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

(k) 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.

(l) Trade and other payables

These amounts represent liabilities for goods, services and other commitments provided to the consolidated entity 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.

(m) Trade and other receivables

All trade receivables 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 consolidated entity are due for settlement within 4-30 days from the date of the invoice. Collectability of trade debtors is reviewed on an ongoing basis.

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

(n) Comparative Figures

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

(o) 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 by management using an appropriate valuation model that use estimates and assumptions. Management exercises judgement in preparing the valuations and these may affect the value of any share-based payments recorded in the financial statements (refer to notes 29 for further details).

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.

(p) Segment Reporting

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

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

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

(q) Intangibles

Customer List

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

Trademarks

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

Patents

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

(r) 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.

(s) 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, net of tax, from the proceeds.

(t) 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.

At the date of this report, the initial review by the directors is that the application of AASB 9 will not have a material impact on the financial position and/or financial performance of the consolidated entity.

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.

At the date of this report, the initial review by the directors is that the application of AASB 15 will not have a material impact on the financial position and/or financial performance of 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

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 2: Revenue and Other Income

	2018	2017
	\$	\$
Operating Activities		
• Sales	8,067,027	7,019,641
Other income		
• Interest received	2,335	1,836
• Research & Development tax offset	253,127	355,296
• Data Retention Grant	-	35,578
• Debt forgiveness	47,534	30,380
• Other income	116,173	110,497
Total other income	419,169	533,587
Total revenue	8,486,196	7,553,228

Note 3: Loss for the year

Loss before income tax includes the following specific expenses

	2018	2017
	\$	\$
Expenses		
• Depreciation and amortisation	(117,581)	(144,052)
• Employee benefits expense (superannuation)	(148,380)	(164,174)
• Borrowing costs	(607,753)	(198,642)
• Rental expense on operating leases	(269,492)	(221,633)

Note 4: Income Tax Expense

	2018	2017
	\$	\$
(a) Reconciliation		
The prima facie tax on the loss is reconciled to income tax expense as follows:		
Loss for the year	(14,713,402)	(9,737,819)
Prima facie tax expense at 27.5%	(4,046,185)	(2,677,900)
Non-deductible expenses	3,783,778	2,387,524
Deferred tax asset not brought to account	262,407	290,376
Income tax benefit relating to loss	-	-
(b) Deferred Tax Asset		
Deferred tax asset not brought to account comprises the future benefits at applicable tax rates:		
Tax losses – revenue (resident)	5,364,232	1,125,321
Accruals and provisions	251,805	-
Business related costs	130,171	-
Other	6,769	-
	5,752,977	1,125,321

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:

- (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 consolidated entity in realising the asset from deductions for the losses.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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:

	2018	2017
	\$	\$
Short-term employee benefits	591,152	750,123
Post-employment benefits	38,065	51,592
Share-based payments	2,012,000	702,000
	2,641,217	1,503,715

Note 6: Auditors' Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor:		
• Auditing or reviewing the financial report	62,500	62,500
• Other services	26,410	-
	88,910	62,500

Note 7: Earnings per share

	2018	2017
	\$	\$
Loss for the year	(14,713,402)	(9,737,819)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	No. Shares	No. Shares
	68,909,223	57,167,184

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

Note 8: Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash on hand	1,353	1,352
Cash at bank	5,222,501	383,272
	5,223,854	384,624

Note 9: Trade and Other Receivables

	2018	2018
	\$	\$
Current		
• Trade debtors	248,988	514,343
• Less: provision for doubtful debts	(36,000)	(15,000)
	212,988	499,343
Other debtors	397,869	280,076
GST	75,285	30,347
	686,142	809,766
Provision for doubtful debts	36,000	15,000
	36,000	15,000
Reconciliation:		
• Balance at the beginning of the year	15,000	13,105
• Additional provision	21,599	10,061
• Amount used	(599)	(8,166)
Balance at the end of the year	36,000	15,000

Note 10: Other Assets

	2018	2017
	\$	\$
Current		
• Loans to related parties	-	-
• Bonds/deposits paid	31,332	2,524
• Prepayments	28,305	55,617
	59,637	58,141
Non-Current		
• Bonds/deposits paid (i)	46,566	42,030
	46,566	42,030

(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.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 11: Intangible Assets

	2018	2017
	\$	\$
Customer list	720,081	720,081
Less: Accumulated amortisation	(372,151)	(300,069)
	347,930	420,012
Borrowing Costs - at cost	1762	935
Less: Accumulated amortisation	(1080)	(526)
	682	409
Acquisition of IP (Oper8tor) (i)	600,000	-
	600,000	-
Patents and trademarks - at cost	95,520	29,933
Less: Accumulated amortisation	(11,100)	(4,773)
	84,420	25,160
Domain name acquisition	2,071	2,071
	2,071	2,071
	1,035,103	447,652

(i) On 28 July 2017 and subsequent to shareholder approval, the Company issued 3,000,000 fully paid ordinary shares for assignment of the intellectual property relating to the communication platform known as Oper8tor to the Company.

