

28 February 2022, Australia

ASX RELEASE

VECTION DELIVERS FOUR-DIGIT REVENUE UPLIFT FOR FIRST HALF 2022

VECTION ANNOUNCES FINANCIAL RESULTS FOR THE HALF-YEAR TO 31 DECEMBER 2021

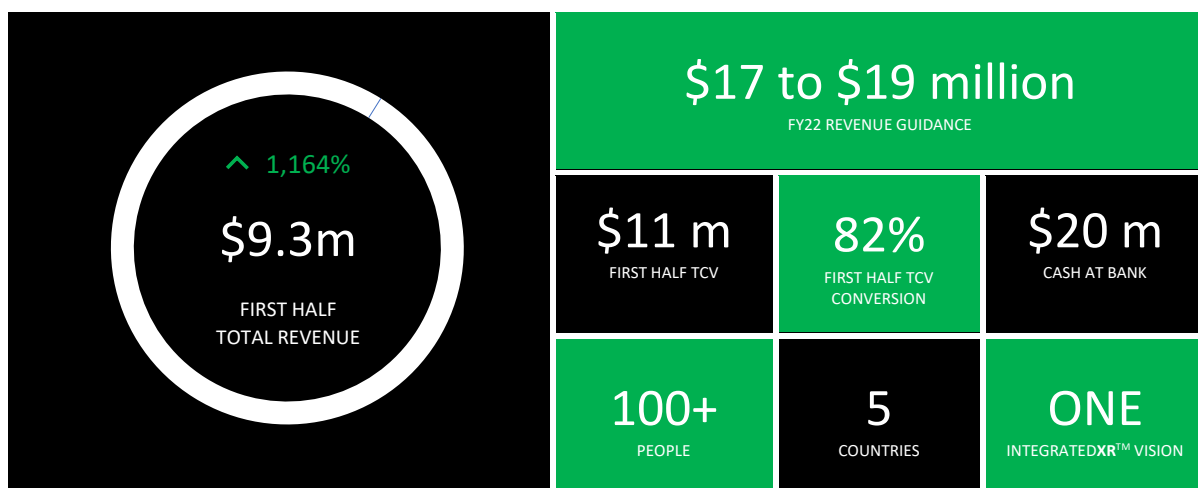
Vection Technologies Ltd (ASX:VR1), the INTEGRATEDXR™ company, has announced its results for the half year ended 31 December 2021.

HIGHLIGHTS:

- Evolution from real-time VR and AR software to fully INTEGRATEDXR™ leads to record first half growth
- Exceeded guidance with first half total revenue up 1,164% to \$9.3 million
- FY22 Total Contract Value (TCV) of \$11 million delivers a strong 82% sales to revenue conversion
- First half financial results demonstrate strong benefits of company's INTEGRATEDXR™ strategy
- Vection Technologies maintains full year revenue guidance of \$17 to \$19 million
- Strong balance sheet to enable aggressive expansion plan in the second half fiscal 2022

OVERVIEW:

Vection Technologies delivered strong four-digit total revenue growth to ~\$9.3 million for the half year fiscal 2022. With the progression of the INTEGRATEDXR™ strategy, the Company is on track to achieve its full year fiscal 2022 revenue guidance of \$17 to \$19 million.



Vection Technologies' Managing Director Mr Gianmarco Biagi commented, "Vection Technologies delivered a strong first half fiscal 2022, delivering 1,164% total revenue growth compared to first half fiscal 2021. The Company has demonstrated the

■ **VECTION TECHNOLOGIES LTD**
ASX:VR1 | ACN: 614 814 041

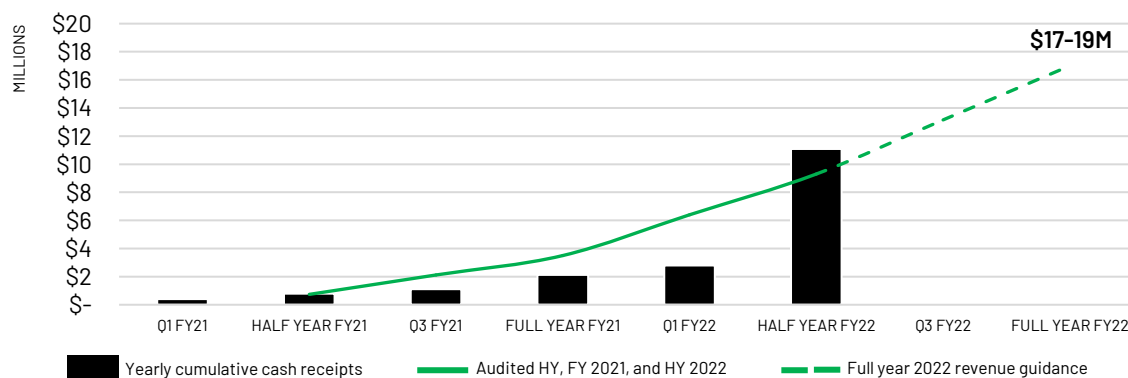
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■ **WEBSITE**
www.vection-technologies.com

■ **REGISTERED OFFICE**
Level 4, Building C, Garden Office Park, 355
Scarborough Beach Road,
Osborne Park WA 6017 - Australia

