

ASX RELEASE

VECTION ENTERS LEADING STRATEGY PHASE WITH GROWING MOMENTUM FOR 2021

VECTION ANNOUNCES FINANCIAL RESULTS FOR THE HALF-YEAR TO 31 DECEMBER 2020

Real-time software company Vection Technologies Ltd (**ASX:VR1**) (**Vection Technologies, Vection** or the **Company**) has announced its results for the half year ended 31 December 2020.

Highlights:

- **Vection officially enters its Leading Strategy phase underpinned by a Build / Acquire / Partner approach**
- **First vertical initiatives expected from March 2021**
- **Strong growth signs in the first months of 2021, with contracts value exceeding first-half revenue**
- **Expected growth for the second half of the fiscal year also from agreements with Olivetti TIM Group, Trenitalia, DELL via JMC Group, Mutti, HP, Cisco, CGM, Public healthcare and more**
- **Investor conference call to be held on Wednesday, 3 March 2021 at 12.00 AEST**

Leading Strategy:

Following the completion of the first two phases of its overarching strategy – namely, Rebuilding (2017-2018) and Transforming (2019-2020) – resulting in the development of its solid core technology stack, the Company has now **progressed to the Leading Strategy phase (2021-2023), with “Verticalisation” being its first foundational step.**

The Verticalisation approach seeks to significantly expand Vection’s footprint in companies’ application landscapes, segmenting industrial markets while capturing new business opportunities, protecting market positions and averting competitive threats.

As part of this approach, Vection wants to develop highly verticalised extensions to its core technology stack aimed at anchoring its solutions in clients’ core processes. The Company will follow a **Build / Acquire / Partner strategy** where, in each vertical industry, it will analyse the benefits of internally building functionality, working with a partner or acquiring companies.

Vection Technologies Ltd (ASX:VR1) ACN: 614 814 041

1

Asia Pacific

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Leederville WA 6007
Phone: +618 6380 2555

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Media Enquiries

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3D



VIRTUAL
REALITY



AUGMENTED
REALITY



INDUSTRIAL
IoT



CAD

First Half Overview:

Perduring challenging COVID-19 conditions and the implementation of the Company's long-term strategy during 2020, have generated a lag in the first half revenue for the 2021 fiscal year, following two years of consecutive double-digit revenue growth.

This growth divergence reflects the proactive implementation of a long-term strategy by management to successfully navigate the challenging, COVID-19 induced, economic conditions in Europe and North America, aligned with internal projections. **This strategy is already generating strong early growth signs for the second half of the 2021 fiscal year** with an additional ~\$1.3M in secured contracts compared to revenue of ~\$0.74M in the first half, including licence sales, enterprise software integrated projects and long-term commitments. The Company expects to continue this growth trend during the rest of the second half, also via its agreements with Olivetti TIM Group, Trenitalia, DELL via JMC Group, Mutti, HP, Cisco, CGM, Public healthcare and more.

More information on the Company's results and strategy are provided in the investor presentation (slides to be released separately to the market).

Investor Presentation and Call:

Vection's management will host a conference call on Wednesday, 3 March 2021 at 12.00 AEST to discuss the investor presentation (slides to be released separately to the market) and to provide an update of the Company's business strategy and financial performance.

Participants must register in advance for the investor call using the following link to receive dial-in details: https://zoom.us/webinar/register/WN_vqWG9-EmQB6U-skC5Wrk6g

After registering, you will receive a confirmation email containing information about joining the webinar.

Gianmarco Biagi, Managing Director of Vection Technologies, commented:

"The first-half results of the fiscal year reflect the perduring of a challenging COVID-19 environment in the E.U. and North America, although aligned with management's internal projections, with the second half of the fiscal year already showing strong signs of growth with executed contracts exceeding the full first-half revenue.

2020 represented the culmination of the Transformation phase of the Company's overarching strategy, a critical moment for the Company to build the required foundations preparing for the Leading Phase, while also navigating the challenging economic environment. With the arrival of 2021, Vection officially enters the Leading Strategy phase where we see verticalization as the key driver for industry segment growth.

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In each industry, we will analyse the benefits of internally building functionality, working with a partner or acquiring companies. As part of this strategic view, we have identified multiple initiatives within Vection's key geographical areas - Australia, the E.U. and North America - and key industry segments including AEC and Real Estate, Healthcare & Pharma, Communications and Media and more. These initiatives include well-executed M&A transactions, setting up of new divisions with the appointment of executives with ample vertical-specific experience and value accretive partnership opportunities.

Although we foresee the macroeconomic conditions to remain uncertain in the short-term, we are viewing this challenging environment as an opportunity to advance multiple acquisitions during the next 12 months.

Vection's strong cash foundations and tight management controls will enable to pursue this strategy with minimum impact on our existing shareholders, aligning our success to theirs.

Vection's management remain confident on a much stronger second half of the year and on the validity of the overarching strategy underpinning our current and future decision-making."

Vection Technologies Investor Relations Contact Details

Gianmarco Biagi - Managing Director (Europe Based)

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Phone: +39 051 0142248

Gianmarco Orgnoni - Director and COO (Australia Based)

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Phone: +61 8 6380 2555

ENDS

About Vection Technologies:

Vection Technologies Ltd (ASX:VR1) is a multinational software company that focuses on real-time technologies for industrial companies' digital transformation.

