



## VECTION QUARTERLY UPDATE AND APPENDIX 4C

Vection Technologies Ltd (ASX:VR1) (**Vection** or the **Company**), a multinational software company that creates **3D**, Virtual Reality (**VR**) and Augmented Reality (**AR**) solutions, presents the following report for the quarter ended 31 December 2019.

### Highlights

- **Vection's strategy to establish a SaaS product suite of real-time technologies for companies' digital transformation well underway with multiple initial agreements executed**
- **Vection launched its proprietary Frames SaaS platform in December 2019**
- **Half year cash receipts of \$1.55M up by 165% from \$585k over the previous year's corresponding period and already in excess of the full FY2019 year (~\$1.5M)**
- **Quarterly cash inflows of ~\$888k, including receipts of ~\$631k and ~\$257k (net) from advances on invoices via its commercial bank facilities**
- **Quarterly cash inflows demonstrate the Company's higher levels of activity**
- **Vection continued to target the Architecture, Engineering and Construction (AEC), Machinery, Automotive, Naval, Fashion and Furniture, Education and Healthcare markets**
- **Vection's continued to expand its applications in the Design and Engineering, Manufacturing, Training, Marketing and Sales, and Maintenance industrial areas**
- **Vection expanded its internal commercial footprint to Canada and Northern Europe**
- **~\$900k order book to strongly underpin commercial activities during the coming quarters**
- **Change of name to Vection Technologies Ltd and ASX code to "VR1", to reflect the Company's strategic direction**

### Quarter Overview

During the quarter ended 31 December 2019, the Company took a significant step forward in its global commercialisation strategy in the fast-growing real-time 3D, VR and AR technologies industry, with the launch of the Frames SaaS platform. Strategic milestones achieved during the quarter:

- **International Expansion**

Vection expanded its value-added resellers and distribution network in Canada, and Northern Europe, leveraging its unrivalled industrial network and client access to maximise returns for all stakeholders. The Company's global distribution and partner network of 10 partners, will enable the continued collaboration to maximise market-penetration during calendar year 2020, with access to over 9,000 established European clients, including Altea Federation's Gucci, Ferrari, Maserati and Duracell.

- **Partnerships**

Vection commenced an early stage collaboration with the Motorvehicle University of Emilia Romagna (**MUNER**), an association that synergistically connects universities that are synonymous with advanced training with the automakers that represent the excellence of Made in Italy in the world: Automobili Lamborghini, Dallara, Ducati, Ferrari, Haas F1 Team, HPE Coxa, Magneti Marelli, Maserati and Toro Rosso.

The Company anticipates that this collaboration will be formalised with the admission of Vection into MUNER's association and represents an endorsement of FrameS as a software with widespread applicability to the automotive and engineering sector for collaborative design, prototyping and development.

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- **Commercial Activities**

- **FrameS European Launch**

On 2 December 2019, the Company announced the European launch and immediate customer availability of FrameS, the Company's proprietary VR SaaS platform, across its European distribution network. FrameS is a collaborative immersive design platform, enabling photorealistic representations of 3D models and designs in Virtual Reality, resulting in cost reductions, faster decision making and increased problem solving.

- **FrameS Training**

On 29 October 2019, the Company announced the completion of the initial roll-out of its FrameS VR Training solution for leading Oil & Gas international general contractor, Bonatti S.p.A. (Bonatti). The FrameS VR Training solution is an educational tool which provides personnel worksite inductions and reduces injuries related to unsafe situations and man/machine interactions. Bonatti registered a nil incident rate for the activities related to the FrameS VR Training solution compared to a total recordable incident rate (TRIR) of 1.40 in 2018.

- **Vection Car Sales Platform with Volvo Car Italy**

On 12 December 2019, the Company announced the roll-out and commencement of subscription sign-ups for its **Vection Car Sales Platform** with Volvo Car Italy. The Vection Car Sales Platform is a SaaS software based on recurring subscriptions of ~\$AUD 1,252 (€770) per dealer per annum for the first 12 months, and ~\$AUD 1,620 (€996) per dealer per annum from the second year onwards. Full subscription is expected in the first months of 2020.

- **Smart Factory proof of concept**

On 17 December 2019, the Company announced that Coesia Group member, G.D. SpA (GD) had engaged Vection to provide a Smart Factory Platform Proof of Concept (PoC). GD is the world's leading supplier of high-tech machinery for cigarette making and packing, filter production and other tobacco-based and special products. GD is part of the Coesia Group, a Group of innovation-based industrial and packaging solution companies operating globally with €1.8B in revenues and a presence in 35 countries. Vection's Smart Factory Platform is a 3D, real-time solution to guide factory personnel in critical tasks with step-by-step instructions for manufacturing processes.