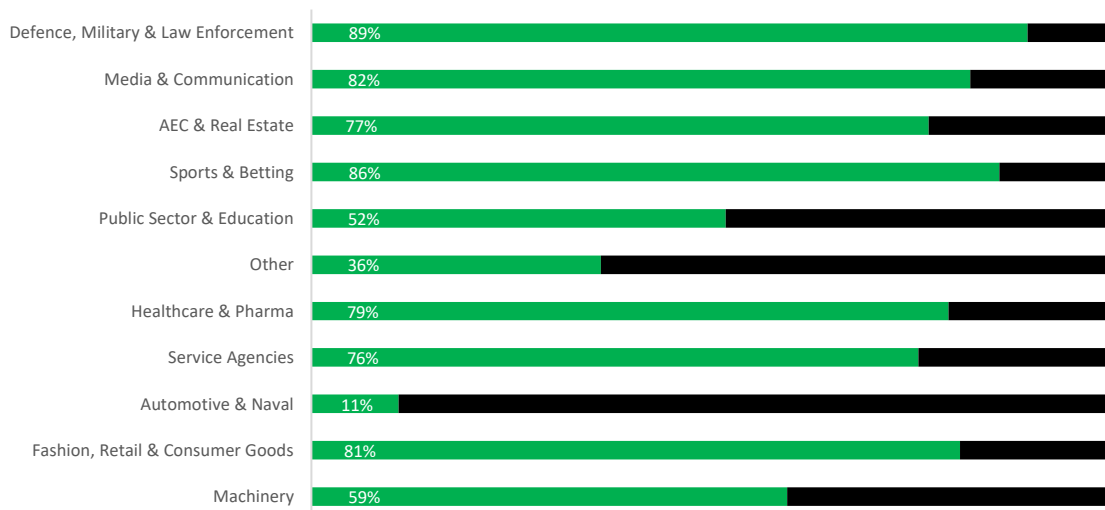
broad adoption opportunities of its INTEGRATEDXR™ suite of solutions and services across a multitude of industries with further uplift potential as the Company accelerates its global expansion strategy.”

VECTION TECHNOLOGIES' FY21-FY22 CUMULATIVE YEARLY CASH RECEIPTS,
AUDITED REVENUE, AND REVENUE FORECAST



The \$11 million in FY22 Total Contract Value (TCV) at 31 December 2021, has delivered a revenue conversion rate of 82% for the first half fiscal, surpassing the stated revenue guidance of \$8 to \$9 million.

FIRST HALF FISCAL 2022 TCV TO REVENUE CONVERSION
(in %)



Mr Biagi added, “The ongoing acceleration of our commercial efforts in the European and Asia Pacific regions has resulted in continued revenue growth during the first half of fiscal 2022. As we progress with the INTEGRATEDXR™ strategy, we seek to

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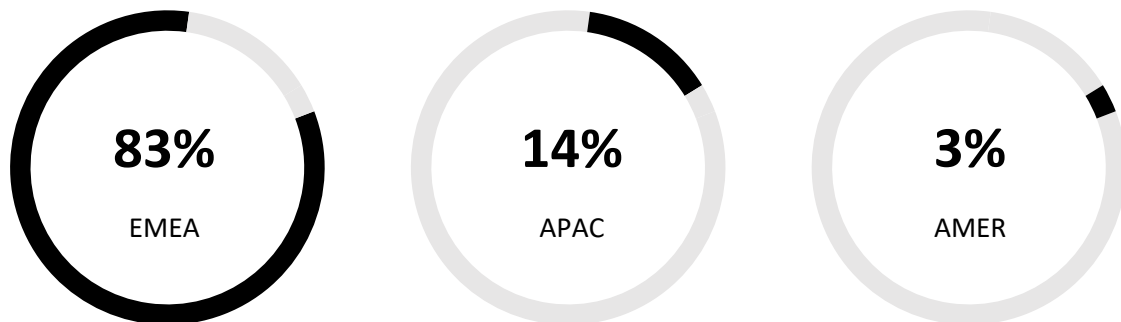
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embark in long-term structural innovations in the U.S., including M&A and marketing opportunities that the Company is currently evaluating. We are confident in the continued global growth of Vection Technologies across technologies, vertical markets and geographies, leading to the achievement of the stated revenue guidance."

FIRST HALF FISCAL 2022 REVENUE BY REGION
(in %)



Vection Technologies maintains its previously stated revenue guidance for fiscal 2022 of \$17 to \$19 million. The Company will update the market with TCV metric and revenue guidance updates as it progresses with its global expansion strategy, leveraging its strong balance sheet.

This announcement is to be read in conjunction with the half-year 2022 financial report, the financial report for the year ended 30 June 2021 and any announcement to the market during the half-year ended 31 December 2021.

ENDS

INVESTOR RELATIONS CONTACT DETAILS:

Gianmarco Biagi - Managing Director (Europe Based)
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Gianmarco Orgnoni - Director and COO (Australia Based)
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Phone: +61 8 6380 7446

ABOUT VECTION TECHNOLOGIES:

Vection Technologies Ltd (**ASX:VR1**) is a global technology company driving enterprises' digital transformation via the adoption of its unique INTEGRATEDXR™ solutions.

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DIGITAL EVOLUTION:

Thanks to a strong vertical expertise and proprietary INTEGRATEDXR™ solutions, Vection Technologies supports the most complex digital transformation projects to create long-term customer value. A unique methodology and skillset support businesses' evolution towards Industry 4.0 and the metaverse to come.

