

28 February 2023, Australia

ASX RELEASE

CONSOLIDATIONAL FIRST HALF TOWARDS REVENUE GUIDANCE OF \$24 TO \$26 MILLION

VECTION TECHNOLOGIES ANNOUNCES FINANCIAL RESULTS FOR THE HALF-YEAR TO 31 DECEMBER 2022

Vection Technologies Ltd (ASX:VR1, OTC:VCTNY), the INTEGRATEDXR[®] company, has announced its results for the half year ended 31 December 2022.

HIGHLIGHTS:

- Vection Technologies consolidated its first half revenue towards its stated full fiscal 2023 revenue guidance of \$24 to \$26 million.
- A strong Total Contract Value (TCV)¹ position of ~\$10 million, further supports the full fiscal 2023 revenue guidance.
- Second half fiscal 2023 expected to generate a strong acceleration across all the Company's vertical markets.
- Exciting defence & aerospace initiatives announced in Q3 FY23.
- Strong balance sheet and cash position will enable FY23 growth and potential M&A transactions.
- Company progressing with M&A discussions aligned with its INTEGRATEDXR[®] objectives in the fields of extended reality (XR) and combinatory technologies including artificial intelligence (AI) (among others).
- Vection Technologies maintains its previously stated revenue guidance for fiscal 2023 of \$24 to \$26 million.

OVERVIEW:

Vection Technologies consolidated its revenue position during the first half of fiscal 2023 to ~\$8.3 million, towards its stated full fiscal 2023 revenue guidance of \$24 to \$26 million while Total Contract Value (TCV)² increased to ~\$10 million, further supporting the revenue guidance for the full fiscal year.

The second half of fiscal 2023 is expected to generate a strong acceleration across all the Company's vertical markets, further supported by exciting opportunities in defence and aerospace.

¹ ASX: 31 January 2023

² 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.

■ **VECTION TECHNOLOGIES LTD**

ASX:VR1, OTC:VCTNY | ACN: 614 814 041

■ **GLOBAL OFFICES**

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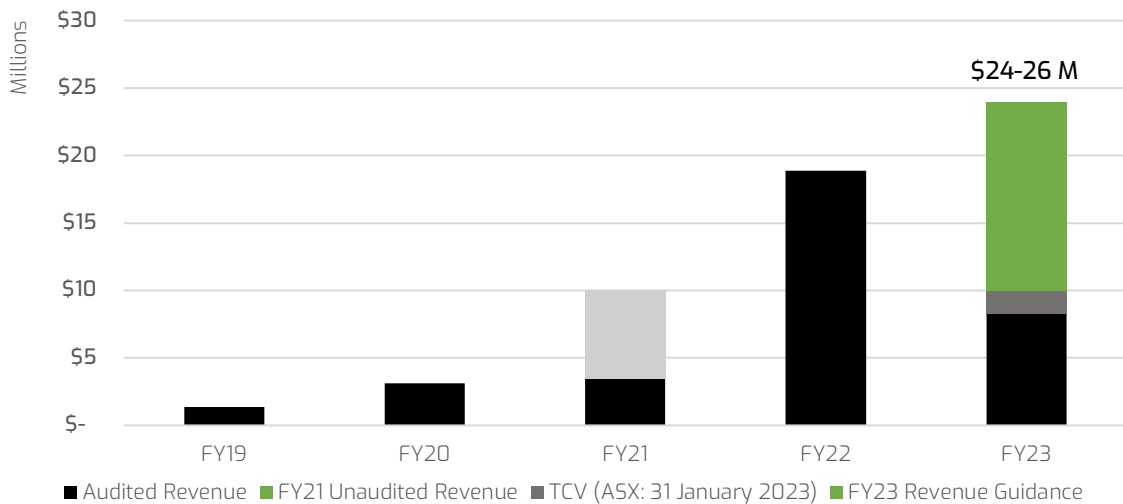
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This expectation is further supported by:

- the execution of a Memorandum of Understanding (**MoU**) to develop the first Virtual Reality (**VR**) metaverse platform to promote space travel ahead of the Artemis Program (NASA's program to return astronauts to the lunar surface), called Lunar City. Under the terms of the MoU, executed with Thales Alenia Space, Next One Film Group and ALTEC, Vection Technologies was appointed as exclusive provider of VR and metaverse technologies. (ASX: 25 January 2023)
- following on from the MoU, the execution of a first ~ \$0.4 revenue generative agreement for the development of Virtual Reality (**VR**) gaming, educational and scientific content to promote the space travel market and educate the next generation: a VR interactive exhibition and a VR game. (ASX: 1 February 2023)

VECTION TECHNOLOGIES' HISTORICAL REVENUE, TCV AND FY23 REVENUE GUIDANCE



"The Company's strong commercial initiatives and building blocks are expected to generate a significant uplift in revenue and market growth during the second half of fiscal 2023, towards the stated revenue guidance of \$24 to \$26 million" commented Gianmarco Biagi, Managing Director of Vection Technologies.

"During our brief history, Vection Technologies and its management have demonstrated their ability to grow across industries and geographies towards the global adoption of the **INTEGRATEDXR[®]** offering."

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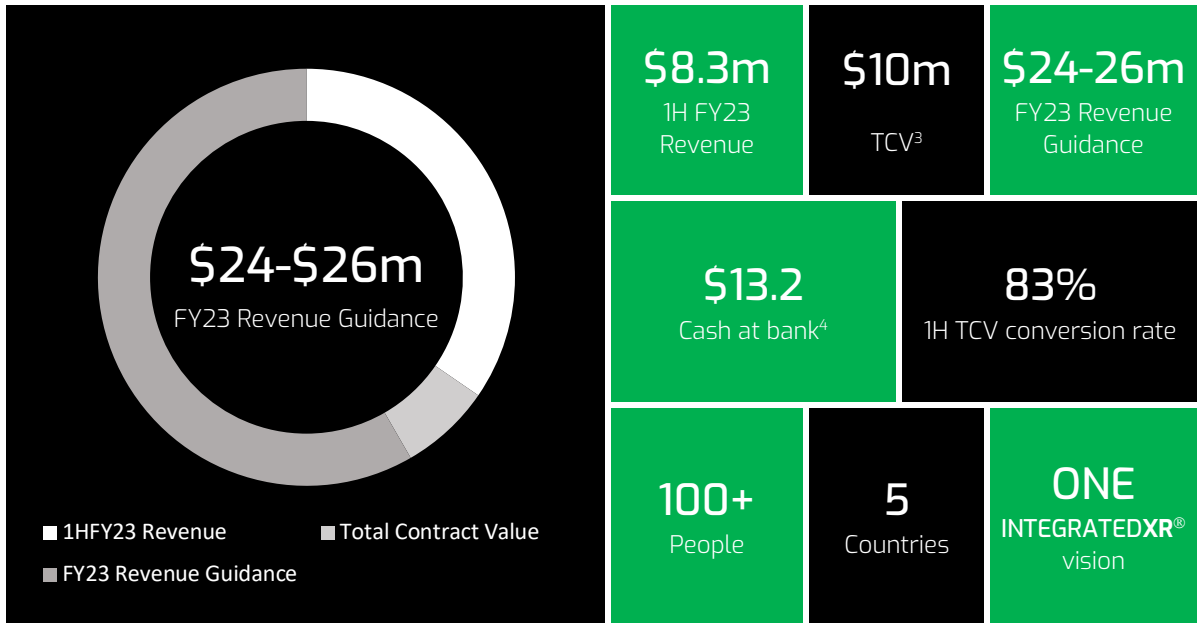
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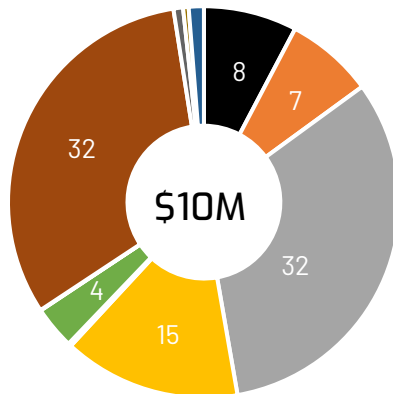
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The Company notes that most of its current revenue generating activities are still dependant on upfront and implementation fees (in addition to a recurring revenue component). Therefore, revenue, cash receipts and TCV metrics can significantly vary each period, while organically growing on a full year basis.

