

31 October 2025, Australia

ASX RELEASE
FY26 Q1 ACTIVITY REPORT AND APPENDIX 4C

Vection Technologies Ltd (ASX:VR1, OTC:VCTNY), ("Vection" or the "Company"), the INTEGRATEDXR® company, is pleased to present its operational update and Appendix 4C cash flow report for the quarter ended 30 September 2025, together with material developments subsequent to the quarter end.

Gianmarco Biagi, Managing Director, commented:

"After the positive results at the end of 2025 in terms of revenue growth and positive EBITDA, the September quarter continues the strong trend set in Q4 FY25, as Vection moves toward stable, multi-year revenue streams. Despite this quarter being historically the weakest for Vection, given the European summary holiday period, we achieved a ~ +60% year-over-year increase in operating cash flow, driven by disciplined working capital management and growing recurring revenues. Our full year net operating cashflow continues to be tracking to a positive result, a milestone success for the Company.

Our Defence division continues to grow, with a new \$22m framework agreement already translating into \$8m of confirmed orders. Meanwhile, our AI portfolio is expanding through enterprise and government programs. Our overall TCV+pipeline is strong, standing at \$75m up until 2028 which is another record for the Company in its short history.

The successful \$21m capital raise completed in early October offers the financial strength to accelerate delivery in Defence, Healthcare, and Industrial sectors, laying the groundwork for sustainable profitability in FY26."

OPERATIONAL HIGHLIGHTS:
Corporate:

- **Completing a \$21m placement in new capital to new and existing institutional and sophisticated investors to supercharge the growth of the Company and for sufficient working capital to close out the Company's existing TCV+pipeline of \$75m in new contract wins and debt/factoring reduction.**

Defence Sector:

- **Executed a \$22.3m multi-year Defence Framework Agreement with a NATO-approved partner, scalable to \$29.5m, extending program visibility through FY30.**
- **\$8m already confirmed in initial orders under this framework, including a first \$7.8m order received in early October 2025.**
- **These agreements build upon the \$4.4m Defence order executed in June 2025, transitioning Vection into a structured, recurring-revenue model within the NATO Tempest innovation chain.**

Artificial Intelligence and Enterprise Solutions

- **Signed \$1.5m in new AI contracts across government, utilities, aviation, and life sciences.**
- **Expanded collaboration with Area 12 Consulting, now contributing \$5.7m in total contract value since May 2025.**
- **Continued integration of The Digital Box (TDB) and its Algho® AI platform, enhancing Vection's INTEGRATEDXR® ecosystem and growing ARR.**

VECTION TECHNOLOGIES LTD

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

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- Launched Algho AI Sign Language on AWS Marketplace, targeting accessibility mandates across European public-sector organisations.

Asia-Pacific Expansion and Automation

- Announced the proposed acquisition of Digital Experience Labs (DXLabs), an Australian digital-automation firm contributing approximately \$3.5m in annual revenues and \$0.8m EBIT, expected to complete this calendar year.
- Strengthens Vection's presence in the APAC region and creates cross-selling potential for automation and AI solutions.

FINANCIAL HIGHLIGHT

Metric (\$m)	Q1 FY26	Q1 FY25	Change
Cash receipts from customers	~5.0	~6.5	▼ 23% (seasonality)
Operating Cash Flow (OCF)	-1.7	-4.3	▲ +60%
Receivables	27	15	▲ +12m (including TDB)
Pro-forma Cash & equivalents*	23.3	4.8 (30 June 2025)	▲ +18.5m

*Pro-forma Cash & equivalents include the gross proceeds from the capital raise conducted in early October 2025.

As historically experienced in Q1, Vection's cash flows reflect a pronounced seasonal effect. Across Europe, July to September coincide with widespread industrial and public-sector shutdowns, temporarily delaying payment collections.

At 30 September 2025, Vection held approximately \$27.0m in receivables. These are expected to normalise early in Q2 FY26 as payment cycles resume.

Capital Management and Liquidity:

Post-quarter, Vection completed a \$21m equity placement (before costs) on 6 October 2025.

Proceeds from the placement were applied to:

- Defence, healthcare, and retail sales programs;
- Debt reduction and working capital;
- Acceleration of AI and automation development.

The capital raise materially improves Vection's net financial position (NFP) and ensures a strong funding runway for FY26.

Operating cash flow improved by 60%, rising from **-\$4.3M** to **-\$1.7M**.

Cash receipts from customers for the quarter totalled ~\$5m. This movement reflects normal seasonality in government and defence invoicing cycles following year-end, with the broader revenue trajectory remaining robust as multi-year contracts move into delivery.

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Operating cash outflows were ~\$6.7m, an improvement from: ~\$12.6m in the previous year, ~\$9.1m in the previous quarter, maintaining a disciplined cost base while continuing to invest in product development and AI integration initiatives. Cash outflows from investing activities were ~\$1.2m (June quarter: ~\$0.9m), primarily directed toward ongoing technology and intellectual property development supporting the expansion of the INTEGRATEDXR[®] and Algho[®] product ecosystems.

Financing activities produced a net inflow of ~\$2.4m for the period, compared with a \$3.3m outflow in Q4 FY25, reflecting new borrowings under short-term invoice-finance facilities and minor option exercises.

The drawn balance includes ~\$13.6m in long-term debt with maturities extending to 2035 and the remainder comprising self-liquidating invoices and contract-financing lines secured by receivables.

Importantly, following quarter-end, Vection completed a ~\$21m capital raising (before costs) on 6 October 2025, significantly strengthening liquidity and ensuring a strong funding runway for FY26.

OUTLOOK:

Vection enters FY26 with record forward visibility, a strengthened financial position, and a clear operational focus.

