3 October 2025, Australia

ASX RELEASE

2025 Annual Report

Vection Technologies Ltd (ASX:VR1, OTC:VCTNY, FRA: S1X), ("Vection" or the "Company"), the INTEGRATED**XR**® company, provides its 2025 Annual Report. The lodgement dated 30 September 2025 was truncated and did not include all pages. The attached is the complete document.

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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 organisations 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 and is also listed on Germany's Frankfurt Stock Exchange under the ticker S1X.

For more information, please visit: www.vection-technologies.com

VECTION TECHNOLOGIES LTD

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

WEBSITE

www.vection-technologies.com

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Vection Technologies Ltd

ABN 93 614 814 041

Annual Report - 30 June 2025

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Vection Technologies Ltd
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Vection Technologies Ltd
Corporate directory
30 June 2025

Directors	Mr Gianmarco Biagi Mr Lorenzo Biagi Mr Jacopo Merli Mr Umberto (Bert) Mondello Mr Marco Landi Mr Cameron Petricevic
Company secretary	Mr Derek Hall
Notice of annual general meeting	The details of the annual general meeting of Vection Technologies Ltd are: Level 4, Building C, Garden Office Park, 355 Scarborough Beach Road Osborne Park WA 6017 2:00 pm on Monday 24 November 2025
Registered office and principal place of business	Level 4, Building C, Garden Office Park, 355 Scarborough Beach Road, Osborne Park, WA 6017 Telephone+61 8 6380 7446
Share register	AUTOMIC REGISTRY SERVICES Level 5, 191 St Georges Terrace, Perth, WA 6000 Telephone(08) 9324 2099
Auditor	Hall Chadwick WA Audit Pty Ltd 283 Rokeby Rd, Subiaco WA 6008
Solicitors	Steinepreis Paganin Level 14, QV1 Building 250 St Georges Terrace PERTH WA 6000
Stock exchange listing	Vection Technologies Ltd shares are listed on the Australian Securities Exchange (ASX code: VR1)
Website	https://vection-technologies.com
Corporate Governance Statement	The Directors and management are committed to conducting the business of Vection Technologies Ltd in an ethical manner and in accordance with the highest standards of corporate governance. Vection Technologies Ltd has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the Group's website at https://vection-technologies.com

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Dear Shareholders,

FY25 marked a decisive shift for Vection. It was a year of disciplined execution, strategic wins and financial milestones that gave us scale, visibility and the platform to accelerate in FY26 and beyond.

Building an end-to-end ecosystem

We've strengthened our spatial-computing ecosystem, bridging secure ICT infrastructure with AI-powered XR applications that solve real-world operational problems.

The acquisition of The Digital Box (TDB/Questit), settled in January, was a key inflection point. TDB's Algho brings proprietary generative AI that now runs as both a stand-alone product and integrated modules across the INTEGRATED**XR**®. This acquisition is already proving value-accretive, with Algho generating incremental opportunities across our existing customer base and opening clear cross-sell pathways into education, healthcare, defence, and enterprise customers.

Earlier investments in Invrsion and the proposed MYR acquisition deepened our retail and fashion capability.

Innovation that scales

- We delivered significant UX improvements to facilitate easier and faster adoption.
- We enhanced remote assistance with advanced hardware bundles that incorporate spatial-computing features for improved quality in the field.
- We launched Algho AI Sign Language on AWS Marketplace, with initial orders totalling $0.5m.

High-impact commercial progress

Our strategy is to win critical workloads, prove value quickly, standardise the template and scale recurring revenue.

- Defence became a pillar of growth with a sequence of wins: $1.8m in January, $4.0m in February, a $4.4m follow-on in June, and our then-largest $7.2m order in July. In September, we signed our largest-ever contract, a $22.3m master framework (scalable to $29.5m) with a repeat NATO-approved partner, running through 2030. This brings the overall program to $40.0m, with $17.7m already signed and $10.3m delivered. Importantly, this framework is delivered from existing resources and requires no additional capital outlay, reinforcing disciplined growth.
- Education: a $3.6m Cometa agreement to roll out XR to ~500 Italian high schools.
- Healthcare: a $1.7m partnership with Laerdal Medical and live deployment at Massachusetts General Hospital.
- Enterprise & retail: new contracts with Nestlé and Natuzzi.
- Industrial safety: launch of SAFE-XR, an initial $2.6m compliance-focused platform.
- AI distribution: $5.7m in contracts via Area12 by September.
- Dell Technologies: moved from collaboration to revenue with a $0.5m Algho appliance sale and achieved Dell Titanium Partner status: Dell's highest tier.

Financial performance

FY25 results reflect this disciplined growth:

- Pro-forma revenue (incl. TDB full year): ~$42m (vs ~$34m in FY24).
- Reported revenue: $36.0m, up 9.6%.
- Underlying EBITDA: +$2.9m (our first positive result).
- Cash position: stable, with a large defence receipt falling just after year-end.
- Operating cash flow: positive in every quarter.

These results reflect not only revenue growth but also a deliberate strategy of tight cost control and selective investment, ensuring that every dollar spent is directly linked to growth or efficiency.

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Capital management

We fund growth with a balance of operating cash flow and prudent access to equity when it strengthens the balance sheet.

In April, we completed a $3.55m placement to support scaling across defence and AI.

In September, we entered a trading halt pending a strategic capital raising and bolt-on acquisition. The equity raise was initially sized at $15m and, due to strong institutional demand, was upsized to $21m at $0.06 per share. Proceeds are earmarked to fund value-accretive acquisitions, retire debt, and strengthen working capital, putting the company in an even stronger position for FY26.

Strengthening leadership and execution

FY25 was also a year of strengthening our leadership team to support the company at scale.

- Marco Landi, former global COO of Apple, joined as Independent Non-Executive Chairman, bringing decades of experience in leading global technology businesses.
- Cameron Petricevic joined as Non-Executive Director, adding deep expertise in investor relations and capital markets.
- Ernesto Di Iorio was appointed Chief Information Officer, one of the most experienced AI executives in Italy with over 15 years of domain expertise.
- Virgilio Picca joined as Chief Financial Officer, bringing more than 20 years of financial leadership experience including listed-company roles.

We also welcomed three senior sales managers in Europe to strengthen governance and scale execution across our largest market.

This leadership bench provides Vection with the right mix of global technology, financial discipline, AI expertise, and sales execution capability. It provides the governance and operational depth required to deliver on our growing multi-year frameworks and international pipeline.

Market positioning & competition

Vection sits at the intersection of secure ICT, XR, and embedded AI. INTEGRATED**XR**® augmented by TDB's Algho, differentiates us from single-solution XR or AI vendors by delivering one integrated, enterprise-grade stack that:

- deploys quickly on existing infrastructure (often with no additional capital outlay),
- scales across multiple verticals through repeatable templates, and
- supports recurring software and services revenue with clear ROI.

We also invested in local market hubs to be closer to customers, improving agility and responsiveness. Being closer to our customers also fosters cultural alignment, agility and deeper collaboration, strengthening trust and enabling us to tailor solutions to the unique dynamics of each market.

Commercial alliances with Dell, Accenture, Xerox (CareAR), NTT DATA, Amazon, Total Play, Natuzzi, and Nestlé expanded our reach across Europe and the Americas, providing us with stronger distribution channels without requiring heavy capital investment.

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Risks & discipline

We operate in critical environments. Key risk themes and our approach:

- Program delivery: staged milestones, acceptance criteria and program-management discipline across multi-year frameworks; delivery largely from existing resources.
- Geopolitics & supply chain: diversified vendors, scenario planning and contractual flexibility.
- Data protection & responsible AI: secure-by-design architecture, privacy-preserving data flows, model-risk governance and continuous QA.
- Capital discipline: selective M&A, step-wise integration, design-to-cost, and maintaining optionality on funding.

We will maintain discipline in execution and update the market as material orders are received.

Shareholder value creation

The mix is shifting from bespoke projects to recurring revenue in education (Cometa), healthcare (Laerdal, MGH), AI (Area12) and industrial safety (SAFE-XR). This transition underpins margin expansion, improves cash conversion and supports a more predictable earnings profile over FY26–FY27.

ESG & purpose

We aim to create durable value and positive impact:

- Education: XR in classrooms lifts engagement and STEM capabilities.
- Healthcare: simulation and AI assistants support safer, more effective training and patient journeys.
- Accessibility: Algho AI Sign Language broadens access to services.
- Environment: remote-first collaboration and training reduce travel and emissions.
- Governance: enhanced board and executive capability, strengthened risk oversight and transparent reporting.

Looking ahead

Our priorities for FY26 are clear:

1. Convert large frameworks into predictable annual order flow;
2. Scale repeatable templates across defence, healthcare, industrials and education;
3. Embed AI in every module to lift margins and resilience.

We enter the new year with a robust pipeline of opportunities already in active negotiation across multiple verticals and geographies, giving us confidence in continued momentum. With multi-year visibility, expanding ARR and a strengthened balance sheet, Vection is positioned to deliver sustainable growth.

Thank you for your continued support and trust.

Kind regards,



Gianmarco Biagi
Managing Director

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Vection Technologies Ltd (referred to hereafter as the 'Company', 'parent entity' or 'Vection') and the entities it controlled at the end of, or during, the year ended 30 June 2025.

Directors

The following persons were Directors of Vection Technologies Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Gianmarco Biagi	Managing Director and CEO
Mr Lorenzo Biagi	Executive Director
Mr Jacopo Merli	Executive Director and COO
Mr Umberto (Bert) Mondello	Non-Executive Director
Mr Marco Landi	Independent Non-Executive Chairman (appointed on 20 January 2025)
Mr Cameron Petricevic	Independent Non-Executive Director (appointed on 20 January 2025)
Mr Gianmarco Orgnoni	Non-Executive Director (resigned on 19 January 2025)

Principal activities

During the period, the principal continuing activity of the Group consisted of developing and commercialising integrated digital transformation technology solutions and services part of its INTEGRATED**XR**® suite, including ICT infrastructure, kiosks, mixed reality ('MR'), augmented reality ('AR'), virtual reality ('VR'), computer-aided design ('CAD'), 3D modelling and renderings, and artificial intelligence ('AI').

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

Financial performance

For the financial year ended 30 June 2025 ('FY25'), the loss for the Group after providing for income tax was $8,158,000 (30 June 2024 ('FY24'): $9,999,000).

Revenue

The Group reported revenue from operating activities in the period of $36,003,000 (FY24: $32,838,000), up 9.6% versus the previous corresponding period ('PCP').

EBITDA

The Group's EBITDA was a loss of $1,562,000 (FY24: EBITDA loss of $3,242,000). Underlying EBITDA was a profit of $2,859,000 (FY24: Underlying EBITDA loss of $1,015,000) in FY25 and excludes the impairment of assets, share-based payments expense and non-operating items in relation to the cost-reduction program.

An impairment charge of $615,000 has been taken at 30 June 2025 in respect of expected credit losses of trade receivables (30 June 2024: $nil). In FY25, there was no impairment charge for intangible assets (30 June 2024: $3,139,000 impairment of intangible assets).

Earnings before interest, taxation, depreciation, and amortisation ('EBITDA'), Adjusted EBITTDA and Underlying EBITDA are financial measures that the Australian Accounting Standards do not prescribe.

EBITDA, Adjusted EBITTDA and Underlying EBITDA represent the Group's underlying earnings from its operations. They are determined by adjusting the statutory net loss after tax for items that are non-cash or non-operating in nature. The Directors consider EBITDA, Adjusted EBITDA and Underlying EBITDA to represent the core earnings of the Group. The table below reconciles net loss before tax, EBITDA, Adjusted EBITDA and Underlying EBITDA.

	2025 $'000	2024 $'000	Change $'000	Change %
Revenue	36,003	32,838	3,165	10%
Other income and interest revenue	1,128	1,717	(589)	(34%)
Total revenue	37,131	34,555	2,576	7%
Total expenses	(45,192)	(44,218)	(974)	2%
Loss before income tax expense	(8,061)	(9,663)	1,602	(17%)

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	2025 $'000	2024 $'000	Change $'000	Change %
Loss before income tax expense	(8,061)	(9,663)	1,602	(17%)
Add: Depreciation and amortisation expense	4,624	2,331	2,293	98%
Add: Finance costs	1,269	976	293	30%
Less: Interest revenue	(9)	(25)	16	(64%)
Impairment of trade receivables	615	-	615	-
Impairment of intangible assets	-	3,139	(3,139)	(100%)
EBITDA	(1,562)	(3,242)	1,680	(52%)
Share-based payments expense	2,803	163	2,640	1620%
Adjusted EBITDA	1,241	(3,079)	4,320	(140%)
Acquisitions costs	739	981	(242)	(25%)
Non-operating costs	879	1,083	(204)	(19%)
Underlying EBITDA	2,859	(1,015)	3,874	(382%)

Highlights for the Full-Year

FY25 was a turning point for Vection Technologies. What began as a year of disciplined execution evolved into a year of transformation, delivering scale, validating our model, and laying the foundations for sustainable profitability in FY26.

