

31 October 2022, Australia

ASX RELEASE

STRONG START OF FISCAL YEAR WITH DOUBLE DIGIT GROWTH

SEPTEMBER 2022 (Q1 FY23) ACTIVITIES AND CASHFLOW REPORT

Vection Technologies Ltd (ASX:VRI, OTC:VCTNY), the INTEGRATEDXR[®] company, is pleased to update the market on its activities and associated cash flows and cash position for the quarter ended September 2022 and up to the date of this announcement.

HIGHLIGHTS:

- Vection Technologies delivers ~60% growth in Q1 cash receipts compared to the previous corresponding period (PCP).
- FY23 Total Contract Value (TCV) grows to \$6 million, up by ~20% compared to the previous corresponding period (PCP).
- Strong strategy expected to deliver full fiscal 2023 revenue guidance of \$24 to \$26 million.
- Strong advancement of communication strategy to position the Company as a leader in the fast-growing Metaverse and XR space.

OVERVIEW:

Vection Technologies has delivered a strong start to fiscal 2023, with cash receipts growing by ~60% compared to the previous corresponding period (PCP), and first quarter Total Contract Value (TCV) growing to \$6 million, up by ~20% PCP (Previous corresponding period: \$5 million).

This growth is an early indicator of sustained growth and scale for fiscal 2023, expected to generate a revenue guidance of \$24 to \$26 million. During the first quarter of fiscal 2023, the Company continued to invest in infrastructure, people, and IP development, leading to a final cash position of ~14 million.

This robust cash position will enable the Company to continue to pursue the fast-growing metaverse opportunity through its INTEGRATEDXR[®] offering, supported by a strong infrastructure, sales channels, and R&D department.

■ **VECTION TECHNOLOGIES LTD**

ASX:VRI; OTC:VCTNY | ACN: 614 814 041

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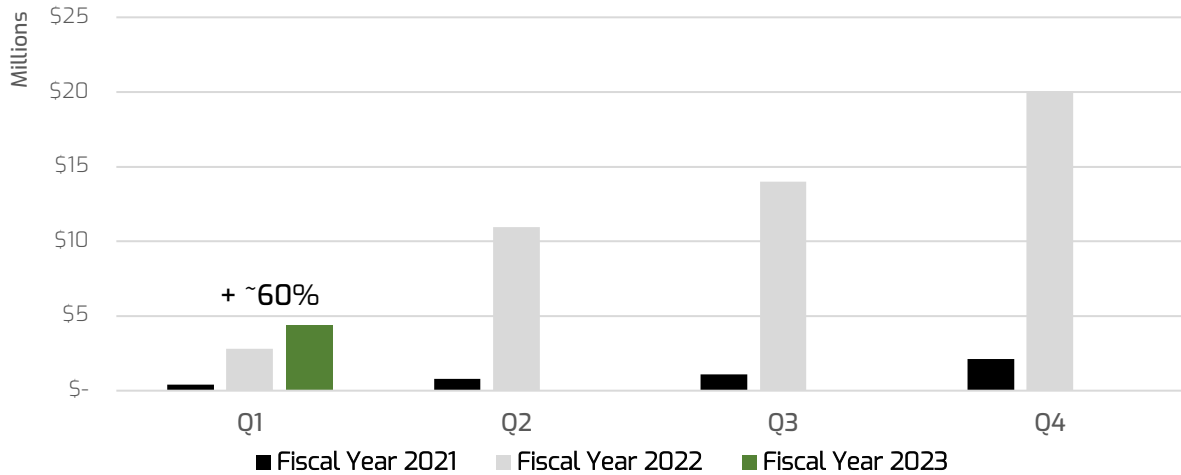
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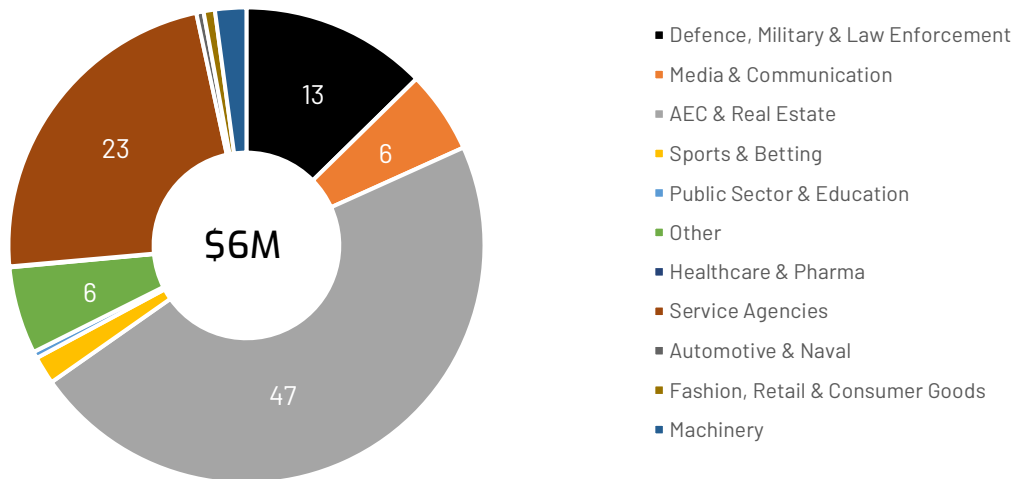
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CUMULATIVE CASH RECEIPTS BY QUARTER (FY21, FY22 & FY23):