**TOTAL CONTRACT VALUE (TCV) (in %):
INTEGRATEDXR[®] VISION FOR CROSS-SECTORAL CHALLENGES⁵**



- Defence, Military & Law Enforcement
- Media & Communication
- AEC & Real Estate
- Sports & Betting
- Public Sector & Education
- Other
- Healthcare & Pharma
- Service Agencies
- Automotive & Naval
- Fashion, Retail & Consumer Goods
- Machinery

³ ASX: 31 January 2023, includes term deposits.
⁴ At 31 December 2022.
⁵ ASX: 31 January 2023.

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Vection Technologies' balance sheet is strong, ending the half-year with a cash balance of \$13.1³, enabling the Company to pursue its organic and inorganic growth strategy from a position of strength.

OUTLOOK:

The Company has been progressing multiple discussions in relation to potential global acquisitions across multiple jurisdictions aligned with its **INTEGRATEDXR[®]** objectives.

These potential acquisitions seek to expand the Company's global positioning in the fields of extended reality (XR) and combinatory technologies including artificial intelligence (AI) (among others).

The Company will separately announce any material progression to the market as applicable.

The ongoing growth strategy is expected to deliver a strong sales acceleration during the second half of fiscal 2023, towards its full fiscal 2023 revenue guidance of \$24 to \$26 million.

As the Company advances its global commercial activities, it anticipates to significantly improve its underlying results, towards profitability.

Vection Technologies maintains its previously stated revenue guidance for fiscal 2023 of \$24 to \$26 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 2023 financial report, the financial report for the year ended 30 June 2022 and any announcement to the market during the half-year ended 31 December 2022.

ENDS

INVESTOR RELATIONS CONTACT DETAILS:

Edison:

Dan Ridsdale - Managing Director, TMT
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Company:

Gianmarco Biagi - Managing Director (Europe Based)
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Phone: +39 051 0142248

Gianmarco Orgnoni – Director, CSO & CMO (Australia Based)

Email: gianmarco.orgnoni@vection-technologies.com
Phone: +61 8 6380 7446

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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 4D

28 February 2023, Australia

HALF YEAR REPORTING PERIOD ENDING 31 DECEMBER 2022

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

1. Reporting period

Current Period: 6 months ended 31 December 2022

Prior Period: 6 months ended 31 December 2021

2. Results for announcement to the market

	Item	31 December 2022 \$	31 December 2021 \$	Change %
Revenue from ordinary activities	2.1	8,305,027	9,317,015	(11%)
Loss after tax attributable to members from continuing operations	2.2	(8,202,794)	(2,421,671)	(239%)
Net Loss attributable to members	2.3	(8,060,294)	(2,157,177)	(274%)
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, OTC:VCTNY), the INTEGRATEDXR[®] company, reports the following for the half year ended 31 December 2022:

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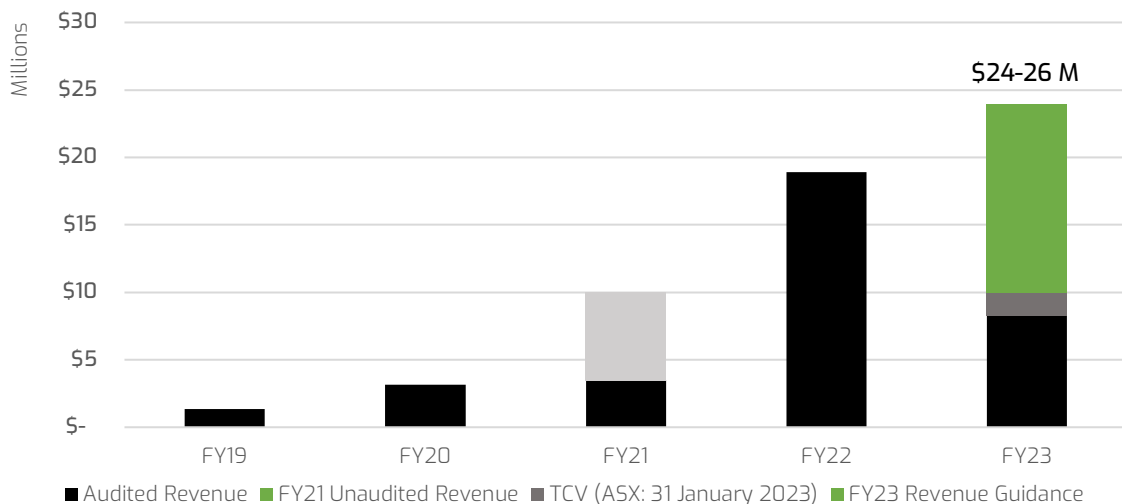
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Overview:

During the first half of fiscal 2023, the Company continued to strongly progress on its growth strategy towards its full fiscal 2023 revenue guidance of \$24 to \$26 million.

In particular, the Company's **INTEGRATEDXR[®]** offering delivered ~\$10 million in FY23 Total Contract Value (TCV), with a revenue conversion rate of 81%, to ~\$8.3 million in first half revenue (1H FY22 TCV/Revenue conversion rate: 82%; 1H FY22 Revenue: ~\$9.3 million).

"The Company's strong commercial initiatives and building blocks are expected to generate a significant uplift in revenue and market growth during the second half of fiscal 2023, towards the stated revenue guidance of \$24 to \$26 million" commented Gianmarco Biagi, Managing Director of Vection Technologies. "During our brief history, Vection Technologies and its management have demonstrated their ability to grow across industries and geographies towards the global adoption of the INTEGRATEDXR[®] offering."

VECTION TECHNOLOGIES' HISTORICAL REVENUE, TCV AND FY23 REVENUE GUIDANCE


During the first half of fiscal 2023, the Company grew its Total Contract Value (TCV) for the year to ~\$10 million. 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.

During the second half of fiscal 2023, the Company expects to continue to finalize several agreements within the defence and aerospace sector, further underpinning the growth forecast on a full year basis. (ASX: 25 January 2023, 1 February 2023).

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.