Priorities for the year ahead include:

- growing and converting the Company's pipeline, the largest in history;
- converting framework agreements into predictable annual revenue streams;
- continuing the Company's acquisition strategy, including closing the acquisition of DXLabs in this calendar year;
- scaling the repeatable AI-XR product templates across Defence, Healthcare, Education, and Industrial sectors; and
- embedding AI within all INTEGRATEDXR[®] modules to enhance operating margins and drive resilience.

The combination of multi-year contracted revenue, strong liquidity, and expanding recurring income positions Vection to deliver sustainable profitability and shareholder value through FY26 and beyond.

LISTING RULE 4.7C3:

The aggregate payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$ 72k. These payments consisted of Directors' fees and salaries paid to directors. All payments were on normal commercial terms.

AUTHORISATION:

This ASX release is authorised by the Board of Directors of Vection Technologies Limited.

ENDS

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INVESTOR RELATIONS CONTACT DETAILS:

Gianmarco Biagi - Managing Director (Europe Based)
Email: gianmarco.biagi@vection-technologies.com

Cameron Petricevic - Independent, Non-Executive Director (Australia Based)
Email: cameron.petricevic@vection-technologies.com

ABOUT VECTION TECHNOLOGIES:

Vection Technologies is a growing enterprise-focused company that helps businesses bridge the physical and digital worlds. We help organisations leverage their 3D data via powerful extended reality (XR) interfaces that foster collaboration and learning, grow sales and more. Vection's powerful Algho AI product suite also helps business solve a range of business problems through AI generative technology and new age Avatars.

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

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, guidance, or outlook on future earnings, distributions, 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.

GLOSSARY:

INTEGRATEDXR® is the Company's solutions and service suite, from Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR) technologies to Metaverse, ICT Infrastructure and devices, Kiosks, 3D Modeling and Rendering services and Artificial Intelligence (AI). Vection Technologies seeks to help businesses bridge the physical and digital worlds, through a unique INTEGRATEDXR® experience.

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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 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,977	4,977
1.2 Payments for		
(a) research and development	(1,283)	(1,283)
(b) product manufacturing and operating costs	(2,552)	(2,552)
(c) advertising and marketing	(188)	(188)
(d) leased assets	(169)	(169)
(e) staff costs	(964)	(964)
(f) administration and corporate costs	(683)	(683)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(258)	(258)
1.6 Income taxes paid	(625)	(625)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,744)	(1,744)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(313)	(313)
(b) businesses	-	-
(c) property, plant and equipment	(337)	(337)
(d) investments	-	-
(e) intellectual property	(639)	(639)
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Cash and cash equivalents acquired from acquisition	-	-
2.6	Net cash from / (used in) investing activities	(1,289)	(1,289)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	300	300
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	342	342
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	5,512	5,512
3.6	Repayment of borrowings	(3,801)	(3,801)
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	2,353	2,353

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,104	3,104
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,744)	(1,744)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,289)	(1,289)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,353	2,353
4.5	Effect of movement in exchange rates on cash held	(110)	(110)
4.6	Cash and cash equivalents at end of period	2,313	2,313

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	2,313	3,104
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details if material)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,313	3,104

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	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
7.1 Loan facilities	24,170	22,899		
7.2 Credit standby arrangements	-	-		
7.3 Other (please specify)	-	-		
7.4 Total financing facilities	24,170	22,899		
7.5 Unused financing facilities available at quarter end		1,271		
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.				
*Of the Total financing facilities, \$13.6M of the amount drawn relates to Long-term financing facilities i.e. this debt is not repayable for an extended period, up to 10 years.				
The Company's financing facilities are summarised below:				
Facilities	Lenders	Security	Avg Interest Rate	Maturity
Loans	Banca BCC Felsinea, Banca Chianti Credito Cooperativo, Banca Ifis, Banco BPM, Banco di Sardegna, Borsa del Credito, BPER, BPPB, Credimi- Lumen spv srl, Credimi-Perseveranza, Fondo Crescita, MCC Fabbrica intelligente, Mediocredito Centrale Invitalia, MPS, Opym, SGRAFFETTO, Simest, SMART&START, Unicredit	Secured	3.9%	2026 - 2035
Leasing	Dell Financial	Unsecured	5.3%	2027
Invoice finance	MPS, Intesa San Paolo, Unicredit, Banca di Bologna, Banca BCC Felsinea, Banca Chianti Credito Cooperativo	Unsecured	6.5%	Short-term
Bonds	Obbligazioni	Unsecured	7.0%	2035
8. Estimated cash available for future operating activities	\$A'000			
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,744)			
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,313			
8.3 Unused finance facilities available at quarter end (item 7.5)	1,271			
8.4 Total available funding (item 8.2 + item 8.3)	3,584			

8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)*	2.01
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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.

* Estimated funding available does not include the \$21m placement to sophisticated and professional investors concluded on 6 October 2025.

Historically, the September quarter is seasonally weakest for the Company. This is attributable to the summer holiday season in Europe, which delays the receipt of cash flows and other operational matters. Although this is becoming less significant for the Company as it diversifies its revenue, the Company expects to have a positive net operating cash flow for the year, also thanks to the Company's growth rate and the contracts recently announced which will impact future quarters, in particular the \$22m contract framework agreement (ASX release 22 September 2025) and subsequent \$8m first order from that framework agreement (ASX release 6 October 2025). The Company notes an improvement compared to the same period last year for the September quarter, moving from a net operating cash flow result of -\$4.09m in 2024 to -\$1.79m in 2025 and also notes its high receivables position of \$27m at the end of this quarter, both being record results in the Company's history.

8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
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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?
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N/A

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

8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
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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: 31 October 2025

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.

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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.