We have proven that our strategy of combining AI with XR is not only commercially relevant but also winning multi-year contracts with some of the world's largest organisations.

Financial Progress:

- **Revenue:** $36.0m reported (+9.6% YoY), with pro-forma ~$42.0m including a full year of TDB. This growth was driven by defence and healthcare, complemented by the adoption of enterprise and retail solutions.
- **EBITDA:** First-ever positive underlying EBITDA of $2.9m, a milestone that demonstrates operating leverage and scalability. Adjusted EBITDA +$1.2m; statutory EBITDA –$1.6m
- **Net Loss After Tax**: –$8.2m, an improvement on FY24's –$10.0m, showing a continued trajectory toward profitability.
- **Balance Sheet**: Net assets increased to $13.9m (FY24: $8.8m).
- **Cash**: $3.1m at 30 June 2025, rising to $7.5m pro-forma with a $4.4m defence payment received shortly after year-end.

Strategic Achievements – Building an AI-First Ecosystem:

The acquisition of The Digital Box (TDB/Questit) in January was transformative. Its Algho AI platform is now integrated into our INTEGRATED**XR**Ò stack, creating a differentiated enterprise-grade ecosystem. This ecosystem is already delivering incremental revenue streams and creating cross-sell opportunities across education, healthcare, defence, and enterprise.

Previous acquisitions (Invrsion, MYR) and organic R&D strengthened retail, fashion, and industrial capabilities. The result is a modular, AI-driven XR ecosystem that can be deployed globally, at scale.

Commercial momentum:

- **Defence**: In FY25 we turned defence into a growth engine, winning ~$19m in contracts, including our largest order to date at $7.2m. In September, we signed a $22.3m master framework (scalable to $29.5m), securing visibility through 2030. Defence now represents a ~$40m program, with $17.7m signed and $10.3m delivered.
- **Education**: $3.6m Cometa agreement rolling out XR to ~500 Italian high schools.
- **Healthcare**: $1.7m partnership with Laerdal Medical, with deployments at Massachusetts General Hospital.
- **Enterprise & Retail**: Expansion of immersive commerce with Nestlé and Natuzzi.
- **Industrial Safety**: Launch of SAFE-XR, our compliance-focused platform.
- **AI Distribution**: Algho rolled out through Area12, generating $5.7m in contracts by September.
- **Partnerships**: First commercial revenues with Dell Technologies, culminating in Titanium Partner status, Dell's highest tier.

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Leadership & Execution:
FY25 also strengthened Vection's leadership and governance to support scale:
- Marco Landi (former Apple COO) as Independent Chair.
- Cameron Petricevic as Independent Non-Executive Director.
- Ernesto Di Iorio as CIO, bringing world-class AI leadership.
- Virgilio Picca as CFO, with deep listed-company finance experience.
- Three senior European sales leaders onboarded to accelerate execution.

Market Positioning – Why We Win:
Vection operates at the intersection of secure ICT, XR, and AI. Unlike point solutions, our INTEGRATED**XR**Ò + Algho stack delivers:
- Fast deployment on existing infrastructure.
- Cross-vertical scalability via repeatable templates.
- Recurring revenue models with clear ROI.

Our alliances with Dell, Accenture, Xerox, NTT DATA, Amazon, Total Play, Natuzzi, and Nestlé extend our global reach without incurring heavy capital outlay, demonstrating the scalability of our model.

Outlook for FY26 - from Scale to Profitability
FY25 validated the Group's strategy. FY26 is about converting frameworks into predictable revenue streams and embedding AI across every solution.

Priorities:
(1) Convert large defence frameworks into steady annual revenue.
(2) Scale vertical templates in healthcare, education, and industry.
(3) Embed AI across all modules to lift margins and resilience.

With multi-year visibility, expanding ARR, and a strengthened balance sheet, Vection is positioned to deliver sustainable profitability in FY26.

Significant changes in the state of affairs

On 5 September 2024, the Company issued 200,000,000 ordinary fully paid shares at $0.10 ($2m placement as announced on 29 August 2024). On 11 November 2024, 270,000,000 listed options at $0.018 were issued to participants in a placement and the manager to the issue.

On 17 January 2025, the Company announced the successful settlement of its acquisition of a generative artificial intelligence (AI) company, The Digital Box S.p.A. ('TDB') enhancing its AI and XR capabilities, disclosed initially on 29 August 2024 and completed on 15 January 20205. The acquisition's initial enterprise value is circa $12m, with circa 157m (circa $1.5m) in newly issued shares payable at settlement. Up to circa 55m Vection shares will be issued under 36 performance rights if TDB achieves sales and EBITDA objectives and balance sheet valuation targets one year post acquisition. On the settlement date, the Company issued 143,175,278 fully paid shares as consideration for the acquisition of TDB, which were approved by shareholders on 28 October 2024.

Vection announced key Board changes on 20 January 2025, welcoming Mr. Marco Landi, former worldwide President of Apple Computer, as Independent Non-Executive Chair, and Mr. Cameron Petricevic as Independent Non-Executive Director. These appointments introduced technology leadership, global growth expertise, and capital markets experience. Mr. Gianmarco Orgnoni stepped down from the Board after providing long-term support during Vection's earlier expansion phases.

On 31 January 2025, the Company issued 28,734,000 of ordinary fully paid shares at $0.018 per share after exercising options expiring on 11 November 2027 (announced on 6 February 2025).

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 25 July 2025 and 1 August 2025, the Company issued a total of 2,000,000 ordinary shares with an exercise price of $0.018 from the listed option conversion.

On 18 August 2025, the Company issued a total of 37,450,000 ordinary shares with an exercise price of $0.050 in lieu of payment for consulting services and to employees in lieu to salaries, fees and bonuses, as approved by shareholders at the AGM held on 18 August 2025.

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On 12 September 2025, the Company issued a total of 7,831,450 ordinary shares through the exercise of options with an exercise price of $0.018.

On 29 September 2025, Vection announced that it had received firm commitments from institutional, sophisticated and professional investors for a placement to raise $21M with the issue of 350M fully paid ordinary shares at a price of $0.06. New shares from the raise were scheduled commence trading on 6 October 2025.

On 29 September 2025, Vection announced that it had executed a binding agreement to acquire 100% of the shares in Australian digital automation business Digital Experience Labs Pty Ltd (DXLabs). Consideration for the EBIT positive business is shares to the value of $2.1M upfront with deferred consideration of shares to the value of up to a further $2.1M, on achievement of milestones.

Vection subsidiary The Digital Box S.p.A. ('TDB') is currently subject to an Italian 'out-of-court' restructuring instrument called a 'composizione negoziata per la soluzione della crisi di impresa' or 'negotiated settlement of the business crisis' (CNC). This is not an insolvency procedure and is accessible exclusively to companies in financial distress that have a reasonable chance of approving and implementing a restructuring plan to maintain the existing business continuity. Using the framework of the CNC, the Company intends to negotiate a tax settlement agreement with tax authorities for partial or deferred payment of tax debts. If there is a positive outcome from the CNC, the Company will gain better terms on repayment or partial credit of TDB's existing debts. If unsuccessful, there no significant impact aside from the costs of application. The CNC was filed with Italian authorities on 29 September 2025.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have been discussed where appropriate in the review of operations section above.

Material business risks

The material business risks that could adversely affect the Group's financial performance and growth potential in future years and how the Group propose to mitigate such risks are detailed below.

Risk	Risk Management Mitigation
Potential risks associated with external technologies.	The Group relies on third-party off-the-shelf technologies, alongside its proprietary solutions, to support its INTEGRATEDXR® offering. These external technologies may be susceptible to issues beyond the Group's control, such as becoming obsolete or experiencing version conflicts. Such concerns could hinder the Group's ability to effectively upgrade and maintain its technology, potentially impacting its ability to serve customers. Moreover, the licensing conditions and pricing imposed by third-party providers may prove unsustainable or impractical, potentially necessitating the Group to seek alternative solutions or develop in-house options. However, there is no certainty that the Group would be able to do so in a smooth and uninterrupted manner if the need arises.
Establishing and maintaining strategic relationships.	Success for the Group hinges on maintaining existing strategic relationships and establishing new ones with industry and technology leaders. However, the ability to sustain or establish these crucial connections remains uncertain.
Dependence on third-party providers.	Several of the Group's technology solutions are designed to work with various external platforms, networks, systems, devices, and hardware. Any changes to these external elements could favour competing products or negatively impact the functionality of the Group's offerings, potentially leading to financial consequences.
Sales cycle variability.	Fluctuations in the timing of sales could cause significant swings in the Group's sales and financial performance. The duration of the sales cycle and product implementation schedule are influenced by various factors, including client nature and size, and complex decision-making processes, making predictions difficult.
Effective management of growth.	As the Group strives to gain market acceptance in new markets, it may need to expand its operations. However, its current systems, procedures, and resources may not be

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Risk	Risk Management Mitigation
	sufficient to support such growth. Consequently, difficulties in managing expansion or inadequate upgrades to systems and infrastructure could arise.
Data security and hosting risks.	The Group stores data in its own systems and with various third-party service providers and hosting facilities. These facilities are susceptible to damage, outages, and cybersecurity threats, potentially resulting in data corruption, theft, or loss. While the Group is implementing comprehensive cybersecurity measures, a cybersecurity incident could have severe consequences, including reputational damage and increased costs.
Currency fluctuations.	The Group's financial results may be influenced by currency fluctuations and volatility due to its operations and revenue being in different currencies.
Regulatory challenges.	The Group's products and services may encounter varying regulatory environments in different jurisdictions. Compliance with complex and evolving regulations may pose challenges.
Multi-jurisdictional risks.	As the Group expands its business to new markets, it becomes exposed to a range of multi-jurisdictional risks, including labour practices, environmental issues, contract enforcement difficulties, and changes in legal and regulatory landscapes.
Economic conditions impact.	General economic conditions, tax reforms, interest and inflation rate fluctuations, and currency exchange rate changes may adversely affect the Group's activities and funding capabilities.
Inflationary pressures on technology prices, labour, and business conditions.	Like any other industry, the technology sector is not immune to inflationary pressures that can affect prices, labour costs, and overall business conditions. As inflation rises, the cost of technology components and equipment may increase, impacting the Group's expenses on hardware and software. Additionally, labour costs may rise due to increased wages and benefits, potentially affecting the Group's operational costs. Inflation can also impact other aspects of the business, such as transportation, raw materials, and utility expenses.
Market conditions and share price volatility.	Share market conditions can be influenced by several factors, including the economic outlook, interest rates, inflation rates, exchange rates, and investor sentiment, regardless of the Group's operating performance.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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Information on Directors

Name:	Mr Gianmarco Biagi
Title:	Managing Director and CEO
Qualifications:	MEng
Experience and expertise:	Mr Gianmarco Biagi is a former CEO of important multinational manufacturing groups and General manager of an important Italian group leader in luxury furniture. He has been President of Settepuntonove Srl since 2018, a holding company of industrial investments in the sector of new technologies, furniture, automotive and of services. He holds institutional role as President of AIQ, UMIQ Board President at Confindustria Emilia and National Councillor at AISOM. Previously he held the position of President of the furniture and wood sector at Unindustria Bologna and of Media Industry President at Unindustria Bologna and President of the FXO consortium.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Shares held indirectly and 50% with Mr Lorenzo Biagi Officine 8k Srl (Director-related entity) 327,556,186 ordinary shares Settepuntonove Srl (Director-related entity): 8,000,000 ordinary shares VR Tech SRL (Director-related entity): 3,000,000 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Mr Lorenzo Biagi
Title:	Executive Director
Qualifications:	
Experience and expertise:	Mr Lorenzo Biagi is an experienced company manager in the private sector, with extensive knowledge in virtual reality technology, sales, and cost control management. While managing corporate development processes for more than 10 years, Mr Biagi has implemented new procedures and technologies helping make the companies he worked for and with, leaders in innovation.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Shares held indirectly and 50% with Mr Gianmarco Biagi Officine 8k Srkl (Director-related entity): 327,556,186 ordinary shares Settepuntonove Srl (Director-related entity): 8,000,000 ordinary shares VR Tech SRL (Director-related entity): 3,000,000 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Mr Jacopo Merli
Title:	Executive Director and COO
Qualifications:	MEng
Experience and expertise:	Mr Jacopo Merli is the founder and CEO of JMC Group, acquired by Vection Technologies during 2021. During the last ten years, Mr Merli expanded JMC's focus as an OEM partner for a $100b tech hardware giant within mission-critical sectors including military, telco, and broadcasting, becoming, in 2019, one of their global suppliers. During his university career in aerospace engineering, Mr Merli joined as a consultant to the Italian branch of a NASDAQ-listed world leader in the design, manufacture and marketing of high-performance analog, mixed-signal and digital signal processor ("DSP") and integrated circuits ("ICs") acquiring key knowledge of large company management processes.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	90,401,912 ordinary shares held directly
Interests in options:	None
Interests in rights:	None