ONE GLOBAL VENDOR:

Our INTEGRATEDXR™ vision makes us the one ideal partner to guarantee long term success for our customers' production processes, across industries and geographies. From digital communication technologies and computing, to virtual and augmented reality, we create enterprise solutions that support the Design, Production and Sales processes up to After-Sales, reducing costs and increasing production efficiency to improve time-to-market.

DISRUPTIVE TECHNOLOGIES:

Meaningful investments in R&D continue to allow us to evolve our proprietary INTEGRATEDXR™ solutions, from ICT and IoT to Augmented Reality and Virtual Reality, maintaining a strong competitive advantage for our enterprise customers embracing the digital transformation agenda, in anticipation of the metaverse to come.

FOR MORE INFORMATION: VECTION-TECHNOLOGIES.COM

FORWARD LOOKING STATEMENTS:

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Vection Technologies' current expectations, estimates and projections about the industry in which Vection Technologies operates, and beliefs and assumptions. Forward looking statements can generally be identified by the use of forward-looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the control of Vection Technologies, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Vection Technologies only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Vection Technologies has no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

ASX release authorised by the Board of Directors of Vection Technologies Ltd.

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APPENDIX 4D

28 February 2022, Australia

HALF YEAR REPORTING PERIOD ENDING 31 DECEMBER 2021

The following information is provided to ASX under listing rule 4.2A.3.

1. Reporting period

Current Period: 6 months ended 31 December 2021

Prior Period: 6 months ended 31 December 2020

2. Results for announcement to the market

	Item	31 December 2021 \$	31 December 2020 \$	Change %
Revenue from ordinary activities	2.1	9,317,015	737,240	1,164%
Loss after tax attributable to members from continuing operations	2.2	(2,421,671)	(1,432,178)	-69%
Net Loss attributable to members	2.3	(2,157,177)	(1,469,588)	-47%
Dividend	2.4	Vection Technologies Ltd did not declare a dividend during the current reporting or corresponding previous reporting period.		
The record date for determining entitlements to the dividend	2.5	Not applicable		
Explanatory information	2.6			

Review of Operations

Vection Technologies Ltd (ASX:VR1), the INTEGRATEDXR™ company, reports the following for the half year ended 31 December 2021:

Overview:

During the first half of the fiscal year, Vection Technologies has exponentially progressed its overarching strategy leading to the evolution from real-time VR and AR software to fully INTEGRATEDXR™. INTEGRATEDXR™ represents the collection of the Company's technology solutions that integrate the digital and physical worlds, providing transformational benefits for global enterprises seeking to digitalise their processes.

The strong acceleration of the INTEGRATEDXR™ strategy has led to:

- First half fiscal year total revenue growth of 1,164% compared to first half FY21, to \$9.3million
- Strong balance sheet with \$20 million in cash (30 June 2021: \$7 million)
- Total Assets at 31 December 2021 increase by 37% compared to 30 June 2021
- Net Assets at 31 December 2021 increase by 134% compared to 30 June 2021

First Half FY22 Total Revenue was \$9.3 million (1H FY21: \$0.7 million).

Vection's balance sheet is strong, ending the year with a cash balance of \$20 million (30 June 2021: \$7 million). Total Assets at 31 December 2021 were \$46 million (30 June 2021: \$33 million) while Net Assets were \$28 million (30 June 2021: \$12 million).

Total expenditure from ordinary activities (including discontinued operations) \$12 million (Half Year 2021: \$2.2 million). This increase is aligned with the Company's increase in revenue and its strategic global initiatives.

Vection Technologies posted an after-tax loss attributed to members (Including discontinued operations) of \$2.4 million for the Half-Year ended 31 December 2021 (31 December 2020: loss \$1.5 million). Several non-cash and one-off expenses were recorded in the Company's accounts during the period, specifically for depreciation and amortisation, impairment and share based payments:

	31 Dec 2021 \$	31 Dec 2020 \$
Profit / (Loss) after Income Tax	(2,421,671)	(1,469,588)
Interest and Financing related Costs	9,754	49,588
Depreciation and Amortisation	558,524	309,283
One-Off Transaction Costs	807,584	-
Non-Cash Accounting charges	173,668	41,297
Income Tax/(benefit)	44,182	(1,745)
Underlying EBITDA¹	(827,959)	(1,071,165)

Operational Highlights:

During the first half of fiscal year 2022, to support the acceleration of enterprises' digital strategies towards the metaverse, Vection Technologies has been building the necessary INTEGRATEDXR™ global foundations: from research and development, creation of partnerships and onboarding of clients, to talent acquisition and M&A integration.

– Operations & Infrastructure:

The Company significantly progressed the integration of JMC Group (ASX: 15 June 2021) and Blank Canvas (ASX: 15 April 2021) within the wider Vection Technologies group, restructuring its global management team, administration, and sales infrastructure. The ongoing global integration of teams and people is expected to lead to greater commercial outputs, synergies, and growth.

– Organisation and People:

The Company established its Advisory Board to gain a technological advantage in specific verticals, gain wider market recognition and market positioning from a global standpoint and to drive material opportunities and ensure strategy is aligned with required market expectations. As part of this strategic effort, the Company appointed:

- Dr Siegmair Haasis: a highly experienced automotive executive with twenty-six years international digitization experience with Daimler/Mercedes-Benz (ASX: 21 July 2021), to assist with the Company's strategy within the global automotive industry.
- Mr Vittorio Emanuele Terzi: a renowned global advisor, appointed to assist the Company in its global strategic initiatives to partner with tier-1 consulting, industrial and technological partners focussing on the creation of value for all Vection's stakeholders (ASX: 20 October 2021). Mr Terzi also currently serves as independent director of Banca Generali S.p.A., a bank listed on the Italian bourse with a market capitalization of over \$6 billion.