- **Technological Developments**

- **FrameS 20: Introducing Augmented Reality**

On 19 December 2019, the Company announced the release of **FrameS 20** set for 2Q2020. FrameS 20 introduces new features that enable effortless design visualisation and interaction, from concept to production. FrameS 20 takes the design and review experience to a new level by introducing Augmented Reality features and mobile devices integration, expanding from the existing 3D, Virtual Reality and Desktop solutions.

- **FrameS: Rhinoceros Integration (CAD Strategy)**

On 17 October 2019, the Company announced the completion of a plug-in integration enabling all Rhinoceros (**Rhino**) users to seamlessly upload their 3D Computer-Aided Design (**CAD**) models directly into ServTech's Immersive VR Design Platform '**FrameS**'. This plug-in establishes FrameS' VR technology as a high performing tool for technical procedures where speed and accuracy are paramount. Rhino is a CAD software with an estimated 1.5m paying users and counts more than 700 resellers, distributors, OEMs, and training centres around the world.



## Corporate Overview

At the 2019 AGM, shareholders approved the Company's change of name to Vection Technologies Ltd. The name reflects the Company's strategic direction in establishing an AR/VR based global SaaS product suite.

Accordingly, the Company's ASX code is now "VR1".

## Company Financial Overview

The Company finished the year with ~\$345,000 cash at bank.

Quarterly cash receipts of ~\$631,000 demonstrate the Company's trending higher levels of activity versus prior to its entry into the AR/VR. Half year cash receipts of \$1.55M were up by 165% from ~\$585,000 over the previous year's corresponding period and already in excess of the full FY2019 year (~\$1.5M). The Company anticipates that it will now build its cash balance and available debt funding facilities following the significant focus and effort dedicated to launching its products during this formative December quarter. Moving into calendar year 2020, the Company is strongly positioned with ~\$900,000 of orders booked to fulfil.

The aggregate amount of payments to related parties and their associates included in the current quarter Cash flows from operating activities totalled ~\$77,000. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

## Outlook

The Company is accelerating its overall evolution to a recurring revenue business model. Supported by a global distribution footprint and unrivalled client and partner access, Vection is confident in continuing its growth trajectory during calendar year 2020.

The establishment of a global SaaS product suite of real-time technologies for companies' digital transformation continues to be paramount in the Company's growth strategy across multiple market segments and areas of application.

The Company continues to evaluate strong value accretive software integration opportunities in the virtual reality CAD market segment and will update the market in due course.

### For more information:

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### About Vection (ASX:VR1):

Vection is a multinational software company that makes 3D, Virtual Reality (VR) & Augmented Reality (AR) software services for the engineering, manufacturing, architecture, construction, education and healthcare industries. Vection operates on an Enterprise business model based on bespoke fees and on a Software as a Service (SaaS) business model based on recurring subscription revenue.

[www.vection.com.au](http://www.vection.com.au)

## 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")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	631	1,553
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(279)	(821)
(c) advertising and marketing	(13)	(45)
(d) leased assets	-	-
(e) staff costs	(372)	(681)
(f) administration and corporate costs	(276)	(823)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	182
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(309)</b>	<b>(635)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(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 (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	397	397
3.6	Repayment of borrowings	(140)	(140)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>257</b>	<b>257</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	402	797
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(309)	(635)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(64)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	257	257
4.5	Effect of movement in exchange rates on cash held	(5)	(10)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>345</b>	<b>345</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	345	402
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>345</b>	<b>402</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
77
-

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

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

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	312	257
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>312</b>	<b>257</b>

7.5 **Unused financing facilities available at quarter end** 55

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.

Invoice financing facility, 8% interest payable on balance advanced, the facility is unsecured and proposed to be expanded as take-up of FrameS builds.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(309)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	345
8.3 Unused finance facilities available at quarter end (Item 7.5)	55
8.4 Total available funding (Item 8.2 + Item 8.3)	400
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>1.3</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company has launched its FrameS product. With the launch of this product, recurring revenues are anticipated to be built up and internal development resources will be reallocated from developing the FrameS product to revenue earning activities.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has established invoice advance facilities for its Vection Italy operations based on its top tier customer portfolio. As further top tier clients are added to the portfolio and further work is performed with existing clients, these facilities will be expanded. The Company is also owed ~\$150k by the Agency Group in addition to ongoing services, which is expected to be received in the next quarter. In addition, the Company also holds ~\$70k in securities in the Agency Group which were granted in lieu of payments, the Company will dispose of this holding in due course.

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: Yes, in addition to launching its FrameS product which will generate recurring revenues, expanding its financing facilities based on a top tier client portfolio, banking \$150k from the Agency and monetising a further \$70k from securities, the Company also had debtors outstanding in excess of \$1 million with varying due dates and orders to deliver of ~\$900k as at the start of January 2020.

## 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.

31 January 2020

Date: .....

By the Board

Authorised by: .....  
(Name of body or officer authorising release – see note 4)

## 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.