


xReality Group Ltd
ASX:XRG

**Investor Presentation:
Capital Raising
18 October 2023**





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1. Capital Raise Overview
2. Company Overview & FY23 Highlights
3. Strategy Update
4. Appendices



Capital Raise Overview

Rights Offer	Exclusive Offer to Shareholders to raise up to \$3.15 million via the issue of approximately 90 million New Shares on a 1:5 basis priced at \$0.035 each .
Top Up Facility	Shareholders can subscribe for extra shares in addition to their entitlement. The additional shares can be purchased under the same terms. There is no guarantee that shareholders will receive any extra Shares.
Attaching Options	For every 2 new shares purchased under the offer, each shareholder will receive 1 free unlisted Option with an exercise price of \$0.05 and an expiry date of 31 January 2025.
Offer Dates	Offer expected to Open on the 31st October 2023 * Offer expected to Close at 5pm (Sydney Time) on the 10th November 2023 *
How do I Participate?	<ul style="list-style-type: none">• Eligible Shareholders will receive a letter with a link to the proposed prospectus for the Rights Offer and a personalised acceptance form via email or in the post.• Purchase your new shares using the BPAY facility• The Prospectus and further details are expected to be available on www.xrgroup.com.au from 31st October 2023*. Eligible Shareholders should read the Prospectus before applying for Shares.• Any questions email the XRG company secretary on stofler@xrgroup.com.au or info@xrgroup.com.au• Offer Information Line 1300 737 760

* All dates are subject to change

Capital Raise Overview

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 US.

- Increased Sales team in the US
- Capitalise on momentum and conversion of leads into sales
- Establish a logistics channel to service customers
- Marketing and Public Relations

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 strategy into the United States. 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.

Expected Offer timetable

Event	Date
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	Tuesday, 31 October 2023
Prospectus lodged and Offer opens	
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	

All dates are subject to change

Company Overview

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.

The company was founded by two Australian Military Veterans to build physical skydiving simulators for both military training and the tourism market. Following advancements in technology, the company moved into digital simulation sector providing immersive visualisation services for both Entertainment and Enterprise markets. The Enterprise markets consist of Defence, Law Enforcement and other government agencies around the world.

The company operates 4 major brands across enterprise and entertainment market sectors.



iFly Downunder (Sydney) and iFly Gold Coast are owned and operated under a licence agreement with the global “iFly” Brand. Customers include local and international tourists, professional skydivers and the military. Our first wind tunnel opened to the public in April 2014 consistently servicing over 200,000 visitors per year.



FREAK Entertainment is XRG’s Virtual Reality Entertainment brand, established in 2019 to bring a market leading VR experience to a retail footprint. The brand and IP is 100% owned by XRG which includes, cutting edge technology and inhouse built games. Since establishment, over 300,000 customers have visited our centres across NSW and QLD expanding into 4 locations including Westfield Bondi Junction (NSW), Macquarie Centre (NSW) and Cavill Avenue in Surfers Paradise (QLD).

Company Overview



Red Cartel are one of Australia's leading experts in VR, AR, XR, and premium animated content for Enterprise software products. The company has over 20 years of experience servicing a large number of industries including Entertainment, Oil and Gas, Mining, Healthcare and Government.

XRG acquired Red Cartel in August 2021 to deliver an in-house development capability. All proprietary software utilised in the Operator XR business unit has been generated in-house and is 100% owned by XRG.



Operator XR systems enable Military personnel 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 end users 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. Operator XR has offices in Sydney (AUS) and Virginia (USA). The Australian operations were launched in August 21 with US operations launching in March 2023.