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Name:	Mr Umberto (Bert) Mondello
Title:	Non-Executive Director
Qualifications:	LLB
Experience and expertise:	Mr Bert Mondello is an experienced public company director, corporate advisor, and technology expert with 20 years of experience across both the private and public sectors. Mr Mondello has widespread experience spanning retail and institutional sectors and extensive knowledge of marketing communications and investor relations. With deep-rooted expertise across multiple technology sectors, Mr Mondello has provided strategic corporate advice and mentoring to several private and public organisations internationally across multiple industries. He holds a Bachelor of Law from the University of Notre Dame, Australia.
Other current directorships:	Stakk Limited (ASX: SKK) and the Chair of Streamplay Studio Limited (ASX: SP8)
Former directorships (last 3 years):	None
Interests in shares:	Indomain Enterprises Pty Ltd (Director-related entity): 5,500,000 ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Mr Marco Landi
Title:	Independent Non-Executive Chairman (appointed on 20 January 2025)
Qualifications:	Degree in telecom engineering (BEng) and complete an executive MBA program at INSEAD Institute.
Experience and expertise:	Mr Marco Landi, former worldwide President of Apple Computer, was responsible for operations, marketing, and sales at Apple's Cupertino headquarters. He played a pivotal role in the Apple management team that brought Steve Jobs back after an 11-year absence. Before joining Apple, Mr. Landi spent 20 years at Texas Instruments, leading sales across EMEA and Asia.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	8,701,019 ordinary shares
Interests in options:	None
Interests in rights:	2 performance rights over ordinary shares

Name:	Mr Cameron Petricevic
Title:	Independent Non-Executive Director (appointed on 20 January 2025)
Qualifications:	Mr Cameron Petricevic is a qualified Actuary (AIAA), holds a Bachelor of Commerce (Actuarial) and a Bachelor of Engineering (Electrical) from the University of Melbourne, with First Class Honours. He is also a Graduate of the Australian Institute of Company Directors (GAICD) and founder/treasurer of Brimbank ToRCH, a Royal Children's Hospital auxiliary charity.
Experience and expertise:	Mr Cameron Petricevic has spent over 20 years in the financial industry as an experienced Board member of both private and public companies. He has extensive investment banking experience, including mergers & acquisitions, valuations, initial public offerings and portfolio management coupled with growing early stage companies. He has held previous roles at AXA Asia Pacific (acquired by AMP), Acorn Capital and as a Partner at Kentgrove Capital.
Other current directorships:	RocketBoots Limited (ASX: ROC), Infinity Mining Limited (ASX: IMI) and the Chair of Butn Limited (ASX: BTN).
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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Company secretary

The Company Secretary is Mr Derek Hall. Mr Hall is a finance and compliance specialist in the listed space. Mr Hall has significant commercial experience identifying key business drivers and bringing cost control and process improvement into sharp focus. Mr Hall has been involved as a Chief Financial Officer and Company Secretary for several publicly listed and unlisted companies involving in transactions in technology, mining, oil and gas and construction. Mr Hall is a Chartered Accountant, Chartered Secretary and Fellow of the Financial Services Institute.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2025, and the number of meetings attended by each Director were:

	Full Board *	
	Attended	Held
Mr Gianmarco Biagi	9	9
Mr Lorenzo Biagi	9	9
Mr Jacopo Merli	9	9
Mr Umberto (Bert) Mondello	8	9
Mr Marco Landi	3	3
Mr Cameron Petricevic	3	3
Mr Gianmarco Orgnoni	5	6

Held: represents the number of meetings held during the time the Director held office.

* Given the size and composition of the Board, the Board resolved to act as the Audit and Risk Committee and the Remuneration and Nomination Committee.

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

Non-executive Directors' remuneration

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2017, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

Executive director and senior management remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

It is the Company's policy that service contracts for executive directors and senior executives be entered into. A service contract with an executive director or senior executive would provide for the payment of benefits where the contract is terminated by the entity or the individual.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term incentives; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') are share-based payments. Options and performance rights are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct competitors. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2025.

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Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants
The Group did not engage the use of a remuneration consultant during the financial year ended 30 June 2025.

Voting and comments made at the Company's 2024 Annual General Meeting ('AGM')
At the 2024 AGM, 85.1% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2024. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
Amounts of remuneration
Details of the remuneration of KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the following Directors of Vection Technologies Ltd:
- Mr Gianmarco Biagi
- Mr Lorenzo Biagi
- Mr Jacopo Merli
- Mr Umberto (Bert) Mondello
- Mr Marco Landi
- Mr Cameron Petricevic
- Mr Gianmarco Orgnoni

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
						Equity-settled	Equity-settled	
2025	Cash salary and fees $	Cash bonus* $	Non-monetary $	Super-annuation $	Long service leave $	Shares $	Options/ performance rights $	Total $
Non-Executive Directors:								
Mr Umberto (Bert) Mondello	102,000	-	-	-	-	-	-	102,000
Mr Marco Landi**	50,000	-	-	-	-	-	-	50,000
Mr Cameron Petricevic**	33,500	-	-	-	-	-	-	33,500
Executive Directors:								
Mr Lorenzo Biagi	127,200	-	-	-	-	-	-	127,200
Mr Jacopo Merli	257,629	199,146	-	-	-	668,973	-	1,125,748
Mr Gianmarco Orgnoni ***	49,687	-	-	-	-	-	-	49,687
Other KMP:								
Mr Gianmarco Biagi	384,000	-	-	-	-	-	-	384,000
	1,004,016	199,146	-	-	-	668,973	-	1,872,135

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* Short-term incentives based on target performance (1% turnover excluding inter-companies) on JMC Group and Xintex.
** Mr Marco Landi and Mr Cameron Petricevic were appointed on 20 January 2025.
*** Mr Gianmarco Orgnoni resigned on 19 January 2025.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
						Equity-settled	Equity-settled	
2024	Cash salary and fees $	Cash bonus* $	Non-monetary $	Super-annuation $	Long service leave $	Shares $	Options/ performance rights $	Total $
Non-Executive Directors:								
Mr Damian Banks **	59,820	-	-	6,618	-	-	-	66,438
Mr Umberto (Bert) Mondello	72,000	-	-	-	-	-	113,100	185,100
Executive Directors:								
Mr Gianmarco Orgnoni ***	216,000	-	-	-	-	-	169,650	385,650
Mr Jacopo Merli	252,278	247,122	-	-	-	-	-	499,400
Mr Lorenzo Biagi	127,200	-	-	-	-	-	-	127,200
Other KMP:								
Mr Gianmarco Biagi	384,000	-	-	-	-	-	226,200	610,200
	1,111,298	247,122	-	6,618	-	-	508,950	1,873,988

* Short-term incentives based on target performance (1% turnover excluding inter-companies) on JMC Group and Xintex.
** Mr Damian Banks was appointed on 10 November 2023 and resigned on 28 June 2024.
*** Mr Gianmarco Orgnoni moved to the role of Non-Executive Director on 28 June 2024.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2025	2024	2025	2024	2025	2024
Non-Executive Directors:						
Mr Damian Banks	100%	100%	-	-	-	-
Mr Umberto (Bert) Mondello	100%	39%	-	-	-	61%
Mr Marco Landi	100%	-	-	-	-	-
Mr Cameron Petricevic	100%	-	-	-	-	-
Executive Directors:						
Mr Lorenzo Biagi	100%	100%	-	-	-	-
Mr Jacopo Merli	23%	50%	18%	50%	59%	-
Mr Gianmarco Orgnoni	100%	56%	-	-	-	44%
Other KMP:						
Mr Gianmarco Biagi	100%	63%	-	-	-	37%

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The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable 2025	Cash bonus paid/payable 2024	Cash bonus forfeited 2025	Cash bonus forfeited 2024
Executive Directors:				
Mr Jacopo Merli	100%	100%	-	-

Service agreements

Upon appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of the director.

The key terms of the non-executive director service agreements are as follows:

- Term of agreement – ongoing subject to annual review and the Company's constitution.
- Non-Executive Directors' Fees of up to $100,000 per annum including statutory superannuation (If applicable).
- There is a 3-month notice period stipulated to terminate the contract by either party. The maximum aggregate amount of fees that can be paid to non-executive directors is currently fixed at $300,000 with any change in this amount subject to approval by shareholders at the Annual General Meeting. The Company does not have a Director's Retirement Scheme in place at present.

Details of individual agreements are as follows:

Name:	Mr Gianmarco Biagi
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	12 April 2019
Term of agreement:	Until terminated in accordance with the agreement.
Details:	• Remuneration: $32,000 per month. • Period of notice for termination/resignation: Three months' written notice by the consultant. Three months written notice by the Company. • Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' fees in lieu of notice.

Name:	Mr Lorenzo Biagi
Title:	Executive Director
Agreement commenced:	12 April 2019
Term of agreement:	Until terminated in accordance with the agreement.
Details:	• Remuneration: $10,600 per month. • Period of notice for termination/resignation: Three months' written notice by the consultant. Three months' written notice by the Company. • Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' fees in lieu of notice.

Name:	Mr Jacopo Merli
Title:	Executive Director and Chief Operating Officer
Agreement commenced:	1 December 2022
Term of agreement:	Until terminated in accordance with the agreement.
Details:	• Remuneration: $21,469 per month. • Period of notice for termination/resignation: Three months' written notice by the consultant. Three months' written notice by the Company. • Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' fees in lieu of notice.

KMP have no entitlement to termination payments in the event of removal for misconduct.

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Share-based compensation

Issue of shares
Details of shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2025 are set out below:

Name	Date	Shares	Issue price	$
Mr Jacopo Merli	29 November 2024	23,891,876	$0.028	668,973

Options
There were no options over ordinary shares issued to Directors and other KMP as part of compensation that were outstanding as at 30 June 2025.

Performance rights
There were no performance rights over ordinary shares issued to Directors and other KMP as part of compensation that were outstanding as at 30 June 2025.

Additional information
The earnings of the Group for the five years to 30 June 2025 are summarised below:

	2025 $'000	2024 $'000	2023 $'000	2022 $'000	2021 $'000
Sales revenue	36,003	32,838	25,332	17,218	3,471
Loss after income tax	(8,158)	(9,999)	(11,023)	(7,100)	(2,507)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2025	2025	2023	2022	2021
Share price at financial year end ($)	0.037	0.018	0.042	0.070	0.060
Basic earnings per share (cents per share)	(0.605)	(0.875)	(2.399)	(0.610)	(0.260)

Additional disclosures relating to KMP

Shareholding
The number of shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr Gianmarco Biagi *	169,278,093	-	-	-	169,278,093
Mr Lorenzo Biagi *	169,278,093	-	-	-	169,278,093
Mr Jacopo Merli	66,510,036	23,891,876	-	-	90,401,912
Mr Umberto (Bert) Mondello	5,500,000	-	-	-	5,500,000
Mr Gianmarco Orgnoni **	6,000,000	-	-	(6,000,000)	-
Mr Marco Landi ***	-	-	8,701,019	-	8,701,019
	416,566,222	23,891,876	8,701,019	(6,000,000)	443,159,117

* Indirect shareholding as a result of a relevant interest in VR Tech SRL which has a relevant interest in Officine8K, which is the registered holder of these securities
** Shareholding as at date of transitioning of long serving on 20 January 2025.
*** Shareholding as at date of appointment on 20 January 2025.

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Performance rights holding
The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Mr Gianmarco Biagi	4,000,000	-	-	(4,000,000)	-
Mr Umberto (Bert) Mondello	2,000,000	-	-	(2,000,000)	-
Mr Gianmarco Orgnoni	3,000,000	-	-	(3,000,000)	-
Mr Marco Landi *	-	2	-	-	2
	9,000,000	2	-	(9,000,000)	2

* Performance rights were granted in connection with the business combination. Refer to 'Other transactions with KMP' for further details.

Loans to KMP and their related parties
During the previous year, a loan of $177,115 was provided to Mr Jacopo Merli. This loan is fully repayable at an interest rate of 5%. The loan was settled against a bonus receive for achievement of performance targets of $846,088 and the remaining $668,673 was settled by shares during the year ended 30 June 2025. There were no other loans to or from related parties at the current reporting date.

Other transactions with KMP and their related parties
The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the directors and KMP have consulting agreements in place which has resulted in transactions between the Group and those entities during the period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

		Transaction value		Outstanding balance receivable/ (payable)	
Director	Transaction	2025 $	2024 $	2025 $	2024 $
Mr Gianmarco Biagi and Mr Lorenzo Biagi	Other revenue (a)	-	488,385	496,411	488,385
	Other service cost (b)	17,894	25,167	(100,198)	(13,273)
	Revenue from services (c)	10,062	38,936	241,430	215,567
Mr Jacopo Merli	Other service cost (d)	226,898	228,164	(189,473)	-

(a) The Company's subsidiary Vection Italy Srl received payments for services it provided to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi.
(b) The Company's subsidiary Vection Italy Srl paid companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for services received.
(c) The Company's subsidiary Vection Italy Srl provided services to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for which an amount is receivable at year end.
(d) The Company's subsidiaries paid to acquire services from companies and individual associated with Mr Jacopo Merli.

