

xReality Group Ltd  
ASX:XRG

**Investor Presentation:  
Military & Law Enforcement  
Global Growth Strategy**

**14 November 2022**





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# Operator Highlights

**First commercial sale achieved** to WA Police Force, Total Contract **Value up to \$1.7M** over 5 years with **initial order \$1.04M**.

Sales pipeline has **grown from \$2M to \$22.2M** since May 2022

**200+ product demonstrations** to domestic and international police and military with **immediate commercial opportunities**.

International distributor appointed targeting **US Special Forces market**.

Implemented increased **in-house Software Development** capabilities

Headcount increase across sales, product design and engineering.

# Operator Business Summary

Operator Overview	Operator, a wholly owned subsidiary of xReality Group Limited, develops immersive simulation software and hardware for defence and law enforcement markets.. Operator was launched in February 2022 and builds on xReality Group's simulation expertise through vertical wind tunnels and virtual reality entertainment venues.
Value Proposition	The world's most portable, secure and easy to use immersive training and mission rehearsal systems for front line soldiers and police officers.
Business Model	Annual recurring revenue through software licencing of core software + support and custom-built scenarios as required.
Products	OP-1 Virtual Reality Tactical Rehearsal System: For military and tactical police. OP-1 LE Law Enforcement de-escalation training system: For general duties police officers.
Total Addressable Market	\$12.3BN USD Global Police & Military Simulation Training Market as at 2021. 4.5% CAGR to 2027. <sup>1</sup>
Key Priorities	Aggressive global sales and marketing plan. Continue growing active pipeline Secure first defence contract. US market launch at ITSEC, December 2022. Product development of Simulation Design Tool and Mission Rehearsal Systems.

<sup>1</sup> <https://www.360marketupdates.com/global-police-and-military-simulation-training-industry-research-report-competitive-landscape-market-21404408>

# Strong growth of sales pipeline

A focused sales and marketing push over the last 6 months has seen the Operator business generate significant demand with the first sale completed and growing commercial opportunities across the Law Enforcement and Military markets.

200+  
demonstrations

18 commercial  
opportunities  
across 4  
continents

Active sales  
pipeline \$22.2M

First sale  
achieved \$1.7M



O P E R A T O R ?

# BUSINESS OVERVIEW

# Adapting To Tomorrow's Challenge's

- **Operator** builds and maintains mission critical simulation software and hardware, for Military and Law Enforcement agencies.
- The **end users**, or front-line staff, are the primary beneficiary of Operator, who in the course of their daily duties, may encounter and be required to use lethal or non-lethal force, either in the conduct of a military operation, or as a routine policing function.
- The **traditional approach** to prepare the front-line is mostly restrictive, expensive, largely static and lacks technology, as:
  - Ongoing access to time and physical resources is increasingly difficult, especially given competing operational demands and physical infrastructure availability.
  - They are expensive to conduct and involve fixed facilities and long logistics tails, and thus occur infrequently, despite demand.
  - They are not readily flexible due to historical considerations, and fixed approaches and lack the ability to be “dynamic” and adaptable.
  - Agencies have been forced to resign themselves to “this is how we have had to do it in the past”, due to little or limited viable alternatives that are comprehensive enough, while also being specific and tailored to demands of the front line.

O P E R A T O R

- The **Military and Law Enforcement landscape** has changed, new threats, situations and technologies confront front line staff every day, and so to, agencies are looking for solutions that allow them to adapt and change in response to this, through enhanced training, planning and rehearsals.
- Adopting an **immersive, wholly integrated, portable and secure Virtual Reality simulation** focus, Operator breaks these legacy constraints and finally provides agencies and front-line staff an affordable, portable, simple to use capability, that is deeply immersive, highly flexible and capable platform that gives agencies :
  - the opportunity to achieve front-line force preparedness faster, and more embedded through wide and regular adoption.
  - increase the probability of mission success, and improved outcomes in de-escalating policing situations.
  - significantly reduced potential for training accidents and
  - achieve significant and immediate operational cost savings through smarter and cost-effective ways to train and plan.

O P E R A T O R



# System Overview : OP-1

OP-1 FOR MILITARY  
PORTABLE . SECURE . IMMERSIVE

OP-1 is a dedication Military solution allowing front-line roles to conduct virtual missions using their own specific service weapons and equipment. True integration of combat equipment for immersive near-real experience.