During the first quarter of fiscal 2023, the Company successfully grew its cash receipts by ~60% compared to the previous corresponding period. The Company notes that most of its current revenue generating activities are still dependant on upfront and implementation fees (in addition to a recurring revenue component). Therefore, cash receipts and TCV metrics can significantly vary each period, while organically growing on a full year basis.

**Q1 FY23 TOTAL CONTRACT VALUE (TCV) (in %):
 INTEGRATEDXR[®] VISION FOR CROSS-SECTORAL CHALLENGES**

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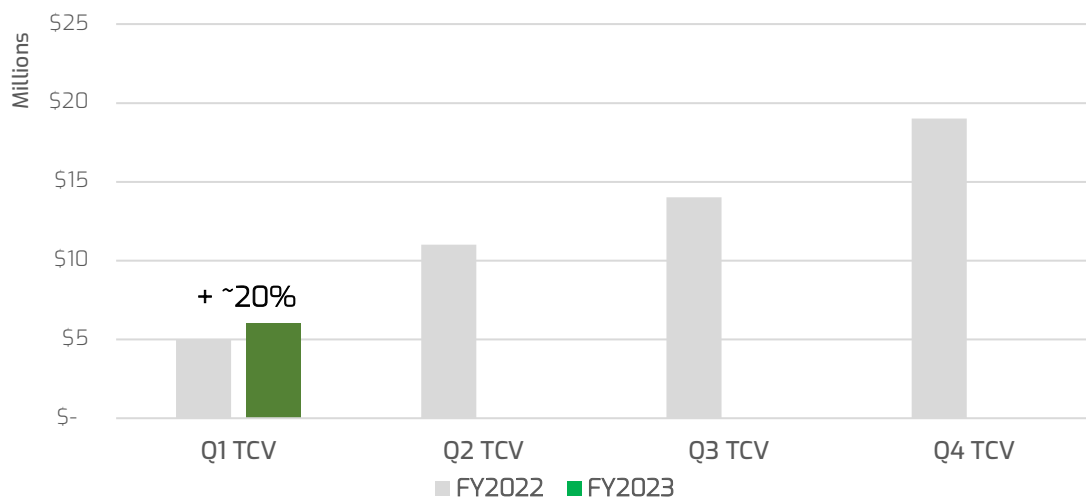
During the first quarter of fiscal 2023, the Company significantly advanced its commercial activities with Service Agencies, while maintaining a strong presence in Defence, Military & Law Enforcement and AEC & Real Estate.

During the next quarter, Vection Technologies is assessing critical opportunities within the Defence, Military & Law Enforcement sector to deliver long-term strategic growth.

The Total Contract Value is a metric that combines all contracts executed with clients that the Company expects to deliver during the current fiscal year.

Furthermore, the Company's management has confirmed the validity of its healthcare and pharma division, with growing opportunities within the European market. Aligned with this strategic view, the Company is currently evaluating new management additions and organizational changes to enable an effective and sustainable growth within this strategic sector.

CUMULATIVE TOTAL CONTRACT VALUE (TCV) BY QUARTER ANNOUNCEMENT DATE (FY22 AND FY23):



COMPANY QUARTERLY ACTIVITIES OVERVIEW:

Online Activation Strategy:

During the first quarter of fiscal 2023, the Company continued its online activation strategy to build an additional source of organic leads from website traffic. The main activities of the Company during the period focussed on the U.S. market with strong encouraging results. The Company notes that this is a long-term strategy also aimed at building its global awareness across web and social channels.

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Global Events:

During the quarter, the Company continued to accelerate its participation in global events aimed at generating increased brand awareness towards its target markets.



Image 1: Vection Technologies at Cersaie 2022.

In particular, the Company participated at CERSAIE 2022, the International Exhibition of Ceramic Tile and Bathroom Furnishings. Cersaie 2022 recorded 91,296 attendees over the five days of the exhibition, an increase of around 50% compared to last year's edition, which had marked one of the first returns of a major exhibition in the difficult post-pandemic period.



