



XREALITY GROUP LIMITED

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

**ASX Release**  
**Sydney, Australia – 29 April 2022**

### **Quarterly Activities Report**

**xReality Group Limited (ASX:XRG) (xReality)** is pleased to provide its Quarterly Activities Report and Appendix 4C for the quarter ending 31 March 2022.

#### **Key points**

- Gross Receipts for Quarter \$2,255,382
- Cash at Quarter End \$1,067,268
- Significant investment into Defence, Law Enforcement and Entertainment VR product development
- Defence VR training product launched at Military conference in Canberra
- Launch of Law Enforcement VR training product line
- Defence VR training product sent to the US for evaluation and MOU for distribution signed
- First in-house built VR game launched at FREAK Bondi

Retail sales through the quarter saw progressively increasing performance, with COVID restrictions, including wearing of masks, easing late in the month of January. Performance exceeded expectations through February and March.

Cash receipts for the quarter totalled \$2,255,382. Net cash from operating activities for the period totalled (\$353,825), which included \$426,711 of aged creditor payments and supplier prepayments from outside the quarter. The company invested \$482,564 in non-current assets which included continued investment in Defence and Consumer XR product development, along with Wind Tunnel upgrades.

#### **Business Segment Activities**

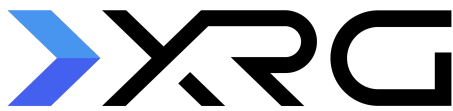
- **iFLY Indoor Skydiving**

iFLY Downunder had a softer start to the period than previous years with COVID restrictions in place. A noticeable improvement was seen when restrictions lifted with February revenue the best performing February since 2018.

iFLY Gold Coast has benefited from the easing of QLD border restrictions prior to Christmas with Surfers Paradise and the wider Gold Coast region experiencing strong tourism numbers throughout the school holiday period in December and further strengthening in January.

- **FREAK Entertainment**

Similarly to iFLY, FREAK Entertainment saw a slower start in January that improved with restrictions easing through the quarter. The Westfield Bondi venue launched the new FREAK



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Drive racing simulator product which proved instantly popular while adding incremental capacity to the venue.

FREAK's first in-house developed game, Androids and Outlaws, was launched at Bondi Westfield. Created by xReality Group's wholly owned VR studio, Red Cartel, the game has been built using underlying free roam VR technology and game mechanics developed as a part of the Operator VR system. All game related IP is owned by xReality Group.

The in-house games will deliver incremental value to the company directly through lowering game licencing costs, broadening the customer demographic, and building company owned game IP. This direction further enables growth focused business models for FREAK Entertainment including "turnkey" systems, franchising, and game licensing to both B2B and consumer markets.

Androids and Outlaws is rolling out to all venues in Q4 FY22. A minimum of 4 games will be released per year with the second game now in concepting stage.

- **Operator Tactical Solutions**

#### **Product Launch of OP-1 Defence VR tactical trainer**

Operator officially launched the defence focused OP-1 Virtual Reality Tactical Trainer product line at the Military Communications and Information Systems (MilCIS) conference in Canberra on February 24<sup>th</sup>. The OP-1 system was demonstrated, and received very positive feedback from the defence force attendees. Post launch, strong interest has been received from global industry partners, academic institutions, defence and law enforcement. Trials with Defence end users are expected to commence in Q4 FY22.

#### **US Partner evaluation**

In late March, Several OP-1 systems were sent to a US based defence and law enforcement training organisation for evaluation as a US distribution partner. On receiving the equipment an MOU for Global Distribution was signed.

#### **Launch of Operator Law Enforcement edition**

On March 31<sup>st</sup> Operator entered the global law enforcement market with the launch of Operator Law Enforcement (LE). Operator LE allows Police and Law Enforcement Officers to train operational tactics and procedures within a portable, virtual reality environment. Complimenting existing training methods, the virtual reality system allows Officers to train more often, leading to increased preparedness across a broad range of scenarios.

Operator LE training scenarios focus on de-escalation, use of force. domestic disputes, traffic stops and active armed offender drills, with Company developed training weapons. The first commercial opportunity is in progress.

#### **Provisional Patent granted for Operator's "V-Bolt" smart bolt design.**

A provisional patent has been granted for Operator's V-Bolt. The V-Bolt is a electronic hardware solution which converts a live service weapon such as an M4 assault rifle into a virtual reality training tool. This allows soldiers to train on their own weapons safely within a VR environment to enhance the training realism. This is an important requirement particularly for special forces divisions due to the highly individualised weapon configurations. The hardware solution also significantly reduces the amount of equipment required to be held by the military unit.

### **OP-1 Mission Rehearsal System (MRS)**

Overview: The MRS system focuses on Operational Planning and Mission Rehearsal. The MRS uses in house tools and third party data to simulate real world targets and environments, Positive Identification and Specific Threat Integration, and Command, Control & Communications (C3) planning and rehearsals. The vision is to allow rapid development of targets with live inputs to cater for time sensitive and detailed planning and rehearsals for operational environments.

Status: A prototype has been developed and is being demonstrated to focus groups within the Australian Special Operations Command during April/May 2022.

Next: Continued product development in conjunction with end user requirements to refine and expand system capabilities with a launch expected over the coming months.

### **Summary of Expenses**

Net Cash from operating activities was (\$353,825) for the quarter. This reconciles as gross receipts of \$2,255,382 less operating and marketing expenses of \$1,986,337, cost of finance of \$105,879, income taxes \$56,444, and creditors from prior periods of \$376,711.

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

xReality Group Limited develops and operates physical and digital simulations. Portfolio companies include Indoor Skydiving facilities, Virtual Reality (VR) and Augmented Reality (AR) entertainment, training, and production.

The Company listed on ASX on 18<sup>th</sup> January 2013 under the code IDZ changing to XRG on 13<sup>th</sup> Dec 2021.

For further information visit: [www.xrgroup.com.au](http://www.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 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A</b>	<b>Year to date (9 months) \$A</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,255,382	4,908,115
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-569,751	-1,352,061
(c) advertising and marketing	-185,800	-356,383
(d) leased assets	-28,389	-64,956
(e) staff costs	-945,619	-2,073,820
(f) administration and corporate costs	-256,778	-661,943
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-189,715	-465,329
1.6 Income taxes paid	-56,444	-37,050
1.7 Government grants and tax incentives	-	556,602
1.8 Other (creditors from other periods)	-376,711	-555,875
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-353,825</b>	<b>-102,700</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	-	-
(f) other non-current assets	-482,564	-1,119,218

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-482,564</b>	<b>-1,119,218</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-75,000	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (creditor settlement to facilitate debt restructure)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-75,000</b>	<b>-</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	1,978,657	2,364,186
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-353,825	-102,700
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-482,564	-1,119,218

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-75,000	-75,000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,067,268</b>	<b>1,067,268</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	1,067,268	1,978,657
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>1,067,268</b>	<b>1,978,657</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**

41,070

58,662

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 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	3,925,000	3,925,000
7.2 Credit standby arrangements	-	-
7.3 Other (Birkdale Holdings (Qld) Pty Ltd)	3,718,161	3,718,161
7.4 <b>Total financing facilities</b>	7,643,161	7,643,161

**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 – 12.75%  
Birkdale Holdings (Qld) Pty Ltd – secured – 7%

<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)	-353,825
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,067,268
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,067,268
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	3.02

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: 29 / 04 / 22

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.