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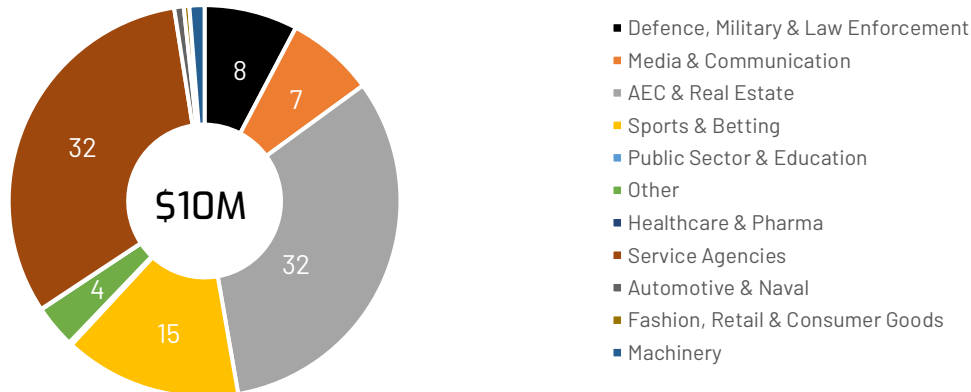
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**TOTAL CONTRACT VALUE (TCV) (in %):
 INTEGRATEDXR[®] VISION FOR CROSS-SECTORAL CHALLENGES¹**


Vection Technologies' balance sheet is strong, ending the half-year with a cash balance of \$13.1 million (30 June 2022: \$14.8 million). Total Assets at 31 December 2022 were \$38 million (30 June 2022: \$40 million) while Net Assets were \$22 million (30 June 2022: \$28 million).

Total expenditure from ordinary activities (including discontinued operations) were \$22 million (Half Year 2022: \$28 million).

Vection Technologies posted an after-tax loss attributed to members (Including discontinued operations) of \$8.06 million for the Half-Year ended 31 December 2022 (31 December 2021: loss \$2.4 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 2022	31 Dec 2021
Profit / (Loss) after Income Tax	\$ (8,202,794)	\$ (2,421,671)
Interest and financing related costs	259,494	9,754
Depreciation and Amortization	545,215	558,524
One-off transaction costs	708,224	807,584
Non-cash accounting charges	4,974,433	173,668
Income Tax expense	117,656	44,182
Underlying EBITDA²	(1,597,772)	(827,959)

¹ ASX: 31 January 2023

² Underlying EBITDA is an unaudited, non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')

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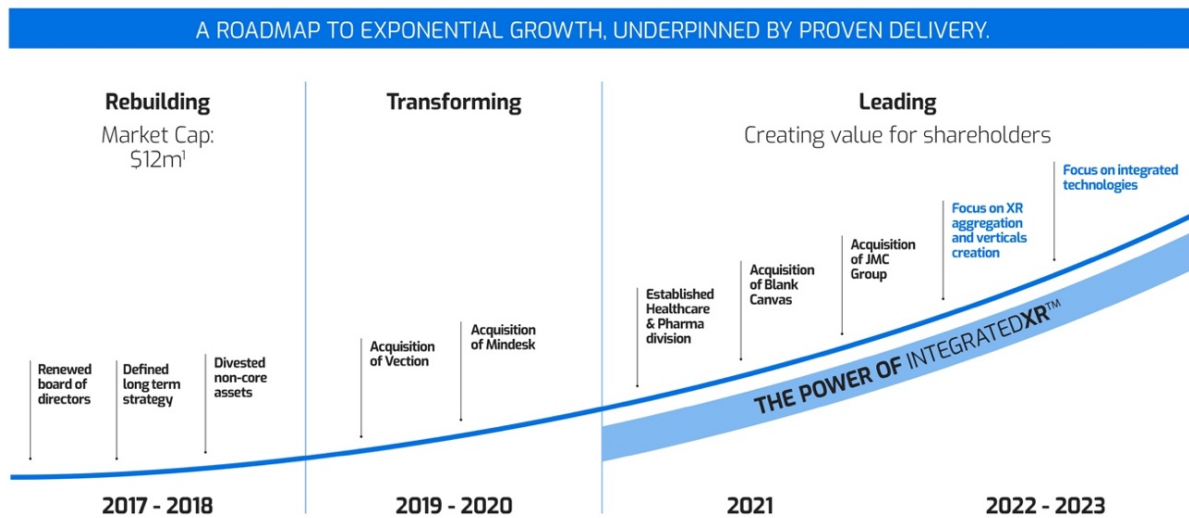
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Operational Highlights:

During the first half of fiscal 2023, the Company continued to pursue the fast-growing metaverse opportunity through its **INTEGRATEDXR[®]** offering, supported by a strong infrastructure, sales channels, and R&D department.

Vection Technologies continued to advance its strategic initiative as aligned with its Leading Phase Strategy (ASX:28 February 2021).



Note 1: Based on Share price at 18 December 2018

- Operations and Infrastructure:**

Following on from the acquisition of Blank Canvas (ASX: 15 April 2021) and JMC Group (JMC) (ASX: 15 June 2021), the Company continued to focus on further structuring and integrating its global operations.

Aligned with this, in November 2022, the Company announced:

- o The establishment of its global sales structure focussing on specific regions: Europe, Middle East, and Africa (**EMEA**), Asia Pacific (**APAC**) and the Americas (**AMER**).
- o The centralization of the Company's global Research and Development (**R&D**), Marketing and Financial Administration divisions to extract optimal synergy benefits.

These initiatives are expected to allow the Company to effectively service its global regional sales operations towards continued scale while maintaining a strong control function.

- Organization and People:**

- o Board of directors' evolution:

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As Vection Technologies continues to grow in scale and complexity towards its fiscal 2023 growth objectives, it was critical that the breadth and experience of management and directors evolve in parallel with the business.

For this reason, the Company added Mr Jacopo Merli to its board of directors (ASX: 1 December 2022). Mr Merli is the founder and CEO of JMC, acquired by Vection Technologies during 2021 to accelerate the expansion within the EMEA region towards its **INTEGRATEDXR[®]** objectives. Since its entrance within the organizational ranks, Mr Merli has been pivotal in the definition of a cohesive strategy in the defence, military, and law enforcement sector.

Furthermore, Mr Merli replaced Mr Gianmarco Orgnoni as Chief Operating Officer (**COO**) to ensure a strategic continuation of the Company's overarching vision with a European focus. Mr Orgnoni continues to be a director of the Company, transitioning to the Chief Strategy Officer (**CSO**) and Chief Marketing Officer (**CMO**) roles, filling critical organizational gaps to keep building long-term value.

o **Regional sales structure:**

During the first half of fiscal 2023, The Company appointed its local regional CEOs to bring to market a cohesive **INTEGRATEDXR[®]** offering, enabling strong synergies, and cross- and up-selling opportunities:

- Vection Technologies EMEA - CEO: Mr Jacopo Merli;
- Vection Technologies APAC - CEO: Mr Paul Clayton; and
- Vection Technologies AMER - CEO: Mr Gabriele Sorrento.

Furthermore, the Company also made critical management additions to its ranks, within the EMEA, APAC and AMER regions. The Company expects that these new additions will prove critical as it scales globally, also supported by its growing numbers of partners in the consulting and solutions space. These include Accenture, DXC Technology, NTT Data and Toshiba Tec, among others.

The Company further notes that it has made a structural change in its healthcare & pharma division to enable an effective and sustainable growth within this strategic sector. The results of this strategy are expected to come to fruition during the second half of fiscal 2023.

o **Advisory board:**

During fiscal 2022, the Company established its advisory board with two initial critical additions: Mr Vittorio Emanuele Terzi and Dr Siegmur Haasis.