Mr Marco Landi was granted on 15 January 2025, 2 performance rights with a fair value of $46,676.50 and expiry date of 16 July 2026 due to business combinations.

This concludes the remuneration report, which has been audited.

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Shares under option

Unissued ordinary shares of Vection Technologies Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
28 October 2024	11 November 2027	$0.018	231,234,550
6 May 20025	11 November 2027	$0.018	128,983,334
18 August 2025	18 August 2027	$0.030	1,000,000
			361,217,884

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of Vection Technologies Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
29 September 2023	30 September 2025	$0.000	1
15 January 2025	16 July 2026	$0.000	36
18 August 2025	18 August 2030	$0.000	75,200,000
			75,200,037

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Vection Technologies Ltd were issued during the year ended 30 June 2025 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
28 October 2024	$0.018	28,734,000
28 October 2024	$0.018	200,000
		28,934,000

Shares issued on the exercise of performance rights

There were no ordinary shares of Vection Technologies Ltd issued on the exercise of performance rights during the year ended 30 June 2025 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

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During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Hall Chadwick WA Audit Pty Ltd

There are no officers of the Company who are former partners of Hall Chadwick WA Audit Pty Ltd.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Mr Gianmarco Biagi
Managing Director and CEO

Mr Jacopo Merli
Executive Director and COO

30 September 2025

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HALL CHADWICK

To the Board of Directors,

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit director for the audit of the financial statements of Vection Technologies Ltd and its controlled entities for the year ended 30 June 2025, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully

Hall Chadwick

HALL CHADWICK AUDIT (WA) PTY LTD

CHRIS NICOLOFF FCA
Director

Dated this 30th day of September 2025
Perth, Western Australia

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Vection Technologies Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2025

	Note	2025 $'000	Restated* 2024 $'000
Revenue	6	36,003	32,838
Other income	7	1,119	1,692
Interest revenue calculated using the effective interest method		9	25
Expenses			
Changes in inventories		(309)	341
Variable cost of sales		(18,827)	(24,451)
Employee benefits expense		(8,161)	(7,149)
Consulting and professional fees		(2,897)	(2,014)
Depreciation and amortisation expense	8	(4,624)	(2,331)
Impairment of trade receivables	8	(615)	-
Impairment of intangible assets	8	-	(3,139)
Share-based payments	8	(2,803)	(163)
Other expenses	8	(5,687)	(4,336)
Finance costs	8	(1,269)	(976)
Total expenses		(45,192)	(44,218)
Loss before income tax expense		(8,061)	(9,663)
Income tax expense	9	(97)	(336)
Loss after income tax expense for the year		(8,158)	(9,999)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		178	201
Other comprehensive income for the year, net of tax		178	201
Total comprehensive income for the year		(7,980)	(9,798)
Loss for the year is attributable to:			
Non-controlling interest		466	(137)
Owners of Vection Technologies Ltd	17	(8,624)	(9,862)
		(8,158)	(9,999)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		466	(137)
Owners of Vection Technologies Ltd		(8,446)	(9,661)
		(7,980)	(9,798)
		Cents	Cents
Basic earnings per share	31	(0.605)	(0.875)
Diluted earnings per share	31	(0.605)	(0.875)

* Refer to note 4 for detailed information on Restatement of comparatives.

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The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Vection Technologies Ltd
Consolidated statement of financial position
As at 30 June 2025

	Note	2025 $'000	Restated* 2024 $'000
Assets			
Current assets			
Cash and cash equivalents	10	3,104	7,652
Trade and other receivables	11	29,035	14,166
Inventories	12	1,698	1,339
Total current assets		33,837	23,157
Non-current assets			
Intangible assets	13	41,471	21,717
Property, plant and equipment		923	536
Right-of-use assets		-	135
Financial assets		109	52
Total non-current assets		42,503	22,440
Total assets		76,340	45,597
Liabilities			
Current liabilities			
Trade payables		15,731	14,115
Sundry creditors and accruals		14,121	4,472
Contract liabilities		-	165
Borrowings	14	7,915	7,503
Lease liabilities		-	132
Employee benefits		742	682
Income tax payable		248	-
Total current liabilities		38,757	27,069
Non-current liabilities			
Borrowings	14	11,067	1,370
Lease liabilities		-	31
Employee benefits		3,124	1,400
Deferred tax liabilities	9	1,860	1,319
Other financial liabilities	20	7,602	5,562
Total non-current liabilities		23,653	9,682
Total liabilities		62,410	36,751
Net assets		13,930	8,846
Equity			
Issued capital	15	54,565	46,592
Reserves	16	4,764	4,386
Accumulated losses		(45,281)	(41,284)
Equity attributable to the owners of Vection Technologies Ltd		14,048	9,694
Non-controlling interest		(118)	(848)
Total equity		13,930	8,846

* Refer to note 4 for detailed information on restatement of comparatives.

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The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Vection Technologies Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2025

	Issued capital $'000	Reserves $'000	Restated* Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2023	46,592	7,221	(34,386)	(711)	18,716
Adjustment for correction of error (note 4)	-	(8)	(227)	-	(235)
Balance at 1 July 2023 - restated	46,592	7,213	(34,613)	(711)	18,481
Loss after income tax expense for the year	-	-	(9,862)	(137)	(9,999)
Other comprehensive income for the year, net of tax	-	201	-	-	201
Total comprehensive income for the year	-	201	(9,862)	(137)	(9,798)
Transactions with owners in their capacity as owners:					
Options expired	-	(2,871)	2,871	-	-
Performance rights expired	-	(320)	320	-	-
Share-based payments	-	163	-	-	163
Balance at 30 June 2024	46,592	4,386	(41,284)	(848)	8,846

* Refer to note 4 for detailed information on restatement of comparatives.

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2024	46,592	4,386	(41,284)	(848)	8,846
(Loss)/profit after income tax expense for the year	-	-	(8,624)	466	(8,158)
Other comprehensive income for the year, net of tax	-	178	-	-	178
Total comprehensive income for the year	-	178	(8,624)	466	(7,980)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 15)	7,973	-	-	264	8,237
Options expired	-	(2,925)	2,925	-	-
Performance rights expired	-	(1,702)	1,702	-	-
Share-based payments	-	1,152	-	-	1,152
Other reserve (note 16)	-	3,675	-	-	3,675
Balance at 30 June 2025	54,565	4,764	(45,281)	(118)	13,930

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The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Vection Technologies Ltd
Consolidated statement of cash flows
For the year ended 30 June 2025

	Note	2025 $'000	Restated* 2024 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		34,079	36,201
Payments to suppliers and employees (inclusive of GST)		(36,201)	(33,565)
Interest received		9	25
Interest paid		(873)	(976)
Income taxes paid		(299)	(346)
Net cash (used in)/from operating activities	28	(3,285)	1,339
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	26	(167)	-
Payment for expenses relating to acquisitions		(402)	-
Payments for property, plant and equipment		(559)	(133)
Payments for intangible assets	13	(6,601)	(3,666)
Proceeds from disposal of property, plant and equipment		-	485
Net cash used in investing activities		(7,729)	(3,314)
Cash flows from financing activities			
Proceeds from issue of shares, net of issue transaction costs		5,538	-
Proceeds from borrowings		14,857	15,532
Repayment of borrowings		(14,059)	(17,182)
Repayment of lease liabilities		(163)	(248)
Repayment of insurance financing		(65)	-
Net cash from/(used in) financing activities		6,108	(1,898)
Net decrease in cash and cash equivalents		(4,906)	(3,873)
Cash and cash equivalents at the beginning of the financial year		7,652	11,359
Effects of exchange rate changes on cash and cash equivalents		358	166
Cash and cash equivalents at the end of the financial year	10	3,104	7,652

* Refer to note 4 for detailed information on Restatement of comparatives.

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The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Vection Technologies Ltd as a Group consisting of Vection Technologies Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Vection Technologies Ltd's functional and presentation currency.

Vection Technologies Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, Building C,
Garden Office Park,
355 Scarborough Beach Road,
Osborne Park WA 6017

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2025. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards effective for the current year that is most relevant to the Group is set-out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6.

These standards amend AASB 101 ‘Presentation of Financial Statements’ to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

The amendments did not impact the classification of the Group’s borrowings.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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Note 2. Material accounting policy information (continued)

For the year ended 30 June 2025, the Group incurred a loss after tax of $8,158,000 (30 June 2024: $9,999,000), showing a significant improvement compared to the previous period. This result reflects the effectiveness of the actions taken to increase sales and reduce costs. As at 30 June 2025, the Group's current liabilities exceed its current assets by $4,920,000 (30 June 2024: $3,912,000), with a total net asset position of $13,930,000 (2024: $8,846,000). However, the total liabilities have significantly increased compared to the previous year, increasing from $36,751,000 to $62,410,000, reflecting a significantly higher debt position due to the acquisition of TDB group.

Equally important is the significant improvement in EBITDA, which moved from ($3,242,000) last year to ($1,562,000).

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet its commitments and working capital requirements for the 12-month period from the date of signing this financial report.

The ability of the Group to continue as a going concern is principally dependent on the following:

- increased sales, underpinned initially by certain client orders and sales opportunities assessed by Directors as being reasonably probable to convert and later in the cash flow forecast by reference to their assessment of market opportunities;
- measures to be implemented to improve gross margins, including improved efficiencies in product and service delivery; and
- cost reductions across business units arising from management restructure and other cost minimisation measures, either recently implemented or to be implanted in coming months.

Should the Group not achieve the matters above, this gives rise to a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern.

In addition to this, should the Group require any financing facilities, the Directors anticipate the availability of further funding, as needed, to be available through equity or debt raisings.

Subsequent to year end, on 29 September 2025, Vection announced that it has completed a successful placement to institutional, sophisticated and professional investors raising $21M with settlement to be completed by 3 October 2025.

Vection subsidiary's, The Digital Box S.p.A. ('TDB'), is currently subject to an Italian ‘out-of-court’ restructuring instrument called a ‘composizione negoziata per la soluzione della crisi di impresa’ or ‘negotiated settlement of the business crisis’ (CNC). This is not an insolvency procedure and is accessible exclusively to companies in financial distress that have a reasonable chance of approving and implementing a restructuring plan to maintain the existing business continuity. Using the framework of the CNC, the Company intends to negotiate a tax settlement agreement with tax authorities for partial or deferred payment of tax debts. With the recent placement, funding and a letter of support will be put in place for TDB to assist if required. As of today’s date, there are no claims or demands from any TDB creditor.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group’s history of raising capital to date, the Directors are confident of the Group’s ability to raise additional funds as and when they are required.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, listed equity shares, derivative financial instruments and contingent consideration measured at fair value.

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Note 2. Material accounting policy information (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vection Technologies Ltd ('Company' or 'parent entity') as at 30 June 2025 and the results of all subsidiaries for the year then ended. Vection Technologies Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
Foreign currency transactions
Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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Note 2. Material accounting policy information (continued)

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services

Revenue from a contract to provide contractor services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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Note 2. Material accounting policy information (continued)

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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Note 2. Material accounting policy information (continued)

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3 years (straight-line)
Plant and equipment	3-7 years (straight-line)
Office and computer equipment	4-10 years (diminishing value)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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Note 2. Material accounting policy information (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intellectual property

Significant costs associated with intellectual property are not amortised. Instead, it's tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on indefinite life assets are taken to profit or loss and are not subsequently reversed. Management considers that the useful life of intellectual property is indefinite because there is no foreseeable limit to the cash flows this asset can generate.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

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Note 2. Material accounting policy information (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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 option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 2. Material accounting policy information (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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Note 2. Material accounting policy information (continued)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Note 2. Material accounting policy information (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives
Comparatives have been realigned where necessary, to be consistent with current year presentation. There was no effect on profit, net assets or equity.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2025. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The standard replaces AASB 101 'Presentation of Financial Statements', although many of the requirements have been carried forward unchanged and is accompanied by limited amendments to the requirements in AASB 107 'Statement of Cash Flows'. The standard requires income and expenses to be classified into five categories: 'Operating' (residual category if income and expenses are not classified into another category), 'Investing', 'Financing', 'Income taxes' and 'Discontinued operations'. The standard introduces two mandatory sub-totals: 'Operating profit' and 'Profit before finance and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on how to organise and group information (aggregation and disaggregation) in the financial statements and whether to provide it in the primary financial statements or in the notes. The Group will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss.

AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability
AASB 2023-5 is applicable for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted.

This standard makes amendments to AASB 121 'The Effects of Changes in Foreign Exchange Rates' and AASB 1 'First-time Adoption of Australian Accounting Standards' to require entities to apply a consistent approach to determining whether a currency is exchangeable into another currency. The Group does not expect these amendments to have a material impact.

AASB 2014-10 Sale or contribution of assets between investor and its associate or joint venture
AASB 2014-10 is applicable for annual reporting periods beginning on or after 1 January 2025 (as extended by AASB 2021-7). Early adoption is permitted.