¹ Underlying EBITDA is an unaudited, non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')

Vection Technologies is currently seeking to add global experienced professionals to its advisory board, to strategically position as a global leader in INTEGRATEDXR™.

– Verticalisation:

The Company's verticalization strategy has continued to demonstrate a strong commercial validity, diversifying INTEGRATEDXR™ sales by industry. Strong growth opportunity in currently underserved industry/vertical segments are expected to continuously increase during the second half of the 2022 fiscal year. Specifically, Vection Technologies has continued to set the foundations for incremental growth within the healthcare & pharma division, media & communication and gain wider market footprint with strategic consultancy partnerships.

– Technology Advancements:

The Company's continuous focus on R&D coupled with technology partnership is expected to drive greater recurring revenue growth and market awareness in the next six months. During the first half, Vection Technologies has announced the launch of Mindesk for Autodesk Revit (ASX: 1 July 2021) gaining exposure to its ~11m AEC users², and the collaboration with Cisco Webex (ASX: 26 October 2021).

During the second half of the fiscal year, Vection Technologies will launch a Webex Embedded App to easily transport organisations into the metaverse through Webex. The Company will separately announce the progression of this initiative to the market as applicable.

– M&A Initiatives:

Vection Technologies' management has significantly progressed its strategic initiatives for inorganic growth, identifying multiple opportunities for value accretive acquisitions within the European, American and Asia-Pacific regions. The Company will separately announce any material progression to the market as applicable.

Corporate Overview:

During the first half of fiscal year 2022, the Company:

- Issued 63,912,30 fully paid ordinary shares under its Listing Rule 7.1 capacity in consideration for the acquisition of JMC Group. (ASX: 4 August 2021)
- Issued 8,493,548 fully paid ordinary shares as a result of unlisted options being exercised. (ASX: 16 November 2021)
- Issued 60,000,000 fully paid ordinary shares pursuant to a \$12 million equity funding round. (ASX: 3 December 2021)
- Issued 32,500,000 unlisted options with an exercise price of \$0.25 per share and expiry 3 years from issue date, in consideration for lead manager services. (ASX: 3 December 2021)
- Issued 13,500,000 performance rights to directors as approved by shareholders at the Annual General Meeting held on 6 December 2021. (ASX: 31 December 2021)
- Issued 4,793,417 performance rights to Mr Jacopo Merli, as part of his employment agreement, and pursuant to the Company's Employee Incentive Performance Rights Plan, which will convert into fully paid ordinary shares on the achievement of audited revenue and/or audited EBITDA targets for JMC Group. (ASX: 31 December 2021)
- Issued 6,000,000 performance rights to staff, pursuant to the Company's Employee Incentive Performance Rights Plan. (ASX: 31 December 2021)
- Issued 900,000 fully paid ordinary shares as a result of staff having achieved relevant milestones, pursuant to the Company's Employee Incentive Performance Rights Plan. (ASX: 31 December 2021)
- Issued 500,000 fully paid ordinary shares in lieu of fees for advisory services (Red Leaf Securities PL). (ASX: 31 December 2021)

Outlook:

² investors.autodesk.com/static-files/56785185-73ca-4b3f-9bb0-80136817c6ac

In the second half of fiscal year 2022, the Company will continue to strongly advance its global commercial activities, from partnerships with Fortune Global 500 professional services companies to the development of innovative technology integrations, to deliver the fiscal year 2022 revenue guidance. A novel communications approach, expansive global footprint and M&A endeavours are expected to significantly improve the outlook for 2023 aligned with the overarching growth strategy.

3. Net tangible assets per security

	31 December 2021	31 December 2020
Net tangible asset per share (cents per share)	0.87	0.09

4. Details of entities over which control has been gained or lost during the period

There were no entities over which control has been gained or lost during the period.

5. Details of individual and total dividends or distributions and dividends or distribution payments

Not applicable.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

Not applicable.

7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities

Not applicable.

8. For foreign entities, which set of accounting standards is used in compiling the report

The Company is not a foreign entity.

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The 2022 Half-Year report is based upon accounts that were reviewed by the Company's auditor and not subject to a modified opinion.

This Announcement is authorised by the Board of Vection Technologies Limited

31 December 2021

Interim Financial Report

For the 6 months ended 31st December 2021

Vection Technologies Limited

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2021 and any announcements to the market during the half-year ended 31 December 2021.

ASX: VR1 ACN 614 814 041



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DIRECTORS' REPORT

The Directors of Vection Technologies Ltd (the **Company, Group or VR1**) present the interim financial report for the half-year ended 31 December 2021 and the auditor's review report.

DIRECTORS

The Directors of the Company at any time during or since the end of the half-year and until the date of this report are noted below:

Mr Gianmarco Biagi
Managing Director

Mr Gianmarco Orgnani
Executive Director

Mr Lorenzo Biagi
Executive Director

Mr Gabriele Sorrento
Non-Executive Director

Mr Umberto (Bert) Mondello
Non-Executive Chairman

PRINCIPAL ACTIVITIES

During the period, the principal continuing activity of the Group consisted in the development and commercialisation of INTEGRATEDXR™ solutions to drive enterprises' digital transformation: from ICT and IoT to Augmented Reality and Virtual Reality, maintaining a strong competitive advantage for enterprise customers embracing the digital transformation agenda, in anticipation of the metaverse to come.

