



XREALITY GROUP LIMITED

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

ASX Release
Sydney, Australia – 30 April 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 31st March 2024 together with an Operational Update.

Key Highlights

- Strong sales growth of Operator XR (Enterprise Sector)
 - Six new US Law Enforcement customers since late January including two in early April totalling **\$583k** AUD.
 - 12 potential new sales in Q4, totalling **\$6.85m** total contract value (includes the US Department of Defence proposal valued at c.\$5.6m).
 - Software Annual Recurring Revenue increase for Q3 25% to **\$611k** (YTD increase **63%**)
 - 133 global opportunities with a total aggregate value of **\$23.7m**
- Stable and Consistent performance in Entertainment Sector in Australia
 - Military and professional wind tunnel revenue up 10% on Q3 FY23
 - Christmas school holidays results consistent with prior year
 - FREAK Entertainment booking and ecommerce systems upgrade

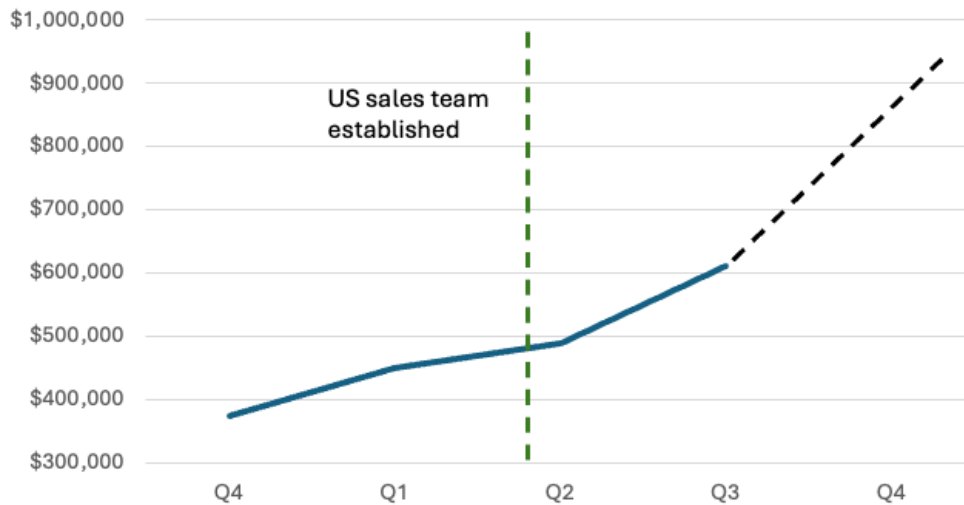
Operational Update by Business Sector:

Operator XR – Enterprise Software and Technology

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

- **Growth in Annual Recurring Revenue (ARR)**
 - ARR grew 25% from \$489,936 in Q2 to \$610,962 in Q3. With multiple late-stage opportunities in the US, S/E Asia and Australia, the recurring licence fees are expected to continue to ramp in the last quarter of the financial year.

Operator XR ARR Growth FY24



- *This is not a forecast, there is no guarantee Q4 projected sales will be realised.*
- **Growth in US Sales**
 - Between late January and the end of Q3, the Company secured 4 more law enforcement customers across Arizona, Illinois, Nevada, and Idaho in the US.
 - Subsequent to the quarter, as at April 19th, the company has won 2 additional US Law Enforcement customers in Georgia and California
 - Total Contract Value of the six new deals mentioned above equal \$583k AUD, cash receipts during the quarter totalled \$326k AUD which includes the renewal of Garfield County Sheriff's Department in Colorado, USA. The remaining cash will be received in Q4.
- **Renewal of first US customer contract**
 - Due to outstanding feedback on the product, Garfield County Sheriff's Department in Colorado has committed to renew its contract into the second year, six months ahead of schedule. The County has already completed its first full agency wide training with the system and is acting as a reference customer.
- **LAPD SWAT trial**
 - The LAPD SWAT trial was delayed due to some customer changes and is on track to commence in May.
- **Final Stages of US Dept of Defence proposal with an expected contract value of c. \$5.6m**
 - Operator XR LLC continues in negotiations with the US Department of Defence on development of a ground-breaking R&D proposal with strong prospects for follow on work.¹

¹ *There is no guarantee this tender will be successful.*



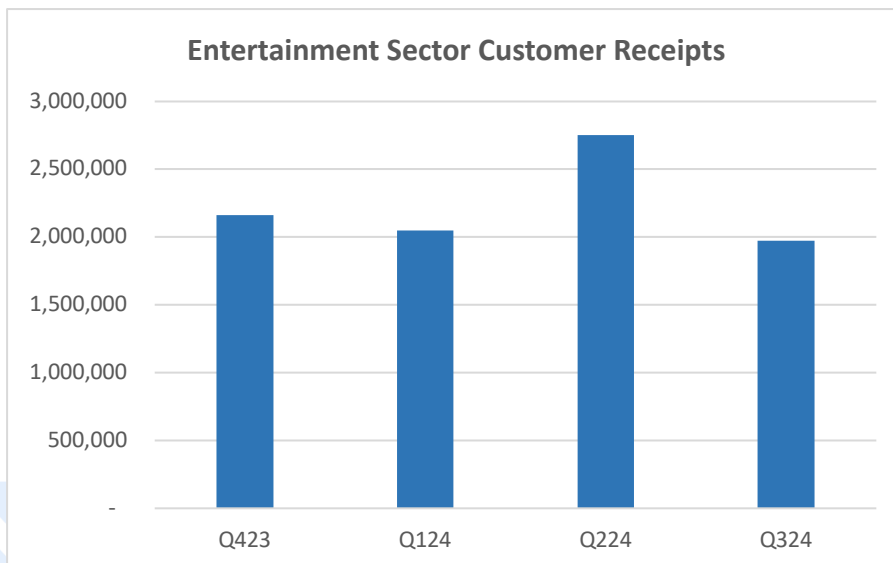
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- **Operator XR meets with Department of Homeland Security (DHS)**
 - Head of DHS Silicon Valley Investment program invited Operator XR to demonstrate capabilities and discuss potential cooperation with DHS agencies including United States Customs and Border Protection (CBP).
- **Marketing Activities**
 - During the quarter, Operator XR generated significant traction across the US market, through focused digital marketing, and exhibiting at relevant trade shows, including:
 - Shot Show in Las Vegas, generating over 200 notable leads.
 - International Law Enforcement Educators Training Association (ILEETA): March 18-20, 2024
 - Texas Chiefs Association: March 25-28, 2024
 - Upcoming events include:
 - IDEC Expo, Mexico City: April 21-25, 2024
 - Special Operations Forces (SOF) Week, Tampa FL: May 5-11, 2024, with Operator XR sponsored by Team Defence Australia (Austrade)