Through a combination of our 3D, Virtual Reality, Augmented Reality, Industrial IoT and CAD solutions, Vection Technologies helps companies and organisations to innovate, collaborate and create value.

For more information please visit the Company's websites:

vection.com.au

mindeskvr.com

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



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APPENDIX 4D

28 February 2021

HALF YEAR REPORTING PERIOD ENDING 31 DECEMBER 2020

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

1. Reporting period

Current Period: 6 months ended 31 December 2020

Prior Period: 6 months ended 31 December 2019

2. Results for announcement to the market

	Item	31 December 2020 \$	31 December 2019 \$	Change %
Revenue from ordinary activities	2.1	737,240	2,053,228	-64%
Profit/(Loss) after tax attributable to members from continuing operations	2.2	(1,432,178)	(29,415)	-4,769%
Net Profit/(Loss) attributable to members	2.3	(1,469,588)	(280,714)	-424%
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

Real-time software company Vection Technologies Limited (**ASX:VR1**)(**Vection Technologies, Vection** or the **Company**) reports the following for the half year ended 31 December 2020:

Overview:

Perduring challenging COVID-19 conditions and the implementation of the Company's long-term strategy during 2020, have generated a lag in the first half revenue for the 2021 fiscal year, following two years of consecutive double-digit revenue growth.

This growth divergence reflects the proactive implementation of a long-term strategy by management to successfully navigate the challenging, COVID-19 induced, economic conditions in Europe and North America, aligned with internal projections. This strategy is already generating strong early growth signs for the second half of the 2021 fiscal year with an additional ~\$1.3M in secured contracts compared to ~\$0.74M in revenue for the first half, including licence sales, enterprise software integrated projects and long-term commitments.

Financial Highlights include:

- **First Half FY21 Total Revenue decrease by 64% compared to First Half FY20 with \$1.3M in secured contracts in the second half**
- **Total Assets at 31 December 2020 increase by 30% compared to 30 June 2020**
- **Net Assets at 31 December 2020 Increase by 112% compared to 30 June 2020**

First Half FY21 Total Revenue was \$737,240 (1H FY20: \$2,053,228) with 1H FY21 Underlying EBITDA of \$1,067,675 (1H FY20: \$5,404).

Vection's balance sheet is strong, ending the year with a cash balance of \$7,129,469 (30 June 2020: \$1,584,715). Total Assets at 31 December 2020 were \$21,114,604 (30 June 2020: \$16,227,711) while Net Assets were \$12,833,160 (30 June 2020: \$6,059,365).

Total expenditure from ordinary activities (including discontinued operations) \$2,208,573 was lower (6%) than prior period (Half Year 2020: \$2,340,247).

Vection Technologies posted an after-tax loss attributed to members (Including discontinued operations) of \$1,469,588 for the Half Year ended 31 December 2020 (31 December 2019: loss \$280,714). 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-20	31-Dec-19
	\$	\$
Profit (Loss) after Income Tax	(1,469,588)	(280,714)
Interest and Financing related Costs	49,588	39,467
Depreciation and Amortisation	309,283	219,248
Non-Cash Accounting charges	41,297	22,900
Income Tax	1,745	(6,305)
Underlying EBITDA¹	(1,067,675)	(5,404)

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

Operational Highlights:

During the Half Year ended 31 December 2020, Vection Technologies strongly progressed its mission to deliver proprietary real-time software to industrial companies enabling the digital transformation of workflows, and successfully concluded its 6-months objectives, aligned with its three stated building blocks (Technology, Partnerships and Growth):

- **Technology**, with:
 - The launch of Mindesk 2020.3;
 - A provisional patent lodgement for Healthcare Augmented Reality (**AR**) solutions;
 - The launch of Mindesk 2020.4 officially bringing to market Network Multi-User VR CAD; and
 - The global launch of the Dell Technologies (**DELL**) powered Virtual Reality (**VR**) integrated solution for enterprise, VRONE.

- **Partnerships**, with:
 - An Original Equipment Manufacturer (**OEM**) partnership agreement to introduce Vection's real-time software suite to DELL's Software and Peripherals (**SnP**) global sales program with SnP MFG ID 3123 3rd Party Vendor Code, via JMC Group Srl (**JMC**);
 - An initial collaboration with Trenitalia S.p.A., one of the leading railway operators in Europe and the primary train operator in Italy, and a subsidiary of Ferrovie dello Stato Italiane S.p.A., owned by the Italian government;
 - A Memorandum of Understanding (**MoU**) with Olivetti, the fully owned IoT Digital Farm of TIM Group (BIT:TIT), leading telecommunications operator in Italy;
 - The entry into the Facebook Oculus Independent Software Vendor (**ISV**) program;
 - The acceptance into the Autodesk's Global Outsight Network Residency program as part of the Microsoft HoloLens 2 Autodesk Request For Proposal (RFP); and
 - The agreement with Cisco Italy for XR collaboration.

- **Growth**, with a strengthened global distribution network now counting over 50 partners and the opening of new verticals with initial tier-1 clients.

Organisation & People:

During the first half of fiscal year 2021, the Company significantly advanced its recruitment efforts, considered pivotal for the implementation of the Leading Strategy phase. As part of these efforts, Vection has identified a pool of internationally based senior talent to support the internal development of industry-specific functionality for its core technology stack.