Stable, Established Businesses – Supporting Growth in Enterprise Software Businesses

FY23 Highlights

47% increase in Revenue **\$10.54m**

54% increase in underlying EBITDA **\$2.1m**

Stabilisation of existing businesses post COVID

\$25m Enterprise XR sales pipeline

First XR Military and Law Enforcement Sales to the Australian Defence Force and WA Police Force

USA subsidiary and sales team established

First US Law Enforcement Sale (August 2023)

Success in Existing Businesses supporting development and growth of New Business

Company **Strategy**: Sustain > Invest > Expand

Sustain Existing Operations

- Continued Operations of existing world class Entertainment business portfolio, to sustain future revenue and operational cashflow, supporting future growth
- Maintaining financial health and stability through ongoing engagement and retention of customer base, cost management, diverse revenue streams and the maintenance of cash reserves

Invest in Enterprise XR & AI product development

- Continue enterprise SaaS development through Operator XR for global Military and Law Enforcement applications
- Accelerate development of AI solutions into Operator XR

Expand Enterprise XR into the US market

- Focus on expansion into the North American market
- Continue developing infrastructure including cloud products to enable fast scaling of user base
- Merging the immersive capabilities of Virtual Reality with the scalable and recurring revenue model of SaaS

**XRG Focus on
Operator XR Growth in FY24**

Operator XR: What's the problem we are solving?

Ability to keep up with an ever-changing environment:

The ability to conduct affordable training for current and evolving situations both on the battlefield and in our cities.



Operator XR provides a software platform that is easily updated and configured, that allows teams to train and rehearse at a lower risk and significantly less cost over traditional methods, against threats that cannot be replicated by any other means.

Complex and Expensive to replicate targets and facilities:

Significant cost and time barriers to replicate and recreate training facilities and scenarios on a case-by-case basis, such as, schools, embassies and critical infrastructure from anywhere in the world.



Operator XR has created an immersive platform that overcomes this challenge by utilising a software approach which includes user tools to create any virtual environment at a fraction of the cost and time.

Legacy Technology: the market today exists on legacy approaches such as non-portable projector-based systems, dedicated infrastructure and unrealistic video-based scenarios. Which results in restrictive training and a degradation of skills.



Operator XR creates a highly portable and totally immersive environment both audibly and visually whilst free to move freely as a team, utilising their own live weapons and equipment as they would in reality. This leads to higher skill levels, greater preparedness and improved confidence.

Operational Security and Protection of Information:

to date alternate online systems risk exposing critical information such as tactics, procedures and capabilities to potential adversaries.



Operator XR is built to work completely offline allowing training and rehearsal to be conducted anytime anywhere safely and securely.

Operator XR: What makes us unique?

Deep Subject Knowledge and Experience



- Operator XR is lead and operated by Special Forces and Law Enforcement veterans with extensive experience in field operations, software and technology
- All software development is created in-house by some of the worlds most talented and innovative engineers and technology experts

Unique Product with High Barriers to Entry



- Unmatched whole of product that is portable, immersive and secure
- Product openness that enables end users to create their own content without specialist skills

Software Development and Release Cycle



- Our combination of in-house software engineering, and development operations provides Operator XR with a high quality and feature rich platform which can be delivered rapidly and ongoing to an everchanging market that maintains our competitive edge.

No other Product in the World can do what Operator XR can do

Operator XR: Total Addressable Market

\$3.37BN total addressable market for dismounted soldier and police officer immersive training

Total Addressable Market	ARR > Market Share Sensitivity (USD\$m)					
	1%	3%	5%	10%	20%	Total Market
Law Enforcement						
United States	2.73	8.19	13.65	27.30	54.61	273.04
Rest of World	4.10	12.29	20.48	40.96	81.91	409.56
Law Enforcement ARR	6.83	20.48	34.13	68.26	136.52	682.60
Military						
United States	10.75	32.24	53.74	107.48	214.96	1,074.80
Rest of World	16.12	48.37	80.61	161.22	322.44	1,612.20
Military ARR	26.87	80.61	134.35	268.70	537.40	2,686.99
Combined						
United States	13.48	40.44	67.39	134.78	269.57	1,347.84
Rest of World	20.22	60.65	101.09	202.18	404.35	2,021.75
Total ARR	33.70	101.09	168.48	336.96	673.92	3,369.59



