

29 August 2024, Australia

ASX RELEASE**GENERATIVE AI COMPANY ACQUISITION & EQUITY RAISING**

Vection Technologies Ltd (ASX:VR1, OTC:VCTNY), ("Vection" or the "Company"), the INTEGRATEDXR[®] company, announces that it has entered into an agreement ("Acquisition Agreement") to acquire all the shares in The Digital Box S.p.A. ("TDB"), a generative Artificial Intelligence (AI) company ("Proposed Acquisition").

HIGHLIGHTS:

- Vection to acquire generative AI company, The Digital Box, enhancing its AI and XR capabilities.
- TDB reported \$10 million in revenue and \$1 million EBITDA for FY24, indicating that the acquisition is expected to be value-accretive for Vection's shareholders.
- Former Apple COO Marco Landi to join Vection's board, adding significant expertise and credibility.
- Combining TDB's technology with Vection's ecosystem to unlock new cross-sell opportunities and drive revenue growth.
- Strongly supported, growth-focused equity funding round of \$2 million to support the acquisition and working capital.

OVERVIEW:

TDB is a technology company that develops and markets 3D and AI platforms based on advanced natural language processing technology. This technology enables voice interaction with data, services, and information systems. TDB helps customers bridge the physical and digital worlds through 3D digital humans, reducing costs and improving efficiencies.

TDB's technology complements Vection's ecosystem and aligns well with Vection's focus on enterprise customers.

The acquisition's initial enterprise value is ~\$12m, with ~157m (~\$1.5m) in newly issued shares payable at settlement. Up to ~55m Vection shares will be issued if TDB achieves sales and EBITDA objectives and balance sheet valuation targets one year post-acquisition.

In FY24, TDB reported \$10 million in unaudited revenue and \$1 million in unaudited EBITDA, indicating that the acquisition is expected to be value accretive for Vection's shareholders. Settlement is expected in Q2 FY25, subject to customary closing conditions and subject to former global COO of Apple Computer, Marco Landi, joining Vection's board as non-executive chair.

Vection will integrate the TDB team and technology into its global business, making TDB's technological capabilities available to existing and new customers. This integration will create a wide range of cross-sell and growth opportunities across both companies' customer bases, strengthening revenue and driving EBITDA growth. For information on TDB's AI capabilities, refer to www.quest-it.com/en

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Vection's CEO & Managing Director Mr Biagi said, *"The acquisition of TDB will strengthen the integration of AI and XR technologies and enhance customer experiences. These innovations will provide a significant competitive advantage, allowing us to deliver unique solutions. This strategic investment in AI and XR will ensure we remain at the forefront of technological advancement and drive long-term growth."*

Under the terms of the Acquisition Agreement, upon satisfaction of the conditions precedent, including Vection shareholder approval and ASX approvals, the Company agrees to acquire and the shareholders of TDB agree to sell 100% of the issued share capital in TDB free from any encumbrances. The key terms of the Proposed Acquisition are set out in the annexure to this announcement.

PLACEMENT:

In addition to the Proposed Acquisition, Vection has received firm commitments for a strongly supported equity funding round of \$2 million via the placement of new fully paid ordinary shares ("**Shares**") to be issued at \$0.01 per Share, representing a discount of 23.7% on the last 15-days Volume Weighted Average Price.

Via this Placement, Vection intends to support the acquisition of TDB, strengthen its balance sheet, and position the Company as a globally emerging leader.

The Placement of \$2 million (before costs of the offer) will be completed through the issue of 200 million Shares at an issue price of \$0.01 per Share. The Placement is expected to settle on 5 September 2024. The Placement Shares are proposed to rank equally with the existing shares of the Company. The Placement will include, subject to shareholder approval, 1 free attaching listed option for every Share issued under the Placement, with each option having an exercise price of \$0.018 and an expiry date 3 years from the date of issue.

The Company engaged Evolution Capital ("**Evolution**") as Lead Manager to the Placement. The Placement is undertaken within the Company's existing capacity under Listing Rule 7.1 and 7.1A, and accordingly, shareholder approval is not required.