REVIEW OF OPERATIONS

Vection Technologies Ltd (ASX:VR1), the INTEGRATEDXR™ company, reports the following for the half-year ended 31 December 2021:

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	\$	\$
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Outlook:

In the second half of fiscal year 2022, the Company will continue to strongly advance its global commercial activities, from partnerships with Fortune Global 500 professional services companies to the development of innovative technology integrations, to deliver the fiscal year 2022 revenue guidance. A novel communications approach, expansive global footprint and M&A endeavours are expected to significantly improve the outlook for 2023 aligned with the overarching growth strategy.

RESULTS

The Company incurred a loss of \$2,421,671 after income tax for the period (First Half 2021: loss \$1,469,588). This loss is largely attributed to Depreciation and Amortisation costs of \$558,524, Non-Cash Accounting charges of \$173,668 and One-Off Transaction Costs of \$807,584. As the Company progresses its expansion plan it expects to deliver strong full fiscal year results.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than disclosed elsewhere in this Directors report, there have been no significant changes in the state of affairs of the Group which occurred during the period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than information disclosed elsewhere in this interim report, information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this Directors' Report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Group.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, RSM Australia Partners, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the half-year ended 31 December 2021.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.



Mr Bert Mondello
Chairman

Dated at Perth, Western Australia this 28th day of February 2022.

RSM Australia Partners

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GPO Box R1253 Perth WA 6844

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Vection Technologies Limited for the half-year ended 31 December 2021, 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 review; and
- (ii) Any applicable code of professional conduct in relation to the review.



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 28 February 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes:	CONSOLIDATED (PERIOD ENDED)	
		31 DEC 2021	31 DEC 2020
		\$	\$
Revenue			
Revenue	3	9,317,015	737,240
Expenses			
Acquisition costs		21,387	-
Changes in inventories		50,449	-
Cost of services		507,673	-
Variable cost of sales		5,178,925	27,317
Employee benefits expense		2,368,409	461,813
Consulting and professional fees		1,494,629	625,282
Finance costs		7,193	49,588
Depreciation and amortisation		558,524	309,283
Impairment (reversal)/expense		(4,265)	11,428
Other expenses	3	1,333,647	656,583
Share based payments		177,933	29,869
Total Expenditure		11,694,504	2,171,163
Loss before income tax expense		(2,377,489)	(1,433,923)
Income tax (expense)/ benefit		(44,182)	1,745
Loss after income tax attributable to equity holders from continuing operations		(2,421,671)	(1,432,178)
Discontinued Operations			
Loss for the year after income tax from discontinued operations		-	(37,410)
Loss after income tax attributable to equity holders of Vection Technologies Ltd		(2,421,671)	(1,469,588)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Profit / (Loss) from hedge accounting		3,429	-
Exchange differences on translation of foreign operations		(78,423)	(217,981)
Total comprehensive loss for the period		(74,994)	(217,981)
Total comprehensive loss attributable to equity holders of Vection Technologies Ltd		(2,496,665)	(1,687,569)
Loss for the year is attributable to:			
Non-controlling interest		(264,494)	-
Members of Vection Technology Limited		(2,157,177)	-
		(2,421,671)	-
Loss per share for the year attributable to the members of Vection Technologies Limited			
Discontinued operations loss per share for the year (per share) attributable to the members of Vection Technologies Limited		-	(0.004)
Continuing operations loss per share for the year (per share) attributable to the members of Vection Technologies Limited	9	(0.209)	(0.160)
Earnings per share for loss attributable to the members of Vection Technologies Limited			
Overall basic loss per share	9	(0.234)	(0.164)
Overall diluted loss per share	9	(0.234)	(0.164)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes:	CONSOLIDATED	
		AS AT 31 DEC 2021	AS AT 30 JUN 2021
		\$	\$
Current Assets			
Cash and cash equivalents		20,235,496	7,083,890
Trade and other receivables		4,797,742	4,878,715
Inventory		1,050,512	1,083,871
Income tax receivable		120,733	16,855
Total Current Assets		26,204,483	13,063,331
Non-Current Assets			
Property, plant & equipment		304,610	239,957
Right-of-use assets		527,429	631,895
Intangible assets	4	18,857,946	19,437,289
Financial assets		62,143	63,149
Total Non-Current Assets		19,752,128	20,372,290
Total Assets		45,956,611	33,435,621
Current Liabilities			
Trade and other payables	5	7,498,763	3,615,025
Provisions	6	3,486,049	9,915,043
Employee benefits		72,446	36,299
Current tax liabilities		-	-
Lease liabilities		175,242	167,756
Borrowings		925,523	1,047,145
Total Current Liabilities		12,158,023	14,781,268
Non-Current Liabilities			
Provisions	6	1,051,269	1,869,262
Employee benefits		387,099	333,179
Deferred tax liabilities		603,023	599,128
Lease liabilities		385,398	529,926
Borrowings		2,962,071	3,175,131
Total Non-Current Liabilities		5,388,860	6,506,626
Total Liabilities		17,546,883	21,287,894
Net Assets		28,409,728	12,147,727
Equity			
Issued capital	7	44,203,890	27,502,218
Reserves	8	5,598,925	3,616,924
Accumulated losses		(21,393,087)	(18,971,415)
		28,409,728	12,147,727
Equity attributable to the members of Vection Technologies Limited		28,791,441	12,264,945
Non-Controlling interest		(381,713)	(117,218)
Total Equity		28,409,728	12,147,727