This standard makes amendments to AASB 10 'Consolidated Financial Statements' and AASB 128 'Investments in Associates and Joint Ventures' to clarify the extent to which gains or losses are recognised when accounting for sales or contributions of assets between an investor and its associate or joint venture. The standard requires that a full gain or loss is recognised when the transaction involves a business whilst a partial gain or loss is recognised when the transaction involves assets that do not constitute a business. The Group does not expect these amendments to have a material impact.

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Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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Note 4. Restatement of comparatives

Reclassification
Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income, in the consolidated statement of financial position and in the consolidated statement of cash flow have been reclassified to conform with the current year's presentation; these reclassifications had no impact on the previously reported loss or total equity.

Correction of error
Trade and other receivables was overstated by $255,000 as it included a credit that was no longer expected to be realised as of 30 June 2024. As a result, the consolidated statement of financial position and the consolidated statement of changes in equity are overstated. This error has been corrected by restating each of the affected consolidated statement of financial position and statement of changes in equity line items for prior periods.

The following tables summarise the impacts on Vection's consolidated financial statements:

Statement of profit or loss and other comprehensive income

Extract	2024 $'000 Reported	$'000 Adjustments due to error	$'000 Adjustments due to reclassification	2024 $'000 Restated
Revenue	32,828	-	10	32,838
Other income	1,438	-	254	1,692
Expenses				
Variable cost of sales	(24,634)	-	183	(24,451)
Employee benefits expense	(6,712)	-	(437)	(7,149)
Other expenses	(4,326)	-	(10)	(4,336)
Loss before income tax expense	(9,663)	-	-	(9,663)
Income tax expense	(336)	-	-	(336)
Loss after income tax benefit/(expense) for the year	(9,999)	-	-	(9,999)

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Note 4. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

Extract	2024 $'000 Reported	$'000 Adjustments due to error	$'000 Adjustments due to reclassification	2024 $'000 Restated
Assets				
Current assets				
Cash and cash equivalents	7,602	-	50	7,652
Trade and other receivables	14,351	(255)	70	14,166
Total current assets	23,292	(255)	120	23,157
Non-current assets				
Intangible assets	21,717	-	-	21,717
Total non-current assets	22,440	-	-	22,440
Total assets	45,732	(255)	120	45,597
Liabilities				
Current liabilities				
Trade payables	19,353	-	(5,238)	14,115
Sundry creditors and accruals	-	(20)	4,492	4,472
Lease liabilities	145	-	(13)	132
Employee benefits	100	-	582	682
Income tax payable	391	-	(391)	-
Total current liabilities	27,657	(20)	(568)	27,069
Non-current liabilities				
Lease liabilities	18	-	13	31
Employee benefits	725	-	675	1,400
Total non-current liabilities	8,994	-	688	9,682
Total liabilities	36,651	(20)	120	36,751
Net assets	9,081	(235)	-	8,846
Reserves	4,394	(8)	-	4,386
Accumulated losses	(41,057)	(227)	-	(41,284)
Equity attributable to the owners of Vection Technologies Ltd	9,929	(235)	-	9,694
Total equity	9,081	(235)	-	8,846

Note 5. Operating segments

Identification of reportable operating segments
The Board monitors its operations based on region. The Board (who is identified as the Chief Operating Decision Maker ('CODM')) has determined that the Group's segment information is based on two geographic locations being Europe, Middle East, Africa and America ('EMEA') and Asia-Pacific ('APAC').

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

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Note 5. Operating segments (continued)

Types of products and services
The principal products and services of each of these operating segments are as follows:

EMEA	Integrated XR
APAC	3D Services, ICT and IoT

Intersegment transactions
Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the year ended 30 June 2025, approximately $7,970,000 (22%) (2024: $7,157,000 (22%)) of the Group's external revenue was derived from sales to a major European partner and distributor to customers in the defence sector, through the different services provided.

Operating segment information

2025	EMEA $'000	APAC $'000	Total $'000
Revenue			
Sales to external customers	31,808	4,195	36,003
Other revenue	1,117	2	1,119
Total revenue	32,925	4,197	37,122
EBITDA	3,266	(2,065)	1,201
Depreciation and amortisation	(4,612)	(12)	(4,624)
Impairment of assets	-	(575)	(575)
Share-based payments expense	-	(2,803)	(2,803)
Finance costs	(1,199)	(70)	(1,269)
Interest revenue	1	8	9
Loss before income tax expense	(2,544)	(5,517)	(8,061)
Income tax expense			(97)
Loss after income tax expense			(8,158)
Assets			
Segment assets	79,521	13,797	93,318
Intersegment eliminations			(16,978)
Total assets			76,340
Total assets includes:			
Acquisition of non-current assets	-	-	-
Liabilities			
Segment liabilities	73,209	9,068	82,277
Intersegment eliminations			(19,867)
Total liabilities			62,410

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Note 5. Operating segments (continued)

2024 - Restated*	EMEA $'000	APAC $'000	Total $'000
Revenue			
Sales to external customers	29,156	3,682	32,838
Other revenue	1,652	40	1,692
Total revenue	30,808	3,722	34,530
EBITDA	515	(3,594)	(3,079)
Depreciation and amortisation	(2,098)	(233)	(2,331)
Impairment of assets	(3,139)	-	(3,139)
Share-based payments expense	-	(163)	(163)
Finance costs	(920)	(56)	(976)
Interest revenue	2	23	25
Loss before income tax expense	(5,640)	(4,023)	(9,663)
Income tax expense			(336)
Loss after income tax expense			(9,999)
Assets			
Segment assets	38,508	13,885	52,393
Intersegment eliminations			(6,796)
Total assets			45,597
Total assets includes:			
Acquisition of non-current assets	7,565	-	7,565
Liabilities			
Segment liabilities	38,302	11,925	50,227
Intersegment eliminations			(13,476)
Total liabilities			36,751

* Refer to note 4 for detailed information on restatement of comparatives.

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Note 6. Revenue

	2025 $'000	2024 $'000
Revenue from contracts with customers	36,003	32,838

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

	2025 $'000	2024 $'000
Major product lines		
INTEGRATEDXR® solutions and services	36,003	32,838
Geographical regions		
EMEA represents the geographical area composed by Europe, Middle East, Africa and America.	31,808	29,156
APAC represents the geographical area composed by Australia and the Asia-Pacific region.	4,195	3,682
	36,003	32,838
Timing of revenue recognition		
Goods transferred at a point in time	18,477	29,992
Services transferred over time	17,526	2,846
	36,003	32,838

Note 7. Other income

	2025 $'000	2024 $'000
Net foreign exchange (loss)/gain	(387)	76
Net gain on disposal of property, plant and equipment	-	485
Other income	1,506	1,131
Other income	1,119	1,692

Note 8. Expenses

	2025 $'000	2024 $'000
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	18,740	24,451
Depreciation		
Plant and equipment	1	5
Office and computer equipment	346	196
Buildings right-of-use assets	-	64
Total depreciation	347	265
Amortisation		
Customer relationships	236	128
Other intangibles (software and development costs)	4,041	1,938
Total amortisation	4,277	2,066
Total depreciation and amortisation	4,624	2,331
Impairment of intangible assets		
Goodwill	-	761
Software and development costs	-	2,378
	-	3,139
Impairment of trade receivables	615	-
Other expenses		
Advertising and marketing expenses	1,029	733
Corporate and administrative expenses	3,823	3,008
Rent expenses	835	595
Total other expenses	5,687	4,336
Finance costs		
Interest and finance charges paid/payable on borrowings	837	948
Interest and finance charges paid/payable on lease liabilities	36	28
Fair value movement on contingent consideration in business acquisition (note 20)	396	-
Finance costs expensed	1,269	976
Share-based payments expense		
Vesting/(forfeiture/lapsing) of performance rights relating to business combination	1,396	(346)
Director performance rights expenses	1,407	509
Total share-based payments expense	2,803	163

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Note 9. Income tax

	2025 $'000	2024 $'000
Income tax expense		
Current tax	121	352
Deferred tax - origination and reversal of temporary differences	-	(16)
Adjustment recognised for prior periods	(24)	-
Aggregate income tax expense	97	336
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax liabilities	-	(16)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(8,061)	(9,663)
Tax at the statutory tax rate of 25%	(2,015)	(2,416)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	1,002	96
	(1,013)	(2,320)
Adjustment recognised for prior periods	(24)	-
Current year tax losses not recognised	1,134	2,656
Income tax expense	97	336

The Directors estimate that the potential future income tax benefits carried forward but not brought to account at year end at the Australian corporate tax rate of 25% (2024: 25%) in relation Australian companies are made up as follows:

	2025 $'000	2024 $'000
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Australian revenue losses	5,773	5,370
Australian capital losses	149	149
Australian CGT assets	171	171
Australian taxable temporary differences	216	139
Total deferred tax assets not recognised	6,309	5,829

The tax benefits of the above deferred tax assets will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for the losses to be realised.
(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
(iii) no changes in income tax legislation adversely affecting the Group in realizing the benefit from the deduction for the losses.

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Note 9. Income tax (continued)

	2025 $'000	2024 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Other intangibles (software and development costs)	1,860	1,319
Deferred tax liability	1,860	1,319
Movements:		
Opening balance	1,319	627
Credited to profit or loss	-	(16)
Additions through business combinations (note 26)	590	702
Adjustment from prior periods	(49)	6
Closing balance	1,860	1,319

Note 10. Cash and cash equivalents

	2025 $'000	2024 $'000
Current assets		
Cash at bank	3,104	7,652

Note 11. Trade and other receivables

	2025 $'000	Restated* 2024 $'000
Current assets		
Trade receivables	22,551	10,887
Less: Allowance for expected credit losses	(758)	(189)
	21,793	10,698
Other receivables	4,801	2,148
Prepayments	2,441	1,320
	7,242	3,468
	29,035	14,166

Allowance for expected credit losses
The Group has recognised a loss of $615,000 (2024: $nil) in profit or loss in respect of the expected credit losses for the year ended 2025.

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Note 11. Trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2025 %	2024 %	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Not overdue	-	-	16,708	8,001	-	-
0 to 3 months overdue	-	-	2,044	1,010	-	-
3 to 6 months overdue	-	-	182	89	-	-
Over 6 months overdue	20.96%	10.59%	3,617	1,787	758	189
			22,551	10,887	758	189

Movements in the allowance for expected credit losses are as follows:

	2025 $'000	2024 $'000
Opening balance	189	231
Additional provisions recognised	615	-
Additions through business combinations	488	-
Receivables written off during the year as uncollectable	(534)	(42)
Closing balance	758	189

Note 12. Inventories

	2025 $'000	2024 $'000
Current assets		
Work in progress - at cost	1,698	1,339

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Note 13. Intangible assets

	2025 $'000	Restated* 2024 $'000
Non-current assets		
Goodwill - at cost	28,505	13,431
Less: Impairment	(1,734)	(1,734)
	26,771	11,697
Intellectual property - at cost	2,825	2,825
Less: Impairment	(1,892)	(1,892)
	933	933
Customer relationships - at cost	1,591	833
Less: Accumulated amortisation	(371)	(128)
	1,220	705
Other intangible assets (software and development costs) - at cost	22,524	15,286
Less: Accumulated amortisation	(6,348)	(3,275)
Less: Impairment	(3,629)	(3,629)
	12,547	8,382
	41,471	21,717

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $'000	Intellectual property $'000	Customer relationships $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2023	7,709	933	-	6,980	15,622
Additions	-	-	-	3,745	3,745
Additions through business combinations (note 26)	4,704	-	833	1,974	7,511
Exchange differences	45	-	-	(1)	44
Impairment of assets	(761)	-	-	(2,378)	(3,139)
Amortisation expense	-	-	(128)	(1,938)	(2,066)
Balance at 30 June 2024	11,697	933	705	8,382	21,717
Additions	-	-	-	6,601	6,601
Additions through business combinations (note 26)	15,074	-	756	1,605	17,435
Exchange differences	-	-	(5)	-	(5)
Amortisation expense	-	-	(236)	(4,041)	(4,277)
Balance at 30 June 2025	26,771	933	1,220	12,547	41,471

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Note 13. Intangible assets (continued)

Allocation of goodwill and intellectual property to Groups of Cash-Generating Units (CGUs)
Vection considered grouping its CGUs based on the geographical location of the respective entities within the Group, being Europe, Middle East, Africa and America ('EMEA') and Asia-Pacific ('APAC').

The current CGUs are as follows:
- Australia (APAC);
- Italy/Europe (EMEA); and
- U.S.A. (immaterial).

The Australian (APAC) CGU will include Blank Canvas and the European (EMEA) CGU will include Vection Italy, Mindesk Group and JMC Group. America has been included in EMEA as it's immaterial at this stage.