Note 11: Intangible Assets (continued)

Reconciliations

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

	Customer list	Borrowing Costs	Oper8tor	Patents and trademarks	Domain name	Total
Consolidated						
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
Additions/(Disposal)	-	593	600,000	64,368	-	664,961
Amortisation expense	(72,082)	(320)	-	(5,108)	-	(77,510)
Balance at 30 June 2018	347,930	682	600,000	84,420	2,071	1,035,103

Note 12: Controlled Entities

(a) Parent entities

The parent entity within the Group is Vonex Limited.

(b) Subsidiaries

	Country of incorporation	Class of shares	Ownership Interest	
			2018	2017
IP Voice and Data Pty Limited (ABN 45 147 537 871)	AUS	Ordinary	100%	100%
VoNEX Holdings Pty Limited (ACN 161 709 002)	AUS	Ordinary	100%	100%
Oper8tor Pty Limited (ABN 14 601 220 633)	AUS	Ordinary	100%	100%
Vonex Wholesale Limited (ABN 98 138 093 482)	AUS	Ordinary	100%	100%
Western Nickel Limited	AUS	Ordinary	0%(a)	0%(a)
Golden Paradox Inc	USA	Ordinary	0%(a)	0%(a)
Golden Eagle Exploration LLC USA	USA	Ordinary	0%(a)	0%(a)
Golden Eagle Production LLC USA	USA	Ordinary	0%(a)	0%(a)
Subsidiaries of IP Voice and Data Pty Limited				
Itrinity Australia Pty Limited (ACN 131 196 886)	AUS	Ordinary	100%	100%

(a) Entities were disposed of on 3 January 2017.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 13: Disposal of Subsidiaries

Description

On 3 January 2017 the Company executed a binding share sale agreement to sell the Golden Eagle project in Grand County, 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.

	2018	2017
	\$	\$
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.

Note 14: Parent Entity Disclosures

Financial Position

	2018	2017
	\$	\$
Assets		
Current assets	4,763,314	410,795
Non-current assets	753,277	90,519
Total assets	5,516,591	501,314
Liabilities		
Current liabilities	787,784	3,858,999
Non-current liabilities	1,676,130	680,971
Total liabilities	2,463,914	4,539,970
Net Assets	3,052,677	(4,038,656)
Equity		
Issued capital	110,901,403	91,321,276
Reserve	2,339,002	2,312,344
Accumulated losses	(110,187,728)	(97,672,276)
Total Equity	3,052,677	(4,038,656)
Financial Performance		
Profit for the year	(12,543,589)	(76,866,533)
Other comprehensive income	-	-
Total comprehensive income for the year	(12,543,589)	(76,866,533)

Guarantees

Vonex Limited has not entered into any guarantees in relation to the debts of its subsidiary (2017: nil).

Commitments for expenditure

Vonex Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities (2017: nil).

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 15: Plant and Equipment

	2018	2017
	\$	\$
Leasehold improvements		
• At cost	31,517	31,517
• Accumulated depreciation	(6,769)	(4,027)
	24,748	27,490
Plant and Equipment		
• At cost	112,641	114,973
• Accumulated depreciation	(57,849)	(44,946)
	54,792	70,027
Office and Computer equipment		
• At cost	511,508	490,580
• Accumulated depreciation	(459,533)	(438,468)
	51,975	52,112
Licences and Development (inc. software)		
• At cost	255,509	263,276
• Accumulated depreciation	(252,004)	(255,566)
	3,505	7,710
Total plant and equipment	135,020	157,339

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 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

	Leasehold Improvements	Plant & Equipment	Office & Computer	Licenses & Development	Total
Balance at 1 July 2017	27,490	70,027	52,112	7,710	157,339
Additions	-	-	23,942	-	23,942
Disposal / Write off	-	(2,332)	(3,014)	(844)	(6,190)
Depreciation	(2,742)	(12,903)	(21,065)	(3,361)	(40,071)
Carrying amount at 30 June 2018	24,748	54,792	51,975	3,505	135,020

Note 16: Provisions

	2018	2017
	\$	\$
Current		
Annual leave	338,172	324,000
	338,172	324,000
Non-Current		
Long service leave	125,878	91,148
	125,878	91,148

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

Movements in Carrying Amounts

	2018	2017
	\$	\$
Carrying amount at the start of the year	415,148	334,958
Additional provisions recognized	219,180	135,354
Amounts used	(170,278)	(55,164)
Carrying amount at the end of the year	464,050	415,148

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

The non-current portion for this provision 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

	2018	2017
	\$	\$
Trade payables	1,036,836	1,680,646
VISA card account	(4,437)	3,537
PAYG withholding	28,866	28,449
Superannuation guarantee	246,080	106,243
Other payables and accruals	306,540	418,461
Goods and services tax (GST)	-	30,347
	1,613,885	2,267,683

Trade creditors are expected to be paid within agreed terms.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 18: Borrowings

	2018	2017
	\$	\$
Current		
Unsecured		
Loans from related parties – non-interest bearing	-	30,000
Interest bearing loan	18,256	26,176
Convertible notes (i)	1,035	407,759
Other financial liabilities(ii)	-	430,000
	19,291	893,935
Secured		
Convertible notes (i)	-	1,472,679
Finance lease – interest bearing	9,789	11,816
	9,789	1,484,495
	29,080	2,378,430
Non-Current		
Secured		
Finance lease – interest bearing	-	8,668
	-	8,668

(i) On 7 June 2018 the unsecured and secured convertible note and accrued interest converted into ordinary shares upon the successful completion of the Company's listing onto the Australian Stock Exchange, at a price equal to 80% of the IPO price. A total of 17,526,989 ordinary shares were issued upon conversion of the convertible note totalling \$2,804,319 (note 19).