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Hedging Reserve	Consolidated (Period Ended) Foreign Currency Translation Reserve	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	27,502,218	(18,854,197)	3,790,500	-	(173,576)	(117,219)	12,147,726
Loss for the period	-	(2,157,177)	-	-	-	(264,494)	(2,421,671)
Other comprehensive (loss)/income	-	-	-	3,429	(78,423)	-	(74,994)
Total comprehensive (loss)/income for the period	-	(2,157,177)	-	3,429	(78,423)	(264,494)	(2,496,665)
Transactions with owners in their capacity as owners							
Issued share capital, net of transaction cost	14,709,043	-	-	-	-	-	14,709,043
Vesting of performance rights	121,500	-	-	-	-	-	121,500
Share based payments	-	-	51,845	-	-	-	51,845
Exercise of unlisted options	1,871,129	-	(919,851)	-	-	-	951,278
Grant of unlisted options	-	-	2,925,000	-	-	-	2,925,000
Balance at 31 December 2021	44,203,890	(21,011,374)	5,847,494	3,429	(251,999)	(381,713)	28,409,727
Balance at 1 July 2020	22,376,991	(16,548,484)	104,362	-	126,496	-	6,059,365
Loss for the period	-	(1,469,588)	-	-	-	-	(1,469,588)
Other comprehensive (loss)/income	-	-	-	-	(217,981)	-	(217,981)
Total comprehensive (loss)/Income for the period	-	(1,469,588)	-	-	(217,981)	-	(1,687,569)
Transactions with owners in their capacity as owners							
Issued share capital	7,581,495	-	-	-	-	-	7,581,495
Vesting of performance rights	984,231	-	(134,231)	-	-	-	850,000
Share based payments	-	-	29,869	-	-	-	29,869
Grant of unlisted options	(1,628,602)	-	1,628,602	-	-	-	-
Balance at 31 December 2020	29,314,115	(18,018,072)	1,628,602	-	(91,485)	-	12,833,160

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes:	CONSOLIDATED (PERIOD ENDED)	
		31 DEC 2021	31 Dec 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		9,255,370	998,272
Payments to suppliers and employees		(6,681,557)	(2,048,430)
Interest received		10,923	707
Interest paid		(53,164)	(10,768)
Income tax paid		(144,164)	(19,808)
Net cash inflow/(outflow) from operating activities		2,387,408	(1,080,027)
Cash flows from investing activities			
Payments for plant & equipment		(117,685)	(3,703)
Payments for intangible assets		(761,872)	(684,407)
Transaction costs in purchase of subsidiary		(21,387)	-
Net cash outflow from investing activities		(900,944)	(688,110)
Cash flows from financing activities			
Proceeds from issue of fully paid shares		12,951,277	7,485,000
Proceeds from issue of convertible notes		-	(264,000)
Share issue transaction costs		(824,686)	-
Repayments of borrowings		(334,681)	(14,462)
Proceeds from borrowings		(64,373)	-
Net cash inflow from investing activities		11,727,537	7,206,538
Cash and cash equivalents at the beginning of the financial half-year		7,083,890	1,584,715
Net increase in cash and cash equivalents		13,214,001	5,438,401
Effect of movement in exchange rates on cash held		(62,395)	106,353
Cash and cash equivalents at the end of the financial half-year		20,235,496	7,129,469

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) SIGNIFICANT ACCOUNTING POLICIES

The half-yearly report of Vection Technologies Ltd (the **Company, Group or VR1**) for the period ended 31 December 2021 was authorised for issue in accordance with a resolution of directors on 28 February 2022. The Company is a public company limited by shares incorporated on 14 September 2016 and domiciled in Australia. The nature of the operations and principal activities of the Company are described in the Directors' report.

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

2) SEGMENT INFORMATION

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period. Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. An operating segment is a component of the Group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate to transactions with other Group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The Board monitors the operations of the Group based on one segment, being its INTEGRATEDXR™ division. The financial results of each segment are reported to the board to assess the performance of the Group. The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiaries which represent the operational performance of the Group's revenues and the research and development activities as well as the finance, treasury, compliance and funding elements of the Group.

3) LOSS FOR THE PERIOD

Loss for the year included the following items:

Other expenses:

Advertising and marketing

CONSOLIDATED	
PERIOD ENDED 31 DEC 2021 \$	PERIOD ENDED 31 DEC 2020 \$
310,737	138,138

Corporate and administrative expenses

1,022,910

518,445

1,333,647

656,583

Revenue:

INTEGRATEDXR™ solutions and services

8,969,375

715,288

Interest received

10,923

707

Other revenue

336,717

21,245

9,317,015

737,240

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

CONSOLIDATED

Geographical regions:

EMEA

7,448,638

708,488

APAC

1,257,035

6,800

AMER

263,702

-

8,969,375

715,288

Timing of revenue recognition:

Transferred at a point in time

7,612,372

715,288

Transferred over time

1,357,002

-

8,969,375

715,288

Geographical regions:

- I. EMEA: represents the geographical area composed by Europe, Middle East and Africa;
- II. APAC: represents the geographical area composed by Australia and the Asia-Pacific region;
- III. AMER: represents the geographical area composed by North America and South America.