	Carrying value	
2025	Goodwill $'000	Intellectual property $'000
EMEA	26,281	933
APAC	490	-
	26,771	933

	Carrying value	
2024	Goodwill $'000	Intellectual property $'000
EMEA	11,207	933
APAC	490	-
	11,697	933

Goodwill and other intangible assets impairment testing
As at 30 June 2025, the Group has undertaken a review for indicators of significant impairment to determine whether a detailed impairment test is required for finite life intangible assets. As a consequence of this review, detailed impairment testing was undertaken with respect to the Australia ('APAC') and Italy/Europe ('EMEA') CGUs. The recoverable amounts of the identified CGUs and other intangible assets have been assessed using the higher of 'fair value less cost of disposal' (FVLCD) and its 'value in use' (VIU). The recoverable amounts were determined under the VIU method, applying a discounted cash flow model, based on a five to seven year project period together with a terminal value approved by management. The forecast budget process was developed based on revenue expectations on existing customer contracts along with ongoing opportunities.

Key assumptions
Key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive. The following key assumptions were used in the discounted cash flow models as at 30 June 2025:

	EMEA	APAC
Pre-tax discount rate	17.91%	21.06%
Terminal value growth rate	2.00%	2.00%

Management believes the above-projected revenue growth rate is reasonable based on the following factors:
(i) New salespeople hired in the local market;
(ii) Cisco partnership creating increased opportunities across product suite;
(iii) Tenders already in the pipeline which, if won will create further visibility; and
(iv) Client opportunities are currently being negotiated.

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Note 13. Intangible assets (continued)

Based on the above, no goodwill impairment expense was recorded since the recoverable amounts of the CGUs exceeded the carrying amounts. (2024: goodwill impairment loss of $761,000 for the EMEA CGU and other intangibles impairment loss of $2,378,000 for the EMEA CGU).

Sensitivity
As disclosed in note 3, the Directors have made judgements and estimates in respect of impairment testing of goodwill and other indefinite life intangible assets. Should these judgements and estimates not occur the resulting goodwill and other intangible assets carrying amount may decrease. Sensitivity analysis has been performed by adjusting underlying assumptions unfavourably by 10%. The analysis indicated that material headroom exists in the value-in-use calculations for APAC CGU.

Following the impairment loss recognised in the Group's EMEA CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption may lead to further impairment.

Note 14. Borrowings

	2025 $'000	2024 $'000
Current liabilities		
Borrowings	7,815	7,338
Insurance premium funding	100	165
	7,915	7,503
Non-current liabilities		
Borrowings	11,067	1,370
	18,982	8,873

Refer to note 19 for further information on financial instruments.

Bank loans - the terms of the borrowings are as follow:

Type of facility	Interest rate	Expiry date	Balance $'000
Current			
Bank loan	4%	Short-term	2,901
Invoice finance	various	Short-term	4,502
Credit cards	various	Short-term	81
Leasing	5.27%	Short-term	331
			7,815
Non-current			
Bank loan	4%	2026-2035	8,643
Bonds	7%	2035	2,387
Leasing	5.27%	2027	37
			11,067
Total			18,882

Insurance premium funding
The facility, used to fund the Group's insurance premiums, has a term of 12 months and is repaid in monthly instalments.

Assets pledged as security
The bank loans are secured by first mortgages over the Group's assets.

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Note 14. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	2025 $'000	2024 $'000
Total facilities		
Borrowings	29,454	14,830
Used at the reporting date		
Borrowings	18,882	8,708
Unused at the reporting date		
Borrowings	10,572	6,122

Loan covenants
The bank loans are subject to certain financial covenants and these are assessed at the end of each quarter. The loans will be repayable immediately if the covenants are breached. The Group is not aware of any facts or circumstances that indicate that it may have difficulty complying with the covenants within 12 months after the reporting period.

Note 15. Issued capital

	2025 Shares	2024 Shares	2025 $'000	2024 $'000
Ordinary shares - fully paid	1,767,421,887	1,126,588,969	54,565	46,592

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2023	1,126,588,969		46,592
Balance	30 June 2024	1,126,588,969		46,592
Issue of shares - placement	5 September 2024	200,000,000	$0.010	2,000
Issue of shares as remuneration	29 November 2024	23,891,876	$0.028	669
Issue of shares to vendor (as consideration of business combination) *	15 January 2025	130,159,344	$0.010	1,302
Issue of shares to consultant (as consideration of business combination) *	15 January 2025	13,015,934	$0.010	130
Exercise of listed options	31 January 2025	28,734,000	$0.018	517
Issue of shares to employee in lieu of bonus - Italy	31 March 2025	6,385,696	$0.027	172
Issue of shares to consultant - Italy	31 March 2025	1,779,400	$0.027	48
Issue of shares - placement	29 April 2025	236,666,668	$0.015	3,550
Exercise of listed options	18 June 2025	200,000	$0.018	3
Issued capital cost		-	$0.000	(418)
Balance	30 June 2025	1,767,421,887		54,565

* On 15 January 2025, the Company issued 143,175,278 ordinary shares at $0.010 (which was the market value of the Company's shares at that date) to vendors and consultants as part of the business acquisition. The share price at acquisition date was $0.038 and the business combination accounting was assessed based on this value, which is why there is a difference between the values used for the shares issued as consideration. Refer to note 26.

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Note 15. Issued capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back during the current year.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2024 Annual Report.

Note 16. Reserves

	2025 $'000	2024 $'000
Share-based payments reserve	932	4,407
Foreign currency reserve	157	(21)
Other reserves	3,675	-
	4,764	4,386

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Other reserves
This reserve is to recognise the difference in the value of shares issued in a business combination from the acquisition date to the date the shares were issued.

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Note 16. Reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payments $'000	Foreign currency $'000	Other $'000	Total $'000
Balance at 1 July 2023	7,435	(214)	-	7,221
Foreign currency translation	-	201	-	201
Share-based payment	163	-	-	163
Performance rights vested/lapsed	(320)	-	-	(320)
Options expired	(2,871)	-	-	(2,871)
Restatement (note 4)	-	(8)	-	(8)
Balance at 30 June 2024	4,407	(21)	-	4,386
Foreign currency translation	-	178	-	178
Share-based payment expense	1,152	-	-	1,152
Performance rights vested/lapsed	(1,702)	-	-	(1,702)
Options expired	(2,925)	-	-	(2,925)
Shares issued at business acquisition	-	-	3,675	3,675
Balance at 30 June 2025	932	157	3,675	4,764

Note 17. Accumulated losses

	2025 $'000	2024 $'000
Accumulated losses at the beginning of the financial year	(41,284)	(34,613)
Loss after income tax expense for the year	(8,624)	(9,862)
Transfer from share-based payment reserves (options)	2,925	2,871
Transfer from share-based payment reserves (performance rights)	1,702	320
Accumulated losses at the end of the financial year	(45,281)	(41,284)

Note 18. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 19. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

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Note 19. Financial instruments (continued)

Market risk

Foreign currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Indian Rupee ('INR'). Foreign exchange risk arises from transactions undertaken in foreign currencies, the translation of foreign currency monetary assets and liabilities and from the translations into Australian dollars of the results and net assets of overseas operations.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
US dollars	1,993	16	(50)	(242)
Euros	56,985	19,962	(48,899)	(26,167)
INR	14	2	(10)	-
	58,992	19,980	(48,959)	(26,409)

The following sensitivity is based on a [10]% movement of EUR and INR against the AUD and the effect on the net profit or loss and equity of the Group for the period to 30 June 2025 and 30 June 2024, with all other variables held constant:

	AUD strengthened			AUD weakened		
2025	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Euros, USD and INR	10%	(1,003)	(702)	10%	1,003	702

	AUD strengthened			AUD weakened		
2024	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Euros, USD and INR	10%	(643)	(450)	10%	643	450

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
As at and during the year ended on the reporting date, the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income, and operating cash flows (other than interest income from funds on deposit and interest expense on the facility loan) are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk for each class of financial assets and liabilities is set out below:

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Note 19. Financial instruments (continued)

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2025		2024	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	0.19%	3,104	4.69%	7,652
Interest rate swaps	-	-	-	23
Bank loans	5.00%	(18,982)	3.77%	(8,873)
Net exposure to cash flow interest rate risk		(15,878)		(1,198)

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

Group sensitivity
At 30 June 2025, if interest rates had changed by +/- 100 basis points from the year-end with all other variables held constant, the loss for the year would have been $158,780 lower/higher (2024: $11,980 lower/higher), as a result of a lower/higher interest income from cash and cash equivalents.

Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions, only independently rated parties with a minimum of 'A' are accepted. The Group trades only with recognised, trustworthy third parties. It is the Group's policy to perform credit verification procedures in relation to any customer's financial position and any past experience to set individual risk limits as determined by the Board.

Liquidity risk
Prudent liquidity risk management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules. The Group manages liquidity risk by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2025	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	15,731	-	-	-	15,731
Sundry creditors and accruals	-	14,121	-	-	-	14,121
Contingent consideration	-	7,602	-	-	-	7,602
Interest-bearing - variable						
Bank loans	5.00%	7,815	1,100	3,320	6,647	18,882
Insurance premium funding	11.95%	100	-	-	-	100
Total non-derivatives		45,369	1,100	3,320	6,647	56,436

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Note 19. Financial instruments (continued)

2024	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	14,115	-	-	-	14,115
Sundry creditors and accruals	-	4,472	-	-	-	4,472
Contingent consideration	-	5,562	-	-	-	5,562
Interest-bearing - variable						
Bank loans	3.77%	7,338	1,128	242	-	8,708
Insurance premium funding	11.95%	165	-	-	-	165
Interest-bearing - fixed rate						
Lease liability	2.47%	132	31	-	-	163
Total non-derivatives		31,784	1,159	242	-	33,185
Derivatives						
Interest rate swaps	-	(23)	-	-	-	(23)
Total derivatives		(23)	-	-	-	(23)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

2025	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Listed equity shares at fair value to profit or loss ('FVTPL')	38	-	-	38
Total assets	38	-	-	38
Liabilities				
Contingent consideration - rights to be issued	-	-	7,602	7,602
Total liabilities	-	-	7,602	7,602

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Note 20. Fair value measurement (continued)

2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Listed equity shares at fair value to profit or loss ('FVTPL')	29	-	-	29
Interest rate swap (derivative financial instruments)	-	-	23	23
Total assets	29	-	23	52
Liabilities				
Contingent consideration - rights to be issued (note 26)	-	-	5,562	5,562
Total liabilities	-	-	5,562	5,562

There were no transfers between levels during the financial year.

The Australian listed equity shares are held for trading at fair value through profit or loss $23,001 (2024: $21,906). The fair value has been determined directly by reference to published price quotations in an active market for identical securities. They are deemed to be level 1 securities in accordance with the AASB 13 fair value measurement hierarchy and hence there is no subjectivity in relation to their value.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Due to the nature of contingent consideration, it have been categorised as Level 3.

Contingent consideration represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured based on the likelihood of the rights' performance hurdles being met during the periods. The fair value of contingent consideration is calculated on the expected future cash outflows. Generally, the contingent consideration is a performance based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract.

Interest rate swaps fair value is determined by the present value of future cash flows based on the forward exchange rates at the reporting date.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Contingent consideration $'000	Interest rate swap $'000	Total $'000
Balance at 1 July 2023	-	56	56
Losses recognised in profit or loss	-	(33)	(33)
Additions through business combinations (note 26)	5,562	-	5,562
Balance at 30 June 2024	5,562	23	5,585
Losses recognised in profit or loss	-	(23)	(23)
Additions through business combinations (note 26)	1,644	-	1,644
Fair value movement on contingent consideration in prior year business acquisition (note 8)	396	-	396
Balance at 30 June 2025	7,602	-	7,602

The level 3 assets and liabilities unobservable inputs and sensitivity have been measured based on the likelihood of the performance hurdles being met during the periods.

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Note 21. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel ('KMP') of the Group is set out below:

	2025 $	2024 $
Short-term employee benefits	1,203,162	1,358,420
Post-employment benefits	-	6,618
Share-based payments	668,973	508,950
	1,872,135	1,873,988

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick WA Audit Pty Ltd for the audit of the financial year ended 30 June 2025 and by RSM Australia Partners for the review of the half-year ended 31 December 2024, the auditors of the Company, and other firms:

	2025 $	2024 $
Audit services - Hall Chadwick WA Audit Pty Ltd (2024: RSM Australia Partners)		
Audit or review of the financial statements	67,000	85,100
Other services - RSM Australia Partners		
Tax services	16,550	13,000
Preparation of the tax return	14,000	13,000
	30,550	26,000
	97,550	111,100
Audit services - other firms		
Audit of subsidiary financial statements	152,922	193,171

Note 23. Contingent liabilities and commitments

The Company had no contingent liabilities and commitments as at 2025 (2024: $nil).

Note 24. Related party transactions

Parent entity
Vection Technologies Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to KMP are set out in note 21 and the remuneration report included in the Directors' report.

