



XREALITY GROUP LIMITED

## **xReality Group Limited (ASX:XRG) (xReality)** **ACN 154 103 607**

### **ASX Release** **Sydney, Australia – 31<sup>st</sup> January 2024**

#### **Quarterly Activities Report**

**xReality Group Limited (ASX:XRG) (xReality)** is pleased to provide the following Quarterly Activities Report and Appendix 4C for the quarter ending 31 December 2023 together with an Operational Update.

#### **Key Highlights**

- Receipts from customers for the quarter totalled \$2,795,969.
- Consistent retail trading with positive cashflow in the Entertainment Sector
- Cash position at end of quarter \$2.89m
- Aggressive Sales and Marketing Activity in the US
- Sale of Operator XR system to Clark County School District
- Operator XR secures trial with Los Angeles SWAT
- Successful and strongly supported Capital Raise completed in November.

#### **Operational Update by Business Sector:**

##### **Operator XR– Global Enterprise Software and Technology**

The company made significant progress in the United States Law Enforcement and Military markets over the past 3 months and continues to achieve major milestones in line with the global expansion strategy.

##### **Momentum in the US Markets**

- **Delivery of equipment to Sheriff's Department in November 2023**
  - The recent delivery and training of the Operator XR equipment for the Garfield County Sheriff's Department in Colorado has been a resounding success. This cutting-edge technology, now fully operational, is a significant addition to the department's resources. The comprehensive training provided ensured that the officers are well-equipped to utilize the full potential of the Operator XR system. The feedback from the department has been overwhelmingly positive, with reports highlighting enhanced operational capabilities and improved training efficiency to enhance public safety within the region.
- **Los Angeles SWAT trial**
  - Operator XR LLC has recently secured a trial with one of the highest profile departments in the US. LA SWAT will trial Operator XR exclusively for a period of 3 months during which they will utilise the tactical trainer and the de-escalation systems. They will also have access to the operational planning tool, where they can rehearse scenarios and live situations including active shooter and de-escalation scenarios in any location.

- **Law Enforcement Forensics Sale**
  - Clark County School district comprising 380 schools and serves more than 300,000 students recently acquired a single Operator XR Law Enforcement System to the value of \$53,000 AUD. Students receiving forensics education will utilise the technology to understand crime scenes, with a focus on forensic skills and techniques. This opens a new market of student education in the USA which includes federally funded grants to develop STEM skills. There are over 35,000 high schools in the US alone.
- **Final Stages of US Dept of Defence proposal with an expected contract value of c. \$5m**
  - Operator XR LLC, is in the final stages of negotiation with the US Department of Defence for the development of a major new XR training application.<sup>1</sup>
- **Marketing Activities**
  - During the last 3 months Operator XR has conducted over 26 new customer hosted demonstrations and attended 5 major conferences including one of the world's largest Police and Military conferences held in Las Vegas, Nevada – Shot Show. The show served an excellent platform to promote Operator XR's brand amongst the US and international police, military, security, and firearms industries. The event captured over 200 notable leads with over 50 of those leads being US police departments as well as multiple US federal agencies.

**Operator XR Australia and APAC:**

- Defence and Police paid trial and evaluation programs remain underway across the region, including the Australian Defence Force, and the trials are progressing well with positive feedback to date. Completion of the evaluation process is expected to occur between Q3 and Q4 FY24. The expected next steps with these customers will be significant purchases through formal procurement processes occurring late FY24 into FY25.
- The Western Australia Police Force is now 9 months into the 5 year, \$1.7M contract, training new recruits at the Police Academy and providing the company with valuable feedback which is driving cutting edge development of the products.