Entertainment Sector

- **Consistent Retail and Entertainment Performance**

XRG's portfolio of Entertainment businesses have continued their stable performance throughout the 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.





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- **Military and Professional Revenue Increase 10%**
 - iFLY Downunder and iFLY Gold Coast have adopted a strategic partnership approach to bolster their business by aligning with skydiving centres, coaches, governing bodies, and military units. This focus on building close relationships with these stable market segments is proving to be a successful strategy, particularly in increasing customer traffic, occupancy rates, and revenue during typically slower times of the year.
- **Christmas Holidays Trading Period**
 - The school holiday period experienced stable trading conditions, consistent with FY23. With challenging trading conditions, the retail market was slightly down on last year, however this was offset by the successful partnerships and initiatives outlined above.
- **FREAK Entertainment Booking and Ecommerce Systems Upgrade**
 - All Freak Entertainment Systems have been migrated to the world leading FMX Systems in line with the rest of XRG's Entertainment Portfolio. The migration will create operational efficiencies and cost savings across the business.

Cash Flow Analysis

Cash receipts for the quarter totalled \$2,342,105. Net cash from operating activities for the period totalled -\$771,471. The company invested \$608,088 in XR product development, hardware, and fabrication/logistics facilities. The company repaid \$75,000 against its debt facilities. Closing Cash position at the end of the quarter totalled \$1,742,119.

Related parties expenses of \$136,273 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.

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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>

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

For further information visit: www.xrgroup.com.au

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Stephen Tofler, Company Secretary, stofler@xrgroup.com.au

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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 March 2024

| Consolidated statement of cash flows | Current quarter | Year to date (9 months) |
|-----------------------------------------------------------|------------------------|------------------------------------|
| | \$A | \$A |
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 2,342,105 | 7,373,980 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | -770,610 | -2,069,786 |
| (c) advertising and marketing | -338,236 | -856,160 |
| (d) leased assets | - | -15,982 |
| (e) staff costs | -1,384,355 | -3,755,028 |
| (f) administration and corporate costs | -396,080 | -1,033,378 |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 3,033 | 6,065 |
| 1.5 Interest and other costs of finance paid | -41,534 | -471,265 |
| 1.6 Income taxes paid | - | -1,309 |
| 1.7 Government grants and tax incentives | 9,822 | 164,198 |
| 1.8 Other (creditors from other periods) | -95,616 | -329,636 |
| 1.9 Net cash from / (used in) operating activities | - 771,471 | - 988,301 |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |

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

| Consolidated statement of cash flows | | Current quarter | Year to date (9 months) |
|--------------------------------------|-------------------------------------------------------|-----------------|----------------------------|
| | | \$A | \$A |
| | (f) other non-current assets | -608,088 | -1,980,158 |
| 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 | Net cash from / (used in) investing activities | -608,088 | -1,980,158 |

| | | | |
|-------------|-----------------------------------------------------------------------------------------|----------------|------------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 311,535 | 3,217,048 |
| 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 |
| 3.5 | Proceeds from borrowings | - | 476,071 |
| 3.6 | Repayment of borrowings | - 75,000 | - 225,000 |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (creditor settlement to facilitate debt restructure) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 236,535 | 3,327,418 |

| | | | |
|-----------|------------------------------------------------------------------------------|-----------|-----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,885,144 | 1,383,160 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | -771,471 | -988,301 |

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

| Consolidated statement of cash flows | | Current quarter | Year to date (9 months) |
|--------------------------------------|------------------------------------------------------------------|------------------|----------------------------|
| | | \$A | \$A |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | -608,088 | -1,980,158 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 236,535 | 3,327,418 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,742,119 | 1,742,119 |

| 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 | Previous quarter |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| | | \$A | \$A |
| 5.1 | Bank balances | 1,742,119 | 2,885,144 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,742,119 | 2,885,144 |

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**

61,340

74,934

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.

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

7. Financing facilities

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

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

| | Total facility amount at quarter end \$A | Amount drawn at quarter end \$A |
|---------------------------------------------|---------------------------------------------------|---------------------------------------|
| 7.1 Loan facilities | 3,825,000 | 3,825,000 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (Birkdale Holdings (Qld) Pty Ltd) | 4,265,123 | 4,265,123 |
| 7.4 Total financing facilities | 8,090,123 | 8,090,123 |

7.5 Unused financing facilities available at quarter end

-

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%

8. Estimated cash available for future operating activities**\$A**

| | |
|-----------------------------------------------------------------------------------|-----------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | -771,471 |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 1,742,119 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 1,742,119 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 2.26 |

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: 30 / 04 / 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.