



XREALITY GROUP LIMITED

xReality Group Limited (ASX:XRG)

ACN 154 103 607

ASX Release

Sydney, Australia – 18th October 2023

Capital Raise to Boost Operator XR's US Military and Law Enforcement Sales

xReality Group Limited (“XRG” or the “Company”) an innovator in extended reality solutions, is pleased to announce a strategic capital raise consisting of an institutional placement followed by a rights issue to eligible shareholders of the Company. This initiative aims to raise up to \$3.65 million to expedite the sales of Operator XR Military and Law Enforcement technology in the US market.

Key Points:

- \$3.15 million exclusive offer to current Shareholders
- Offer price of \$0.035 represents a 22% discount to closing price on 13th October 2023.
- A \$500K completed placement to new Institutional investors (**Placement**).
- Eligible shareholders will be entitled to 1 new share for every 5 shares they currently hold.
- For every 2 new shares acquired, shareholders will be granted 1 free attaching option with an exercise price of \$0.05, expiring 31 January 2025.
- \$2M of proceeds will be used to accelerate growth into the US market.
- Remainder of proceeds including exercised options will be used to reduce debt and provide additional working capital.

Details of the Offer

The Company has launched a capital raise which comprises a Placement to new institutional investors and will be followed by a Rights Issue which will be available exclusively for our loyal shareholders to capitalise on the potential of xReality Group Ltd as we expand our foothold in the United States. The Rights Issue will be offered to existing shareholders to allow them to capitalise on our growth, particularly into the lucrative US Military and Law Enforcement sectors.

Eligible Shareholders will have the right to purchase 1 new share for every 5 shares they hold at the Record Date (the Offer). The issue price for new shares will be \$0.035 (which is a 22% discount to the closing price on the 13th October 2023). The Company expects to raise up to \$3.15M through the Offer. Eligible Shareholders will also be able to subscribe for additional shares should they wish to increase their shareholding further at the same terms, irrespective of the size of their shareholding, without incurring brokerage or transaction costs.

For every 2 new shares purchased under the Offer, Shareholders will receive a free attaching Option with an exercise price of \$0.05 and an expiry date of 31st January 2025.

New Shares issued under the offer will rank equally with existing shares on issue. The Options will not be listed for quotation on the ASX.

The Placement of \$500,000 attracted new Institutional and sophisticated investors to the register and was completed on the same terms as the Offer.



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Full details of the Capital Raise will be contained in a prospectus which will be made available at www.xrgroup.com.au once it has been lodged with ASIC (which is expected to be on or about 31 October 2023). Shareholders are encouraged to review and consider the prospectus before applying for any securities. Any Eligible Shareholder who wishes to participate in the Offer will need to complete the personalised application form that will accompany the prospectus which will be sent to Eligible Shareholders. The offer is currently expected to close on Friday, 10 November 2023 (this date is subject to change).

Intended Use of Funds

This initiative is to accelerate and boost sales and marketing efforts of our Operator XR Military and Law Enforcement technology in the United States.

After successfully restructuring our debt facilities over the past 3 months, the company will allocate \$2 million of new funds raised through the offer into its growth strategies as detailed above. The additional proceeds raised (including following the exercise of any Options) are expected to be predominantly used to reduce remaining debt, further improving the Company's balance sheet.

Operational Update

Operator XR United States:

- **Final Stages of US Dept of Defence proposal with an expected contract value of c. \$5m**
 - Operator XR LLC, has successfully made it through to the final stage of a highly competitive tender process to deliver an XR solution to the US Department of Defence.¹
- **Delivery of equipment and training to first US customer**
 - The Garfield County Sheriff's department will take delivery of the Operator XR, OP-1 system this week.
- **Experienced US Sales team onboarded.**
 - A team of 3 experienced sales managers joined Operator XR in the US on the 11th October.
 - The team has worked together at an industry competitor in the US for the past 4 years and has a proven track record in Law Enforcement Virtual Reality system sales across the US.
- **US Law Enforcement Sales pipeline significantly increased.**
 - Operator XR showcased its latest de-escalation and tactical systems recently at the largest law enforcement conference in the US, International Association of Chiefs of Police, held in San Diego, California this month.
 - This has resulted in a significant growth of potential US deals.²
 - Multiple sales expected to be completed within the next 1-3 months.
 - Operator XR Sales Pipeline has increased from \$25M to \$31M in the last 2 months.³

¹ There is no guarantee this tender will be successful.

² This not a forecast.

³ The pipeline is indicative only; there is no guarantee the proposed additional sales will be realised.

Operator XR Australia and APAC:

- Defence and Police trial and evaluation programs are underway across the region, including the Australian Defence Force, all are progressing well with positive feedback to date. Completion of trials will occur between Q2 and Q3 FY24.
- A distributor has been appointed in Thailand with several large Defence opportunities in development.
- The Western Australia Police Force is nearly 12 months into the 5-year, \$1.7M contract, training new recruits at the Police Academy and rolling out to regional training centres across the state.

Wayne Jones, Chief Executive Officer of xReality Group Ltd, commented: "The US Military and Law Enforcement sectors present an unparalleled opportunity for our Operator XR technology. This capital raise signifies not just a growth strategy, but a commitment to our shareholders, allowing them to share in the prospects of our US expansion."

Indicative Timetable

Event	Date
Settlement of the Institutional Placement	Wednesday, 25 October 2023
Issue of New Shares under the Institutional Placement and commencement of trading	Wednesday, 25 October 2023
Record Date for Offer 5.00pm (Sydney time)	Monday, 30 October 2023
Offer Opening Date Prospectus lodged and Offer opens	Tuesday, 31 October 2023
Offer Closing Date	Friday, 10 November 2023
Announcement of results of Offer	Wednesday, 15 November 2023
Placement of shortfall and Issue of New Shares under the Offer	Thursday, 16 November 2023
Trading of the New Shares issued commences on a normal settlement basis	Thursday, 16 November 2023
Despatch of holding statements for New Shares and Options	

This ASX Release is authorised by the Board of xReality Group Limited.

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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



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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 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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