



XREALITY GROUP LIMITED

xReality Group Limited
Chairman's Address
2024 Annual General Meeting – 22 November 2024

Chairman

Good afternoon ladies and gentlemen, it is my great pleasure to welcome you to xReality Group Limited's 2024 Annual General Meeting.

My name is John Diddams and I am the Chairman of xReality Group Limited. I would now like to introduce my fellow directors:

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|------------------|----------------------------------------------------------|
| ▪ Wayne Jones | Executive Director and Chief Executive Officer; |
| ▪ Kim Hopwood | Executive Director and Chief of Products and Technology; |
| ▪ Danny Hogan | Non-executive Director; |
| ▪ Mark Smethurst | Non-executive Director; |
| ▪ Phil Copeland | Non-executive Director. |

I would also like to welcome Glenda Nixon, the Audit Partner from Accru Felsers to the meeting.

The order for today's proceeding will be as follows:

- firstly, I will provide a brief Chairman's address;
- we will then move to the business of the meeting which is detailed in the notice of meeting;
- after that, there will then be an opportunity for shareholders to ask questions.

If you still have questions, please feel free to email Wayne Jones (CEO) or Stephen Tofler (Company Secretary) at any time.

Minutes of previous meetings, and the notice of AGM are all available from the Company Secretary on request.

2024 Financial Performance

In FY24 the company achieved a total income of \$10.24m plus deferred revenue of \$4.48m which is considerably more than previous years. The company achieved \$4.1m in total contract value through Operator XR, however the revenue from these sales will be recognised over a 36-month period as Annual Recurring Revenue. Given the timing of most of the Operator XR sales in FY24, only \$691k is included as recognised revenue this financial year. The remainder is reflected on the balance sheet as deferred revenue which has increased by 138% from \$1.89m to \$4.48m.



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Delivering on Strategy and Outperforming Expectations

XRG's achievements in FY24, particularly in validating and expanding the Operator XR software products, underscore a pivotal year of strategic execution and market penetration. The company not only met but also surpassed its strategic milestones, demonstrating effective growth management and the appeal of its innovative solutions in global markets. This success has set a strong precedent for continued growth and innovation throughout FY25 and beyond.

Enterprise Sector

Throughout FY24, xReality Group Limited made substantial strides in expanding its customer base for the Operator XR platform. The year saw a marked increase in the number of new customers, from 3 at the end of June 2023 to 39 currently, particularly in the U.S. and Australian markets.

FY24 proved Operator XR product market fit and validated Operator XR as the go-forward growth platform for XRG, as proven by:

- o The Speed and quality of top tier customer acquisition, typified by the contract win with \$5.6m US Department of Defense. The Board are highly encouraged by this, noting XRG has overcome generally longer defence sales cycle times and a contract win against incumbent US competitors.
- o Material, multi-year contract commitments from top tier customers spanning federal and state levels in the USA and ANZ, including the FBI, LA SWAT and other key US agencies .
- o Rapid expansion in the US has been boosted through customer word-of-mouth, demonstrating a compelling product proposition, whilst maintaining product growth and penetration in ANZ market. We now serve 25 State Police and County Sherriffs departments in the US.
- o Operator XR has attracted significant internal XRG investment priority and management focus, and quickly generated cashflows to sustain continued and increasing investment.
- o FY25 strong demand outlook and existing pipeline for the USA and Rest of the World, including additional top tier national prospects.
- o Outlook to profitability for the Operator XR business in FY25 is encouraging, after ongoing product and sales investment, as pipeline opportunities continue to convert.

The significant growth, market penetration, and commercial success of Operator XR warrants increasing focus and priority within XRG, as management and Board seek to capitalise on this major opportunity to create substantial value for shareholders. .

Entertainment Sector

The Entertainment Segment of the business comprises Indoor Skydiving and Freak Entertainment. Positive Cashflow from this sector played an important role in the



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expansion of the rest of the company. Both iFLY and FREAK Entertainment performed steadily in a soft retail market. The iFLY facilities in Western Sydney and Surfers Paradise provided \$7.3m cash receipts throughout the year with the four FREAK Entertainment facilities located in NSW and QLD contributing a combined further \$1.3m in cash.

The FREAK Entertainment net financial contribution in FY24 was immaterial to the Entertainment segment, and to the performance of XRG overall. However, the original conception of Freak was highly strategic in that it provided the technical capability to create the now world class, Operator XR suite of products. As mentioned above, FY24 has validated Operator XR as the growth engine for XRG, and has prompted the Board to prioritise the remarkable growth of Operator XR, and look to exit the FREAK Entertainment business in FY25, whilst the technical capability of the business will remain focussed on Operator XR.

Product Development and Growth Investment

Throughout the financial year the company invested \$2.3m in developing the Operator XR products and IP, resulting in a world leading technology that has to date disrupted the legacy systems currently on the market. This investment along with the lived experience of its military and law enforcement developers has culminated in a technology that meets the objectives of its end users, being a mobile, offline, virtual reality training and operational planning system.

The company invested an additional \$1.8m in setting up its operations and sales teams in Australia and the US.

To assist in funding the development and growth, the company conducted a rights issue in November to raise \$2.4m which was strongly supported. The company also increased its working capital debt facility by \$1m to help fund the growth strategy.

FY2025 Outlook

The investment into Operator XR throughout FY24 has laid the foundations for an exciting year ahead. With a dynamic and motivated sales, operations and marketing team now established, over 39 current customers world-wide, and a product that is disrupting the global market in law enforcement and military simulation, the growth outlook is very promising.

Closing Remarks

Our performance in FY24 is the result of our strategic focus on product innovation, customer service excellence, and geographic expansion. We are proud of our accomplishments this year and remain committed to building on this momentum into FY25 and beyond.



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On behalf of the Board, I would like to extend our gratitude to our dedicated employees, our loyal customers, and our supportive shareholders.

Thank you.

John Diddams
Chairman
22 November 2024

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