(ii) On 1 Aug 2017 the financial liabilities converted into ordinary shares at conversion price of \$0.10 per share (post 5:1 share consolidation). A total of 3,800,000 ordinary shares were issued upon conversion of the financial liabilities totalling \$380,000. (note 19). The remaining balance was paid in cash.

Note 19: Issued capital

	2018		2017		
	\$	No.	\$	No.	
Fully paid ordinary shares	45,242,507	147,596,560	22,301,567	608,398,417	
Movement in ordinary shares			\$	No.	Issue price \$
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	0.045
Vesting of Tranche B performance rights		23/06/2017	351,000	7,800,000	0.045
Capital raising costs			(63,563)		
Balance at 30 June 2017			22,301,567	608,398,417	
Issue of shares – Acquisition of Intellectual Property		28/07/2017	600,000	30,000,000	0.02
Share Capital Consolidation (5:1)		28/07/2017		(510,719,557)	
Shares issued in settlement of borrowings		01/08/2017	380,000	3,800,000	0.10
Shares issued in settlement of trade payables		01/08/2017	45,203	452,030	0.10
Share Capital Consolidation (2:1)		29/01/2018		(65,965,941)	
Vesting of Class B vendor shares		07/06/2018	6,000,000	13,333,311	0.45
Vesting of Class C vendor shares		07/06/2018	6,000,000	13,333,311	0.45
Vesting of Tranche 1 performance rights		07/06/2018	1,452,000	7,260,000	0.20
Vesting of Vodia performance shares		07/06/2018	35,600	178,000	0.20
Issue of Initial Public Offer shares		07/06/2018	6,000,000	30,000,000	0.20
Conversion of convertible notes to ordinary shares		07/06/2018	2,804,319	17,526,989	0.16
Capital raising costs			(376,182)		
Balance at 30 June 2018			45,242,507	147,596,560	

Where applicable, amounts in the table above, have been adjusted for the 5:1 and 2:1 share consolidation completed on 28 July 2017 and 29 January 2018 respectively.

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.

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.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 19: Issued Capital (continued)

The working capital position of the company at 30 June 2018 and 30 June 2017 are as follows:

	2018	2017
	\$	\$
Total borrowings (including trade and other payables)	1,642,965	4,654,781
Less: cash and cash equivalents	(5,223,854)	(384,624)
Net debt	(3,580,889)	4,270,157
Total equity	5,079,307	(3,170,377)
Total capital	1,498,418	1,099,780
Gearing ratio	(239%)	388%

Note 20: Reserves

	2018	2017
	\$	\$
Asset revaluation reserve	14,602	19,114
Options premium reserve	1,660,694	-
Share-based payments reserve	678,308	2,312,344
Balance at the end of the year	2,353,604	2,331,458

Asset revaluation reserve

	2018	2017
	\$	\$
Balance at the beginning of the year	19,114	19,114
Reduction in reserve – disposal of assets	(4,512)	-
Balance at the end of the year	14,602	19,114

The reserve records revaluations of non-current assets.

Options premium reserve

	2018	2017
	\$	\$
Balance at the beginning of the year	-	-
Expense relating to options issued	1,660,694	-
Balance at the end of the year	1,660,694	-

The reserve records the valuation of options issued

Share-based payments reserve

	2018	2017
	\$	\$
Balance at the beginning of the year	2,312,344	-
Expense related to performance shares issued 20 September 2016	10,050,516	1,949,484
Expense related to performance rights issued 20 September 2016	117,000	713,860
Expense related to Vodia performance shares issued 14 July 2017	53,656	-
Expense related to performance rights issued 28 July 2017	1,904,537	-
Forfeiture of performance rights issued 20 September 2016	(272,145)	-
Conversion of Vodia Performance Shares to ordinary shares (note 19)	(35,600)	-
Conversion of Tranche 1 performance shares to ordinary shares (note 19)	(1,452,000)	-
Conversion of Class B performance shares to ordinary shares (note 19)	(6,000,000)	(351,000)
Conversion of Class C performance shares to ordinary shares (note 19)	(6,000,000)	-
Balance at the end of the year	678,308	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 (2017: nil).

Contingent assets

There are no contingent assets at reporting date (2017: 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 three 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), Telcos and Cloud Vendors within Australia and internationally.
- > **Corporate:** engaged in managing the corporate affairs of the Group, including capital-raising and listing endeavours.