Operator XR LLC – Virginia, USA

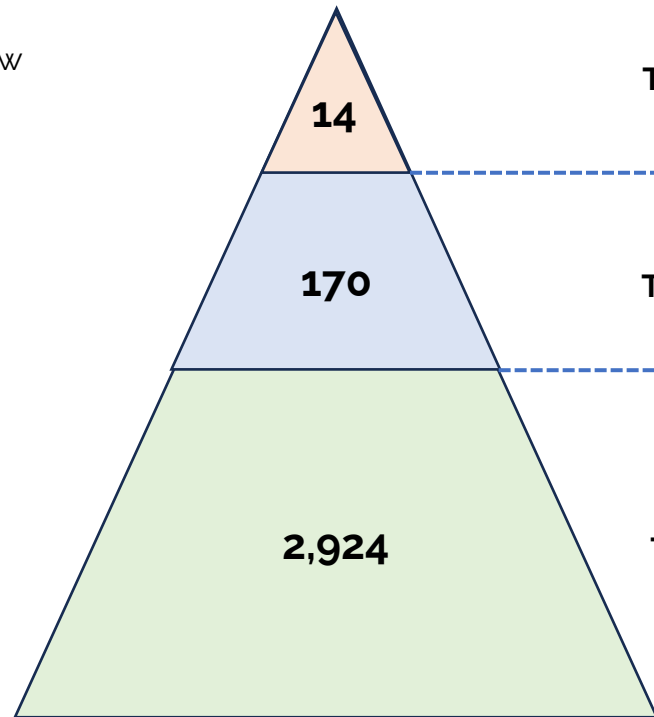
Operator XR Pty Ltd – Sydney, Aust.

* Source - company research, BLS Census of State and Local Law Enforcement Agencies (CSLLEA), 2008 (ICPSR 27681), Bureau of Justice Statistics, Census of Federal Law Enforcement Officers, fiscal years 2016 and 2020

1% of Global Market = US\$33m ARR

Operator XR: US Law Enforcement

Number of US Law Enforcement agencies by size.



Tier 1
5,000 - 50,000 sworn officers
Annual Software Licence Range = \$500k-\$5m
TAM = 14 x \$500k - \$5m = **\$7m - \$70m ARR**

Tier 2
500 - 5,000 sworn officers
Annual Software Licence Range = \$100k-\$500k
TAM = 170 x \$100k - \$500k = **\$17m - \$85m ARR**

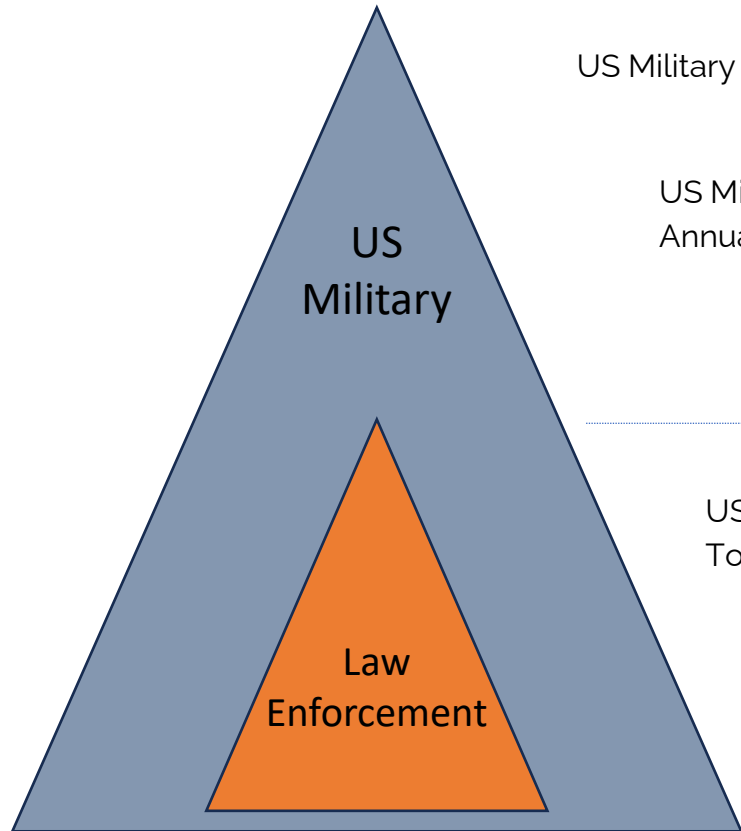
Tier 3
40 - 500 sworn officers
Annual Software Licence Range = \$50k-\$100k
TAM = 2,924 x \$50k - \$100k = **\$146m - \$292m ARR**