Timing of revenue recognition:

- I. Transferred at a point in time: Custom projects and licences where the customer has received the legal possession of the solution at a point in time.
- II. Transferred over time: service solutions where the customer has engaged the Company for ongoing development work (i.e. typically, service based model for provision of 3D content).

4) INTANGIBLE ASSETS

	CONSOLIDATED	
	AS AT 31 DEC 2021 \$	AS AT 30 JUN 2021 \$
Goodwill		
Acquisition - Vection Italy Srl	2,550,000	2,550,000
Acquisition - Mindesk Group	3,587,687	3,587,687
Less: Reduction in consideration for Mindesk Group(i)	(2,129,606)	(803,502)
	4,008,081	5,334,185
Intangible arising from Business Acquisition		
Acquisition - Blank Canvas Studios (Aus) Pty Ltd (ii)	1,647,240	1,647,240
Acquisition - JMC Group (ii)	6,360,961	5,906,643
	8,008,201	7,553,883
Intellectual Property		
Intellectual property at cost	2,811,417	2,811,417
Less amortisation	-	-
	2,811,417	2,811,417
Other Intangible Assets (Software Patents and Development Costs)		
Other Intangible Assets at cost	5,145,634	4,468,964
Less amortisation	(1,115,387)	(731,160)
	4,030,247	3,737,804
Total Intangible Assets	18,857,946	19,437,289

(i) Consideration for acquisition of Mindesk Inc and its controlled entity comprised of group C performance rights: 14,337,644 Performance Rights each converting into Shares (on a one for one basis) upon Mindesk revenues equal to, or exceed, EUR2,950,001 for the year to 31 December 2021; and group D performance rights: 1,792,206 Performance Rights each converting into Shares (on a one for one basis) if the combined revenues of Vection and Mindesk Inc equal to, or exceed, EUR9,300,001 for the year to 31 December 2021. As the required revenue was not earned till 31 December 2021, the group C&D performance rights lapsed as at 31 December 2021. In the prior period, Group B performance rights had expired.

(ii) The Group completed the acquisition of 100% of the issued capital and voting rights in Blank Canvas Studios (Aus) Pty Ltd and JMC Group on 27 April 2021 and 30 May 2021 respectively. The fair values of the entities' assets and liabilities have been measured provisionally. If new Information is obtained within one year of the date of acquisition about facts and circumstance that existed at the date of acquisition identifies adjustment to the amounts above, the accounting for these acquisitions will be revised.

5) TRADE AND OTHER PAYABLE

	CONSOLIDATED	
	AS AT 31 DEC 2021 \$	AS AT 30 JUN 2021 \$
Unsecured liabilities:		
Trade payables	3,949,422	2,062,290
Sundry creditors and accruals	3,549,341	1,552,735
	7,498,763	3,615,025

Payables (current and non-current) are non-interest bearing. There are no payables where the fair value would be materially different from the current carrying value.

6) PROVISIONS

	CONSOLIDATED	
	AS AT 31 DEC 2021 \$	AS AT 30 JUN 2021 \$
Provisions - Current	3,486,049	9,915,043
Deferred Consideration	3,486,049	9,915,043
Provisions – Non-Current	1,051,269	1,869,262
Deferred Consideration	1,051,269	1,869,262

The deferred considerations are non-cash in nature and relate to the valuation of performance rights that were part of the consideration of the acquisition of Vection Italy, Mindesk, Blank Canvas Studios (Aus) Pty Ltd and JMC group. The Company will be able to satisfy these liabilities as and when the conditions of the performance rights are achieved.

7) ISSUED CAPITAL

	AS AT 31 DEC 2021 No.	AS AT 30 JUN 2021 No.	AS AT 31 DEC 2021 \$	AS AT 30 JUN 2021 \$
SHARE CAPITAL				
Ordinary Shares	1,103,424,294	969,618,516	44,203,890	27,502,218

MOVEMENT IN SHARE CAPITAL:

DATE	DETAILS	NUMBER OF SHARES	\$
01/07/2021	Opening balance	969,618,516	27,502,218
4/08/2021	JMC Acquisition	63,912,230	6,391,230
16/11/2021	Options exercised	8,493,548	1,871,128
30/11/2021	Share issue costs	-	(660,000)
3/12/2021	Share placement	60,000,000	12,000,000
31/12/2021	Vesting of performance rights	900,000	121,500
31/12/2021	Share issued in lieu of advisory fee	500,000	67,500
3/12/2021	Share issue costs	-	(132,000)
3/12/2021	Options issued in lieu of lead manager fee	-	(2,925,000)
3/12/2021	Share issue costs	-	(32,686)
		1,103,424,294	44,203,890

8) RESERVES

	CONSOLIDATED	
	AS AT 31 DEC 2021 \$	AS AT 30 JUN 2021 \$
Share based payment reserve (i)(ii)	5,847,495	3,790,499
Hedging reserve	3,429	-
Foreign currency translation reserve	(251,999)	(173,575)
	<u>5,598,925</u>	<u>3,616,924</u>

(i) Options

During the period, the Company issued 32,500,000 unlisted options to lead manager for services rendered at an exercise price of \$0.25. The unlisted options are exercisable at any time on or prior to the expiry date.