Basis of accounting for purposes of report by operating segments

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

Segment assets and liabilities

Segment assets and liabilities have been identified based 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.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 22: Operating segments (continued)

Segment information

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2018 and 30 June 2017 are as follows:

Segment performance

	30 June 2018			
	Wholesale	Retail	Corporate	TOTAL
	\$	\$	\$	\$
External customer sales	1,091,561	6,975,466	-	8,067,027
Other revenues	35,000	-	381,834	416,834
Interest received	-	1,030	1,305	2,335
Total segment revenues	1,126,561	6,976,496	383,139	8,486,196
EBITDA	176,110	1,146,909	(15,313,422)	(13,990,403)
Depreciation and amortisation	(17,234)	(6,968)	(93,379)	(117,581)
Interest revenue	-	1,030	1,305	2,335
Finance costs	(40,899)	(6,294)	(560,560)	(607,753)
Segment Profit / (loss) after income tax expenses	117,977	1,134,677	(15,966,056)	(14,713,402)
Segment assets	128,414	1,216,061	5,841,847	7,186,322
Total Assets				7,186,322
Segment liabilities	328,292	990,547	788,176	2,107,015
Total Liabilities				2,107,015

Note 22: Operating segments (continued)

Segment performance

	30 June 2017			
	Wholesale	Retail	Corporate	TOTAL
	\$	\$	\$	\$
External customer sales	966,005	6,053,636	-	7,019,641
Other revenues	197,276	73,917	260,558	531,751
Interest received	-	1,116	720	1,836
Total segment revenues	1,163,281	6,128,669	261,278	7,553,228
EBITDA	119,190	741,283	(10,257,434)	(9,396,961)
Depreciation and amortisation	(43,033)	(7,723)	(93,296)	(144,052)
Interest revenue	-	1,116	720	1,836
Finance costs	(3,824)	(6,328)	(188,490)	(198,642)
Segmented Profit / (loss) after income tax expenses	72,333	728,348	(10,538,500)	(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

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 23: Cash flow information

	2017	2018
	\$	\$
(a) Reconciliation of Cash Flows from Operations with Loss after Income Tax		
Loss after income tax	(14,713,402)	(9,737,819)
Non-cash items:		
Depreciation and amortisation expense	117,581	144,052
Interest accrued on convertible notes	430,158	134,188
Interest accrued on equity loans	-	20,894
Share based payments	13,514,260	8,663,344
Loss on disposal of assets/investments	-	204,955
Bad debts	-	16,446
Debt forgiven	(47,534)	(30,380)
Changes in assets and liabilities:		
Trade and other receivables		
• Trade and other receivables (current)	123,624	(310,669)
• Other assets	(6,032)	(676)
• Provisions	48,902	80,190
• Trade and other payables	(561,061)	388,616
Cash flow used in operating activities	(1,093,504)	(426,859)

Note 24: Accumulated losses

	2018	2017
	\$	\$
Accumulated losses at beginning of financial year	(27,803,402)	(18,065,583)
Net loss attributable to members of the company at end of financial year	(14,713,402)	(9,737,819)
Accumulated losses at end of financial year	(42,516,804)	(27,803,402)

Note 25: Events after the reporting period

Launch of Sign On Glass

On 3 July 2018 Vonex announced the first release of its latest technology, called Sign On Glass (SOG), to more efficiently manage the Company's new and existing customers. SOG is available on all internet enabled devices and facilitates the sign up, activation and ongoing management of customers. This SOG technology will be rolled out to the entire channel partner network and will provide more accurate provisioning and significantly reduce connection times, saving up to a week for typical orders.

Using the SOG portal, channel partners will be able to activate the entire range of products for their new and existing clients. Their existing client information will be available within the interface, so they can perform upgrades, additions and modifications.

The Company will continue to develop the product and will, in time, seek to provide a complete portal for the channel partner which will check product availability and site readiness prior to sign up. The technology will also automate the dispatch of hardware and provide various reports to the channel partner.

Vonex has commenced testing of these advanced features with hundreds of test applications to date used by the development team. Vonex will continue to assess the performance of the SOG platform with both live customer data and testing of advanced features, and will endeavour to keep the market informed of the ongoing upgrades to the platform. development team. Vonex will continue to assess the performance of the SOG platform with both live customer data and testing of advanced features, and will endeavour to keep the market informed of the ongoing upgrades to the platform.

CounterPath strategic partnership

On 2 August 2018 the Company announced a strategic partnership with NASDAQ and TSX listed CounterPath, a global provider of award-winning Unified Communications solutions for enterprises and service providers. The CounterPath product suite includes Bria 5 that leverages over 10 years of softphone experience and replaces the need for a telephone to connect to a VoIP phone service, or hosted PBX extension. Its Stretto Platform™ enables the provisioning of desktop and mobile VoIP software. CounterPath Bria software is used by millions of users across the globe.

The partnership agreement will see Vonex and CounterPath collaboratively working on new customer growth in Australia. For Vonex, this could open up much larger opportunities to work with enterprise clients previously not targeted, plus enable Vonex to expand its offering to existing business, enterprise and channel customers.

Results of Share Sale Facility

On 14 August 2018 the Company announced the results of the Share Sale Facility. As at market close on 22 June 2018, there were 1,868,507 ordinary shares held by 1,433 shareholders that had a market value of less than A\$500. The final number of shares eligible to be sold under the Facility was 1,302,079 ordinary shares from 1,025 shareholders which represented approximately 41% of the total number of shareholders holding shares in the Company.

PBX registered user growth

On 20 August 2018 the Company announced that Vonex Telecom had achieved 24,000 registered active PBX users by the end of July 2018. Registered PBX users are currently growing at 500 per month and is expected to grow as Vonex's marketing goes into full swing in the NBN rollout areas. Vonex had 18,700 PBX users in July 2017, the growth represents a 28% gain in PBX user's year on year.