- Dr Siegmur Haasis is 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 is 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.

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During the second half of fiscal 2023, the Company will assess initiatives to support the evolution of its advisory board following the initial successful establishment of its vertical markets and to strategically support the next phase of growth from fiscal 2024 onwards.

- **Verticalization strategy:**

During the first half of fiscal 2023, the Company's verticalization strategy (ASX: 28 February 2021) has continued to demonstrate a strong commercial validity in multiple segments, aligned with the **INTEGRATEDXR[®]** offering.

This strategy delivered a Total Contract Value (TCV) of \$10 million (ASX: 31 January 2023) with key market verticals being AEC & Real Estate, Service Agencies, Sports & Betting, Defence, Military & Law Enforcement and Media & Communication.

Aligned with this strategic rationale, the Company continued to progress its existing relationships with consulting & service providers and Fortune Global 500 professional services partners, including Accenture, DXC Technology, NTT Data and Toshiba Tec, among others.

The Company expects to see strong growth in TCV from these partners during the second half of fiscal 2023.

Furthermore, the Company continued to promote 3DFrame for Webex by Cisco to clients, partners, and distributors, with initial clients being onboarded during the first half. 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>).

As announced on 31 October 2022 and on 31 January 2023, the Company has been assessing structural changes to its healthcare & pharma division. These initiatives have resulted in the termination of the collaboration with Mr Carlo Centemeri as the division's CEO while continuing as a minority shareholder. This structural and strategic change is expected to enable the division's effective and sustainable growth plan within this strategic sector.

The results of this strategy are expected to come to fruition during the second half of fiscal 2023.

- **Technology advancements:**

During the first half of fiscal 2023, the Company made a significant leap in the structuring of its R&D department, making key additions and managerial changes. These initiatives are expected to generate a strong acceleration in innovation across Vection Technologies' **INTEGRATEDXR[®]** suite.

In particular:

- The Company was granted three patents by the relevant authorities to ensure strong protection of its **INTEGRATEDXR[®]** IP internally developed.
- Released multiple new releases for its flagship solutions 3DFrame, EnWorks, Mindesk and significantly progressed the development of the XRkiosk.

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As the Company continues its growth strategy, it expects to drive greater recurring revenue growth and market awareness.

The Company will separately announce the progression of this initiative to the market as applicable.

- **M&A initiatives:**

The Company has been progressing multiple discussions in relation to potential global acquisitions across multiple jurisdictions aligned with its **INTEGRATEDXR[®]** objectives.

These potential acquisitions seek to expand the Company's global positioning in the fields of extended reality (**XR**) and combinatory technologies including artificial intelligence (**AI**) (among others).

The Company will separately announce any material progression to the market as applicable.

Corporate Overview:

During the first half of fiscal 2023:

- 51,220,015 Performance Rights (of which 50,000,000 were held by directors) lapsed in accordance with the terms of their issue.
- 11,377,791 Performance Rights held by staff (of which 11,000,000 were issued as vendor consideration for a previous acquisition) vested and converted into fully paid ordinary Company shares, having met the applicable vesting criteria.
- 2,419,355 fully paid ordinary shares were issued to staff in lieu of salary.
- 2,867,529 fully paid ordinary shares were issued to a director as approved by shareholders at the 2022 AGM.

Outlook:

The ongoing growth strategy is expected to deliver a strong sales acceleration during the second half of fiscal 2023, towards its full fiscal 2023 revenue guidance of \$24 to \$26 million.

As the Company advances its global commercial activities, it anticipates to significantly improve its underlying results, towards profitability.

3. Net tangible assets per security

	31 December 2022	31 December 2021
Net tangible asset per share (cents per share)	0.68	0.87

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

Two wholly-owned subsidiaries were Incorporated during the year. These are namely Vection Technologies EMEA (incorporated on S.R.L. (Incorporated on 14 November 2022 and Vection Technologies Global Services S.R.L. (Incorporated on 1 November 2022).

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 2023 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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31 December 2022

Interim Financial Report

For the six months ended 31st December 2022



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Vection Technologies Limited

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

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CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	10
Interim Financial Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Interim Financial Report	15
Directors' Declaration	22
Independent Auditor's Review Report	23

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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 2022 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 Jacopo Merli
Executive Director (*appointed 1 December 2022*)

Mr Lorenzo Biagi
Executive Director

Mr Gianmarco Orgnoni
Executive Director

Mr Gabriele Sorrento
Non-Executive Director

Mr 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

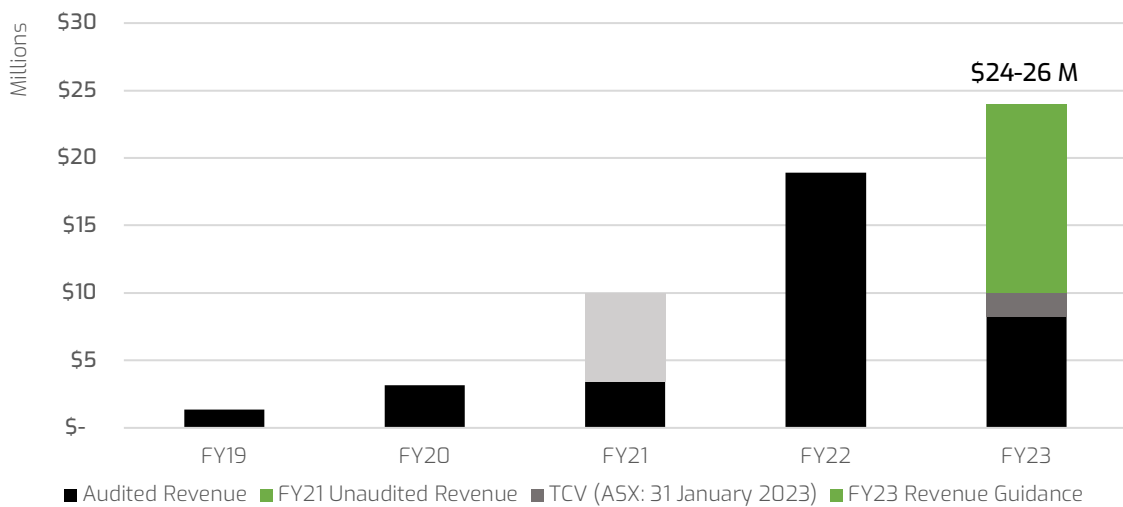
Vection Technologies Ltd (ASX:VR1, OTC:VCTNY), the **INTEGRATEDXR[®]** company, reports the following for the half-year ended 31 December 2022:

Overview:

During the first half of fiscal 2023, the Company continued to strongly progress on its growth strategy towards its full fiscal 2023 revenue guidance of \$24 million to \$26 million.

In particular, the Company's **INTEGRATEDXR[®]** offering delivered ~\$10 million in FY23 Total Contract Value (TCV), with a revenue conversion rate of 83%, to ~\$8.3 million in first half revenue (1H FY22 TCV/Revenue conversion rate: 82%; 1H FY22 Revenue: ~\$9.3 million).

