

ASX RELEASE

ROBUST CONSOLIDATION TOWARDS ACCELERATED GLOBAL GROWTH

Real-time software company Vection Technologies Ltd (**ASX:VR1**) (**Vection Technologies, Vection** or the **Company**) is pleased to update the market on its activities for the quarter ended September 2020.

Highlights:

- **Quarterly cash inflows from client activities of ~\$0.5M, representing a strong operational consolidation in a challenging COVID-19 global environment**
- **Strong cash balance of ~\$8M, following the October 2020 placement (ASX: 2 October 2020)**
- **Acceleration of key commercial activities towards increased YoY revenue generation for 2H FY21, aligned with Company's strategy**
- **Healthcare, 5G collaboration, education and industrial digital transformation are providing for increased opportunities in the short to medium term**
- **Company's operations proceeding strongly according to the stated 6-months objectives**
- **Investor call to held on Thursday 5 November 2020 at 12pm AEST**

Overview:

Vection Technologies has delivered a robust consolidational quarter aligned with its overarching growth strategy towards the 50% ARR June 2022 objective. Operations are progressing strongly, aligned with the Company's objectives, with strong revenue generation expected in the second half of FY21.

Cash inflows from client activities during the quarter have consolidated to ~\$0.5M, aligned with the Company's operational 6-months objectives and representing a strong foundation for FY21 growth. Strong cash balance of ~\$8M, following the October 2020 placement, provides for a robust foundation for growth. The Company is now finalising its global investment strategy to support its increased growth objectives in FY21 and FY22.

During the quarter, the Company significantly progressed its 6-months objectives, specifically across healthcare and distribution and technology partners, aligned with its three stated building blocks:

- **Technology**, with the launch of Mindesk 2020.3 with Multi-User VR CAD and provisional patent lodgement for Healthcare Augmented Reality solutions
- **Partnerships**, with an Original Equipment Manufacturer (**OEM**) partnership agreement to introduce Vection's real-time software suite to Dell Technologies Inc (**DELL**) Software and Peripherals (**SnP**) global sales program with SnP MFG ID 3123 3rd Party Vendor Code, via JMC Group Srl (**JMC**).
- **Growth**, with a strengthened global distribution network now counting 50 partners.



3D


 VIRTUAL
REALITY

 AUGMENTED
REALITY

 INDUSTRIAL
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CAD

Company Quarterly Financial Overview:

The Company retains total cash at bank of ~\$8.3M, including ~\$2.3M at 30 September 2020 and ~\$6M from the proceeds of an oversubscribed placement from institutional and sophisticated investors (30 June 2020: \$1.6M). The Company has additionally secured ~\$1.6M in strategic funding, of which ~\$1.1M as an interest-free working capital facility from the Italian Government's National Agency for Investment Attraction and Business Development (30% non-refundable and 70% refundable in 10 years), and ~\$0.5M as a non-refundable grant disbursed on a work-in-progress basis over a period of 24 months from the end of October 2020 from the European Commission (80% of total value expected in 2Q FY21).

This robust financial position enables Vection Technologies to accelerate its strategic core-business operations, research and development activities and its strong progression toward sustained recurring revenue generation activities.

Quarterly cash inflows of ~\$0.5M, including receipts of \$0.4M and \$0.15M from advances on invoices via the Company's commercial bank facilities, demonstrate the Company's ability to consolidate a strong base of cash inflows amid a challenging business environment. (Q4 FY20 Cash Receipt from customers: ~\$0.5M),

The Company is now progressing multiple contracts in strategic industries which were delayed due to the global market uncertainty in the previous quarters.

The aggregate amount of payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$141k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

Outlook:

Vection Technologies is progressing its 6-months objectives strongly, with particular focus on:

- Advancing the Company's solutions across the healthcare, education and automotive sectors and entry into new verticals including the defence industry.
- Strong acceleration of recurring revenue sales initiatives aligned with the Company's goal to achieve 50% Annualised Recurring Revenue (ARR) by June 2022.
- Accelerating the North American and Australian market development.
- Continued growth in the European market segment.
- Executing commercial partnerships with existing and new Tier-1 global technology companies.
- Focus on development of the existing technology suite, with renewed emphasis on cloud and LAN collaboration.
- Integration of Mindesk suite with leading CAD and BIM software.
- Launching new products and third-parties software integrations towards the stated objective of building a 360° product suite.
- Further expanding and consolidating the global sales infrastructure and footprint to further advance the global client outreach.



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

Investor Presentation and Call:

Vection's management will host a conference call on Thursday 5 November 2020 at 12pm 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_1jizGXYvTfW2SH8JIF6j4Q

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

Gianmarco Biagi, Managing Director of Vection Technologies, commented:

"Despite the September quarter being a traditionally slow quarter in the northern hemisphere, the Company has delivered a robust consolidation quarter aligned with projections, providing for a strong base for FY21 growth. Management is confidently delivering on our long-term strategy, with a clear roadmap to strong revenue generation during the second half of the current financial year.

Vection Technologies' Board of Directors and senior management remain fully committed to delivering continued value for all stakeholders."

Investor Relations Contact Details

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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 4C

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

Name of entity

VECTION TECHNOLOGIES LIMITED

ABN

93 614 814 041

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	398	398
1.2 Payments for		
(a) research and development	(114)	(114)
(b) product manufacturing and operating costs	(86)	(86)
(c) advertising and marketing	(69)	(69)
(d) leased assets	(51)	(51)
(e) staff costs	(309)	(309)
(f) administration and corporate costs	(475)	(475)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(17)	(17)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(723)	(723)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	9	9
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	9	9

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,485	1,485
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	156	156
3.6	Repayment of borrowings	(222)	(222)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,419	1,419

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,585	1,585
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(723)	(723)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	9	9

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,419	1,419
4.5	Effect of movement in exchange rates on cash held	(23)	(23)
4.6	Cash and cash equivalents at end of period	2,267	2,267

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,267	1,585
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,267	1,585

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	141
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	911	829
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	911	829
7.5 Unused financing facilities available at quarter end		82
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. ~\$0.4M invoice financing facility: ~3.8% interest payable on balance advanced, the facility is unsecured and proposed to be expanded as the Company progresses its commercial strategy and platform adoption. ~\$0.6M Commercial loans: ~4.4% average weighted interest per annum, ~44 months average weighted repayment period.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(723)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,267
8.3 Unused finance facilities available at quarter end (item 7.5)	82
8.4 Total available funding (item 8.2 + item 8.3)	2,349
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.25
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions: 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? <div style="border: 1px solid black; padding: 5px; min-height: 30px;">Answer: N/A</div> 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? <div style="border: 1px solid black; padding: 5px; min-height: 30px;">Answer: N/A</div>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

Date: 30 October 2020

Authorised by: By the Board

Notes

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