Image 2: Vection Technologies at Cersaie 2022.

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Furthermore, the Company continued to promote 3DFrame for Webex by Cisco to clients, partners, and distributors. 3DFrame is the no-code metaverse presentations App that brings Webex meetings' content to life (more information here: <https://vection-technologies.com/solutions/products/3d-frame/webex>).



Image 3: Davide Grandis, Webex TSA, Center of Excellence EMEA, presenting 3DFrame at a TechData event.

In October 2022, the Company also participated at GITEX 2022, held in Dubai. GITEX GLOBAL has been the undisputed tech event for the last 41 years. It features every major technology player, trend and vertical, and it covers sectors including smart cities, cybersecurity, the data economy, mobility, healthcare, and telecoms.

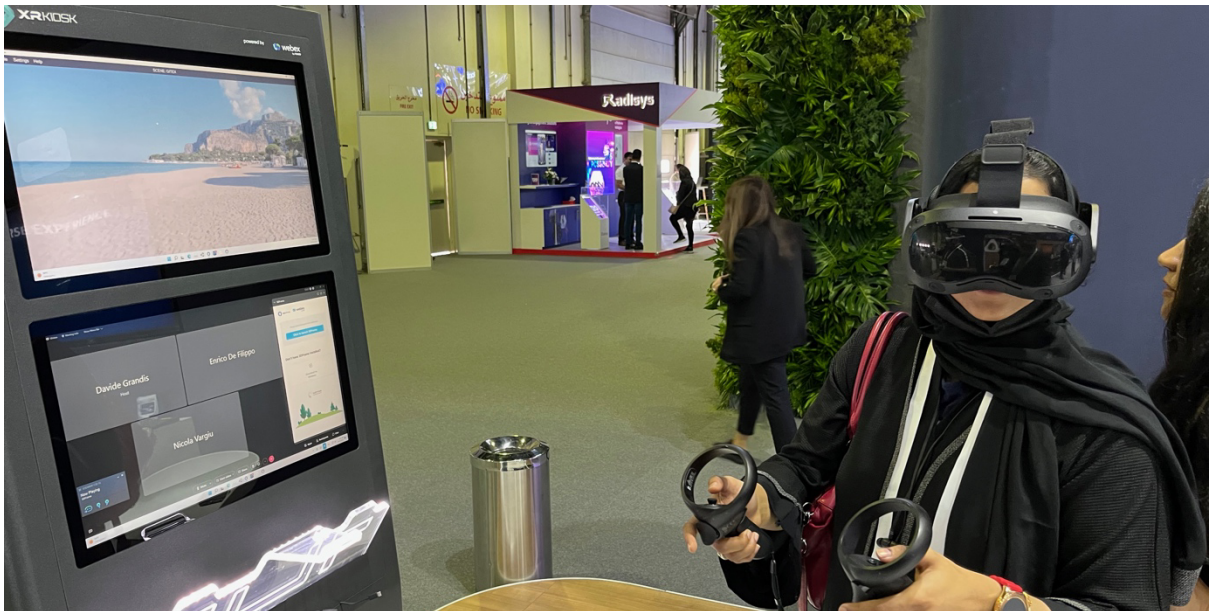


Image 4: Vection Technologies at GITEX 2022, with 3DFrame and XRKiosk Powered by Webex.

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Partners:

During the quarter, the Company continued to work with consulting & service providers and Fortune Global 500 professional services partners. These efforts have led to a growing pipeline of opportunities across several industrial sectors, also reflected in the TCV metric.

Research and Development (R&D) Activities:

During the quarter, the Company continued to invest in R&D activities towards the further development of its INTEGRATEDXR[®] suite.

The Company notes that R&D activities are not included in the cashflow report as they are independently evaluated by subject matter experts at the end of each reporting period for local fiscal reason within its European entities.

COMPANY QUARTERLY FINANCIAL OVERVIEW:

Total quarterly cash receipts from clients for the quarter ended 30 September 2022 were ~\$4M (Q3 FY22 Cash Receipts from customers: ~\$6M).

A robust cash balance of ~\$14M (30 June 2022: ~\$15M) provides strong foundations for management to deliver on the overarching strategic growth objectives, including its aggressive acquisition strategy.

Business activities expenditure totalled ~\$5.8M for the quarter, consisting of administration (~\$0.7M) and R&D, staff costs and operating cost of sales (combined ~\$4.8M), with the balance to advertising and marketing and leased assets (combined ~\$0.3M).

During the next quarter and specifically during the second half, the Company expects to significantly improve its underlying result as it implements significant efficiencies and grows its cash inflows from operating activities.

The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$99k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

OUTLOOK:

The Company expects to continue its growth trajectory during fiscal 2023, as a result of the ongoing strong investments performed during fiscal 2022.