Evolution (or its nominee) has been offered 70 million listed options with an exercise price of \$0.018 and an expiry of 3 years from the date of issue as part payment for the services provided in connection with the Placement. Evolution will also receive a Management fee of 2.0% and selling fee of 4.0% of the funds raised under the Placement.

Use of Funds:

The funds raised under the Placement will support Vection's working capital and acquisition costs and the capacity to execute strategic initiatives.

AUTHORISATION:

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

ENDS

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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**.

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

FORWARD-LOOKING STATEMENTS:

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Vection Technologies' current expectations, estimates and projections about the industry in which Vection Technologies operates, and beliefs and assumptions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, guidance, or outlook on future earnings, distributions, financial position, or performance are also forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the control of Vection Technologies, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Vection Technologies only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Vection Technologies has no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

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ANNEXURE A – KEY TERMS OF THE ACQUISITION

Parties:	Vection Technologies (the " Company ") has entered into a sale and purchase agreement with Messrs Marco Landi, Roberto Calculli, Ernesto Di Iorio, Antonio Perfido and Virgilio Picca, together the 'Relevant Sellers' - shareholders in The Digital Box S.p.A (" TDB ").
Acquisition:	Vection Technologies agrees to acquire 100% of the issued share capital of TDB from the shareholders of TDB.
Consideration:	The consideration payable by the Company at Settlement is: - Upfront consideration: 157,014,000 Shares in the Company comprising of: - o 142,740,000 Shares to the shareholders of TDB; and - o 14,274,000 Shares to Exchange Capital Pty Ltd (or its nominee) representing a payment for the introductory and advisory work performed on the deal to the value of 10% of the total transaction value. - 17 Class A performance rights that will convert into an aggregate of up to 23,571,429 Shares subject to TDB achieving €5.8m in Revenue and an EBITDA of €616k in FY25 as verified by the Company's auditors (with headroom of 30% for EBITDA and 10% for Revenue). The "Revenue" means the audited sales to clients for the Fiscal Year (prepared in accordance with the Australian Accounting Standards ("AASB")) for the Business, as independently verified by the Company's auditor, the "EBITDA" means the Earnings Before Interest, Depreciation and Amortization for the Business for the Fiscal Year (prepared in accordance with the AASB), as independently verified by the Company's auditors; and - 17 Class B performance rights that will convert into an aggregate of up to 26,258,571 Shares subject to (a) the achievement of the Class A Performance Right milestone and (b) no impairment recognition in relation to goodwill recognised as part of the acquisition, determined by the Company's auditor by the end of the first financial year after Settlement. - Exchange Capital Pty Ltd will also be entitled to a fee of 10% of the total Shares Issued on conversion of the Performance Rights.
Conditions Precedent:	Settlement of the acquisition ("Settlement") is conditional upon the satisfaction of conditions precedent on or before 15 October 2024, including: - Escrow agreement (claw-back): the Relevant Sellers entering into escrow agreements for their portion of the Upfront Consideration Shares. Under the escrow agreement the Company will have the right to buy back the Upfront Consideration Shares for \$0 if the Company is required to pay any money for TDB due to breaches under any existing TDB debt agreement; - Due Diligence: Satisfactory completion, in the opinion of the Company, of the commercial, economic, legal, accounting, tax, financial and intellectual property due diligence regarding TDB and its subsidiaries; - Vection Approvals: Vection obtaining all necessary regulatory authorisations, including, shareholder approval and ASX approvals; - Evidence of a written waiver in connection with any shareholder loan granted by or to TDB or its subsidiaries having been obtained; and

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	- Key Management agreements: The Company and each of Mr Roberto Calculi, Mr Ernesto Di Iorio, Mr Antonio Perfido, Mr Virgilio Picca having entered into employment agreements with the Company on mutually agreed terms, for a minimum term of 3-years post Settlement.
Termination	On approval of the acquisition by the shareholders of Vection Technologies.

The Acquisition Agreement is otherwise subject to standard terms and conditions for an agreement of its nature, including warranty, indemnity, and confidentiality provisions.

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