

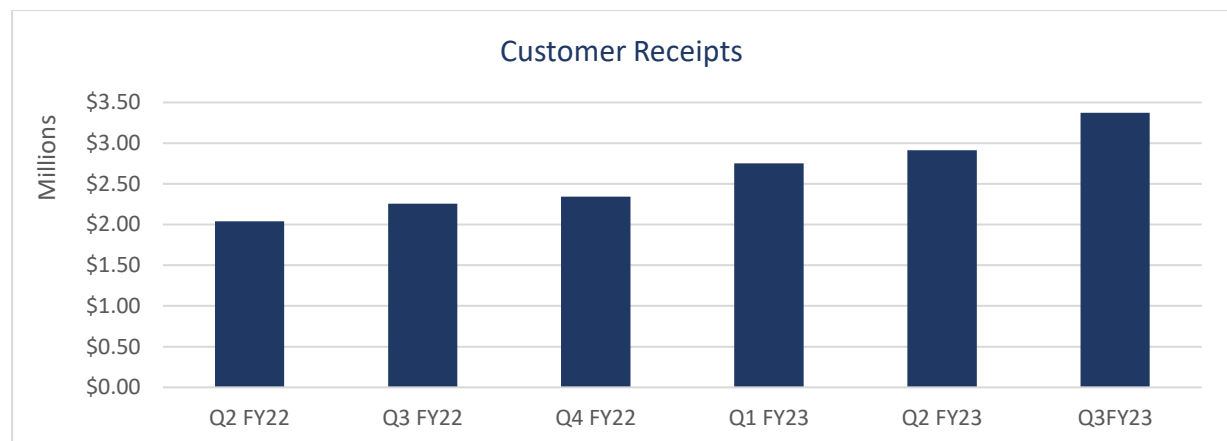
xReality Group Limited (ASX:XRG) (xReality)
ACN 154 103 607

ASX Release
Sydney, Australia – 28 April 2023

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 2023.

The company continued its growth in sales performance, experiencing our strongest quarter in the company's history with cash receipts totalling \$3,373,77 for the quarter and \$9,040,337 year to date.



Key highlights

- Continued strong performance year on year across all segments
- International and Domestic pipeline continues to grow for Operator XR
- United States subsidiary Operator XR LLC established
- New International National Police Force engaged in paid trial
- Growth in domestic and international sales and support teams

Business Segment Activities

• **Entertainment Sector**

xRG's portfolio of Entertainment businesses performed well throughout the quieter months of February and March. The company invested c.\$123k into the iFLY businesses to finalise the capital upgrades to mechanical, IT hardware and building works at both Penrith and the Gold Coast. FREAK Entertainment invested c.\$211k into finalising the Surfers Paradise fit-out costs and upgrading the Penrith site to increase customer capacity as well as the development of new software.

- **Enterprise Sector**

Operator XR has continued to develop a substantial pipeline of sales with active discussions in 13 countries. The period has seen a focus on the United States Law Enforcement and Military markets, strategic partnership development global demonstrations and capability briefs to multiple agencies and organisations around the world.

- **United States Focus**

Operator XR LLC has been established in Virginia to facilitate distribution and a local sales team. Operator XR will showcase the latest software and products at several conferences and expos throughout the next 6 months commencing with a major East Coast tactical police conference in late April.

- **Successful delivery to WAPOL**

During March, Operator XR's equipment, software and training was delivered to the West Australian Police force. Operator XR continues to work closely with WAPOL to ensure the maximum benefit of the software is achieved including additional features, scenarios and cloud based capabilities.

- **Operator XR selected for National Trial**

In late March the company was selected as a technology and expertise supplier for a funded National trial of its Law Enforcement system (Operator LE). The trial aims to assess and capture the effectiveness of Virtual Reality Simulation Based Training (VRSBT), as an enhancement program to assist in the uplift of frontline safety for police. The paid trial will run for up to 6 months, where Operator XR is working closely with an undisclosed foreign National Police Force.

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 centred on de-escalation tactics, use of force decision making, and operational procedures. The system has been developed from the ground up by XRG, using the latest innovations in Virtual Reality technology, with all IP owned by XRG. For a video demonstration of Operator, see www.operatorsimulation.com

Cash Flow Analysis

Cash receipts for the quarter totalled \$3,373,771. Net cash from operating activities for the period totalled \$529,086. The company invested \$855,186 in non-current assets which included \$270k in capital improvements across the Entertainment portfolio and \$585k in continued investment in Defence and Consumer XR product development and hardware. The company also repaid \$75,000 against its debt facilities. Closing Cash position at the end of the quarter totalled \$1,428,611.

Related parties expenses of \$128,403 comprise of salaries and superannuation paid to executive directors and fees paid to non-executive directors.



XREALITY GROUP LIMITED

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.

Operator provides Military and Law Enforcement agencies with a unique, integrated Mission Planning & Rehearsal System, which is portable, secure and highly immersive. See <https://www.operatorsimulation.com>

The Company is listed on ASX on under the code XRG.

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")

31 March 2023

Consolidated statement of cash flows	Current quarter	Year to date (9 months)
	\$A	\$A
1. Cash flows from operating activities		
1.1 Receipts from customers	3,373,771	9,040,337
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-891,371	-2,327,511
(c) advertising and marketing	-162,913	-493,260
(d) leased assets	-13,677	-34,649
(e) staff costs	-1,262,224	-3,330,009
(f) administration and corporate costs	-342,967	-725,315
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	455
1.5 Interest and other costs of finance paid	-150,406	-445,817
1.6 Income taxes paid	-	-223,856
1.7 Government grants and tax incentives	116,489	239,471
1.8 Other (creditors from other periods)	-137,616	-394,848
1.9 Net cash from / (used in) operating activities	529,086	1,304,999
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	-855,186	-2,328,784
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	-855,186	-2,328,784

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	-200,000
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	-200,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,829,711	2,652,396
4.2	Net cash from / (used in) operating activities (item 1.9 above)	529,086	1,304,999

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)	-855,186	-2,328,784
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-75,000	-200,000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,428,611	1,428,611

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	1,428,611	1,829,711
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)	1,428,611	1,829,711

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**

58,608

69,795

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	3,625,000	3,625,000
7.2 Credit standby arrangements	-	-
7.3 Other (Birkdale Holdings (Qld) Pty Ltd)	4,032,333	4,032,333
7.4 Total financing facilities	7,657,333	7,657,333

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 – 14.5%
Birkdale Holdings (Qld) Pty Ltd – secured – 7%

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (Item 1.9)	529,086
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,428,611
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,428,611
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?

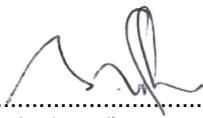
Answer:

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:28/04/2023

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.