



XREALITY GROUP LIMITED

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

ASX Release

Sydney, Australia – 14th July 2023

Quarterly Activities Report

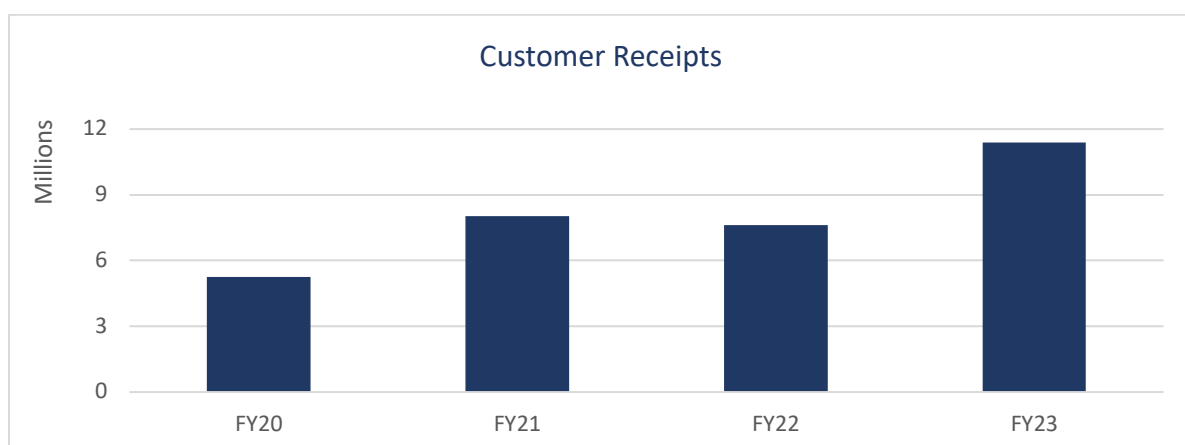
xReality Group Limited (ASX:XRG) (xReality) is pleased to provide its Quarterly Activities Report and Appendix 4C for the quarter ending 30 June 2023.

Key highlights

- Cash receipts for the quarter totalled \$2,343,295, year to date \$11,383,632
- Operator XR first sale to the Australian Defence Force
- Enterprise Sector TCV increases to \$1.4m
- United States Law Enforcement and Military sales team established
- Entertainment portfolio generating cash for growth

In the last quarter of the financial year, the company continued its growth in sales performance. New sales for Operator XR included the sale of a system licence to the Australian Defence Force for the use of the OP-1 Tactical Training software to deployed troops. The cumulative Total Contract Value (TCV) for Operator XR has increased by 34% since Q2, a total of \$1.4m in the first year.

Cash receipts from operating activity for the quarter totalled \$2,343,295 bringing the total for FY23 to \$11,383,632.





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Business Segment Activities

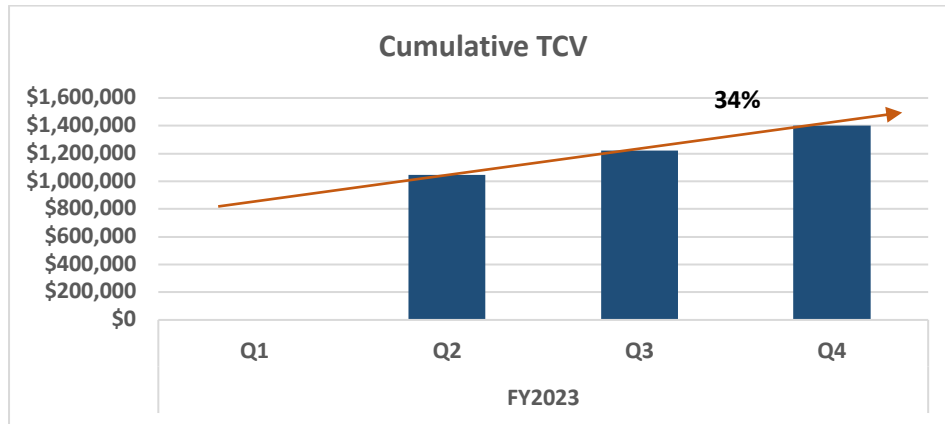
Enterprise Sector

Operator XR Pty Ltd (Australia)

Operator XR LLC (USA)