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Note 24. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	2025 $	2024 $
Sale of services:		
Sale of services to KMP (c)	10,062	38,936
Other income:		
Other income from KMP (a)	-	488,385
Payment for other expenses:		
Other service costs to KMP (b) (d)	244,792	253,331

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2025 $	2024 $
Current receivables:		
Trade receivables from KMP (c)	737,841	703,952
Current payables:		
Trade payables to KMP (b) (d)	289,671	13,273

(a) The Company's subsidiary Vection Italy Srl received payments for services it provided to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi.
(b) The Company's subsidiary Vection Italy Srl paid companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for services received.
(c) The Company's subsidiary Vection Italy Srl provided services to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for which an amount is receivable at year end.
(d) The Company's subsidiaries paid to acquire services from companies and individual associated with Mr Jacopo Merli in 2024. There was no payment to Mr Jacopo Merli in 2025.

Loans to/from related parties
During the previous year, a loan of $177,115 was provided to Mr Jacopo Merli. This loan is fully repayable at an interest rate of 5%. The loan was settled against a bonus receive for achievement of performance targets of $846,088 and the remaining $668,673 was settled by shares during the year ended 30 June 2025. There were no other loans to or from related parties at the current reporting date.

Other transactions with KMP
Mr Marco Landi was granted on 15 January 2025, 2 performance rights with a fair value of $46,676.50 and expiry date of 16 July 2026 due to business combinations. Refer to note 26 for further details.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

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Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2025 $'000	2025 $'000
Loss after income tax	(5,620)	(20,534)
Total comprehensive income	(5,620)	(20,534)

Statement of financial position

	Parent	
	2024 $'000	30 June 2023 $'000
Total current assets	2,429	1,908
Total non-current assets	12,416	9,586
Total assets	14,845	11,494
Total current liabilities	3,344	2,563
Total non-current liabilities	25	27
Total liabilities	3,369	2,590
Equity		
Issued capital	54,565	46,592
Share-based payments reserve	-	4,408
Accumulated losses	(43,089)	(42,096)
Total equity	11,476	8,904

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2025 and 30 June 2024.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2025 and 30 June 2024.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2025 and 30 June 2024.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

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Note 26. Business combinations

Acquisition during the 30 June 2025

The Digital Box S.p.A.
On 17 January 2025, the Company announced the successful settlement of its acquisition of a generative artificial intelligence (AI) company, The Digital Box S.p.A. ('TDB') enhancing its AI and XR capabilities, disclosed initially on 29 August 2024 and completed on 15 January 20205.

The acquisition's initial enterprise value was circa $12m, with circa 157m (circa $1.5m) in newly issued shares payable at settlement. Up to circa 55m Vection shares will be issued if TDB achieves sales and EBITDA objectives and balance sheet valuation targets one year post acquisition. Consideration of $6,854,000 was paid on settlement and consisted of $233,000 in cash; 130,159,344 ordinary shares in Vection (recognised at a fair value of $4,977,000) and 36 performance rights (recognised at a fair value of $1,644,000 as contingent consideration) which will be paid if certain financial thresholds are achieved for the acquisition of TDB.

The goodwill of $15,074,000 represents the expected synergies from merging this business with the wider Vection Group. The acquired TBD entities contributed revenues of $7,698,000 and profit after tax of $914,000 to the Group for the period from 15 January 2025 to 30 June 2025. If the acquisition occurred on 1 July 2024, the contributions for the year ended 30 June 2025 would have been revenues of $12,577,000 and loss after tax of $568,000. Total acquisition costs expensed to profit and loss was $739,000. The acquisition accounting was provisional as at 30 June 2025.

The terms of the contingent consideration are as follows:
a) 106,740,000 Vection shares, of which 90% (or 96,066,000 Vection shares) to be issued at completion and the balance within 60 days subject to a potential adjustment relating to TDB's actual net financial position on the date of completion (this condition was already achieved at 30 June 2025 as explained above, the issue of shares were higher than initial); and

b) Performance rights that convert to up to 49,830,000 Vection shares comprising:

- Class A performance rights that convert to up to 23,571,429 Vection shares subject to TDB achieving certain financial milestones for FY2025, such as; Sales of EUR 5,800,000 and EBITDA of EUR 616,000 with a tolerance margin of 30% (EBITDA) and 10% (Sales); and
- Class B performance rights that convert to up to 26,258,571 Vection shares subject to: (i) the achievement of the Class A performance rights milestone by the end of the first fiscal year, and (ii) no write-downs relating to certain assets at the end of the first financial year after settlement.

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Note 26. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	66
Trade and other receivables	9,755
Inventories	656
Financial assets	53
Plant and equipment	385
Intangible asset identified – Software	1,605
Intangible asset identified – Customer lists	756
Trade and other payables	(10,058)
Provision for income tax	(10)
Deferred tax liability	(590)
Employee benefits	(859)
Borrowings	(9,376)
Non-controlling interest	(603)
Net liabilities assumed	(8,220)
Goodwill	15,074
Acquisition-date fair value of the total consideration transferred	6,854
Representing:	
Cash paid or payable to vendor	233
Vection Technologies Ltd shares issued to vendor	4,977
Vection Technologies Ltd Class A performance rights issued to vendor as consideration	778
Vection Technologies Ltd Class B performance rights issued to vendor as consideration	866
	6,854
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,854
Less: cash and cash equivalents	(66)
Less: shares issued by Company as part of consideration (at the acquisition date market value of $0.038 per share)	(4,977)
Less: performance rights issued by Company as part of consideration	(1,644)
Net cash used	167

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Note 26. Business combinations (continued)

Acquisition during the 30 June 2024

Invrsion Srl
On 25 September 2023, the Company issued 1 performance right, which will convert into up to 62M shares on achievement of milestones, as consideration of the acquisition of Invrsion Srl ('the Business'). The Business operates in the virtual reality market and is a prominent technology company specialising in 3D and mixed reality solutions for the fashion, retail, consumer goods and real estate sectors, which was acquired to enhance the Company's position as a leader in the integrated-extended reality ('**XR**') technology space, providing customers with innovative XR solutions and unlocking new organic growth opportunities. Since the 31 December 2023 interim financial report, management has obtained a final fair value assessment of the consideration transferred and the net identifiable assets acquired. This has resulted in the fair value of the consideration transferred to be $5,562,000 at the acquisition date, and the following identifiable intangible assets identified: software of $1,974,000 and customer relationships of $833,000, and a related deferred tax liability of $702,000. The goodwill of $4,704,000 represents the expected synergies from merging this business with the wider Vection Group. The acquired Business contributed revenues of $983,458 and loss after tax of $709,268 to the Group for the period from 25 September 2023 to 30 June 2024. If the acquisition occurred on 1 July 2023, the contributions for the year ended 30 June 2024 would have been revenues of $1,430,104 and loss after tax of $956,045.

The consideration transferred is represented by the performance right, which converts into fully paid ordinary shares in VR1 ('**Shares**') subject to Matteo Esposito ('**Invrsion CEO**') remaining employed until 30 June 2026 ('**Performance Right**').

The terms of the contingent consideration are as follows:
Vection will issue one Performance Right which will convert into a number of shares that is equal to the lesser of:

(i) The total of:
   a) 0.95 times the audited revenue for the Business for the financial year ending 30 June 2023;
   b) 2 times the audited revenue for the Business for the financial year ending 30 June 2024;
   c) 2 times the audited revenue for the Business for the financial year ending 30 June 2025; and
   d) 1.5 times the audited revenue for the Business for the financial year ending 30 June 2026;

   and
(ii) EUR 4,000,000;

divided by the greater of $0.10 and the volume-weighted average price ('VWAP') 10 days prior of the revenue results being announced to the market. The FX rate will be at the average RBA rate, capped at EUR1 to AUD1.55.

The Performance Right will only convert into shares if alternatively;
- Matteo Esposito (Invrsion CEO) remains employed or engaged by Invrsion S.r.l. or Vection until 30 June 2026; or
- Matteo Esposito ceases employment with Invrsion S.r.l. but is not a bad leaver.

Taking into an assessment of the range of possible outcomes noted above, the fair value of the above contingent consideration has been determined as $5,562,000. The fair values of the consideration transferred and identifiable net assets acquired is final as at 30 June 2024.

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Note 26. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	4
Trade and other receivables	452
Plant and equipment	54
Intangible asset identified – Software	1,974
Intangible asset identified – Customer relationships	833
Trade and other payables	(1,073)
Employee benefits	(85)
Deferred tax liability	(702)
Borrowings	(599)
Net assets acquired	858
Goodwill	4,704
Acquisition-date fair value of the total consideration transferred	5,562
Representing:	
Right issued as consideration	5,562

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2025 %	Ownership interest 2024 %
Vection Consulting Pty Ltd **	Australia	-	100.00%
Vection Australia Pty Ltd	Australia	100.00%	100.00%
ServTech Global PH Inc	Philippines	100.00%	100.00%
Vection India Private Limited	India	100.00%	100.00%
Vection Italy Srl	Italy	100.00%	100.00%
Vection Technologies Americas Inc (formerly known as Mindesk Inc)	United States of America	100.00%	100.00%
Mindesk Srl	Italy	100.00%	100.00%
Blank Canvas Studio (Aus) Pty Ltd	Australia	100.00%	100.00%
JMC Group Srl	Italy	100.00%	100.00%
Vection Global Services Srl	Italy	100.00%	100.00%
Vection EMEA Srl	Italy	100.00%	100.00%
Vection Health Srl	Italy	60.00%	60.00%
Xinntex Srl	Italy	100.00%	100.00%
JMC AMEA Limited	United Arab Emirates	70.00%	70.00%
Invrsion Srl	Italy	100.00%	100.00%
Invrsion Inc	United States of America	100.00%	100.00%
The Digital Box S.p.A. *	Italy	93.76%	-
The Digital Box Inc. *	United States of America	100.00%	-
The Digital Box France*	France	100.00%	-
QuestIT S.r.l.*	Italy	71.82%	-

* Acquired during the year, on 15 January 2025. Refer to note 26 for further details.
** De-registered during the year.

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Note 28. Reconciliation of loss after income tax to net cash (used in)/from operating activities

	2025 $'000	2024 $'000
Loss after income tax expense for the year	(8,158)	(9,999)
Adjustments for:		
Depreciation and amortisation	4,624	2,331
Impairment of trade receivables	615	-
Impairment of intangible assets	-	3,139
Net gain on disposal of property, plant and equipment	-	(485)
Share-based payments	2,803	163
Finance costs non-cash - fair value movement on contingent consideration	396	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,729)	(755)
Decrease/(increase) in inventories	297	(663)
Decrease/(increase) in other operating assets	(4)	32
Increase in trade payables and provisions	1,313	7,297
Increase/(decrease) in contract liabilities	(165)	165
Decrease in provision for income tax	(153)	-
Decrease in deferred tax liabilities	(49)	(10)
Increase in employee benefits	925	124
Net cash (used in)/from operating activities	(3,285)	1,339

Note 29. Non-cash investing and financing activities

	2025 $'000	2024 $'000
Shares issued to vendors (as consideration of business combinations) (note 15)	1,302	-
Shares issued to consultants (as consideration of business combinations) (note 15)	130	-
Shares issued as remuneration, lie of bonus, consultants (note 15)	889	-
Loans to related parties	177	-
	2,498	-

Note 30. Changes in liabilities arising from financing activities

	Bank loans $'000	Insurance premium funding $'000	Leases liabilities $'000	Total $'000
Balance at 1 July 2023	10,308	-	375	10,683
Net cash (used in)/from financing activities	(1,814)	165	(212)	(1,861)
Changes through business combinations (note 26)	599	-	-	599
Other changes	(385)	-	-	(385)
Balance at 30 June 2024	8,708	165	163	9,036
Net cash from/(used in) financing activities	798	(65)	(163)	570
Changes through business combinations (note 26)	9,376	-	-	9,376
Balance at 30 June 2025	18,882	100	-	18,982

Note 31. Earnings per share

	2025 $'000	2024 $'000
Loss after income tax	(8,158)	(9,999)
Non-controlling interest	(466)	137
Loss after income tax attributable to the owners of Vection Technologies Ltd	(8,624)	(9,862)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,424,741,725	1,126,588,969
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,424,741,725	1,126,588,969
	$ Cents	**$ Cents**
Basic earnings per share	(0.605)	(0.875)
Diluted earnings per share	(0.605)	(0.875)

Nil (2024: 32,500,000) options over ordinary shares, 1 (2024: 13,100,001) performance rights over ordinary shares under the Group's Long Term Incentive Plan and 370,049,334 listed options have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2025. These options could potentially dilute basic earnings per share in the future.

Note 32. Share-based payments

Shares are granted under the Long Term Incentive Plan ('LTIP'), which has been established by the Group. Subject to the ASX listing rules and under the terms of the LTIP, the Board may grant options and/or performance rights (options with a zero exercise price and performance conditions) to eligible participants (‘awards’). Each award granted represents a right to receive one share once the award vests and is exercised by the relevant participant. The vesting of the options are contingent upon various Company performance and term-of-service metrics.

Options

Options are issued to employees under the Company’s LTIP, vesting upon the achievement of performance and term-of service related criteria.