Placement of small shareholding shares

On 24 August 2018 the Company announced that it has received firm commitments from a range of sophisticated and high net worth investors to place all the shares available under the Share Sale Facility (Facility) at \$0.1325 per share pursuant to clause 3.5 of the Company's constitution.

The final number of shares sold under the Facility was 1,295,709 ordinary shares from 1,022 shareholders which represents approximately 41% of the total number of shareholders.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 26: Related Party Transactions

Parent entity: The parent entity within the Group is Vonex Limited.

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:

	2018	2017
	\$	\$
Services provided:		
Consultancy by The Telephone People (director-related entity of Mr Matthew Fahey)	-	50,000
Company secretarial, corporate compliance and accounting fees from Minerva Corporate (director-related entity of Mr Nicholas Ong)	195,904	147,500
Payments for legal fees from Bowen Buchbinder Vilensky (director-related entity of Mr David Vilensky)	99,714	105,000
Payments for legal fees from Bowen Buchbinder Vilensky (director-related entity of Mr David Vilensky)	99,714	105,000

Receivable from and payable to related parties

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

	2018	2017
	\$	\$
Current payables:		
Trade payables to Minerva Corporate (director-related entity of Mr Nicholas Ong)	8,766	215,914
Trade payables to Bowen Buchbinder Vilensky (director-related entity of Mr David Vilensky)	-	81,180
Trade payables to JS Capital Partners (director-related entity of Mr Angus Parker)	-	3,068
Trade payables to The Telephone people & Sliver Consulting (director-related entity of Mr Matthew Fahey)	56,032	44,872

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:

	2018	2017
	\$	\$
Current payables:		
Loans from related parties (i)	-	30,000

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

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 and commercial loans. 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.

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
	%	\$	\$	\$	\$	\$
2018						
Financial Assets:						
Cash	1.0	5,222,501	-	-	1,353	5,223,854
Receivables	-	-	-	-	686,142	686,142
Total financial assets		5,222,501	-	-	687,495	5,909,996
Financial Liabilities:						
Payables	-	-	-	-	1,613,885	1,613,885
Borrowings	5.0	18,256	10,824	-	-	29,080
Total financial liabilities		18,256	10,824	-	1,613,885	1,642,965
Net financial assets		5,204,245	(10,824)	-	(926,390)	4,267,031

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 27: Financial instruments (continued)

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Within 1 Year	Fixed Interest Rate Within 1-5 Years	Non-Interest Bearing	Total
	%	\$	\$	\$	\$	\$
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	26,176	1,892,254	8,668	460,000	2,387,098
Total financial liabilities		26,176	1,892,254	8,668	2,727,683	4,654,781
Net financial assets		357,096	(1,892,254)	(8,668)	(1,916,565)	(3,460,391)

Sensitivity analysis

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

(b) Credit Risk

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

	Note	2018	2017
		\$	\$
Cash and cash equivalents			
– AA Rated	8	5,223,854	384,624

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.

Trade and other receivables are within normal terms and appropriate provisions for doubtful debts have been made. Carrying value approximates fair value at 30 June 2018.

(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.

Note 27: Financial instruments (continued)

(d) Liquidity Risk

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

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

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

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

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities								
Payables	1,613,885	2,267,683	-	-	-	-	1,613,885	2,267,683
Borrowings	29,080	2,378,430	-	8,668	-	-	29,080	2,387,098
Total Expected outflows	1,642,965	4,646,113	-	8,668	-	-	1,642,965	4,654,781
Financial assets								
Cash and cash equivalents	5,223,854	384,624	-	-	-	-	5,223,854	384,624
Receivables	686,142	809,766	-	-	-	-	686,142	809,766
Total Anticipated Inflows	5,909,996	1,194,390	-	-	-	-	5,909,996	1,194,390
Net inflow / (outflow) on financial instruments	4,267,031	(3,451,723)	-	(8,668)	-	-	4,267,031	3,460,391

(e) 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

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 28: Commitments for Expenditure

(a) Operating Lease Commitments

	2018	2017
	\$	\$
Payable:		
No later than twelve months	266,767	276,016
One to five years	180,924	329,965
Greater than five years	-	-
	447,691	605,981

Amounts shown are GST inclusive, where applicable.

Note 29: Share Based Payments

The total expense arising from share based payment transactions recognised during the year in relation to the performance rights, performance shares and options issued was \$13,514,260 (2017: \$8,663,344).

Share Based Payment Expense

	2018	2017
	\$	\$
Performance Rights – Key Management Personnel – 20 September 2016	(155,145)	713,860
Performance Rights – Vodia Networks Inc - 14 July 2017	53,657	-
Performance Rights – Key Management Personnel – 28 July 2017	1,904,537	-
Performance Rights – IP Consideration Securities – 28 July 2017	-	-
Performance Shares	10,050,517	7,949,484
Options	1,660,694	-
Total Share Based Payment Expense	13,514,260	8,663,344

Movement in share rights and performance shares during the period

	Number of performance rights	Weighted average exercise price (\$)
Balance at beginning of period	282,266,667	-
Subtotal prior to share consolidation	282,266,667	-
5:1 share consolidation	56,453,333	-
Forfeited during the period	(1,560,000)	-
Granted during the period (i)	68,536,000	-
Subtotal prior to share consolidation	123,429,333	-
2:1 share consolidation	61,714,622	-
Vested during the period	(34,104,622)	-
Balance at end of period	27,610,000	-

Performance rights granted during the period:

Amounts below have been adjusted for the 2:1 share consolidation completed on 29 January 2018. Total performance rights granted during the period was 34,268,000.