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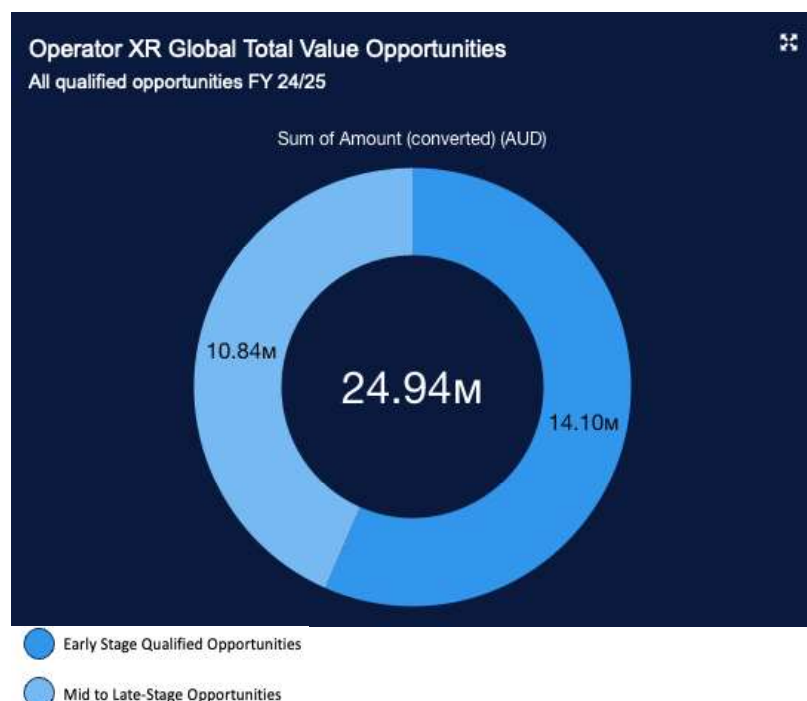
<sup>1</sup> There is no guarantee this tender will be successful.



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## Total Value of Operator XR current Opportunities (TVO)

With the establishment of an experienced sales team in the USA, Operator XR has experienced a significant increase in the quality, size, and qualification of opportunities across County, State and Federal markets. In addition to this the introduction of regional partners is expected to further increased Operator XRs reach into other geographic markets.



- There is no guarantee the proposed contracts will be executed, or that additional sales will be realised.
- The TVO includes initial contract value only. At this stage the proposed contracts in the pipeline are yet to be executed.

## Addressable Market

The global total addressable market (**TAM**) for Operator XR products in the Law Enforcement and Military markets is approximately \$3.37BN USD Annual Recurring Revenue.

Total Addressable Market	ARR > Market Share Sensitivity (USD\$m)					
	1%	3%	5%	10%	20%	Total Market
<b>Law Enforcement</b>						
United States	2.73	8.19	13.65	27.30	54.61	273.04
Rest of World	4.10	12.29	20.48	40.96	81.91	409.56
<b>Law Enforcement ARR</b>	<b>6.83</b>	<b>20.48</b>	<b>34.13</b>	<b>68.26</b>	<b>136.52</b>	<b>682.60</b>
<b>Military</b>						
United States	10.75	32.24	53.74	107.48	214.96	1,074.80
Rest of World	16.12	48.37	80.61	161.22	322.44	1,612.20
<b>Military ARR</b>	<b>26.87</b>	<b>80.61</b>	<b>134.35</b>	<b>268.70</b>	<b>537.40</b>	<b>2,686.99</b>
<b>Combined</b>						
United States	13.48	40.44	67.39	134.78	269.57	1,347.84
Rest of World	20.22	60.65	101.09	202.18	404.35	2,021.75
<b>Total ARR</b>	<b>33.70</b>	<b>101.09</b>	<b>168.48</b>	<b>336.96</b>	<b>673.92</b>	<b>3,369.59</b>

\* Source - company research, BLS Census of State and Local Law Enforcement Agencies (CSLLEA), 2008 (ICPSR 27681), Bureau of Justice Statistics, Census of Federal Law Enforcement Officers, fiscal years 2016 and 2020

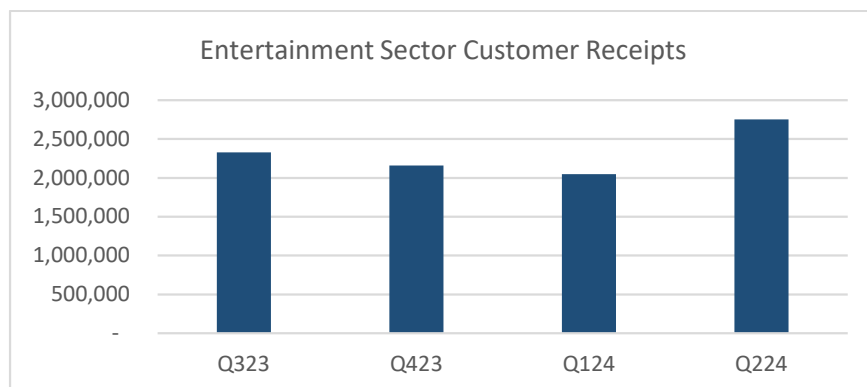


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## Entertainment Sector

### Consistent Retail and Entertainment Performance

XRG's portfolio of Entertainment businesses have continued their stable performance throughout the Christmas school holidays period. The operational cashflow through our existing businesses remains cash flow positive and receipts from customers has remained consistent with prior periods and management expectation.



