



XREALITY GROUP LIMITED

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

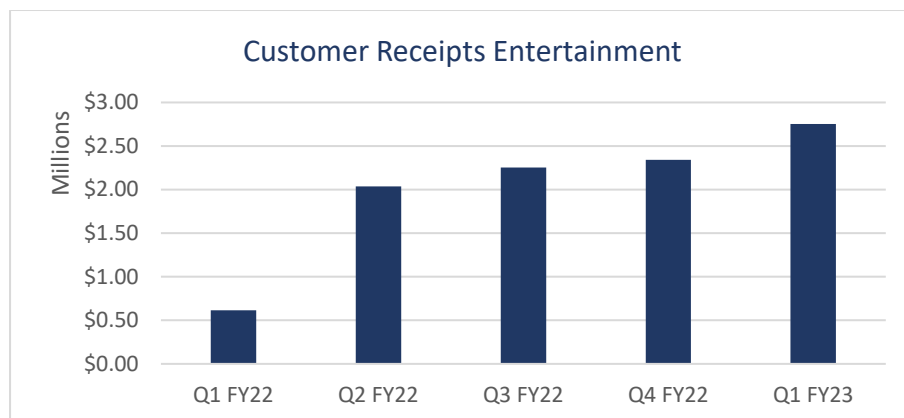
ASX Release

Sydney, Australia – 31 October 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 30 September 2022.

The company continued its growth in sales performance, experiencing a strong quarter with cash receipts from the entertainment businesses totalling \$2,753,110 and a positive cashflow from operations of \$233,610.



Key highlights

Entertainment Sector

- Gross receipts from customers for Quarter \$2.75m
- Best performing quarter in over 3 years with next quarter expected to continue trend
- New FREAK site at Cavill Avenue in Surfers Paradise on track for early December opening
- Investment in operational improvements including media systems and building upgrades
- Investment in staff training and recruitment

Enterprise Sector

- Strong validation of Operator Military and Law Enforcement product fit through trials and demonstrations
- Increasing momentum and growing pipeline of potential sales, domestically and internationally for both product sets, and strong inbound domestic and international requests
- Defence and Law Enforcement successful demonstrations to key customers in Australia, NZ, UAE and the US.
- US Distribution Agreement signed



XREALITY GROUP LIMITED

- Internal structural changes to increase software development capabilities, in order to boost software output to meet expected demand.

Business Segment Activities

- **Entertainment Sector**

- **iFly Downunder and Gold Coast**

The iFly businesses continue to outperform management expectations and have exceeded sales and revenue results from pre-pandemic markets.

Instructor and customer service recruitment and training has continued throughout the quarter as well as digital marketing improvements and a complete refurbishment of media systems at the facilities. Mechanical systems have undergone annual servicing and all systems are being refined in preparation for a very busy Christmas holiday period at facilities in NSW and QLD.

- **FREAK Entertainment**

All FREAK venues have experienced a strong quarter with the continued increase of customer throughput within shopping malls. FREAK has introduced a new line of experiences to cater for the younger demographic. The business has converted 50% of the venues to “wireless” meaning that the flagship games and experiences can be played in free-roam without the need to wear back pack computers. This “wireless” options means that our customers have even more freedom, are carrying less equipment and receive an overall better experience. FREAK Entertainment have also added new attractions and educational packages to continue building on corporate events, birthday parties and venue hires. Further games and immersive experiences are under development through our in-house software development teams.

FREAK's newest site, located in Cavill Avenue, the heart of Surfers Paradise has commenced fit-out and is on track to open to the public in early December. The opening will coincide with the commencement of the Christmas school holiday periods across the Eastern States.

- **Enterprise Sector – Operator Tactical Solutions (Operator)**

- **Validation of Products**

The company launched its first public display of the Operator Military and Law Enforcement products as part of the Land Forces 2022 exposition held in Brisbane in early October. www.landforces.com.au

The largest LAND FORCES International Land Defence Exposition ever held included 3 days of record exhibitor numbers, major industry announcements and countless engagement opportunities.