The fair value at grant date of the unlisted options issued has been determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the unlisted options, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance rights. The total fair value of the unlisted options was \$2,925,000. The total share based payment expense recognised for the period ended 31 December 2021 was \$2,925,000 as the unlisted options have no vesting conditions.

(ii) Performance rights

During the period, the Company issued 24,293,417 performance rights to Directors, employees and the vendors of JMC Group with the following terms:

Directors

- Tranche 1 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into Shares (on a one for one basis) will vest on the date that the Company achieving a \$150,000,000 market capitalisation based on the 7 days volume weighted average (VWAP) ;
- Tranche 2 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into (on a one for one basis) will vest on the date that the Company achieving a \$200,000,000 market capitalisation based on the 7 days volume weighted average (VWAP) ;
- Tranche 3 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into Shares (on a one for one basis) will vest on the date that the Company achieving a \$250,000,000 market capitalisation based on the 7 days volume weighted average (VWAP) ;

8) RESERVES (CONTINUED)
Employees

The Company issued 6,000,000 performance rights to Vection's employees and collaborators. Management's view was that the probability of these performance rights vesting were remote due to the requirement to satisfy a service condition, market condition and is subject to Board discretion. As such, the performance rights were valued at nil.

JMC Group

The Company issued 4,793,417 performance rights to JMC Group with the terms of acquisition. The key terms of the performance rights will be as follows:

- Class A Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$8.8M1 in audited revenue or \$0.5M1 in audited EBITDA in the applicable 2021 fiscal year.²
- Class B Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$14.2M1 in audited revenue or \$1.5M1 in audited EBITDA in the applicable 2022 fiscal year.³
- Class C Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$20.8M1 in audited revenue or \$3M1 in audited EBITDA in the applicable 2023 fiscal year.⁴

The fair value of these performance rights is \$479,341.71 and is treated as deferred consideration.

9) EARNING PER SHARE

	CONSOLIDATED	
	AS AT 31 DEC 2021 \$	AS AT 31 DEC 2020 \$
Loss attributable to ordinary shareholders (overall)	(2,421,671)	(1,469,588)
Loss attributable to ordinary shareholders (continuing operations)	(264,494)	(1,432,178)
Loss attributable to ordinary shareholders (discontinued operations)	(2,157,177)	(37,410)
Weighted average number of ordinary shares	1,032,925,248	97,945,927
Basic loss per share calculation (loss / weighted avg. shares)	(0.209)	(0.164)
Basic loss per share calculation (continuing operations)	(0.234)	(0.160)
Basic loss per share calculation (discontinued operations)	-	(0.004)

10) SEGMENT REPORTING

	DISCONTINUED OPERATIONS	INTEGRATEDXR™ SOLUTIONS AND SERVICES	CORPORATE	TOTAL
	\$	\$	\$	\$
Half-Year ended 31 December 2021				
Segment revenue	-	9,411,933	(94,918)	9,317,015
Segment expenses	-	(11,098,736)	(639,950)	(11,738,686)
Segment net operating loss after tax	-	(1,686,803)	(734,868)	(2,421,671)
Half-Year ended 31 December 2020				
Segment revenue	-	943,292	(206,052)	737,240
Segment expenses	(38,799)	(1,758,411)	(409,618)	(2,206,828)
Segment net operating loss after tax	(38,799)	(815,119)	(615,670)	(1,469,588)
Segment Assets				
At 31 December 2021	-	15,761,095	30,195,516	45,956,611
Segment Liabilities				
At 31 December 2021	3,176,432	12,659,992	1,710,459	17,546,883

a) DESCRIPTION OF SEGMENTS

The Group's executive directors examine the Group's performance from a core operations perspective and have identified one reportable segment of its continuing business, being its INTEGRATEDXR™ division.

b) SEGMENT REVENUE AND RESULTS

Segment revenue reported above represents revenue generated from external customers. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit before tax earned by each segment without allocation of central corporate and administration costs, employee benefits, depreciation and amortisation, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

c) SEGMENT ASSETS AND LIABILITIES

All assets are allocated to reportable segments other than cash, GST receivables, office equipment, and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. All liabilities are allocated to reportable segments other than corporate creditors. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

11) CONTINGENT LIABILITIES AND COMMITMENTS

The Group did not have any contingent liabilities as at Reporting Date (30 June 2021: Nil.)

12) SUBSEQUENT EVENTS

Following the end of the financial year end, the Company:

- On 8 January 2021 the Company issued 1,000,000 Performance Rights to key personnel under the Company's Employee Incentive Plan that was approved by shareholders at its 2021 AGM. This initiative aims at aligning key personnel's interest to that of the Company's shareholders in addition to assisting in the retention of key staff as the Company progresses its global growth strategy. The incentive framework established by the Company's Board of Directors seeks to ensure performance hurdles that are value accretive for its shareholders.

The impact of the Coronavirus (COVID-19) pandemic is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Vection Technologies Limited:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the Half-Year ended on that date; and
 - (ii) complying with Australian Accounting Standards, AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Mr Bert Mondello
Chairman

Dated at Perth, Western Australia this 28th day of February 2022

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Independent Auditor's Review Report To the Members of Vection Technologies Limited

We have reviewed the accompanying half-year financial report of Vection Technologies Limited, which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Vection Technologies Limited and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Vection Technologies Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vection Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report Vection Technologies Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'David Wall'.

David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 28 February 2022