Users can upskill tactics, techniques and procedures against any virtual target around the world, while operating in a high-stress and high-risk simulated environments.

- Fully mobile system can be setup in minutes
- No internet required, fully portable and secure
- No need for any fixed routers, repeaters, or any additional IT equipment
- Extensive After-Action Review for deep learning outcomes



# System Overview : OP-1 LE

OP-1 LE FOR LAW ENFORCEMENT

PORTABLE . SECURE . IMMERSIVE

Operator LE is changing the approach of Law Enforcement training.

Through our highly portable and scalable virtual reality training system, officers train operational tactics and procedures more often, leading to increased preparedness for a broad range of scenarios. This ultimately means safer outcomes in the field for Officers and the Public.

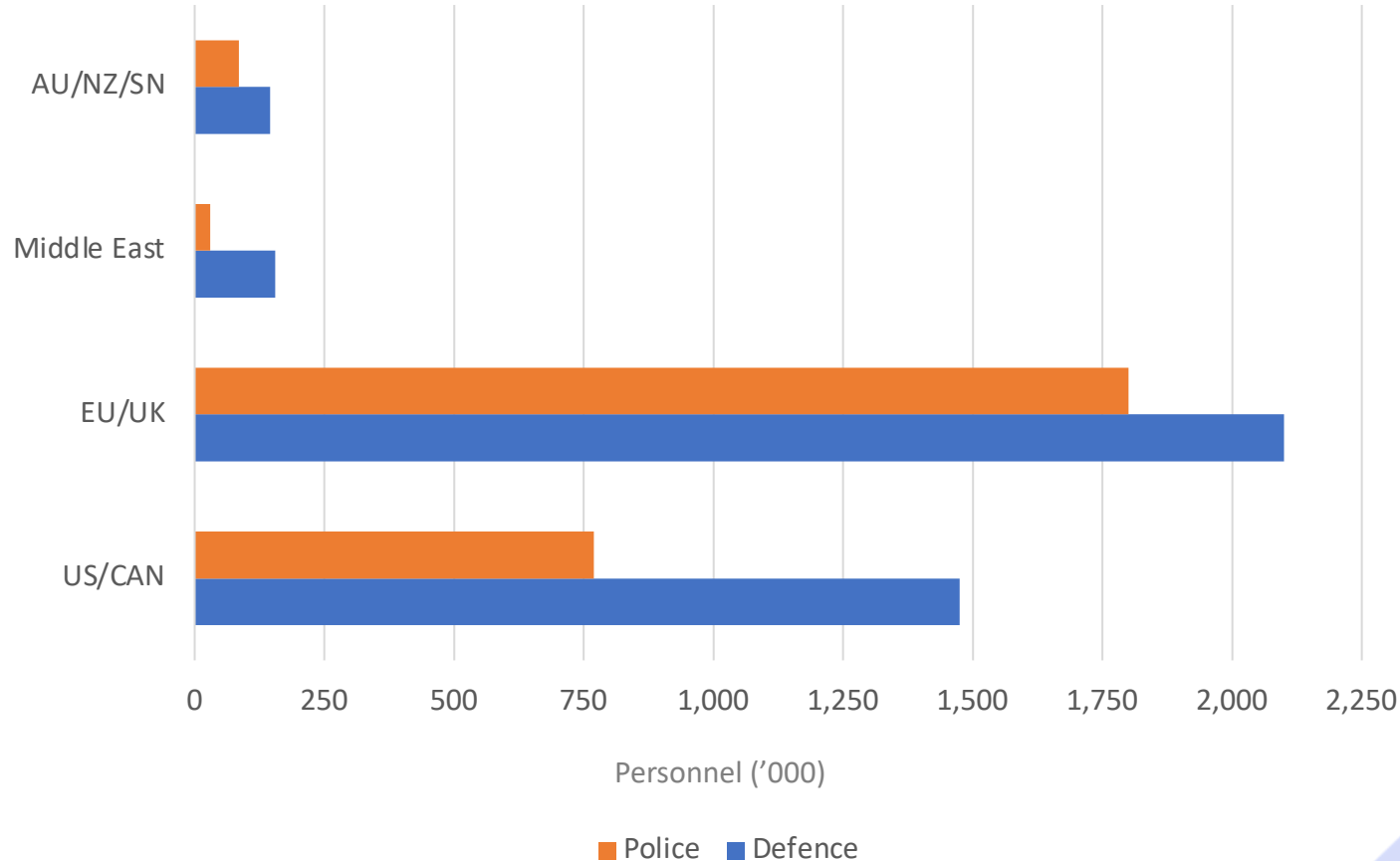
- Fully mobile system can be setup in minutes
- No internet required, fully portable and secure
- No need for any fixed routers, repeaters, or any additional IT equipment
- Extensive After-Action Review for deep learning outcomes