"The Company's strong commercial initiatives and building blocks are expected to generate a significant uplift in revenue and market growth during the second half of fiscal 2023, towards the stated revenue guidance of \$24 to \$26 million" commented Gianmarco Biagi, Managing Director of Vection Technologies. "During our brief history, Vection Technologies and its management have demonstrated their ability to grow across industries and geographies towards the global adoption of the **INTEGRATEDXR[®]** offering."

VECTION TECHNOLOGIES' HISTORICAL REVENUE, TCV AND FY23 REVENUE GUIDANCE


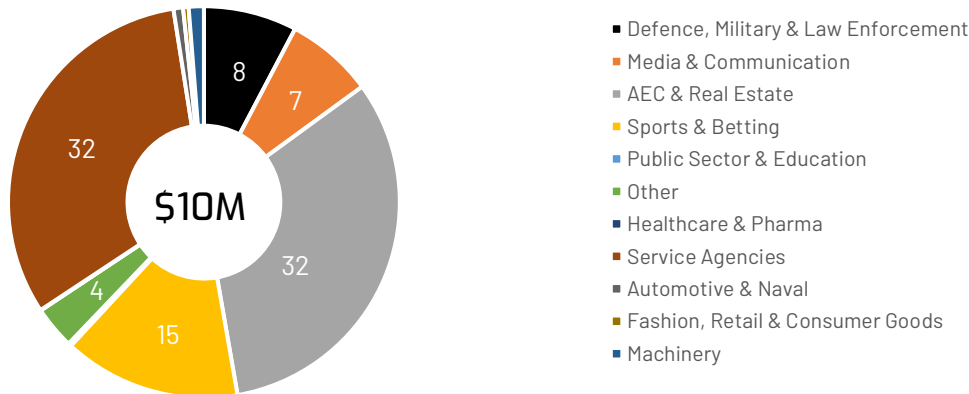
During the first half of fiscal 2023, the Company grew its Total Contract Value (TCV) for the year to ~\$10 million. The Company notes that most of its current revenue generating activities are still dependant on upfront and implementation fees (in addition to a recurring revenue component). Therefore, cash receipts and TCV metrics can significantly vary each period, while organically growing on a full year basis.

During the second half of fiscal 2023, the Company expects to continue to finalize several agreements within the defence and aerospace sector, further underpinning the growth forecast on a full year basis. (ASX: 25 January 2023, 1 February 2023).

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.

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TOTAL CONTRACT VALUE (TCV) (in %):
INTEGRATEDXR[®] VISION FOR CROSS-SECTORAL CHALLENGES¹



Vection Technologies' balance sheet is strong, ending the half-year with a cash balance of \$13,156,945 (30 June 2022: \$14,869,095). Total Assets at 31 December 2022 were \$37.7 million (30 June 2022: \$40 million) while Net Assets were \$22 million (30 June 2022: \$28 million).

Total expenditure from ordinary activities were \$16 million (Half Year 2021: \$12 million).

Vection Technologies posted an after-tax loss attributed to members of \$8.2 million for the Half-Year ended 31 December 2022 (31 December 2021: loss \$2 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 2022 \$	31 Dec 2021 \$
Profit / (Loss) after Income Tax	(8,202,794)	(2,421,671)
Interest and financing related costs	259,494	9,754
Depreciation and Amortization	545,215	558,524
One-off transaction costs	708,224	807,584
Non-cash accounting charges	4,974,433	173,668
Income Tax expense	117,656	44,182
Underlying EBITDA²	(1,597,772)	(827,959)

Operational Highlights:

During the first half of fiscal 2023, the Company continued to pursue the fast-growing metaverse opportunity through its **INTEGRATEDXR[®]** offering, supported by a strong infrastructure, sales channels, and R&D department.

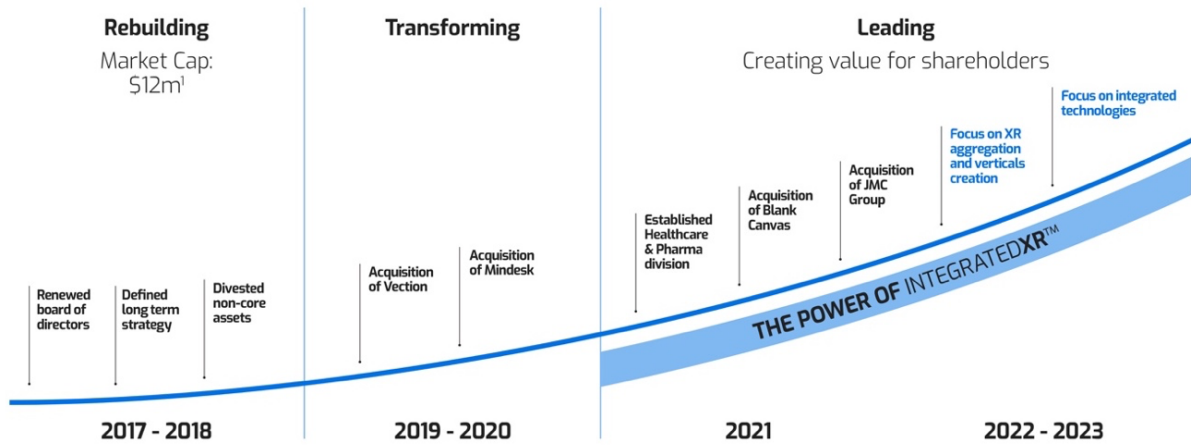
Vection Technologies continued to advance its strategic initiative as aligned with its Leading Phase Strategy (ASX:28 February 2021).

¹ ASX: 31 January 2023

² Underlying EBITDA is an unaudited, non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')

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A ROADMAP TO EXPONENTIAL GROWTH, UNDERPINNED BY PROVEN DELIVERY.



Note 1: Based on Share price at 18 December 2018

- **Operations and Infrastructure:**

Following on from the acquisition of Blank Canvas (ASX: 15 April 2021) and JMC Group (JMC) (ASX: 15 June 2021), the Company continued to focus on further structuring and integrating its global operations.

Aligned with this, in November 2022, the Company announced:

- The establishment of its global sales structure focussing on specific regions: Europe, Middle East, and Africa (**EMEA**), Asia Pacific (**APAC**) and the Americas (**AMER**).
- The centralization of the Company's global Research and Development (**R&D**), Marketing and Financial Administration divisions to extract optimal synergy benefits.

These initiatives are expected to allow the Company to effectively service its global regional sales operations towards continued scale while maintaining a strong control function.

- **Organization and People:**

- **Board of directors' evolution:**

As Vection Technologies continues to grow in scale and complexity towards its fiscal 2023 growth objectives, it was critical that the breadth and experience of management and directors evolve in parallel with the business.

For this reason, the Company added Mr Jacopo Merli to its board of directors (ASX: 1 December 2022). Mr Merli is the founder and CEO of JMC, acquired by Vection Technologies during 2021 to accelerate the expansion within the EMEA region towards its **INTEGRATEDXR[®]** objectives. Since its entrance within the organizational ranks, Mr Merli has been pivotal in the definition of a cohesive strategy in the defence, military, and law enforcement sector.

Furthermore, Mr Merli replaced Mr Gianmarco Orgnoni as Chief Operating Officer (**COO**) to ensure a strategic continuation of the Company's overarching vision with a European focus. Mr Orgnoni continues to be a director of the Company, transitioning to the Chief Strategy Officer (**CSO**) and Chief Marketing Officer (**CMO**) roles, filling critical organizational gaps to keep building long-term value.