Employee options

The share-based payments expense recognised during the year in profit or loss was $846,000 (2024: $163,000) and mainly relates to the vesting expense of prior period grants together with the issue of 23.9 million shares at an issue price of $0.028 per share to Mr. Jacopo Merli in relation to his remuneration.

No employee options were granted during financial year ended 30 June 2025 and 30 June 2024.

Set out below are summaries of employee options granted under the plan:

	Number of options 2025	Weighted average exercise price 2025	Number of options 2024	Weighted average exercise price 2024
Outstanding at the beginning of the financial year	32,500,000	$0.250	59,006,452	$0.098
Expired	(32,500,000)	$0.250	(26,506,452)	$0.110
Outstanding at the end of the financial year	-	$0.000	32,500,000	$0.250
Exercisable at the end of the financial year	-	$0.000	32,500,000	$0.250

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Note 32. Share-based payments (continued)

The Company also granted options as consideration to Placement and Brokers during the year ended 30 June 2025.

Set out below are summaries of the placement and broker options granted under the plan:

Placement and Broker options	Number of options 2025	Weighted average exercise price 2025
Outstanding at the beginning of the financial year	-	$0.000
Granted	398,983,334	$0.018
Exercised	(28,934,000)	$0.003
Outstanding at the end of the financial year	370,049,334	

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2025 Number
28/10/2024	11/11/2027	241,066,000
06/05/2025	11/11/2027	128,983,334
		370,049,334

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3 years.

For the placement and broker options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/10/2024	11/11/2027	$0.019	$0.018	100.00%	-	4.07%	$0.003
06/05/2025	11/11/2027	$0.013	$0.018	100.00%	-	3.32%	$0.001

Performance rights

Performance rights are issued to directors and corporate advisor under the Company's LTIP for nil consideration, vesting upon the achievement of performance and term-of-service related criteria.

Set out below are summaries of performance rights granted under the plan:

Performance rights - LTIP plan	Number of rights 2025	Weighted average exercise price 2025	Number of rights 2024	Weighted average exercise price 2024
Outstanding at the beginning of the financial year	13,100,001	$0.000	23,295,611	$0.000
Lapsed	(13,100,000)	$0.000	(10,195,610)	$0.000
Outstanding at the end of the financial year	1	$0.000	13,100,001	$0.000
Exercisable at the end of the financial year	-	$0.000	-	$0.000

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Note 33. Events after the reporting period

On 25 July 2025 and 1 August 2025, the Company issued a total of 2,000,000 ordinary shares with an exercise price of $0.018 from the listed option conversion.

On 18 August 2025, the Company issued a total of 37,450,000 ordinary shares with an exercise price of $0.050 in lieu of payment for consulting services and to employees in lieu to salaries, fees and bonuses, as approved by shareholders at the AGM held on 18 August 2025.

On 12 September 2025, the Company issued a total of 7,831,450 ordinary shares through the exercise of options with an exercise price of $0.018.

On 29 September 2025, Vection announced that it had received firm commitments from institutional, sophisticated and professional investors for a placement to raise $21M with the issue of 350M fully paid ordinary shares at a price of $0.06. New shares from the raise were scheduled commence trading on 6 October 2025.

On 29 September 2025, Vection announced that it had executed a binding agreement to acquire 100% of the shares in Australian digital automation business Digital Experience Labs Pty Ltd (DXLabs). Consideration for the EBIT positive business is shares to the value of $2.1M upfront with deferred consideration of shares to the value of up to a further $2.1M, on achievement of milestones.

Vection subsidiary The Digital Box S.p.A. ('TDB') is currently subject to an Italian ‘out-of-court’ restructuring instrument called a ‘composizione negoziata per la soluzione della crisi di impresa’ or ‘negotiated settlement of the business crisis’ (CNC). This is not an insolvency procedure and is accessible exclusively to companies in financial distress that have a reasonable chance of approving and implementing a restructuring plan to maintain the existing business continuity. Using the framework of the CNC, the Company intends to negotiate a tax settlement agreement with tax authorities for partial or deferred payment of tax debts. If there is a positive outcome from the CNC, the Company will gain better terms on repayment or partial credit of TDB’s existing debts. If unsuccessful, there no significant impact aside from the costs of application. The CNC was filed with Italian authorities on 29 September 2025.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Vection Technologies Ltd
Consolidated entity disclosure statement
As at 30 June 2025

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Vection Technologies Ltd	Body Corporate	Australia	-	Australia
Vection Australia Pty Ltd	Body Corporate	Australia	100.00%	Australia
ServTech Global PH Inc	Body Corporate	Philippines	100.00%	Philippines
Vection India Private Limited	Body Corporate	India	100.00%	India
Vection Italy Srl	Body Corporate	Italy	100.00%	Italy
Vection Technologies Americas Inc (formerly known as Mindesk Inc)	Body Corporate	United States of America	100.00%	United States of America
Mindesk Srl	Body Corporate	Italy	100.00%	Italy
Blank Canvas Studio (Aus) Pty Ltd	Body Corporate	Australia	100.00%	Australia
JMC Group Srl	Body Corporate	Italy	100.00%	Italy
Vection Global Services Srl	Body Corporate	Italy	100.00%	Italy
Vection EMEA Srl	Body Corporate	Italy	100.00%	Italy
Vection Health Srl	Body Corporate	Italy	60.00%	Italy
Xinntex Srl	Body Corporate	Italy	100.00%	Italy
JMC AMEA Limited	Body Corporate	United Arab Emirates	70.00%	United Arab Emirates
Invrsion Srl	Body Corporate	Italy	100.00%	Italy
Invrsion Inc	Body Corporate	United States of America	100.00%	United States of America
The Digital Box S.p.A.	Body Corporate	Italy	93.76%	Italy
The Digital Box Inc.	Body Corporate	United States of America	100.00%	United States of America
The Digital Box France	Body Corporate	France	100.00%	France
QuestIT S.r.l.	Body Corporate	Italy	71.82%	Italy

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In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards Accounting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the Consolidated Entity Disclosure Statement is true and correct.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Mr Gianmarco Biagi
Managing Director and CEO



Mr Jacopo Merli
Executive Director and COO

30 September 2025

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VECTION TECHNOLOGIES LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vection Technologies Ltd ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the director's declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2025 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the Company incurred a net loss of $8,158,000 during the year ended 30 June 2025. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue from customers (Note 6) During the year the Consolidated Entity generated revenues from operating activities of $36,003,000. We focused on this area as recognition of revenue under AASB 15 *Revenue from Contracts with Customers* ('AASB 15') requires significant judgement by management in identifying performance obligations, allocation of the transaction price and satisfaction of performance obligations over time or at a point in time. We consider this to be a key audit matter due to the judgement and estimates involved in determining when the performance obligations are met, and revenue is recognised.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Reviewing the revenue recognition policy for compliance with AASB 15; • Reviewing a sample of revenue to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy; • Assessing the work performed by component auditors with respect to revenue recognized by the respective component entities; and • Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.
Carrying value of intangible assets (Note 13) As disclosed in note 13 of the financial report, at 30 June 2025, the carrying value of Intangible assets totaled $41,469,000 (30 June 2024: $21,717,000), including Goodwill of $26,771,000 (30 June 2024: $11,697,000). An annual impairment test for goodwill and other indefinite life intangibles is required under AASB 136 *Impairment of Assets*. We considered this to be a key audit matter due to the significance to the consolidated statement of financial position and the significant judgements and estimates involved.	• Our procedures included, but were not limited to, • assessing and challenging: • the appropriateness of Management's determination of distinct CGUs to which goodwill is allocated. • the competence, capabilities and objectivity of management's external expert engaged to assist in the valuation • the reasonableness of the FY2026 budget approved by the Directors, comparing to current actual results and considering trends, strategies and outlooks.

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Key Audit Matter	How our audit addressed the Key Audit Matter
	• the testing of inputs used in the Impairment Model. • the determination of the discount rate applied in the Impairment Model, comparing to available industry data. • the short to medium term growth rates applied in the forecast cash flow, considering historical results and available industry data. • Management's sensitivity analysis around the key drivers of the cash flow projections. • our sensitivity testing to understand the impact of changing key assumptions with respect to each distinct CGUs recoverable amount. • the appropriateness of the disclosures as set out in note 13.
Business Combinations (Note 26) As disclosed in Note 26 of the financial statements during the year, the Group acquired The Digital Box S.p.A. The acquisition constituted a business combination in accordance with AASB 3 Business Combinations. Accounting for business combinations constituted a key audit matter due to the size and scope of the acquisitions, and the complexities inherent in such transactions.	Our audit procedures included, but were not limited to: • Reviewing the acquisition agreements to understand the key terms and conditions of the transactions; • Assessing the fair value of the consideration transferred with reference to the terms of the acquisition agreements; • Verifying the acquisition date assets and liabilities acquired to underlying supporting documentation; • Assessing the basis for the purchase price allocation, including key inputs and assumptions; and • Assessing the appropriateness of the disclosures included in Note 26 of the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the remuneration report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error, and the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Company, for the year ended 30 June 2025, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

HALL CHADWICK AUDIT (WA) PTY LTD

CHRIS NICOLOFF FCA
Director

Dated this 30th day of September 2025
Perth, Western Australia

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Vection Technologies Ltd
Shareholder information
30 June 2025

The shareholder information set out below was applicable as at 31 August 2025.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options	
	Number of holders	% of total shares issued	Number of holders	% of total options issued
1 to 1,000	80	-	1	-
1,001 to 5,000	781	0.16	1	-
5,001 to 10,000	847	0.36	1	-
10,001 to 100,000	2,544	5.48	36	0.58
100,001 and over	1,208	94.00	163	99.42
	5,460	100.00	202	100.00
Holding less than a marketable parcel	1,479	18.52	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
OFFICINE 8K S R L	327,556,186	18.05
MR JACOPO MERLI	89,401,912	4.93
EVOLUTION CAPITAL ADVISORS PTY LTD	70,970,649	3.91
CITICORP NOMINEES PTY LIMITED	69,308,714	3.82
CDP VENTURE CAPITAL SGR SPA	54,252,406	2.99
BNP PARIBAS NOMS PTY LTD	41,816,405	2.30
PRIMO VENTURES SGR SPA	41,746,397	2.30
BNP PARIBAS NOMINEES PTY LTD - IB AU NOMS RETAILCLIENT	34,651,491	1.91
MR YALEI MENG	29,375,151	1.62
MR CRAIG PEARSON	24,200,000	1.33
MR PEI-HUNG CHOU	23,760,022	1.31
ROBERTO CALCULLI	21,700,503	1.20
MINIMAX SRLS	21,455,000	1.18
MRS PATRICIA ANNE SCUDDS	12,400,000	0.68
MR PAUL BRENT CLAYTON	12,332,258	0.68
READY DIGITAL SRL	11,914,067	0.66
BNP PARIBAS NOMINEES PTY LTD - CLEARSTREAM	11,285,210	0.62
HTC VIVE INVESTMENT (BVI) CORP	11,179,911	0.62
MR VAN HOA DO	9,912,200	0.55
LTL CAPITAL PTY LTD	9,500,000	0.52
	928,718,482	51.18

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The names of the twenty largest security holders of quoted options are listed below:

	Options over ordinary shares	
	Number held	% of total options issued
MR CRAIG PEARSON	53,500,000	14.54
CITICORP NOMINEES PTY LIMITED	24,400,001	6.63
MR MATTHEW LEATH HISLOP	21,000,000	5.71
MR ANTHONY BRACKS	20,000,000	5.43
EVOLUTION CAPITAL ADVISORS PTY LTD	20,000,000	5.43
MR KIRIL RUVINSKY	16,811,904	4.57
FRANCESCO MAZZOLENI	13,205,908	3.59
CLAUDIA PORRO	12,000,000	3.26
MR THOMAS PHILIP GOOCH	11,018,181	2.99
BNP PARIBAS NOMINEES PTY LTD - IB AU NOMS RETAILCLIENT	9,931,742	2.70
CSLP PTY LTD - SAL SUPERANNUATION FUND A/C	7,000,000	1.90
MR DARCY ADAM KNIGHTS	5,900,000	1.60
MR JAMES WILLIAM FAIRNEY	5,529,999	1.50
MR DAVIDE PALERMO & MRS FRANCINE GINA PALERMO - D & F PALERMO FAMILY A/C	5,200,000	1.41
FAIRBURN PTY LTD	5,000,000	1.36
MR DAVID FERGUSON	4,800,000	1.30
MTRT INDUSTRIES PTY LTD	4,650,000	1.26
MISHTALEM PTY LTD	4,299,083	1.17
NICOLA VARGIU	4,000,000	1.09
P AND N BAKARIC P/L - P AND N BAKARIC SF A/C	3,783,334	1.03
	252,030,152	68.47

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares – $0.03, 18 August 2027	1,000,000	1
Performance rights over ordinary shares	75,200,001	6
Performance rights over ordinary shares (vendors)	36	17

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
OFFICINE 8K S R L	327,556,186	18.05
MR JACOPO MERLI	89,401,912	4.93

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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