

xReality Group Limited
Chairman's Address
2022 Annual General Meeting – 10 November 2022

Chairman

Good afternoon ladies and gentlemen, it is my great pleasure to welcome you xReality Group Limited's 2022 Annual General Meeting.

My name is John Diddams and I am Chairman of xReality Group Limited. I am please that this year we are able to hold the meeting in person following the previous COVID affected meetings.

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; |
| ▪ Danny Hogan | Non-executive Director; |
| ▪ Mark Smethurst | Non-executive Director. |

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.

Year in Review

FY2022 was an interesting year, with the first half adversely affected by COVID19 closures, but Wayne and his team delivered better than budget operating results for the second half and the board delivered new strategy for the Company. During the year the Company executed multiple key strategic initiatives, including diversification across market segments culminating in a company name change, the growth of FREAK Entertainment and the launch of "Operator" providing several new products within the Defence and Law Enforcement Industry. Despite a challenging start to the year with 14



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weeks of COVID closures across our Entertainment portfolio, the company still managed to deliver on all its strategic objectives.

Entertainment segment

The Entertainment segment of the business, comprising Indoor Skydiving and FREAK Entertainment, has continued to be a strong base for the business, with income of \$6.5m, primarily from the final 7 months of the year following COVID19 disruptions. The business is showing remarkable resilience as a solid foundation for future growth.

We have also launched our first In-house game, trialling it in FREAK Bondi and then rolling it out to further venues with great success. As resources permit, we will continue develop our own products and further improve the gross margin of this business.

In August of this year we announced the launch of our fifth FREAK venue on Cavill Ave in the Gold Coast. Fitout of the venue is well underway and we expect to open in early December. This site is set in a prime location of entertainment venues, and the business expects to launch straight into a booming Christmas holiday trading period.

In Q1 FY23 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.

Enterprise segment

The company invested close to \$1M during the year on the advancement of our "Operator" product line for the Defence and Law Enforcement Industry - culminating in a series of demonstrations and trials to multiple specialised military units, state and federal police agencies across Australia and overseas. The unique, portable virtual reality based products have been well received by the end users.

Validation of this investment was confirmed on Monday with the announcement of the first sale of the Virtual Reality based Police de-escalation training system, **Operator LE**, to the Western Australia Police Force. This \$1.7M contract was won through a competitive Government tendering process of which XRG was selected from a number of established international bidders, demonstrating the market fit of our system.

We have established an extensive pipeline of sales, receiving interest across four continents in a very short period of time, demonstrating significant ongoing market potential.

For the North American market, the company has recently signed an International Distribution agreement with US Company, Endurance Group, a well established, service-disabled veteran owned and operated business, comprising trained and experienced US



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and international Tier one military, law enforcement and intelligence organisations. Endurance Group currently provides specialised training and consulting services to all manner of military and law enforcement agencies in North America, Canada and Europe.

Growth Capital

During the year the Company successfully completed a placement of shares to institutional and sophisticated investors to raise \$1.26m, followed shortly after with the exercise of Options by Birkdale Holdings, raising a further \$900k to a total of \$2.16m.

With the combination of the successful capital growth and a solid operational performance, the company ended the financial year in a strong position. Together with the sound business prospects presented by the Operator business, FY23 is shaping up as a year to realise the potential of key strategic initiatives taken in FY22.

Board & Management

After having been involved in the original IPO and ASX listing of the Company back in 2013, I am very pleased to have accepted the board's invitation to be appointed as a Director and Chairman in January this year, to help guide the Company through the very exciting years ahead.

I would like to take this opportunity to thank Steve Baxter for his valuable contribution to the Company over a number of years, both as a Director and Chairman, but also for his unwavering support as a significant shareholder.

During the year the Company welcomed Mark Smethhurst as a Non-executive Director and already Mark has made a valuable contribution to Operator through his defence force knowledge and introductions to military and other prospective customers.

I would also like to thank Wayne and Kim and the whole management team for what has transpired to be an excellent and transformative year for the Company under difficult circumstances and also thank my fellow Directors for their commitment and drive in leading the Company.

Your board is very excited about the direction and potential of the Company in the coming year and beyond.

Thank you.

John Diddams
Chairman
10 November 2022