<40 sworn officers = c.15,000 individual agencies

US Law Enforcement Market = US\$170m - \$447m ARR

* Source - company research, BLS Census of State and Local Law Enforcement Agencies (CSLLEA), 2008 (ICPSR 27681), Bureau of Justice Statistics, Census of Federal Law Enforcement Officers, fiscal years 2016 and 2020

Operator XR: US Military Market



US Military Personnel **1,304,400 personnel**

US Military Annual Budget **\$842b**

US Law Enforcement: Total sworn Officers **800,000 personnel**

US Law Enforcement: Annual Budget **\$213.9b**

- US Military budget **294%** higher than Law Enforcement
- US Army Microsoft Augmented Reality Contract Value = **\$22b** over 10 years
- Estimated Military VR TAM = **\$499m–\$1.3b** ARR

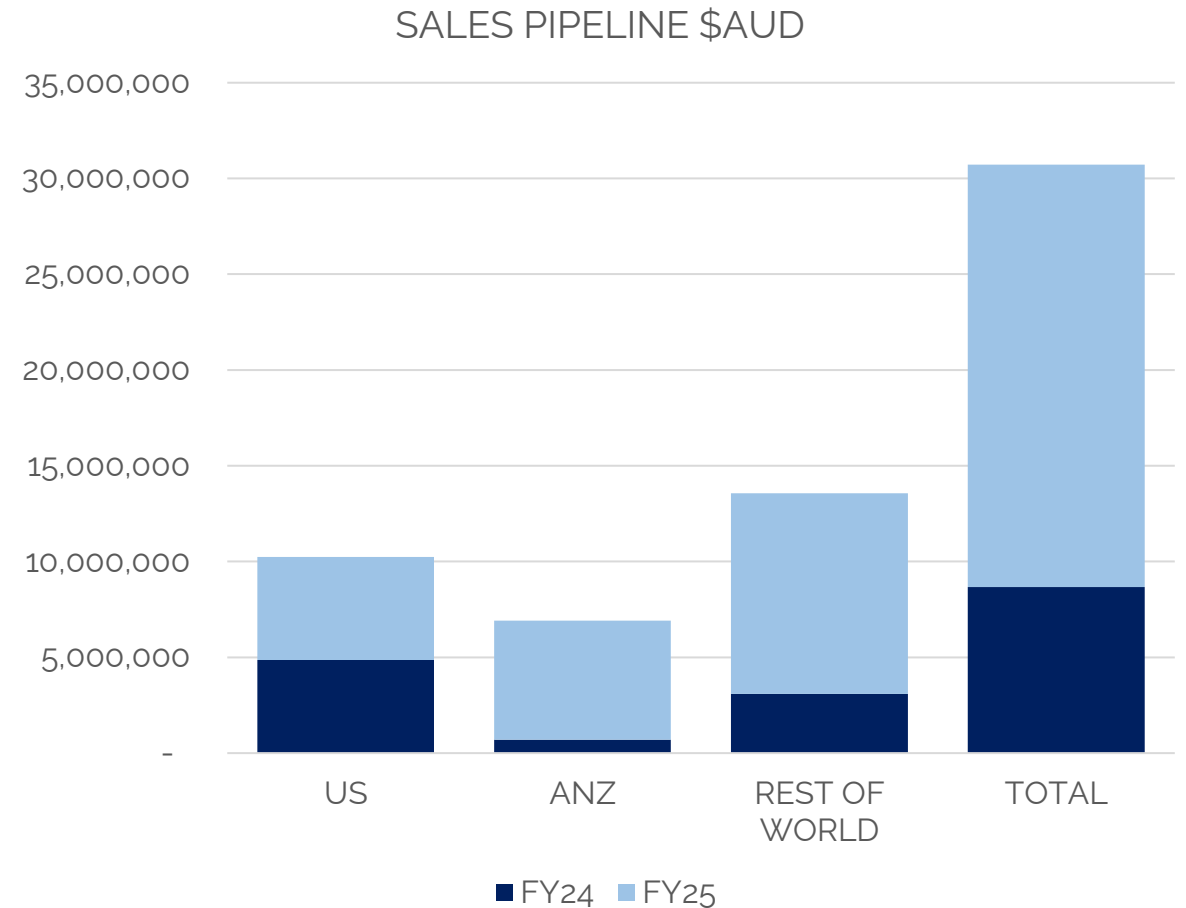
US Military VR Total Addressable Market = US\$499m - \$1.3b ARR