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o **Regional sales structure:**

During the first half of fiscal 2023, The Company appointed its local regional CEOs to bring to market a cohesive **INTEGRATEDXR**[®] offering, enabling strong synergies, and cross- and up-selling opportunities:

- Vection Technologies EMEA - CEO: Mr Jacopo Merli;
- Vection Technologies APAC - CEO: Mr Paul Clayton; and
- Vection Technologies AMER - CEO: Mr Gabriele Sorrento.

Furthermore, the Company also made critical management additions to its ranks, within the EMEA, APAC and AMER regions. The Company expects that these new additions will prove critical as it scales globally, also supported by its growing numbers of partners in the consulting and solutions space. These include Accenture, DXC Technology, NTT Data and Toshiba Tec, among others.

To evolve its management and sales' breadth and experience, the Company has progressed with several critical additions to its ranks. These include, among others:

- Dennis Pacella – Vice President Sales, Europe.
- Antonio Arocha – Senior Enterprise Account Executive, AMER.

These new additions will prove critical as the Company scales globally, also supported by its growing numbers of partners in the consulting and solutions space.

o **Advisory board:**

During fiscal 2022, the Company established its advisory board with two initial critical additions: Mr Vittorio Emanuele Terzi and Dr Siegmar Haasis.

- Dr Siegmar Haasis is 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 is 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.

During the second half of fiscal 2023, the Company will assess initiatives to support the evolution of its advisory board following the initial successful establishment of its vertical markets and to strategically support the next phase of growth from fiscal 2024 onwards.

• **Verticalization strategy:**

During the first half of fiscal 2023, the Company's verticalization strategy (ASX: 28 February 2021) has continued to demonstrate a strong commercial validity in multiple segments, aligned with the **INTEGRATEDXR**[®] offering.

This strategy delivered a Total Contract Value (**TCV**) of \$10 million (ASX: 31 January 2023) with key market verticals being AEC & Real Estate, Service Agencies, Sports & Betting, Defence, Military & Law Enforcement and Media & Communication.

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Aligned with this strategic rationale, the Company continued to progress its existing relationships with consulting & service providers and Fortune Global 500 professional services partners, including Accenture, DXC Technology, NTT Data and Toshiba Tec, among others.

The Company expects to see strong growth in TCV from these partners during the second half of fiscal 2023.

Furthermore, the Company continued to promote 3DFrame for Webex by Cisco to clients, partners, and distributors, with initial clients being onboarded during the first half. 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>).

As announced on 31 October 2022 and on 31 January 2023, the Company has been assessing structural changes to its healthcare & pharma division. These initiatives have resulted in the termination of the collaboration with Mr Carlo Centemeri as the division's CEO while continuing as a minority shareholder. This structural and strategic change is expected to enable the division's effective and sustainable growth plan within this strategic sector.

The results of this strategy are expected to come to fruition during the second half of fiscal 2023.

- **Technology advancements:**

During the first half of fiscal 2023, the Company made a significant leap in the structuring of its R&D department, making key additions and managerial changes. These initiatives are expected to generate a strong acceleration in innovation across Vection Technologies' **INTEGRATEDXR[®]** suite.

In particular:

- The Company was granted three patents by the relevant authorities to ensure strong protection of its **INTEGRATEDXR[®]** IP internally developed.
- Released multiple new releases for its flagship solutions 3DFrame, EnWorks, Mindesk and significantly progressed the development of the XRkiosk.
- The Company has been assessing new technology integrations aligned with **INTEGRATEDXR[®]** imperative, including ChatGPT-like solutions linked to three-dimensional avatars.

As the Company continues its growth strategy, it expects to drive greater recurring revenue growth and market awareness.

The Company will separately announce the progression of this initiative to the market as applicable.

- **M&A initiatives:**

The Company has been progressing multiple discussions in relation to potential global acquisitions across multiple jurisdictions aligned with its **INTEGRATEDXR[®]** objectives.

These potential acquisitions seek to expand the Company's global positioning in the fields of extended reality (**XR**) and combinatory technologies including artificial intelligence (**AI**) (among others).

The Company will separately announce any material progression to the market as applicable.

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Corporate Overview:

During the first half of fiscal 2023:

- 51,220,015 Performance Rights (of which 50,000,000 were held by directors) lapsed in accordance with the terms of their issue.
- 11,377,791 Performance Rights held by staff (of which 11,000,000 were issued as vendor consideration for a previous acquisition) vested and converted into fully paid ordinary Company shares, having met the applicable vesting criteria.
- 2,419,355 fully paid ordinary shares were issued to staff in lieu of salary.
- 2,867,529 fully paid ordinary shares were issued to a director as approved by shareholders at the 2022 AGM.

Outlook:

The ongoing growth strategy is expected to deliver a strong sales acceleration during the second half of fiscal 2023, towards its full fiscal 2023 revenue guidance of \$24 million to \$26 million.

As the Company advances its global commercial activities, it anticipates to significantly improve its underlying results, towards profitability.

RESULTS

The Company incurred a loss of \$8,202,794 after income tax for the period (First Half 2022: loss \$2,421,671). This loss is largely attributed to Depreciation and Amortisation costs of \$545,215, Impairment of \$3,525,643 and Non-Cash Accounting charges of \$1,574,596. As the Company progresses its expansion plan it expects to deliver stronger 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 2022.

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 2023.

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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 2022, 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.

RSM AUSTRALIA PARTNERS

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 28 February 2023

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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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HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes:	CONSOLIDATED (PERIOD ENDED)	
		31 DEC 2022 \$	31 DEC 2021 \$
Revenue			
Revenue	3	8,305,027	9,317,015
Expenses			
Acquisition costs		-	21,387
Changes in inventories		-	50,449
Variable cost of sales		4,661,748	5,686,598
Employee benefits expense		2,722,973	2,368,409
Consulting and professional fees		1,539,480	1,494,629
Finance costs		259,494	7,193
Depreciation and amortisation		545,215	558,524
Impairment expense/(reversal)	4	3,525,643	(4,265)
Other expenses	3	1,812,629	1,333,647
Share based payments		1,322,983	177,933
Total Expenditure		16,390,165	11,694,504
Loss before income tax expense		(8,085,138)	(2,377,489)
Income tax expense		(117,656)	(44,182)
Loss after income tax attributable to equity holders of Vection Technologies Ltd		(8,202,794)	(2,421,671)
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		193,683	(78,423)
Total comprehensive loss for the period		193,683	(74,994)
Total comprehensive loss attributable to equity holders of Vection Technologies Ltd		(8,009,111)	(2,496,665)
Loss for the year is attributable to:			
Non-controlling interest		(142,500)	(264,494)
Members of Vection Technologies Limited		(8,060,294)	(2,157,177)
		(8,202,794)	(2,421,671)
Loss per share for the year attributable to the members of Vection Technologies Limited			
Earnings per share for loss attributable to the members of Vection Technologies Limited			
Overall basic loss per share	8	(0.917)	(0.234)
Overall diluted loss per share	8	(0.917)	(0.234)