Following a staged induction process, these professionals will join the Company in the February-April 2021 period, with a number of these relocating to Vection's R&D centres from their respective countries of residence, respectful of the jurisdictional COVID-19 measures in place.

Financial Strategy:

During the first half of fiscal year 2021, the Company concluded its Smart Capital Strategy, ensuring a non-dilutive value accretive outcome for its stakeholders, having secured ~\$1.6M in strategic funding from the Italian Government's National Agency for Investment Attraction and Business Development, of which ~\$1.1M as an interest-free working capital facility (30% non-refundable and 70% refundable in 10 years), and ~\$0.5M as a non-refundable grant from the European Commission. Furthermore, the Company completed a ~\$6M oversubscribed placement from institutional and sophisticated investors.

This robust cash foundation (31 December: \$7.1M), will enable Vection to pursue its Leading Strategy phase, while accelerating its strategic core-business operations and research and development activities.

Corporate Overview:

During the first half of fiscal year 2021, the Company issued 66,666,667 fully paid ordinary shares (**Shares**) pursuant to a ~\$6M oversubscribed placement from institutional and sophisticated investors (**Placement**), in addition to 4,005,505 Shares issued in lieu of payment of historical advisory services to ensure the strategic utilisation of all funds towards the achievement of the Company's long-term revenue growth strategy. Furthermore, the Company agreed to issue 35,000,000 unlisted options to advisors (or nominees) pivotal in ensuring the successful participation in the Placement of prominent Australian institutional investors. The unlisted options have an exercise price of \$0.112 (25% premium to Placement Share price) and an expiry of 3 years from the date of their issue. (ASX: 9 October 2020)

Moreover, during the first half of fiscal year 2021, in accordance with the terms of the performance rights issued in relation to the acquisition of Vection Italy, as approved at the Company's General Meeting on 11 April 2019, 50,000,000 Tranche 2 Performance Rights A vested and converted into fully paid ordinary Company shares, having met the applicable vesting criteria, following the strong performance of Vection Italy during FY20. (ASX: 2 October 2020)

Lastly, during the first half of fiscal year 2021, in accordance with the terms of the Company's Performance Rights Plan, most recently approved at the Company's Annual General Meeting on 25 November 2019, 18,000,000 Class B Performance Rights held by Directors and 4,500,000 Class B Performance Rights held by Advisors vested and converted into Shares, having met the applicable vesting criteria. (ASX: 9 July 2020, 14 August 2020, 22 September 2020)

Explanation of Loss:

The Company's loss for the Half Year ended 31 December 2020 of \$1,469,588 (31 December 2019: \$280,714) is largely attributed to the impact of COVID-19 with significant contract work deferred to the second half. The Company also incurred non-cash expenses including depreciation and amortisation \$309,283.

As the Company progresses its overarching growth strategy, it expects to deliver a strong full financial year result.

Cash Position:

Cash as at 31 December 2020 was ~\$7,129,469. The Company had significant receivables outstanding at 31 December 2020 of ~\$1,870,719.

Outlook:

Following the completion of the first two phases of its overarching strategy – namely, Rebuilding (2017-2018) and Transforming (2019-2020) – resulting in the development of its solid core technology stack, the Company has now progressed to the Leading Strategy phase (2021-2023), with “Verticalisation” being its first foundational step. The Verticalisation approach seeks to significantly expand Vection’s footprint in companies’ application landscapes, segmenting industrial markets while capturing new business opportunities, protecting market positions and averting competitive threats.

As part of this approach, Vection wants to develop highly verticalised extensions to its core technology stack aimed at anchoring its solutions in clients’ core processes. The Company will follow a Build / Acquire / Partner strategy where, in each vertical industry, it will analyse the benefits of internally building functionality, working with a partner or acquiring companies.

During the first half of the 2021 fiscal year, the Company has identified multiple initiatives to accelerate the Leading Strategy phase within Vection’s key geographical areas, 1) Australia, 2) the E.U. and North America, and key industry segments including AEC and Real Estate, Healthcare and Pharma, Communications and Media, Consulting and more. These initiatives include well-executed M&A transactions, setting up of new divisions with the appointment of executives with ample vertical-specific experience and value accretive partnership opportunities.

Aligned with this rationale, the Company’s management is assessing a restructuring of its international divisions to establish the optimal framework to carry-out the Leading Strategy and Verticalisation phase.

Under this restructuring, within the next 12 months and subject to fiscal and regulatory regulations, the Company seeks to harness its international market presence via the establishment of three sub-holdings in each relevant jurisdiction (Australasia, Europe and North America). Each sub-holding will retain its own subordinate board of directors, in charge of growing the core technology stack with verticalisations in each geography and target industry, enabling strong synergies and cross-selling opportunities within the existing and new subsidiaries.

3. Net tangible assets per security

	31 December 2020	31 December 2019
Net tangible asset per share (cents per share)	0.09	(0.06)

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 2021 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**

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VECTION
TECHNOLOGIES

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31 December 2020

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2020

Vection Technologies Limited

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2020 and any announcements to the market during the half-year ended 31 December 2020.