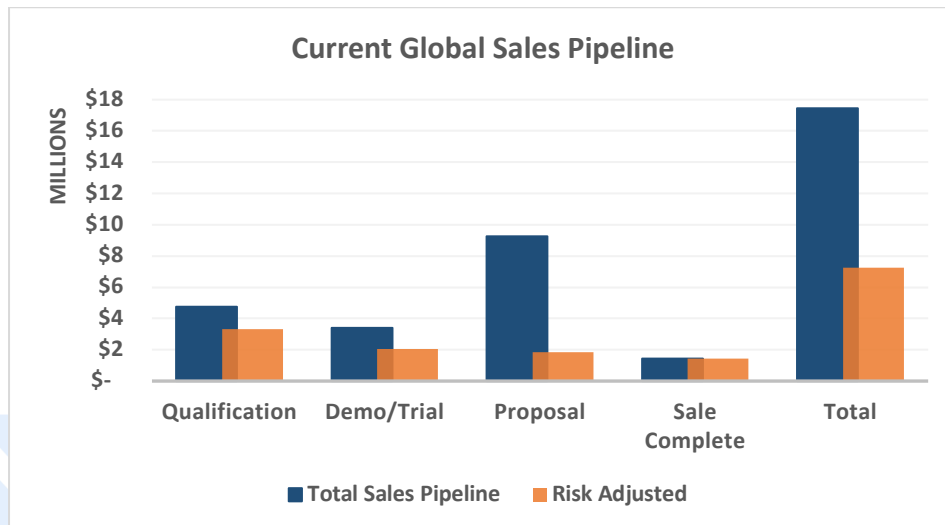
Sales and TCV update

During the final Quarter of the financial year, the cumulative Total Contract Value has increased to \$1.41m.



The 34% increase in cumulative TCV from Q2 to Q4, includes a new sale in early June from the Australian Department of Defence. The system will be used by the Australian Army and initially provided to deployed units to maintain military skills, using Operator XR’s immersive VR simulation platform, OP-1. The system has been purchased as part of a concept evaluation process.

The following diagram represents the current Operator XR Global pipeline of sales opportunities*.



- Pipeline is calculated on first year of system licence only.
- Global pipeline includes 46 separate agencies.

*Sales pipeline is indicative of activity only and not to be construed as a sales forecast



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US expansion update

On the 23rd of March 2023, Operator XR LLC was launched in Virginia, USA. As a wholly owned subsidiary, it will manage all direct sales for its American clientele, with a primary focus on Law Enforcement Agencies and the U.S. Department of Defence.

On the 25th-28th April, the company launched its SWAT focused campaign during the TacOps North conference held in upstate New York. Operator XR was able to demonstrate and showcase the products to over 800 sworn officers at the event.

In May, the company strategically put together an on-ground sales team in the United States, which is currently tracking multiple opportunities with various law enforcement agencies and military units across the country.

At present, the company is actively managing over 40 early-stage prospects throughout various locations in the United States, a number of successful, in-person demonstrations have been given with five quotations provided.

Other global opportunities update

The company is presently in the process of building partnerships and setting up distribution networks across multiple regions including Europe, the Middle East, and the ASEAN territories.

Entertainment Sector

XRG's portfolio of Entertainment businesses performed well throughout the last quarter of FY23. The retail environment has been challenging within the shopping centres for FREAK Entertainment, due to economic factors unrelated to the business. The sales, marketing and management teams have performed well during this period to keep the businesses stable. iFLY Downunder (Sydney) and iFLY Gold Coast have maintained the positive operational cashflow during the quarter through aggressive online marketing, events and professional bulk buying sales.

Cash Flow Analysis

Cash receipts for the quarter totalled \$2,343,295, year to date \$11,383,632. Net cash from operating activities for the period totalled -\$78,402, year to date \$1,226,597. The company invested \$892,049 in non-current assets which included \$85,480 in capital improvements across the Entertainment portfolio and \$802,570 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 \$1,383,160.

Related parties expenses of \$117,593 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.



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

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

For further information visit: www.xrgroup.com.au

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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 June 2023

Consolidated statement of cash flows	Current quarter	Year to date (12 months)
	\$A	\$A
1. Cash flows from operating activities		
1.1 Receipts from customers	2,343,295	11,383,632
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-754,214	-3,081,725
(c) advertising and marketing	-139,339	-632,599
(d) leased assets	-10,486	-45,136
(e) staff costs	-991,767	-4,321,776
(f) administration and corporate costs	-182,896	-938,206
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6,182	6,636
1.5 Interest and other costs of finance paid	-237,596	-683,413
1.6 Income taxes paid	-91,841	-315,697
1.7 Government grants and tax incentives	87,878	327,349
1.8 Other (creditors from other periods)	-107,616	-502,464
1.9 Net cash from / (used in) operating activities	-78,402	1,226,597
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	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A	\$A
	(f) other non-current assets	-892,049	-3,220,833
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	-892,049	-3,220,833

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,000,000	1,000,000
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	-275,000
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	925,000	725,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,428,611	2,652,396
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-78,402	1,226,597

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A	\$A
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-892,049	-3,220,833
4.4	Net cash from / (used in) financing activities (item 3.10 above)	925,000	725,000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,383,160	1,383,160

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	1,383,160	1,428,611
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)	1,383,160	1,428,611

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	54,881
6.2	Aggregate amount of payments to related parties and their associates included in item 2	62,712

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 and superannuation to executive Directors.

6.2 Salaries and superannuation to executive Directors.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	3,550,000	3,550,000
7.2 Credit standby arrangements	-	-
7.3 Other (Birkdale Holdings (Qld) Pty Ltd)	4,032,333	4,032,333
7.4 Total financing facilities	7,582,333	7,582,333

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)	-78,402
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,383,160
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,383,160
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	17.64

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:14/...07/...23.....

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.