



XREALITY GROUP LIMITED

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

ASX Release

Sydney, Australia – 31 July 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 30th June 2024 together with an Operational Update.

Key Highlights

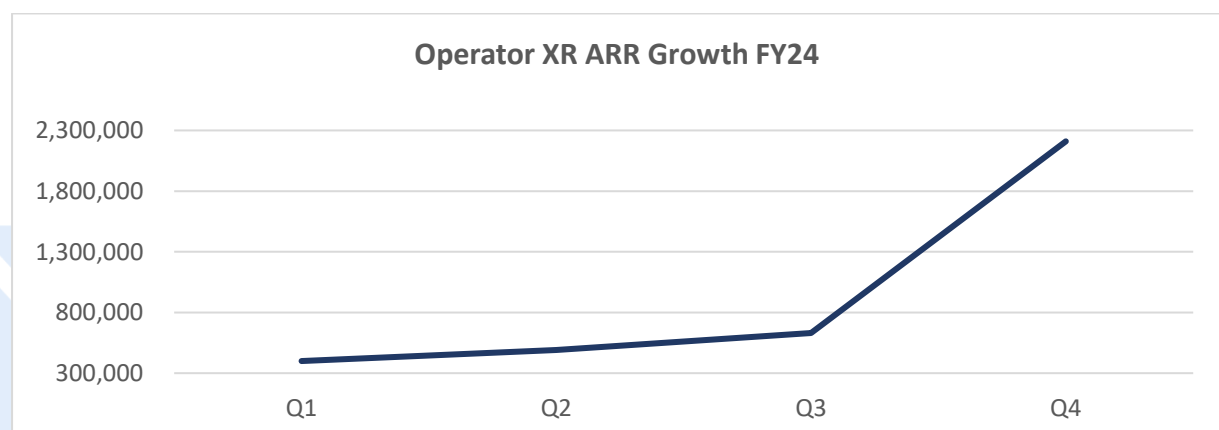
- Cash receipts of \$3,069,518, up 31% on Q3.
- Continued rapid sales growth of Operator XR (Enterprise) across US and Australian markets during the quarter:
 - Annual Recurring Revenue increased 250% to \$2.21M
 - Total Contract Value increased 514% for the quarter to \$4.1M
 - 20 new customers acquired during Q4.
 - 162 active opportunities with a total sales pipeline of \$24.2M
- Entertainment businesses improved performance through the quarter with a strong June Holidays outperforming the prior year.

Operational Update by Business Sector:

Operator XR – Enterprise Software and Technology

Operator XR made significant progress acquiring 20 new customers across Australia and the US over the quarter, resulting in a substantial increase in Annual Recurring Revenue and Total Contract Value. The majority of cash from these contracts will be received in Q1 FY25.

- **Operator XR Annual Recurring Revenue (ARR)**
 - Total ARR = \$2,210,042
 - ARR increase in Q4 = \$1,577,960 (250%)