Note 29: Share Based Payments (continued)

Performance Rights—Vodia Networks Inc—14 July 2017

Vonex Limited issued 328,000 performance rights to Vodia Networks Inc in four tranches. Each performance right will convert into 1 ordinary share of Vonex Limited upon achievement of the performance milestone. The company has assessed each class as being probable of being achieved and have therefore recognized an expense over the expected vesting period.

The details of each tranche are tabled below:

Tranche	Number	Start Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price	Total Fair Value
1	178,000	14/07/17	Vested	\$0.20	\$35,600	\$35,600
2	50,000	14/07/17	01/07/2018	\$0.20	\$10,000	\$10,000
3	50,000	14/07/17	01/07/2019	\$0.20	\$10,000	\$10,000
4	50,000	14/07/17	01/07/2020	\$0.20	\$10,000	\$10,000

These performance rights were valued at their issue dates at \$65,600.

Performance Milestones:

Tranche 1 has vested – 30 April 2018.

Tranche 2 performance rights convert on 1 July 2018.

Tranche 3 performance rights convert on 1 July 2019.

Tranche 4 performance rights convert on 1 July 2020.

Performance Rights—Key Management Personnel—28 July 2017

On 28 July 2017 Vonex Limited issued 16,940,000 performance rights to management. These performance rights were issued in three tranches, each with different performance milestones. Each performance right will convert into 1 ordinary share of Vonex Limited upon achievement of the performance milestone.

The company has assessed tranche 1,2 and 3 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	Expiry Date of Milestone Achievements	Underlying Share Price	Total Fair Value
1	7,260,000	28/07/17	Vested	\$0.20	\$1,452,000
2	4,840,000	28/07/17	28/07/2021	\$0.20	\$968,000
3	4,840,000	28/07/17	28/07/2021	\$0.20	\$968,000

These performance rights were valued at their issue dates at \$3,388,000.

Performance Milestones:

- On 29 January 2018, the performance rights relating to Tranche 1 were amended such that the 7,260,000 vest upon a successful listing on the Australia Securities Exchange.
- Tranche 2 performance rights are outstanding – Convertible upon company achieving audited gross revenue of \$15 million in a financial year.
- Tranche 3 performance rights are outstanding – Convertible upon company achieving audited net profit after tax of \$1 million in a financial year.

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 29: Share Based Payments (continued)

Performance Rights—Intellectual Property Consideration Securities—28 July 2017

On 28 July 2017 Vonex Limited issued 17,000,000 performance rights to Mr Angus Parker and Mr Matthew Fahey 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 Oper8tor intellectual property.

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

Performance Milestones:

- 2,000,000 Performance Rights which shall vest and convert into ordinary fully paid shares in the issued share capital of the Assignee upon completion of the beta version of the Oper8tor app and commencement of the official Oper8tor launch in Europe;
- 5,000,000 Performance Rights which shall vest and convert into ordinary fully paid shares in the issued share capital of the Assignee when Oper8tor reaches 10 million Active Users; and
- 10,000,000 million Performance Rights which shall vest and convert into ordinary fully paid shares in the issued share capital of the Assignee when Oper8tor reaches 50 million Active Users.

On 28 July 2017 Vonex Limited also issued 3,000,000 to Mr Angus Parker and Mr Matthew Fahey fully paid ordinary shares for assignment of the intellectual property relating to the communication platform known as Oper8tor to the Company.

Where applicable, amounts reported above, have been adjusted for the 2:1 share consolidation completed on 29 January 2018.

Performance Shares and Rights granted in previous financial year:

Amounts below have been adjusted for the 5:1 and 2:1 share consolidation completed on 28 July 2017 and 29 January 2018 respectively.

Performance Shares

On 20 September 2016, Vonex Limited varied the milestones for 40,000,000 performance shares which were originally issued to vendors on acquisition of Vonex Wholesale Limited by Vonex Limited 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 Limited upon achievement of the performance milestone.

Class	Number	Start Date	Expected Date of Milestone Achievements	Underlying Share Price	Total Fair Value
A	13,333,378	20/09/16	Vested	\$0.45	\$6,000,000
B	13,333,311	20/09/16	Vested	\$0.45	\$6,000,000
C	13,333,311	20/09/16	Vested	\$0.45	\$6,000,000

These performance rights were valued at their issue dates at \$18,000,000.

On 29 January 2018, variation to the terms of Class B and Class C performance shares by adding an additional performance milestone, such that each Class B and Class C performance may also convert into one ordinary fully paid share in the Company on the occurrence of the Company listing on the Australian Securities Exchange. Class A performance shares were vested in previous financial year.

Performance Right—Key Management Personnel—20 September 2016

Vonex Limited issued 2,340,000 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 Limited upon achievement of the performance milestone.

Note 29: Share Based Payments (continued)

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	Expected Date of Milestone Achievements	Underlying Share Price	Total Fair Value
1	780,000	20/09/16	Forfeited	\$0.45	\$351,000
2	780,000	20/09/16	Vested	\$0.45	\$351,000
3	780,000	20/09/16	20/09/19	\$0.45	\$351,000

These performance rights were valued at their issue dates at \$1,053,000.