## Corporate

### Successful Capital Raise

On the 15th of November the company announced the results of its successful capital raise. The Rights issue was extremely well supported raising \$2.44m with over 75% of available rights subscribed by existing shareholders. The capital raise has enabled the company to expedite its sales and marketing activity of Operator XR Military and Law Enforcement technology in the US market.

### Cash Flow Analysis

Cash receipts for the quarter totalled \$2,795,969. Net cash from operating activities for the period totalled -\$260,754 this number includes expenses of \$367,258 attributable to Operator XR with the hiring of five new personnel in the US and increased marketing and sales activities throughout the quarter. The company invested \$593,877 in XR product development, hardware, and corporate facilities. The company repaid \$75,000 against its debt facilities. Closing Cash position at the end of the quarter totalled \$2,885,144.

Related parties' expenses of \$146,693 comprise of salaries and superannuation paid to executive directors and fees paid to non-executive directors.

This announcement is authorised by the Board of Directors.

### About xReality Group Limited (ACN: 154 103 607)

xReality Group Limited are leaders in enterprise software development for mission critical simulations for military and law enforcement. The company develops and operates physical and digital simulations. Portfolio companies include Indoor Skydiving facilities, Virtual Reality (VR) and Augmented Reality (AR) entertainment, training, and production.

Operator XR provides Military and Law Enforcement agencies with a unique, integrated Mission Planning & Rehearsal System, which is portable, secure and highly immersive. See <https://www.operatorxr.com>



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The Company is listed on ASX on under the code XRG.

For further information visit: [www.xrgroup.com.au](http://www.xrgroup.com.au)

Wayne Jones, Chief Executive Officer, [wjones@xrgroup.com.au](mailto:wjones@xrgroup.com.au)  
Stephen Tofler, Company Secretary, [stofler@xrgroup.com.au](mailto:stofler@xrgroup.com.au)

## Appendix 4C

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

**Name of entity**

xReality Group Ltd

**ABN**

39 154 103 607

**Quarter ended ("current quarter")**

31 December 2023

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date (6 months)</b>
		<b>\$A</b>	<b>\$A</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		2,795,969	5,031,875
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		-740,370	-1,299,176
(c) advertising and marketing		-383,481	-517,924
(d) leased assets		-5,496	-15,982
(e) staff costs		-1,294,107	-2,370,673
(f) administration and corporate costs		-412,268	-637,297
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		3,033	3,033
1.5 Interest and other costs of finance paid		-148,900	-329,731
1.6 Income taxes paid		-	-1,309
1.7 Government grants and tax incentives		67,728	154,376
1.8 Other (creditors from other periods)		-142,861	-234,020
<b>1.9 Net cash from / (used in) operating activities</b>		<b>-260,754</b>	<b>-216,829</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		-	-
(d) investments		-	-
(e) intellectual property		-	-

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A	\$A
	(f) other non-current assets	-593,877	-1,372,070
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>-593,877</b>	<b>-1,372,070</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,905,513	2,905,513
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-140,701	-140,701
3.5	Proceeds from borrowings	-	476,071
3.6	Repayment of borrowings	-75,000	-150,000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (creditor settlement to facilitate debt restructure)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>2,689,812</b>	<b>3,090,883</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,049,963	1,383,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-260,754	-216,829

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

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-593,877	-1,372,070
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,689,812	3,090,883
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,885,144</b>	<b>2,885,144</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	2,885,144	1,049,961
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,885,144</b>	<b>1,049,961</b>

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A**

64,417

82,276

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Directors' fees to non-executive Directors and salaries and superannuation to executive Directors.

6.2 Salaries and superannuation to executive Directors.

**7. Financing facilities**

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

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

	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</b>
7.1 Loan facilities	3,900,000	3,900,000
7.2 Credit standby arrangements	-	-
7.3 Other (Birkdale Holdings (Qld) Pty Ltd)	4,185,126	4,185,126
7.4 <b>Total financing facilities</b>	8,085,126	8,085,126

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

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Causeway Financial – secured – 14.5%  
Birkdale Holdings (Qld) Pty Ltd – secured – 7.5%

<b>8. Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	-260,754
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,885,144
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,885,144
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	11.06

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

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

Answer:

N/A

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

Answer:

N/A

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

Answer:

N/A

## Compliance statement

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

Date: .....31 / 01 / 2024

Authorised by: .....  
(By the board)

## Notes

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