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

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HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes:	CONSOLIDATED	
		AS AT 31 DEC 2022	AS AT 30 JUN 2022
		\$	\$
Current Assets			
Cash and cash equivalents		5,156,945	14,869,095
Other financial asset - term deposits		8,000,000	-
Receivables		7,502,328	6,208,213
Inventory		2,174,275	1,341,231
Total Current Assets		22,833,548	22,418,539
Non-Current Assets			
Property, plant & equipment		305,501	292,577
Right-of-use assets		361,102	424,079
Intangible assets	4	14,179,829	17,027,998
Financial assets		32,859	40,526
Total Non-Current Assets		14,879,291	17,785,180
Total Assets		37,712,839	40,203,719
Current Liabilities			
Trade and other payables	5	10,636,876	6,973,912
Employee benefits		108,379	78,250
Current tax liabilities		182,977	29,836
Lease liabilities		183,064	194,613
Borrowings		1,316,779	1,198,728
Total Current Liabilities		12,428,075	8,475,339
Non-Current Liabilities			
Employee benefits		477,111	433,455
Deferred tax liabilities		585,136	615,930
Lease liabilities		232,516	286,293
Borrowings		2,102,954	2,415,293
Total Non-Current Liabilities		3,397,717	3,750,971
Total Liabilities		15,825,792	12,226,310
Net Assets		21,887,047	27,977,409
Equity			
Issued capital	6	45,942,218	44,611,306
Reserves	7	6,614,584	11,181,001
Accumulated losses		(30,669,755)	(27,814,898)
		21,887,047	27,977,409
Equity attributable to the members of Vection Technologies Limited		22,508,761	28,456,623
Non-Controlling interest		(621,714)	(479,214)
Total Equity		21,887,047	27,977,409

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

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HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

Consolidated (Period Ended)	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	44,611,306	(27,335,684)	11,783,771	(602,770)	(479,214)	27,977,409
Loss for the period	-	(8,060,294)	-	-	(142,500)	(8,202,794)
Other comprehensive (loss)/income	-	-	-	193,683	-	193,683
Total comprehensive (loss)/income for the period	-	(8,060,294)	-	193,683	(142,500)	(8,009,111)
Transactions with owners in their capacity as owners						
Issued share capital, net of transaction cost	125,806	-	-	-	-	125,806
Vesting/ Lapsed of performance rights	1,205,106	5,347,937	(6,083,083)	-	-	469,960
Share based payments	-	-	1,322,983	-	-	1,322,983
Balance at 31 December 2022	45,942,218	(30,048,041)	7,023,671	(409,087)	(621,714)	21,887,047
Restated Balance at 1 July 2021*	27,502,218	(20,654,198)	8,870,500	(173,576)	(117,218)	15,427,727
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
Exercise of unlisted options	-	-	51,845	-	-	51,845
Share based payments	1,871,129	-	(919,851)	-	-	951,278
Grant of unlisted options	-	-	2,925,000	-	-	2,925,000
Restated Balance at 31 December 2021*	44,203,890	(22,811,375)	10,930,923	(251,999)	(381,712)	31,689,727

*Restated - Refer to note 11

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

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HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes:	CONSOLIDATED (PERIOD ENDED)	
		31 DEC 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		6,879,490	9,255,370
Payments to suppliers and employees		(7,997,049)	(6,681,557)
Interest received		219,218	10,923
Interest paid		(76,298)	(53,164)
Income tax refund /(paid)		4,692	(144,164)
Net cash (outflow)/inflow from operating activities		(969,947)	2,387,408
Cash flows from investing activities			
Payments for plant & equipment		(87,550)	(117,685)
Transaction costs in purchase of subsidiary		-	(21,387)
Payments for intangible assets		(1,071,817)	(761,872)
Payments for other financial assets - term deposits		(8,000,000)	-
Net cash outflow from investing activities		(9,159,367)	(900,944)
Cash flows from financing activities			
Proceeds from issue of fully paid shares		-	12,951,277
Share issue transaction costs		-	(824,686)
Repayments of borrowings		(194,288)	(334,681)
Repayments of lease liabilities		(34,147)	(64,373)
Net cash (outflow)/inflow from investing activities		(228,435)	11,727,537
Net (decrease)/increase in cash and cash equivalents		(10,357,749)	13,214,001
Cash and cash equivalents at the beginning of the financial half-year		14,869,095	7,083,890
Effect of movement in exchange rates on cash held		645,599	(62,395)
Cash and cash equivalents at the end of the financial half-year		5,156,945	20,235,496

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

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HALF-YEARLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

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 2022 was authorised for issue in accordance with a resolution of directors on 28 February 2023. 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 2022 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 2022 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 (30 June 2022: two segments), 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.

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	INTEGRATEDXR [™] SOLUTIONS AND SERVICES \$	CORPORATE \$	TOTAL \$
Half-Year ended			
31 December 2022			
Segment revenue	8,172,617	132,410	8,305,027
Segment expenses	(10,078,607)	(6,429,214)	(16,507,821)
Segment net operating loss after tax	(1,905,990)	(6,296,804)	(8,202,794)
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)
Segment Assets			
At 31 December 2022	14,680,108	23,032,730	37,712,838
Segment Liabilities			
At 31 December 2022	7,897,965	7,907,918	15,825,789

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.

3) LOSS FOR THE PERIOD

	CONSOLIDATED	
	PERIOD ENDED 31 DEC 2022 \$	PERIOD ENDED 31 DEC 2021 \$
Loss for the year included the following items:		
Other expenses:		
Advertising and marketing	583,859	310,737
Corporate and administrative expenses	1,228,771	1,022,910
	1,812,630	1,333,647
	PERIOD ENDED 31 DEC 2022 \$	PERIOD ENDED 31 DEC 2021 \$
Revenue:		
INTEGRATEDXR[®] solutions and services	7,911,921	8,969,375
Interest received	219,218	10,923
Other revenue	173,888	336,717
	8,305,027	9,317,015

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

	CONSOLIDATED	
	PERIOD ENDED 31 DEC 2022 \$	PERIOD ENDED 31 DEC 2021 \$
Geographical regions:		
EMEA	5,747,544	7,448,638
APAC	2,123,792	1,257,035
AMER	40,585	263,702
	7,911,921	8,969,375
Timing of revenue recognition:		
Transferred at a point in time	5,992,354	7,612,372
Transferred over time	1,919,567	1,357,002
	7,911,921	8,969,375

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:

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- 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).

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4) INTANGIBLE ASSETS

	CONSOLIDATED	
	AS AT 31 DEC 2022 \$	AS AT 30 JUN 2022 \$
Goodwill		
Acquisition - Vection Italy Srl	850,000	850,000
Acquisition - Mindesk Group	3,587,687	3,587,687
Less: Impairment of Goodwill in Mindesk Group	(954,767)	-
Acquisition – Blank Canvas	490,020	490,020
Acquisition – JMC Group	3,742,355	3,742,355
	7,715,295	8,670,062
Intellectual Property		
Intellectual property at cost	2,811,417	2,811,417
	2,811,417	2,811,417
Other Intangible Assets (Software Patents and Development Costs)		
Other Intangible Assets at cost	9,859,637	7,922,370
Less: impairment of intangible assets	(3,460,009)	(933,581)
Less: accumulated amortisation	(2,746,511)	(1,442,270)
	3,653,117	5,546,519
Total Intangible Assets	14,179,829	17,027,998

Goodwill and Intangible Impairment Testing

As at 31 December 2022, the Group identified the existence of impairment triggers relating to its Vection Italy and Mindesk Group cash generating units (CGUs) and related intangibles.