Performance Milestones:

- Tranche 1 performance rights were forfeited and amounts previously recorded was reversed during the period as the vesting conditions were not satisfied.
- Tranche 2 performance rights vested 23/06/2017.
- Tranche 3 performance rights are outstanding – Convertible upon company reaching \$10 million annualised revenue per annum in any quarter.

Options granted during the period

Amounts below have been adjusted for the 2:1 share consolidation completed on 29 January 2018. Total options granted during the period was 36,853,481.

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Expired	Exercised/forfeited	Balance at the end of year
03/08/17	03/08/20	\$0.90	-	133,750	-	-	133,750
07/06/18 (i)	07/06/20	\$0.20	-	7,500,000	-	-	7,500,000
07/06/18	07/06/23	\$0.30	-	14,500,000	-	-	14,500,000
30/11/17 (i)	30/11/22	\$0.20	-	14,719,731	-	-	14,719,731
			-	36,853,481	-	-	36,853,481

Weighted average exercise price: \$0.2419

The weighted average remaining contractual life of options outstanding was 4.72 years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/08/17	03/08/20	\$0.20	\$0.90	80%	0%	2%	5,084
07/06/18	07/06/23	\$0.20	\$0.30	80%	0%	2%	1,655,610
							1,660,694

Consolidated notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Note 29: Share Based Payments (continued)

In addition, the weighted average exercise price for the options issued as SBP's is \$0.3055 and the weighted average years to expiry is 4.91 years.

- i. Options granted on 3 August 2017 and 7 June 2018 were free attaching options, the value of these options are not required to be valued separately, as they are part of the share issue, and all the shares issued have been valued in the issued capital account.
- ii. Where applicable, amounts in the tables above, have been adjusted for the 5:1 and 2:1 share consolidation completed on 28 July 2017 and 29 January 2018 respectively.

Note 30: Company Details

The registered office & principal place of business is:

Suite 5, Ground Floor
1 Centro Avenue,
Subiaco, WA 6008

Directors' Declaration FOR THE YEAR ENDED 30 JUNE 2018

In the Directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors' have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

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



Nicholas Ong
Chairman
31 August 2018



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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 2018, 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 2018 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.

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

RSM Australia Partners ABN 36 965 185 036

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed this matter
<p><i>Impairment of intangible assets</i> Refer to Note 11 in the financial statements</p>	
<p>The Group has intangible assets of \$1,035,103 at the reporting date.</p> <p>Intangible assets of \$600,000 relating to the Oper8tor communication platform which at the reporting date was not yet available for use is required to be tested annually for impairment by comparing its carrying amount with its recoverable amount. Management's assessment determined that the recoverable amount of this asset exceeded its carrying value at the reporting date.</p> <p>For the remaining intangible assets of \$435,103 relating to intangible assets amortised over their useful life, management is required to assess at the reporting date whether there is any indication that these assets may be impaired. Management did not identify any indicators of impairment, and therefore no impairment test was required to be performed.</p> <p>We determined this area to be a key audit matter due to the size of the balance and due to the significant management judgement involved in assessing the recoverable amount of the Oper8tor communication platform and whether indicators of impairment are present in relation to the Group's other intangible assets.</p>	<p>Our audit procedures in relation to the Oper8tor communication platform included:</p> <ul style="list-style-type: none"> • Reviewing management's assessment that the Oper8tor communication platform was not yet available for use at the reporting date; and • Evaluating the basis used by management in determining the recoverable amount of the Oper8tor communication platform. <p>Our audit procedures in relation to the intangible assets amortised over their useful life included:</p> <ul style="list-style-type: none"> • Reviewing management's assessment that no impairment indicators were present; and • Enquiring with management and reviewing budgets to assess the future cash flows associated with the intangible asset; and • Checking the mathematical accuracy of the amortisation expense of the intangible assets.

Share based payments – Refer to Note 29 in the financial statements	
<p>During the year, the Company issued 36,853,481 options as detailed in Note 29. Management used a valuation model to value these options issued.</p> <p>During the year, the Group also issued 34,268,000 performance rights as detailed in Note 29. Management was required to assess the probability of achieving the performance conditions attached to the performance rights and estimate the length of the expected vesting period.</p> <p>We determined this to be a key audit matter due to the significant judgement involved in assessing the fair value of these share-based payments issued during the year.</p>	<p>Our audit procedures in relation to the options issued included:</p> <ul style="list-style-type: none"> • Obtaining the valuation model and assessed whether the model was appropriate for valuing the options issued during the year; • Checking the mathematical accuracy of the calculations in the model; • Assessing the reasonableness of the assumptions used in the valuation model such as the price volatility of the underlying share, dividend yield and risk-free interest rate; and • Ensuring the disclosures in the financial report were in accordance with Accounting Standards. <p>Our audit procedures in relation to the performance rights issued included:</p> <ul style="list-style-type: none"> • Reviewing management’s assessment of the probability of achieving the performance conditions and the estimated length of the expected vesting period; • Ensuring the disclosures in the financial report were in accordance with Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2018, 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/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2018.

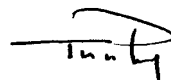
In our opinion, the Remuneration Report of Vonex Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten-style logo for RSM.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Tutu Phong'.

TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2018

Additional Information FOR THE YEAR ENDED 30 JUNE 2018

SHAREHOLDER INFORMATION (as at 27 August 2018)

- (i) Number of shareholders: 1,413
- (ii) Ordinary shares issued: 147,596,560
- (iii) The twenty largest shareholders hold 90,746,296 ordinary shares representing 61.48% of the issued capital
- (iv) Distribution schedule of holdings

ORDINARY SHARES		QUOTED OPTIONS EX 20¢ EXP 7/6/2020	
NO. OF SHARES	NO. OF HOLDERS	NO. OF OPTIONS	NO. OF HOLDERS
1 – 1,000	187	1 – 1,000	0
1,001 – 5,000	357	1,001 – 5,000	47
5,001 – 10,000	300	5,001 – 10,000	16
10,001 – 100,000	424	10,001 – 100,000	36
100,001 and over	145	100,001 and over	4
Total	1,413		103

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 27 August 2018

Rank	Name	Units	% Units
1.	CODE NOMINEES PTY Limited <28351 A/C>	19,643,296	13.31
2.	FINANCE WEST PTY Limited <FINANCE WEST UNIT A/C>	16,203,739	10.98
3.	MR MATTHEW FAHEY <FAHEY FAMILY A/C>	5,533,698	3.75
4.	CARMINE LION GROUP PTY Limited	5,238,320	3.55
5.	CARMINE LION GROUP PTY Limited	5,231,527	3.54
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) Limited	4,377,417	2.97
7.	CONFADENT Limited	3,500,000	2.37
8.	GUAVA CAPITAL PTY Limited	3,078,620	2.09
9.	MR RYAN JAMES ROWE	3,074,653	2.08
10.	OCTAVUS DEVELOPMENT Limited	2,807,258	1.90
11.	STATE ONE STOCKBROKING Limited	2,648,489	1.79
12.	COLIENS CORPORATION PTY Limited	2,420,000	1.64
13.	MS TOW LOY SUN <QUPIT FAMILY A/C>	2,330,000	1.58
14.	LATERAL CONSULTING (WA) PTY Limited <PATON SUPER FUND A/C>	2,239,381	1.52
15.	MR GREGORY ROSS KING + MS SUZANNE DAWN KING	2,220,000	1.50
16.	GUAVA CAPITAL PTY Limited	2,158,188	1.46
17.	HEELMO HOLDINGS PTY Limited <ROWBOTTAM SUPER A/C>	2,120,666	1.44
18.	LATERAL CONSULTING (WA) PTY Limited	2,096,061	1.42
19.	MR SHANE ROBINSON + MRS HELEN ROBINSON <ROBINSON FAMILY A/C>	1,931,810	1.31
20.	MR BRUCE HUMMERSTON + MRS JANET HUMMERSTON	1,893,173	1.28
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		90,746,296	61.48
Total Remaining Holders Balance		56,850,264	38.52

UNQUOTED SECURITIES

Set out below are the classes of unquoted securities currently on issue:

Number	Class
113,750	Options exercisable at 90¢ expiring 3/8/2020
14,500,000	Options exercisable at 30¢ expiring 7/6/2023
14,719,731	Options exercisable at 20¢ expiring 30/11/2022
27,788,000	Performance rights with various vesting milestones

SECURITIES SUBJECT TO ESCROW

Set out below are securities currently subject to escrow.

Number	Class
190,058	Ordinary shares in held in escrow until 6/12/2018
189,594	Ordinary shares in held in escrow until 7/12/2018
94,582	Ordinary shares in held in escrow until 8/12/2018
165,264	Ordinary shares in held in escrow until 11/12/2018
247,239	Ordinary shares in held in escrow until 12/12/2018
99,046	Ordinary shares in held in escrow until 13/12/2018
102,505	Ordinary shares in held in escrow until 14/12/2018
5,587	Ordinary shares in held in escrow until 15/12/2018
9,234	Ordinary shares in held in escrow until 18/12/2018
178,000	Ordinary shares in held in escrow until 7/6/2019
133,750	Options exercisable at 90¢ expiring 3/8/2020 held in escrow for two years from 13/6/2018
14,500,000	Options exercisable at 30¢ expiring 7/6/2023 held in escrow for two years from 13/6/2018
996,701	Options exercisable at 20¢ expiring 30/11/2022 held in escrow for two years from 13/6/2018
13,723,030	Options exercisable at 20¢ expiring 30/11/2022 held in escrow until 7/6/2019
23,020,000	Performance Rights held in escrow for two years from 13/6/2018

ASX LISTING RULE 4.10.19 CONFIRMATION

Pursuant to ASX Listing Rule 4.10.19 the Company confirms that from the period of admission on 8 June 2018 to 30 June 2018 the Company used its cash and assets in a form readily convertible into cash, in line with its stated business objectives.

CORPORATE GOVERNANCE

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report.

The Company's Corporate Governance Statement is available on the Company's website at:

<https://investors.vonex.com.au/corporate-governance/>

Additional Information

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

MINING ROYALTY SCHEDULE

Project	Tenements	VNX's Interest	Other Parties
Johnston Range Iron Ore Gold and Base Metals	M77/1258	Royalty	Cliff Asia Pacific(1)

Notes:

¹ Vonex Limited retains a 2% royalty.