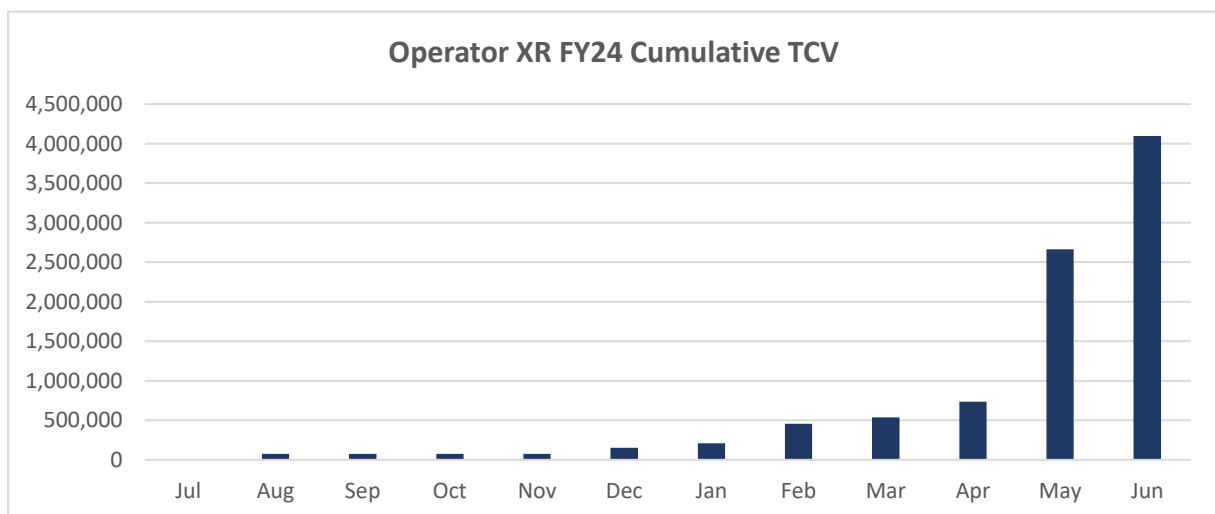
- **Growth in Sales**

- **Australian sales**

- A second sale to the Australian Defence Force of 2x 2 person systems, along with a contract renewal of the existing 4-person system was completed in the period. The ADF continues to undergo a concept evaluation using Operator XR's systems which has the potential to evolve into a large procurement.
 - Security group Millenium Services, owned by Softbank Robotics, made a purchase to aid Security Guard training. Millenium provides security services for customers including Westfield shopping centres and Sydney Trains.
 - In late June, a material sale was made to a State Government agency for multiple systems, with TCV of \$809,600. Payment for this order was received in early July.

- **US sales**

- The US Sales team continued its momentum with sales through April, May and June winning 17 new customers including State Police Departments, County Sheriff's, Police Academies, and private training organisations.



- **LAPD SWAT trial**

- The LAPD SWAT trial was officially approved and scheduled during the quarter. The 3-month trial has since commenced, with the systems delivered and customer trained in July.

- **Final Stages of US Dept of Defence proposal with an expected contract value of c. \$5m**

- Operator XR LLC progressed in negotiations with the US Department of Defence on development of a ground-breaking R&D proposal with prospects for follow on work.¹

¹ There is no guarantee this proposal will be successful.



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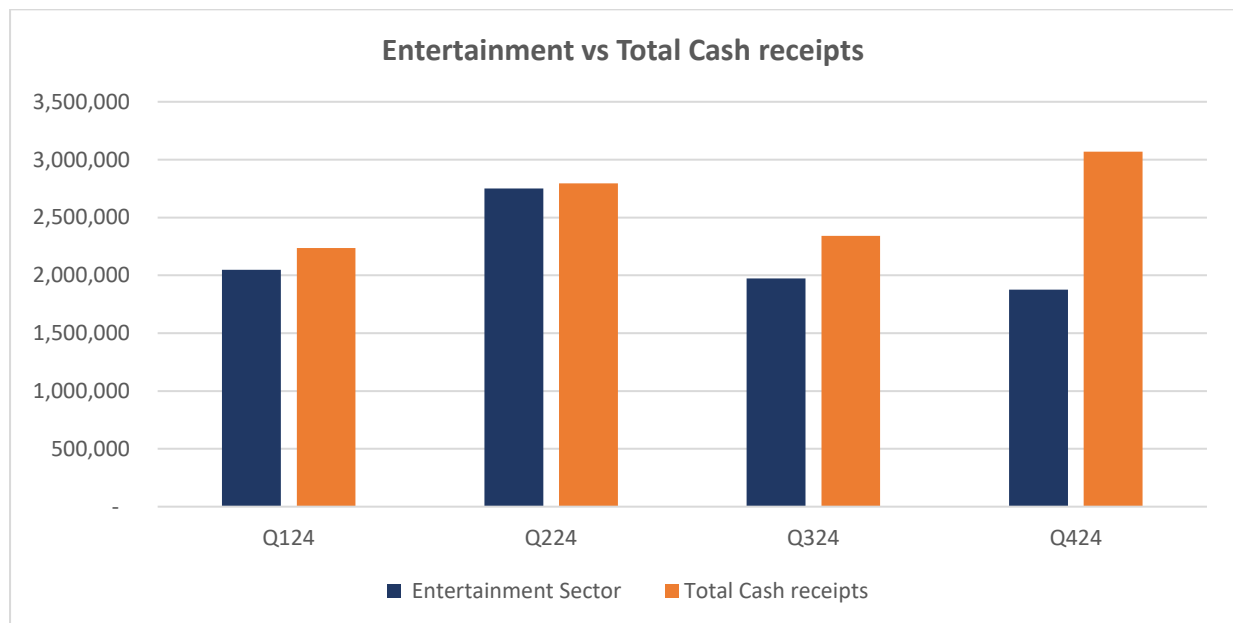
- **Marketing Activities**

- During the quarter, Operator XR developed a strong pipeline of leads through focused digital marketing, and exhibiting at relevant trade shows, including:
 - 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
- Upcoming events include:
 - IACP, USA, October 24
 - INL, Greece, September 24
 - Land Forces, Australia, September 24
- Operator XR was selected to feature in a flagship military focused TV series on a major streaming network in the US and Australia. Details will be released when the show airs.