ASX:VR1 ACN 614 814 041

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LETTER FROM MANAGING DIRECTOR



Gianmarco Biagi
Managing Director
Vection Technologies Ltd

Dear Shareholders,

I am pleased to report on the progress of Vection Technologies Ltd for the half year ended 31 December 2020.

The first half of the fiscal year was still heavily impacted by the perduration of the COVID-19 economic impact in the Company's key geographies, the E.U. and North America, and by the proactive implementation of our long-term strategy to successfully navigate these uncertain times. This strategy is already showing early strong signs of success with additional secured contracts exceeding the first half revenue.

Furthermore, 2020 represented the culmination of the Transformation phase of the Company's overarching strategy, a critical moment for the Company to build the required foundations preparing for the Leading Phase, while also navigating the challenging economic environment. With the arrival of 2021, Vection officially enters the Leading Strategy phase where we see verticalization as the key driver for industry segment revenue growth. In each industry, we will analyse the benefits of internally building functionality, working with a partner or acquiring companies. As part of this strategic view, we have identified multiple initiatives within Vection's key geographical areas - Australia, the E.U. and North America - and key industry segments including AEC and Real Estate, Healthcare, Communications and Media, Consulting and more. These initiatives include well-executed M&A transactions, setting up of new divisions with the appointment of executives with ample vertical-specific experience and value accretive partnership opportunities.

Although we foresee the macroeconomic conditions to remain uncertain in the short-term, we are viewing this challenging environment as an opportunistic to advance multiple acquisitions during the next 12 months.

Vection's strong cash foundations and tight management controls will enable to pursue this strategy with minimum impact on our existing shareholders, aligning our success to theirs.

Vection's management remain confident on a much stronger second half of the year and on the validity of the overarching strategy underpinning our current and future decision-making.

Gianmarco Biagi

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DIRECTORS' REPORT

The Directors of Vection Technologies Ltd (the **Company, Group** or **VR1**) present the Interim Financial Report for the period ended 31 December 2020 and the auditor's review report.

DIRECTORS

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

Mr Gianmarco Biagi

Managing Director

Mr Gianmarco Orgnoni

Executive Director & Chief Operating Officer

Mr Lorenzo Biagi

Executive Director & Chief Sales Officer

Mr Gabriele Sorrento

Non-Executive Director & Head of Global Partnerships

Mr Umberto (Bert) Mondello

Non-Executive Chairman

PRINCIPAL ACTIVITIES

During the period, the principal continuing activity of the Group consisted in developing real-time software for industrial companies' digital transformation. Through a combination of 3D, Virtual Reality, Augmented Reality, Industrial IoT and CAD solutions, Vection Technologies helps companies and organisations to innovate, collaborate and create value.

REVIEW OF OPERATIONS

Perduring challenging COVID-19 conditions and the implementation of the Company's long-term strategy during 2020, have generated a lag in the first half revenue for the 2021 fiscal year, following two years of consecutive double-digit revenue growth.

This growth divergence reflects the proactive implementation of a long-term strategy by management to successfully navigate the challenging, COVID-19 induced, economic conditions in Europe and North America, aligned with internal projections. This strategy is already generating strong early growth signs for the second half of the 2021 fiscal year with an additional ~\$1.3M in secured contracts compared to ~\$0.74M in revenue for the first half, including licence sales, enterprise software integrated projects and long-term commitments.

DIRECTORS' REPORT (CONTINUED)

During the Half Year ended 31 December 2020, Vection Technologies strongly progressed its mission to deliver proprietary real-time software to industrial companies enabling the digital transformation of workflows, and successfully concluded its 6-months objectives, aligned with its three stated building blocks (Technology, Partnerships and Growth):

- **Technology**, with:
 - The launch of Mindesk 2020.3;
 - A provisional patent lodgement for Healthcare Augmented Reality (**AR**) solutions;
 - The launch of Mindesk 2020.4 officially bringing to market Network Multi-User VR CAD; and
 - The global launch of the Dell Technologies (**DELL**) powered Virtual Reality (**VR**) integrated solution for enterprise, VRONE.

- **Partnerships**, with:
 - An Original Equipment Manufacturer (**OEM**) partnership agreement to introduce Vection's real-time software suite to DELL's Software and Peripherals (**SnP**) global sales program with SnP MFG ID 3123 3rd Party Vendor Code, via JMC Group Srl (**JMC**);
 - An initial collaboration with Trenitalia S.p.A., one of the leading railway operators in Europe and the primary train operator in Italy, and a subsidiary of Ferrovie dello Stato Italiane S.p.A., owned by the Italian government;
 - A Memorandum of Understanding (**MoU**) with Olivetti, the fully owned IoT Digital Farm of TIM Group (BIT:TIT), leading telecommunications operator in Italy;
 - The entry into the Facebook Oculus Independent Software Vendor (**ISV**) program;
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 - The agreement with Cisco Italy for XR collaboration.

- **Growth**, with a strengthened global distribution network now counting over 50 partners and the opening of new verticals with initial tier-1 clients.

OUTLOOK

Following the completion of the first two phases of its overarching strategy – namely, Rebuilding (2017-2018) and Transforming (2019-2020) – resulting in the development of its solid core technology stack, the Company has now progressed to the Leading Strategy phase (2021-2023), with “Verticalisation” being its first foundational step. The Verticalisation approach seeks to significantly expand Vection's footprint in companies' application landscapes, segmenting industrial markets while capturing new business opportunities, protecting market positions and averting competitive threats.