# Operator is Unique & Well Positioned

- Platforms are developed ground up and wholly owned by XRG.
- Unique and patented integration technology that supports use of real weapons.
- Patents in place (patent pending) for overall system.
- Attractive and flexible commercial model
- Annual recurring revenue through software licencing of core system + support and custom-built scenarios as required.
- Products launched in February 2022 with immediate positive response and commercialisation commenced
- Deep domain expertise and in-house software engineering team, to ensure speed of iterative software and continual innovation to outpace and stay ahead as a market leader

# Actively Engaged Market - Strong Outlook.



- Strong validation of product fit confirmed via first commercial sale
- Increasing momentum and growing pipeline of potential sales, domestically and internationally for both product systems
- strong inbound domestic and international requests
- US Distribution Agreement signed

# Pricing & Current Sales Pipeline

- Current pricing strategy is based on an annual software subscription for the core system
- Subscription value is based on the size of agency and user licence requirements
- The recent WAPOL contract value of \$1.7m – 90% of which is made up of recurring software licences
- Value of current pipeline- annual recurring revenue estimated to be \$7.175m
- The displayed pipeline does not include the US Market which is under development through our US Distributor and direct demonstrations to commence in late Nov/early Dec 22.

Region	Customer Size (Field Force)	Opportunity Stage*	Likely TCV AUD \$ (m)	Likely ARR AUD \$ (m)
UK/EU	70,000 – 150,000	1	4.500	1.500
MEA	0-15,000	1	0.600	0.200
MEA	40,000-70,000	1	2.100	0.700
MEA	10,000 +	1	3.500	1.167
ASEAN	40,000 – 70,000	1	2.100	0.700
ASEAN	10,000 +	2	3.500	1.167
ASEAN	15,000-40,000	2	1.500	0.500
ASEAN	5,000-8,000	2	1.100	0.367
ASEAN	0-15,000	3	0.600	0.200
ASEAN	1,500-5,000	3	0.500	0.167
ASEAN	5,000-8,000	3	0.500	0.167
ASEAN	7,000 (WAPOL)	4	1.700	0.340
<b>Total (m)</b>			<b>22.200</b>	<b>7.175</b>

- \*
1. Active discussions with specific units and agencies
  2. Multiple meetings and private demonstrations conducted
  3. The customer has been provided with a formal quote for the purchase of system licence
  4. The customer has purchased the system - minimum 3-year term

# Last 6 Months.

## **Accelerated sales and marketing**

- Commenced building of sales team with hire of Global Sales Director
- Go-to-Market strategy commenced across all major territories and agencies
- Established substantial pipeline of customers
- Completed first commercial sale of System

## **Advanced product development**

- Developed scenario library for Law Enforcement and Defence use cases globally
- Iterated design of Operator's in-house built hardware and weapon sensors
- Re-architecture of core software platforms to address future scalability
- Continued development on the Mission Rehearsal System MVP

## **Building in-house Software Capabilities**

- Adopting best practices
- Testing pricing models
- Increasing speed of incremental releases
- Customisation modules to support International markets

# Next 6 Months.

## **Accelerate sales and marketing**

Secure first Defence contract

US market launch at ITSEC, Nov/Dec 2022

Prepare and action aggressive expansion plan for international Law Enforcement market

Confirm market validation by securing additional sales

## **Increase software development capabilities**

Continue build out of development team

Validating agile development model and production teams

Double scenario library for Law Enforcement and Defence use cases globally

Complete Mission Rehearsal System MVP for integrated scenario development

## **Quality Control and Customer retention**

Successful delivery of first customer solution

Implement robust support capabilities for an international customer base

Maintaining our customer centric approach to design products

# Summary

- First commercial sale achieved within 8 months of launch
- Product Market Fit achieved
- Strong growing sales pipeline across multiple markets, customers and geographies
- Unique technology with provisional patent lodged
- Large volume of successful trials and demonstrations with defence and law enforcement
- US Distributor appointed and upcoming US market launch in late November 2022



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