Entertainment Sector

Stable Performance through the Quarter

XRG's portfolio of Entertainment businesses have remained stable with visitors, revenue and operating profit through the quarter compared to Q4 FY23. Operational efficiencies were implemented, decreasing both overheads and COGS. Businesses continue to perform in line with management expectations. The Entertainment Sector Cash Receipts were steady throughout the period slightly down (-5%) on Q3.



Corporate Activity

The Company secured an additional \$500,000 in working capital through its senior debt holder, Causeway Financial. The additional working capital will be utilised to provide inventory for the increasing demand in the United States markets.



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Cash Flow Analysis

Cash receipts for the quarter totalled \$ 3,069,518. Net cash from operating activities for the period totalled \$383,160. The Company invested \$521,479 in XR product development, hardware and corporate facilities. The Company increased its senior debt facility by \$500,000, while repaying \$78,545. Closing Cash position at the end of the quarter totalled \$2,006,918.

Related parties' expenses of \$119,083 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.

END

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

Wayne Jones, Chief Executive Officer, wjones@xrgroup.com.au
Stephen Tofler, Company Secretary, 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")

30 June 2024

| Consolidated statement of cash flows | | Current quarter | Year to date (12 months) |
|---|--|------------------------|-------------------------------------|
| | | \$A | \$A |
| 1. Cash flows from operating activities | | | |
| 1.1 Receipts from customers | | 3,069,518 | 10,443,497 |
| 1.2 Payments for | | | |
| (a) research and development | | - | - |
| (b) product manufacturing and operating costs | | -797,052 | -2,866,839 |
| (c) advertising and marketing | | -262,636 | -1,118,796 |
| (d) leased assets | | - | -15,982 |
| (e) staff costs | | -1,234,264 | -4,989,292 |
| (f) administration and corporate costs | | -261,010 | -1,294,388 |
| 1.3 Dividends received (see note 3) | | - | - |
| 1.4 Interest received | | - | 6,065 |
| 1.5 Interest and other costs of finance paid | | -139,796 | -611,061 |
| 1.6 Income taxes paid | | - | -1,309 |
| 1.7 Government grants and tax incentives | | 8,401 | 172,599 |
| 1.8 Other (creditors from other periods) | | - | -329,636 |
| 1.9 Net cash from / (used in) operating activities | | 383,160 | -605,141 |
| 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 | | -521,479 | -2,092,265* |

| Consolidated statement of cash flows | | Current quarter | Year to date (12 months) |
|--------------------------------------|---|-----------------|-----------------------------|
| | | \$A | \$A |
| | (f) other non-current assets | -4,513 | -413,885* |
| 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 | -525,992 | -2,506,150 |

* Note that \$1,570,787 previously shown as "other non-current assets" has been reallocated to "intellectual property".

| | | | |
|-----------|---|----------------|------------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 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 | 500,000 | 976,071 |
| 3.6 | Repayment of borrowings | -78,545 | -303,545 |
| 3.7 | Transaction costs related to loans and borrowings | -13,825 | -13,825 |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (creditor settlement to facilitate debt restructure) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 407,630 | 3,735,049 |

| | | | |
|-----------|--|-----------|-----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,742,119 | 1,383,160 |

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

| Consolidated statement of cash flows | | Current quarter \$A | Year to date (12 months) \$A |
|--------------------------------------|--|------------------------|------------------------------------|
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 383,160 | -605,141 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | -525,992 | -2,506,150 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 407,630 | 3,735,049 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 2,006,918 | 2,006,918 |

| 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 | 2,006,918 | 1,742,119 |
| 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) | 2,006,918 | 1,742,119 |

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**

55,887

63,196

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 | 4,315,287 | 4,315,287 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (Birkdale Holdings (Qld) Pty Ltd) | 4,345,390 | 4,345,390 |
| 7.4 Total financing facilities | 8,660,676 | 8,660,676 |

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) | 383,160 |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 2,006,918 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 2,006,918 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | N/A |

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:31/07/24.....

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.