As part of this approach, Vection wants to develop highly verticalised extensions to its core technology stack aimed at anchoring its solutions in clients' core processes. The Company will follow a Build / Acquire / Partner strategy where, in each vertical industry, it will analyse the benefits of internally building functionality, working with a partner or acquiring companies.

DIRECTORS' REPORT (CONTINUED)

During the first half of the 2021 fiscal year, the Company has identified multiple initiatives to accelerate the Leading Strategy phase within Vection's key geographical areas, 1) Australia, 2) the E.U. and North America, and key industry segments including AEC and Real Estate, Healthcare and Pharma, Communications and Media, Consulting and more. These initiatives include well-executed M&A transactions, setting up of new divisions with the appointment of executives with ample vertical-specific experience and value accretive partnership opportunities.

Aligned with this rationale, the Company's management is assessing a restructuring of its international divisions to establish the optimal framework to carry-out the Leading Strategy and Verticalisation phase.

Under this restructuring, within the next 12 months and subject to fiscal and regulatory regulations, the Company seeks to harness its international market presence via the establishment of three global centres in each relevant jurisdiction (Australasia, Europe and North America) to grow the core technology stack with verticalisations in each geography and target industry, enabling strong synergies and cross-selling opportunities within the existing and new subsidiaries.

RESULTS

The Company incurred a loss of \$1.5m after income tax for the period (First Half 2020: loss \$0.3m).

This atypical loss is a result of perduring challenging COVID-19 conditions and the implementation of the Company's long-term strategy during 2020, which have generated a decline in the first half revenue for the 2021 fiscal year, following two years of consecutive double-digit revenue growth.

This growth divergence reflects the proactive implementation of a long-term strategy by management to successfully navigate the challenging, COVID-19 induced, economic conditions in Europe and North America, aligned with internal projections. This strategy is already generating strong early growth signs for the second half of the 2021 fiscal year with an additional ~\$1.3M in secured contracts compared to to ~\$0.74M in revenue for the first half, including licence sales, enterprise software integrated projects and long-term commitments.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

- Released the Mindesk Suite 2021, representing a significant milestone for the Company incorporating XR for leading devices including Microsoft Hololens 2, Varjo XR1 and Varjo XR3;
- Announced an Original Equipment Manufacturer agreement with multinational technology company HP In, anticipated to be material for the Company based on the expanded commercial ability of the Company via HP's global network.
- 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 2019 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

DIRECTORS' REPORT (CONTINUED)

EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

- 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.

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 2020.

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 Gianmarco Orgnoni

Executive Director & Chief Operating Officer

Dated at Perth, Western Australia this 28th day of February 2021.

RSM Australia Partners

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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 2020, 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 2021

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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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VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated (Period Ended)	
		31 Dec 2020	31 Dec 2019
		\$	\$
Revenue			
Revenue	2	737,240	2,053,228
Expenses			
Administration expense		2,318	411,901
Employee benefits expense		461,813	810,892
Consulting and professional fees		625,282	454,914
Finance costs		49,588	39,457
Depreciation and amortisation		309,283	175,553
Impairment		11,428	19,748
Other expenses	2	681,582	173,331
Share based payments		29,869	3,152
Total Expenditure		2,171,163	2,088,948
Loss before income tax expense		(1,433,923)	(35,720)
Income tax (expense)/ benefit		1,745	6,305
Loss after income tax attributable to equity holders from continuing operations		(1,432,178)	(29,415)
Discontinued Operations			
Loss for the year after income tax from discontinued operations	16	(37,410)	(251,299)
Loss after income tax attributable to equity holders of Vection Technologies Ltd		(1,469,588)	(280,714)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(217,981)	76,693
Total comprehensive loss for the period		(217,981)	76,693
Total comprehensive loss attributable to equity holders of Vection Technologies Ltd		(1,687,569)	(204,021)
Loss per share for the year attributable to the members of Vection Technologies Ltd			
Discontinued operations profit (loss) per share for the year (per share)	14	(0.004)	(0.038)
Continuing operations loss per share for the year (per share)	14	(0.160)	(0.004)
Overall basic and diluted loss per share	14	(0.164)	(0.042)

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

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated	
		At 31 Dec 2020	At 30 June 2020
		\$	\$
Current Assets			
Cash and cash equivalents	3	7,129,469	1,584,715
Trade and other receivables	4	1,870,719	2,149,552
Inventory		18,760	-
Total Current Assets		9,018,948	3,734,267
Non-Current Assets			
Property, plant & equipment	5	66,574	76,859
Intangible assets	6	11,971,250	12,364,455
Financial assets	7	57,832	52,130
Total Non-Current Assets		12,095,656	12,493,444
Total Assets		21,114,604	16,227,711
Current Liabilities			
Trade and other payables	8	2,048,040	2,272,404
Other provisions	9	2,803,485	3,321,031
Borrowings	10	481,654	427,606
Current tax liabilities		4,598	19,878
Lease liabilities		127,886	94,322
Total Current Liabilities		5,465,663	6,135,241
Non-Current Liabilities			
Other provisions	9	1,404,198	2,518,969
Deferred tax liabilities		597,960	604,233
Lease liabilities		424,712	487,713
Borrowings	10	388,911	422,190
Total Non-Current Liabilities		2,815,781	4,033,105
Total Liabilities		8,281,444	10,168,346
Net Assets		12,833,160	6,059,365
Equity			
Issued capital	11	29,314,115	22,376,991
Reserves	12	1,537,117	230,858
Accumulated losses	13	(18,018,072)	(16,548,484)
Total Equity		12,833,160	6,059,365