As a consequence, the Group performed impairment testing, firstly on related intangible assets which have individually measurable recoverable amounts and then on the CGU. An impairment expense in relation to Vection Italy's Other Intangible Assets of \$2.5 million and Goodwill relating to the Mindesk Group CGU of \$1.0 million have been recognised.

The recoverable amounts of the relevant CGUs were determined by a value-in-use calculation using a discounted cash flow mode, based on a 4.5 year to 6.5 year projection period together with a terminal value approved by management. The cash flow projections were developed based revenue expectation on existing customer contracts along with ongoing opportunities. Key assumptions are those to which the recoverable amount of the CGUs asset or CGU is most sensitive. The following key assumptions were used in the discounted cash flow models:

	Vection Italy	Mindesk Group
Average projected revenue growth rate	92%	27%
Cash flow growth rate for	2.00%	2.00%

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terminal value		
Pre-tax discount rate	29.5%	29.5%
(Post tax discount rate)	(22.1%)	(22.1%)
EUR to AUD exchange rate	0.6344	0.6344

Management believes the above projected revenue growth rate is reasonable based on the following factors:

- New sales people hired in local market;
- Cisco partnership creating increased opportunities across product suite;
- Tenders already in pipeline which, if won will create further visibility; and
- Client opportunities currently being negotiated.

5) TRADE AND OTHER PAYABLE

	CONSOLIDATED	
	AS AT 31 DEC 2022 \$	AS AT 30 JUN 2022 \$
Unsecured liabilities:		
Trade payables	5,780,860	3,670,651
Sundry creditors and accruals	4,856,016	3,303,261
	10,636,876	6,973,912

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

6) ISSUED CAPITAL

	AS AT 31 DEC 2022 No.	AS AT 30 JUN 2022 No.	AS AT 31 DEC 2022 \$	AS AT 30 JUN 2022 \$
SHARE CAPITAL				
Ordinary Shares	1,126,588,969	1,109,924,294	45,942,218	44,611,306

MOVEMENT IN SHARE CAPITAL:

DATE	DETAILS	NUMBER OF SHARES	\$
01/07/2022	Opening balance	1,103,424,294	44,611,306
25/11/2022	Share issued in lieu of salary	2,419,355	125,806
25/11/2022	Vesting of performance rights	11,000,000	572,000
25/11/2022	Share issued to staff	377,791	19,645
25/11/2022	Transfer 1,220,015 treasury shares for conversion of performance rights		92,721
1/12/2022	Vesting of performance rights	2,867,529	143,376

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31/12/2022	Transfer 5,132,472 treasury shares for conversion of performance rights	377,364
		45,942,218

7) RESERVES

	CONSOLIDATED	
	AS AT 31 DEC 2022 \$	AS AT 30 JUN 2022 \$
Share based payment reserve (i)(ii)	7,023,672	11,783,771
Foreign currency translation reserve	(409,088)	(602,770)
	6,614,584	11,181,001

(i) Options

In prior year, 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

(ii) Performance rights

In prior year, 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) ;

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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 the General Manager of 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 \$479,342 and is treated as share-based payment to employee.

During the period, the following rights issued as part of the consideration for the acquisition of Mindesk Group vested and converted to shares:

Mindesk Group

- Group A Performance Rights: 8m shares if technical specifications are met on a plugin for Mindesk to work with McNeel Rhinoceros 6 by 31 December 2021;

During the period, the following rights issued as part of the share-based payment to the General Manager of Blank Canvas and JMC Group vested and converted to shares:

JMC Group

- 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

Blank Canvas

- Class A Performance Rights: 5m performance rights subject to Blank Canvas achieving revenue of \$1,500,000 and EBITDA being equal to or above 0 by the financial year ended 30 June 2022.

During the period, the following rights issued as part of the consideration for the acquisition for Mindesk Group expired:

- Group E Performance Rights: 5m shares if the Combined Revenues equal to, or exceed, €15,000,001 for the year to 31 December 2021 or 5m shares if the Combined Revenues equal to, or exceed, €20,000,001 for the year to 31 December 2022;

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- Group F Performance Rights: 15m shares if the Combined Revenues for the year ending 31 December 2023 equal to at least a 10% increase on the Combined Revenues for the year ending 31 December 2022.

8) EARNING PER SHARE

	CONSOLIDATED	
	AS AT 31 DEC 2022 \$	AS AT 31 DEC 2021 \$
Earnings per share for loss from continuing operations		
Loss after income tax	(8,202,794)	(2,421,671)
Non-controlling interest	(142,500)	(264,494)
Loss after income tax from continuing operations attributable to the members of Vection Technologies Limited	(8,202,794)	(2,157,177)
Basic earnings per share	(0.917)	(0.209)
Diluted earnings per share	(0.917)	(0.209)
Earnings per share for loss from continuing operations		
Loss attributable to ordinary shareholders (overall)	(8,060,296)	(2,421,671)
Basic earnings per share	(0.901)	(0.234)
Diluted earnings per share	(0.901)	(0.234)
Weighted average number of ordinary shares	894,509,025	1,032,925,248

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9) CONTINGENT LIABILITIES AND COMMITMENTS

The Group did not have any contingent liabilities as at Reporting Date (30 June 2022: Nil)

10) SUBSEQUENT EVENTS

The impact of global inflation and growing interest rates could affect the global macro-economic environment and have a negative impact on the future operations of the Company. The impact of the Ukraine conflict is ongoing. It is not practicable to estimate the potential impact after the reporting date.

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.

11) RESTATEMENT OF COMPARATIVE BALANCES

Comparative period balances have been restated to classify certain contingent consideration amounts relating to business combinations undertaken in FY2019 and FY2020 as equity settled rather than liability settled obligations and to also correct the accounting for fair value adjustments to contingent consideration arising in the post measurement periods including those relating to goodwill. The effect of this restatement is set out below:

Statement of Financial position Extract	Consolidated		
	1 July 2021 Reported \$	Adjustment \$	1 July 2021 Restated \$
Equity			
Reserves	3,616,924	5,080,000	8,696,924
Accumulated losses	(18,971,416)	(1,800,000)	(20,771,416)
Total Equity	12,147,727	3,280,000	15,427,727

Statement of Financial position Extract	Consolidated		
	31 December 2021 Reported \$	Adjustment \$	32 December 2021 Restated \$
Equity			
Reserves	5,598,924	5,080,000	10,678,924
Accumulated losses	(21,393,087)	(1,800,000)	(23,193,087)
Total Equity	28,409,727	3,280,000	31,689,727

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There were no changes to the Statements of Profit or Loss and Other Comprehensive Income and Cash Flows for the half year ended 31 December 2021.

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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 2022 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
Vection Technologies Limited

Dated at Perth, Western Australia this 28th day of February 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Vection Technologies Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Vection Technologies Limited (**Company**) and its subsidiaries (**Group**), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the 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 Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibility for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (**Code**) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other matter – restatement of comparative balances

We draw attention to Note 11 of the interim financial report which states that the amounts reported in the previously issued 31 December 2021 Interim Financial Report have been restated and disclosed as comparatives in this financial report. Our conclusion is not modified in respect of this matter.

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Directors' responsibility for the interim financial report

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

Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

A review of an interim 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.

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads 'MATTHEW BEEVERS'.

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 28 February 2023