* Source - company research, BLS Census of State and Local Law Enforcement Agencies (CSLLEA), 2008 (ICPSR 27681), Bureau of Justice Statistics, Census of Federal Law Enforcement Officers, fiscal years 2016 and 2020

Operator XR: Sales Pipeline

In the last 2 months the sales pipeline has grown by \$6M with 50% of new deals in the US.

Total sales pipeline \$31M AUD with 60 individual qualified opportunities at various stages.



Current Sales Pipeline exceeds \$31m

- The pipeline is indicative only; there is no guarantee the proposed contracts will be executed or that additional sales will be realised.
- The pipeline includes initial contract value only. At this stage no proposed contracts have been executed.
- The pipeline includes all deal stages from qualified opportunities through to proposals being sent and is not risk adjusted.
- The pipeline dates relate to estimated dates of purchase orders being completed.

Operator XR: Rapid commercial progress

Short Term Milestone Tracker

FY2023

- First Sale of Law Enforcement Products - Australia
- First Sale of Defence Products - Australia
- USA Subsidiary and Sales team Established
- USA Military Distributor Appointed
- Global Regional Distributors Appointed



FY2024

- First Sale in the USA
- Strong US pipeline rapidly developed
- Expansion of US Sales team
- Advanced commercial stages with US Department of Defence



Rapid Product Validation in all Key Markets

Expand into the US Market

Major Milestone Achieved;

- Operator XR achieved its first Law Enforcement sale in the US in August 2023.
- The impact of this first sale in the US has enhanced the company's reputation and credibility, serving as a testament to the quality of our products.
- Operator XR has experienced an increase in market access, paving the way for further opportunities at state and federal levels.
- By working closely with our early customers, we expect to gain valuable insights and feedback to better meet the needs of this critical sector.

A focused and systematic approach over the next 6 months:

Commercial: First US Sales Manager commenced in May 2023 with more sales and operations team members being hired through FY24 as well as utilising our distribution network for both military and law enforcement exposure.

Marketing: Exhibiting at premier Law Enforcement and Military trade shows across the US. Digital marketing strategy in place to drive demand generation. Co-marketing programs with key technology partners including NVIDIA, Microsoft, and HTC VIVE.

Logistics: Establishment of US logistics hub for product assembly, shipping and support.

Technology: XR Cloud services being deployed to provide scalable infrastructure, hardware and content management.