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

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

	Consolidated (Period Ended 31 December 2020)				
	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$		\$
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 for the period	-	(1,469,588)	-	(217,981)	(1,687,569)
<i>Transactions with owners in their capacity as owners</i>					
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
Balance at 1 July 2019	19,397,897	(15,655,114)	272,500	(843)	4,014,440
Loss for the period	-	(280,714)	-	-	(280,714)
Other comprehensive income	-	-	-	76,693	76,693
Total comprehensive loss for the year	-	(280,714)	-	76,693	(204,021)
<i>Transactions with owners in their capacity as owners</i>					
Share based payments	-	-	3,152	-	3,152
Balance at 31 December 2019	19,397,897	(15,935,828)	275,652	75,850	3,813,571

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

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated	
	At 31 Dec 2020	At 31 Dec 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	998,272	1,699,387
Payments to suppliers and employees	(2,048,430)	(1,899,197)
Interest received	707	248
Interest paid	(10,768)	(37,951)
Tax incentives received/ (Taxes paid)	(19,808)	(1,453)
Net cash outflow from operating activities	(1,080,027)	(238,966)
Cash flows from investing activities		
Payments for plant & equipment	(3,703)	(75,415)
Payments for intangible assets	(684,407)	(411,915)
Transaction costs in purchase of subsidiary	-	-
Net cash inflow/(outflow) from investing activities	(688,110)	(487,330)
Cash flows from financing activities		
Proceeds from issue of fully paid shares	7,485,000	-
Proceeds from issue of convertible notes	(264,000)	-
Repayments of borrowings	(14,462)	-
Proceeds from borrowings	-	268,772
Net cash inflow from investing activities	7,206,538	268,772
Cash and cash equivalents at the beginning of the financial year	1,584,715	796,569
Net increase/(decrease) in cash and cash equivalents	5,438,401	(457,524)
Effect of movement in exchange rates on cash held	106,353	4,008
Cash and cash equivalents at the end of the financial year	7,129,469	343,053

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

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-yearly report of Vection Technologies Ltd (the **Company, Group or VR1**) for the period ended December 2020 was authorised for issue in accordance with a resolution of directors on 28 February 2020.

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.

(a) Basis of preparation

The principle accounting policies adopted for the preparation of the interim financial report are set out below. These accounting policies have been applied consistently to all periods presented unless otherwise stated.

(i) *Statement of compliance*

This interim financial report for the half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting (AASB 134) and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS34 'Interim Financial Reporting'.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance and cash flows of the Company as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the Company's 2020 annual financial report.

(ii) *Basis of preparation*

The interim financial report has been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as disclosed in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the half-year ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2020.

(b) 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.

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Company based on 2 segments; its IT development division and its outsourced services 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.

(c) Estimates and judgements

The preparation of the interim financial report requires the use of accounting estimates and judgements which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involve a degree of judgement or complexity in the preparing the annual financial report. Facts and circumstances may come to light after the event which may have significantly varied the assessment used which result in a materially different value being recorded at the time of preparing this interim financial report.

Deferred tax assets - The Group has not recognised deferred tax assets relating to carried forward tax losses or timing differences. These amounts have not been recognised given the recognition requirements of AASB 112 *Income Taxes*.

Share-based payments - The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black- Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to notes 11 and 12 for details of inputs utilised in calculating the fair value of the equity instrument.

Estimation of useful lives of assets - The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets - The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1(r) in the financial report for the year ended 30 June 2020. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated pre-tax discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(f) Comparatives

Certain comparatives have been restated to conform to current period presentation.

(g) New accounting standards and interpretations that are not yet mandatory

In the half-year ended 31 December 2020, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2020.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of the adoption of new and revised accounting standards. The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2020. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of accounting standards issued not yet effective.

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	As at 31 Dec 2020	As at 30 Jun 2020
	\$	\$
5 PROPERTY, PLANT & EQUIPMENT		
OFFICE & COMPUTER EQUIPMENT		
Office & computer equipment at cost	129,272	198,681
Less accumulated depreciation	(62,698)	(126,047)
	66,574	72,634
LEASEHOLD IMPROVEMENTS		
Leasehold improvements at cost	-	185,735
Less accumulated depreciation	-	(181,510)
	-	4,225
TOTAL PROPERTY, PLANT & EQUIPMENT	66,574	76,859

	Consolidated	
	As at 31 Dec 2020	As at 30 Jun 2020
	\$	\$
6 INTANGIBLE ASSETS		
GOODWILL		
Acquired Goodwill	6,137,687	6,137,687
Less reversal of contingent consideration for lapsed performance rights (i)	(782,318)	-
Less impairment	-	-
	5,355,369	6,137,687
INTELLECTUAL PROPERTY		
Intellectual property at cost	2,811,417	2,811,417
RIGHTS OF USE INTANGIBLE ASSET		
Rights of use intangible asset at cost	771,952	751,053
Less amortisation	(252,614)	(179,644)
	519,338	571,409

- (i) Consideration for acquisition of Mindesk Inc and its controlled entity comprised of group A performance rights: 9 million shares if the Mindesk revenue equals to, or exceeds, €920,000 for the period to 31 December 2020 or 20 million shares if Mindesk revenues equal to, or exceed, €4,400,001 for the period to 31 December 2020. As the required revenue was not earned till 31 December 2020, the group A performance rights lapsed as at 31 December 2020. As goodwill assessment on 29 April 2020 was provisional, the value of contingent consideration for lapsed performance rights was reversed against goodwill.