XREALITY GROUP LIMITED

Key data from the event;

- 20,000 total attendances across the three days
- 128 Defence, government, industry and scientific delegations from 23 countries
- 11 Chief of Army Counterparts or their representative
- 39 nations represented in all
- Operator conducted over 200 hands on demonstrations

Operator Tactical Solutions provided all attendees with an opportunity to experience the technology first hand. The event provided Operator with multiple opportunities and leads.

○ **Pipeline of Potential Sales**

Throughout the period Operator has conducted multiple personalised demonstrations to both law enforcement and military agencies. Procurement and formal trial discussions are underway with several of these agencies.

Currently, the company is actively engaged in multiple customer procurement cycles covering both military and law enforcement platforms.

○ **US Distribution Agreement Signed**

On the 4th October the company signed a Distribution Agreement with US based company, Acrolect Solutions LLC DBA Endurance Group (Endurance Group), for the distribution of Operator Tactical Solution's (Operator TS) Military and Law Enforcement product range.

OP-1, the primary product, assists specialist military and law enforcement agencies to adapt to tomorrow's challenges, through leveraging integrated virtual software and hardware technologies for the purposes of specialist mission planning and rehearsal.

Endurance Group is an established, USA Service Disabled Veteran-Owned Business (SDVOSB), being a key government recognition status that assists in expedited facilitation for potential USA DoD commercial opportunities. Endurance Group currently provides specialised training and consulting services to Tier One military, law enforcement and intelligence organisations.

Partnering with Endurance Group will open international routes to new markets and aid expansion, by offering the OP-1 solution to Endurance Group's existing customer base, which consists of highly specialised units within the United States, Canadian and European Special Operations divisions, several US Police SWAT teams, and multiple broader US law enforcement agencies.

The US Market forms a significant part of the Operator TS growth strategy due to its scale. The United States Special Operations Command (USSOCOM), home to all Special Forces, has around 70,000 personnel¹, with the broader US Armed Forces consisting of over 2.1 million personnel.

¹congressional research service RS21048



XREALITY GROUP LIMITED

Cash Flow Analysis

Cash receipts for the quarter totalled \$2,753,110. Net cash from operating activities for the period totalled \$233,610, which included \$128,616 of aged creditor payments and supplier prepayments from outside the quarter. The company invested \$764,800 in non-current assets which included continued investment in Defence and Consumer XR product development, along with capital improvements and capital expenditure into the new FREAK site in Surfers Paradise. Closing Cash position at the end of the quarter totalled \$2,046,206.

Related parties expenses of \$123,807 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.

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

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 September 2022

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A	\$A
1. Cash flows from operating activities			
1.1 Receipts from customers		2,753,110	2,753,110
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		-792,985	-792,985
(c) advertising and marketing		-138,731	-138,731
(d) leased assets		-10,486	-10,486
(e) staff costs		-1,017,141	-1,017,141
(f) administration and corporate costs		-165,483	-165,483
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		-171,734	-171,734
1.6 Income taxes paid		-107,674	-107,674
1.7 Government grants and tax incentives		13,350	13,350
1.8 Other (creditors from other periods)		-128,616	-128,616
1.9 Net cash from / (used in) operating activities		233,610	233,610
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		-	-

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A	\$A
	(f) other non-current assets	-764,800	-764,800
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	-764,800	-764,800

3.	Cash flows from financing activities		
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	-75,000
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	75,000	75,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,652,396	2,652,396
4.2	Net cash from / (used in) operating activities (item 1.9 above)	233,610	233,610

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A	\$A
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-764,800	-764,800
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	Cash and cash equivalents at end of period	2,046,206	2,046,206

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	2,046,206	2,652,396
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)	2,046,206	2,652,396

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**

56,970

66,837

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 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.

	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1 Loan facilities	3,775,000	3,775,000
7.2 Credit standby arrangements	-	-
7.3 Other (Birkdale Holdings (Qld) Pty Ltd)	3,884,771	3,884,771
7.4 Total financing facilities	7,659,771	7,659,771

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 – 12.75%
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)	233,610
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,046,206
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,046,206
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/ 10 /2022

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.