The Company also notes that it is progressing with multiple discussions in relation to potential global acquisitions.

As businesses increase the adoption of Extended Reality (XR) -based solutions, Vection Technologies remains strongly positioned to capitalize on this inevitable growth trend.

ENDS

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INVESTOR RELATIONS CONTACT DETAILS:

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ABOUT VECTION TECHNOLOGIES:

Vection Technologies is a growing enterprise-focused company that helps businesses bridge the physical and digital worlds. We help organizations leverage their 3D data via powerful extended reality (XR) interfaces that foster collaboration and learning, grow sales and more.

Vection Technologies is listed on the Australian Securities Exchange (ASX) with ticker code VR1, and trades on the U.S. over-the-counter (OTC) markets under the symbol VCTNY.

For more information, please visit: www.vection-technologies.com

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

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.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

VECTION TECHNOLOGIES LIMITED

ABN

93 614 814 041

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,410	4,410
1.2 Payments for		
(a) research and development	(22)	(22)
(b) product manufacturing and operating costs	(3,578)	(3,578)
(c) advertising and marketing	(124)	(124)
(d) leased assets	(159)	(159)
(e) staff costs	(1,205)	(1,205)
(f) administration and corporate costs	(743)	(743)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	63	63
1.5 Interest and other costs of finance paid	(45)	(45)
1.6 Income taxes paid	(140)	(140)
1.7 Government grants and tax incentives	10	10
1.8 Other (provide details if material)	(104)	104
1.9 Net cash from / (used in) operating activities	(1,635)	(1,635)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Cash and cash equivalents acquired from acquisition	-	-
2.6	Net cash from / (used in) investing activities	(4)	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,348	1,348
3.6	Repayment of borrowings	(738)	(738)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	610	610

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,915	14,915
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,635)	(1,635)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	610	610
4.5	Effect of movement in exchange rates on cash held	17	17
4.6	Cash and cash equivalents at end of period	13,902	13,902

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	13,902	14,915
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details if material)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	13,902	14,915

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	99
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	4,112	4,112
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,112	4,112
7.5	Unused financing facilities available at quarter end		1,455
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>Terms of the borrowings:</p> <ul style="list-style-type: none"> National Australia bank loan by the Company which is unsecured, has a 3 years term with an expiry date of 27 April 2023. The loan has a variable Interest rate of 5.75%. A fixed rate bank loan provided by Banco BPM to Vection Italy. The loan has a 6 years term with an expiry date of 19 May 2026. The loan has a fixed Interest rate of 1.25% A variable rate bank loan provided by Intesa San Paolo to Vection Italy. The loan has a 6 years term with an expiry date of 9 June 2026. The loan has a variable Interest rate of circa 1.75% plus EURIBOR 1m 360. An invoice financing facility provided by BPER to Vection Italy. This is a short term liability at an interest rate of 2.6% An invoice financing facility provided by BPM to Vection Italy. This is a short term liability at an interest rate of 3.05% An invoice financing facility provided by Banca Cambiano to Vection Italy. This is a short term liability at an interest rate of 3.377% Two invoice financing facilities provided by Intesa San Paolo to Vection Italy. They are short term loan at an interest rate of 3.125% An invoice financing facility provided by Intesa San Paolo to Vection Health. This is a short term liability at an interest rate of 2.75% 		

- A Banco BPM bank loans by JMC Group. The loans have a 6 years terms with expiry date of 13 August 2026. The loans have a variable Interest rate of 1.25% + EURIBOR 3m 360.
- A Banca Monte Dei Paschi Di Siena (MPS) bank loan by JMC Group. The loan has a 71 months terms with an expiry date of 31 October 2026. The loan has a variable Interest rate of 0.45% + EURIBOR 6m 360.
- A fixed rate facility provided by Dell Financial Services to JMC Group. The facility has 3 years term with an expiry date of 1 January 2024. The average overall effective rate is 8.95%.
- Three fixed rate leasing facilities provided by Dell Financial Services to JMC Group. The facilities have 3 years term and interest rate of 7.85%, 8.10% and 8.11%.
- An Invoice financing facility provided by MPS to JMC GROUP. This Is a short term liability at an interest rate of 1%.
- An Invoice financing facility provided by BPM to JMC GROUP. This Is a short term liability at an interest rate of 1%
- A variable rate bank loan provided by Banco BPM bank loans to Xinntex. The loans have a 6 years terms with expiry date of 11 March 2027. The loans have a variable Interest rate of 1.4% + EURIBOR 3m 360.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,635)
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,902
8.3	Unused finance facilities available at quarter end (item 7.5)	1,455
8.4	Total available funding (item 8.2 + item 8.3)	15,357
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.39
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.