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VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	As at 31 Dec 2020 \$	As at 30 Jun 2020 \$
<i>OTHER INTANGIBLE ASSETS (PATENTS AND DEVELOPMENT COSTS)</i>		
Other intangible assets (patents and development costs) at cost	3,575,603	3,115,707
Less accumulated amortisation	(491,391)	(271,765)
	3,084,212	2,843,942
<i>INTANGIBLE ASSETS IN PROGRESS</i>		
Intangible assets in progress, at cost	200,914	-
	200,914	-
	11,971,250	12,364,455

	Consolidated	
	As at 31 Dec 2020 \$	As at 30 Jun 2020 \$
7 FINANCIAL ASSETS		
Other Investments	57,832	52,130
	57,832	52,130

Balance represents equity in ASX listed The Agency Group Australia Limited (ASX:AU1) issued in partial settlement of amounts owing from that entity

	Consolidated	
	As at 31 Dec 2020 \$	As at 30 Jun 2020 \$
8 TRADE AND OTHER PAYABLES		
Unsecured liabilities:		
Trade payables	644,208	694,544
Sundry creditors and accruals	1,403,832	1,577,860
	2,048,040	2,272,404

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.

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VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	As at 31 Dec 2019 \$	As at 30 Jun 2020 \$
9 PROVISIONS – CURRENT		
Deferred Consideration	2,803,485	3,321,031
PROVISIONS – NON-CURRENT		
Deferred Consideration	1,404,198	2,518,969

	Consolidated	
	As at 31 Dec 2020 \$	As at 30 Jun 2020 \$
10 BORROWINGS - CURRENT		
Bank loan (i)	101,882	83,333
Other borrowings (ii)	379,772	344,273
	481,654	427,606
BORROWINGS - NON-CURRENT		
Bank loan (i)	135,842	166,667
Other borrowings (ii)	253,069	255,523
	388,911	422,190

Terms of the borrowings:

- (i) The bank loan is unsecured, has a 3 years term with an expiry date of 27 April 2023. The loan has a variable interest rate of 4.5%.
- (ii) Two new bank financial debts agreement was stipulated during the year by Vection Italy. Both agreements will expire in 2026.

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VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 ISSUED CAPITAL

	As at 31 Dec 2020	As at 30 Jun 2020	As at 31 Dec 2020	As at 30 Jun 2020
Share Capital	Shares No.	Shares No.	\$	\$
Ordinary Shares	965,849,047	822,676,875	29,314,115	22,376,991

Movement in share capital

Date	Details	Number of shares	\$
1 July 2020	Opening balance	822,676,875	22,376,991
9 July 2020	Issue of shares - Conversion of Performance Rights - Tranche 1 (note 12 b))	7,500,000	44,289
10 Aug 2020	Issue of shares - Conversion of Performance Rights - Tranche 2 (note 12 c))	7,500,000	44,289
7 Sept 2020	Receipt for shares issued under controlled placement facility on 24 June 2019	-	1,485,000
22 Sept 2020	Issue of shares - Conversion of Performance Rights - Tranche 3 (note 12 d))	7,500,000	44,288
2 Oct 2020	Issue of shares - Conversion of Performance Rights - Tranche 2 (note 12 a))	50,000,000	850,000
9 Oct 2020	Issue of shares - Share placement	66,500,000	5,985,000
9 Oct 2020	Issue of shares - Share based payment for settlement of professional fees	4,005,505	361,861
11 Dec 2020	Issue of shares - Share placement	166,667	15,000
	Capital raising costs		(1,892,603)
		<u>965,849,047</u>	<u>29,314,115</u>

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	As at 31 Dec 2020 \$	As at 30 Jun 2020 \$
12 RESERVES		
Share based payment reserve	1,628,602	104,362
Foreign currency translation reserve	(91,485)	126,496
	1,537,117	230,858

During the period, the Company issued 35,000,000 unlisted options to an advisor for services rendered in relation to share placement at an exercise price of \$0.112. 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 \$1,628,602. The total share based payment expense recognised for the period ended 31 December 2020 was \$1,628,602 as the unlisted options has no vesting conditions.