Summary

- Strong FY23 Financial Performance: Cash Receipts up 32% , Revenue up 47%, underlying EBITDA up 54%
- Existing operations to support growth in Enterprise Software rollout
- First Operator XR Customers in Australia and the US
- Pipeline of Global Sales exceeds \$31m*
- US footprint established along with global distribution and partnership network under development.
- Strong outlook for FY24 through existing and new operations.

Sustain – existing operations, **Invest** – in Enterprise Products, **Expand** – Global Markets

Appendices



XRG Board of Directors

John Diddams
Chairman Non-Executive

- Highly Experienced and strategic public company director
- 40 years of financial management in Australia and overseas
- Experience in driving business performance, mergers & acquisition, due diligence and corporate governance.
- Formal qualifications include; Bachelor of Commerce from UNSW, John is also a Fellow of the Australian Society of CPA's and a Fellow of the Australian Institute of Company Directors.

Philip Copeland
Non-Executive Director

- Experienced senior leader in the enterprise software-as-a-service (SaaS) sector
- Former CEO and co-founder of Avoka Software, a highly successful digital business enablement platform which sold for US\$245M in 2018.
- Experience dealing with some of the largest and highly regulated government agencies in the world
- Philip resides in Colorado and is Chairman of XRG's International Growth Committee

Danny Hogan
Non-Executive Director

- Danny enlisted in the Australian Regular Army in 1991, successfully completing the SASR selection course and was selected for further service within SASR.
- He has been recognised and awarded for his actions and leadership during his 21 year military career.
- He was selected and completed a two year military exchange in the USA with two of the USA's elite Special Forces Commands where he gained his freefall qualifications with extensive use of VWT simulation training.
- His ability to plan, manage and execute tasks in complex and fast moving environments with sound judgment are proven.

Mark Smethurst
Non-Executive Director

- Former Australian Military Brigadier General
- accomplished senior executive leader, with a highly successful track record commanding large and diverse teams both in Australia and overseas.
- experience dealing with Australian and International Defence and supply chains
- Former ADF Head of Preparedness/Director General Joint Force Analysis, responsible for developing Futures Concepts, Experimentation, Lessons and Preparedness.

Kim Hopwood
Executive Director & CPTO

- Kim brings 20 years of experience across technology, media, and user experience.
- Kim was co-founder and CEO of digital agency Pusher from 2004, which sold to global communications group Publicis in 2014. Kim stayed on as Publicis Managing Director of Digital until late 2017.
- Kim has worked with XRG since 2012 as supplier, then freelance consultant before joining full time in 2019. His role as Chief Technology and Products Officer includes advancement and direction of all products along with the development of company strategy.
- Kim is a world record holding skydiver and experienced wind tunnel flyer.

Wayne Jones
Executive Director & CEO

- Wayne Jones is the CEO of XRG and was appointed to the role on the foundation of the company in November 2011. As Chief Executive, Wayne has developed and managed multiple business ventures and projects within Australia, S/E Asia and China.
- Prior to establishing the company, Wayne was a commander in the Special Air Service Regiment (SASR) and responsible for the development and performance of teams in complex and challenging environments. His goal focused approach and strategic vision resulted in being highly decorated throughout his military career.
- Wayne holds formal qualifications in Project Management, Business, Security and Risk Management and Management (Financial Management) and is a Member of the Australian Institute of Company Directors. He has over 25 years' experience in leading teams and delivering results.
- Wayne is an experienced skydiver and maintains his involvement with the Australian Military and the Special Forces community as Chairman of the Special Air Service Association (NSW Branch)

Product Overview: OP-1

OP-1 FOR MILITARY PORTABLE . SECURE . IMMERSIVE

Military solution allowing soldiers 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

First sale to the Australian Defence Force completed June 2023.



Platform Overview : OP1-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

First sale to the Western Australian Police Force completed December 2022. First sale to Garfield County Sheriff's Office (USA) August 2023



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