During the period, the following performance rights were vested:

- a) Tranche 2 Performance Rights: 50,000,000 Performance Rights issued to Officine8K SRL as part of the consideration for the acquisition of Vection Italy, each converting into Shares (on a one for one basis) upon the revenue generated by the business of Vection Italy achieving a minimum of \$1,500,000 (as verified by the Company's auditors) within 24 months of settlement of the Acquisition;
- b) Tranche 1 Performance Rights: 7,500,000 Performance Rights issued to directors and advisor each converting into Shares (on a one for one basis) will vest on the date that the Company's 14 day volume weighted average (VWAP) share price is equal or exceeds \$0.035 per share on trading on ASX;
- c) Tranche 2 Performance Rights: 7,500,000 Performance Rights issued to directors and advisor each converting into Shares (on a one for one basis) will vest on the date that the Company's 14 day volume weighted average (VWAP) share price is equal or exceeds \$0.045 per share on trading on ASX;
- d) Tranche 3 Performance Rights: 7,500,000 Performance Rights issued to directors and advisor each converting into Shares (on a one for one basis) will vest on the date that the Company's 14 day volume weighted average (VWAP) share price is equal or exceeds \$0.065 per share on trading on ASX;

	Consolidated	
	As at 31 Dec 2019 \$	As at 30 Jun 2020 \$
13 ACCUMULATED LOSSES		
Opening balance	(16,548,484)	(15,655,114)
Transfer of lapsed performance right value	-	272,500
Loss for the period	(1,469,588)	(1,165,870)
Closing balance	(18,018,072)	(16,548,484)

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VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 EARNING PER SHARE	Consolidated	
	As at	As at
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss attributable to ordinary shareholders (overall)	(1,469,588)	(280,714)
Loss attributable to ordinary shareholders (continuing operations)	(1,432,178)	(29,415)
Profit/(Loss) attributable to ordinary shareholders (discontinued operations)	(37,410)	(251,299)
Weighted average number of ordinary shares	97,945,927	657,171,676
Basic loss per share calculation (loss / weighted avg shares)	(0.164)	(0.042)
Basic loss per share calculation (continuing operations)	(0.160)	(0.004)
Basic profit/(loss) per share calculation (discontinued operations)	(0.004)	(0.038)

15 SEGMENT REPORTING	Discontinued Operations	IT Development	Outsourced Services	Corporate	Total
	\$	\$	\$	\$	\$
Half -Year ended 31 December 2020					
Segment Revenue	-	943,292	-	(206,052)	737,240
Segment expenses	(37,410)	(1,758,411)	(1,389)	(409,618)	(2,206,828)
Segment net operating profit/(loss) after tax	(37,410)	(815,119)	(1,389)	(615,670)	(1,469,588)
Half -Year ended 31 December 2019					
Segment Revenue	30	1,787,734	252,000	13,494	2,053,258
Segment expenses	(251,329)	(1,531,395)	(476,277)	(74,971)	(2,333,972)
Segment net operating profit/(loss) after tax	(251,299)	256,339	(224,277)	(61,477)	(280,714)
Segment assets					
At 31 December 2020	-	3,805,102	17,750	17,291,752	21,114,604
At 30 June 2020	-	3,140,625	182,128	12,904,958	16,227,711
Segment liabilities					
At 31 December 2020	19,906	2,590,432	31,660	5,639,446	8,281,444
At 30 June 2020	19,907	2,596,050	47,399	7,504,990	10,168,346

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) DESCRIPTION OF SEGMENTS

The Group's executive directors examine the Group's performance from a core operations perspective and have identified two reportable segments of its continuing business, being IT development and outsourced services.

(2) 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.

(3) 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

16 DISCONTINUED OPERATIONS

The Group is in the process of de-registering all dormant group entities related to the legacy real estate business which the Company previously operated. During the period, the Company determined to discontinue its outsourcing division and to focus on the relaunch of its Indian subcontinent operations to ensure a robust software development framework aligned with its overarching strategy. These entities are considered discontinued operations. The following is an analysis of the results of the discontinued operations for the financial year.

Results of Discontinued Operations

	Half-Year Ended 31 Dec 2020	Half-Year Ended 31 Dec 2019
	\$	\$
Profit for the year from discontinued operations		
Revenue	-	30
Employee benefits expense	(9)	-
Other administrative expenses	(37,401)	(251,329)
Gain (loss) for the year from discontinued operations	(37,410)	(251,299)

VECTION TECHNOLOGIES LIMITED

HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Cashflow from (used in) Discontinued Operations	
	Half-Year Ended 31 Dec 2020	Half-Year Ended 31 Dec 2019
	\$	\$
Cashflows from discontinued operations		
Cashflows used in operating activities	(207,603)	164,649
Cashflows from investing activities	-	(31,128)
Cashflows (used in)/from financing activities	-	(145,271)
Net cash (outflow)/inflow from discontinued operations	(207,603)	(11,750)

17 CONTINGENT LIABILITIES AND COMMITMENTS

The Group did not have any contingent liabilities as at Reporting Date.

18 SUBSEQUENT EVENTS

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

- Released the Mindesk Suite 2021, representing a significant milestone for the Company incorporating XR for leading devices including Microsoft HoloLens 2, Varjo XR1 and Varjo XR3;
- Announced an Original Equipment Manufacturer agreement with multinational technology company HP In, anticipated to be material for the Company based on the expanded commercial ability of the Company via HP's global network.
- 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 2019 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 Ltd:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 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 Gianmarco Orgnoni
Executive Director & Chief Operating Officer

Dated at Perth, Western Australia this 28th day of February 2021

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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 2020, the consolidated statement of 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 2020 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 2020 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*.



David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 28 February 2021

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