

XREALITY GROUP LTD (ASX:XRG) (ABN 39 154 103 607)

Prospectus

A 1 for 5 non-renounceable offer of ordinary shares in xReality Group Ltd at an offer price of \$0.035 per New Share with 1 Bonus Option for every 2 New Shares issued to raise approximately \$3.25 million (**Offer**).

The Prospectus is important and should be read in its entirety. If, after reading this Prospectus, you have any questions about the Offer under this Prospectus or any other matter, then you should consult your professional advisors without delay.

The New Shares offered by this Prospectus should be considered as highly speculative.



XREALITY GROUP LIMITED

IMPORTANT INFORMATION

IMPORTANT NOTICE

This document (**Prospectus**) is dated 24 October 2023 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. None of ASIC, the Australian Securities Exchange Ltd (**ASX**) nor their respective officers take responsibility for the contents of this Prospectus.

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. Your investment decision regarding the Offer should be based on the information contained in this Prospectus, the information disclosed by the Company to ASX in compliance with its continuous disclosure obligations, and any advice which you determine is necessary or appropriate to inform your decision regarding the Offer. This Prospectus has been prepared on the basis that certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. If you do not understand any part of this Prospectus, you should consult your accountant, tax advisor, stockbroker, solicitor or other professional advisor.

ABOUT THIS PROSPECTUS

This Prospectus is issued by xReality Group Ltd (ASX:XRG) (ABN 39 154 103 607) (**Company**) in connection with the pro-rata non-renounceable issue of 1 New Share for every 5 Shares held plus 1 Bonus Option for every 2 New Shares issued to Eligible Shareholders (**Offer**).

No New Shares will be issued or transferred on the basis of this Prospectus after the expiry date, being 13 months after the date of this Prospectus.

TRANSACTION SPECIFIC PROSPECTUS

This Prospectus is a transaction-specific prospectus for an issue of Shares (with Bonus Options) and has been prepared in accordance with section 713 of the Corporations Act.

As such it does not contain the same level of disclosure as an initial public offering prospectus or a prospectus prepared in accordance with section 710 of the Corporations Act.

The Company is a disclosing entity for the purpose of the Corporations Act 2001 (Cth). As a disclosing entity, the Company is subject to regular reporting and disclosure obligations.

This Prospectus is therefore intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. In providing information in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

FUTURE PERFORMANCE

Certain statements in this Prospectus are about the future and are forward looking in nature. Generally, you can identify forward looking statements by terms such as "may", "will", "should", "could", "would", "aim", "assumes", "intends", "objectives", "positioned", "targets", "expects", "plans", "anticipates", "believes", "estimates", "outlook", "forecasts", "projects", "predicts", "potential" and other similar expressions that are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

The forward-looking statements in this Prospectus reflect views held as at the date of this Prospectus, unless otherwise specified. No person who has made any forward-looking statements in this Prospectus (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward-looking statements are not guarantees of future performance. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors, some of which are beyond the control of the Company and its directors and management, that could cause the actual conduct, results, performance or achievements of the Company to be materially different from those expressed or implied by such statements or that could cause future conduct or results to be materially different from the historical conduct or results.

Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to the risk factors described in Section 6 and other information contained in this Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Except as required by law and then only to the extent required, neither the Company or any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.



XREALITY GROUP LIMITED

NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

You should rely only on information in this Prospectus. No person is authorised to provide any information or to make any representations in connection with the Offer which are not contained in this Prospectus. Any information or representations not contained or incorporated by reference in this Prospectus may not be relied upon as having been authorised by the Company in connection with the Offer.

PAST PERFORMANCE INFORMATION

Information included in this Prospectus concerning the past performance of the Company, including pro-forma financial information and information concerning the historical share price of the Company, is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance, share price performance or condition.

The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

The historical financial information concerning the Company included in this Prospectus, including the pro-forma statement of financial position in Section 4.3, has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (as adopted by the Australian Accounting Standards Board), which comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Investors should also be aware that certain financial data included in this Prospectus may be 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios (if any) included in this Prospectus.

NOTE TO ELIGIBLE SHAREHOLDERS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

This Prospectus is important and should be read in its entirety. There are risks associated with acquiring the New Shares (including on exercise of Bonus Options) and dealing in the New Options or Bonus Shares must be regarded as a speculative investment. Some of the risks

that should be considered are set out in Section 6. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to those set out in Section 6 that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional advisor before deciding whether to invest in the Company.

No person named in this Prospectus warrants or guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

NO OFFER WHERE OFFER WOULD BE ILLEGAL

This Prospectus does not constitute an offer or invitation or issue in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue. No action has been taken to register or qualify or to otherwise permit a public offering of the New Shares (or Shares which may be issued on exercise of the Bonus Options) in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in New Zealand or the United States. In particular, the New Shares (or Shares which may be issued on exercise of the Bonus Options) have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State of the United States, and may not be offered or sold, directly or indirectly, in the United States, or to or for the account or benefit of, a U.S. Person, except transactions exempt from or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws. The Offer is not being extended to any investor outside Australia. For further detail please see Section 3.13.

PRIVACY

The Company will collect, hold, use, and disclose personal information held by it or provided by investors to allow it to determine eligibility for and to issue the New Shares, process the Entitlement and Acceptance Form, service your needs as a Shareholder, provide facilities and services that you request, and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of your investment in the Company).

Under the Corporations Act some of this information must be included in the Company's registers, which will be accessible by the public.



XREALITY GROUP LIMITED

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law.

The Company may also share your personal information with its service providers or others who provide services on its behalf, some of which may be located outside of Australia.

For more details on how the Company collects, stores, uses and discloses your information, please refer to Company's Privacy Policy located at info@xrgroup.com.au.

INCORPORATION BY REFERENCE

Information contained in or accessible through the documents or websites mentioned in this Prospectus does not form part of this Prospectus unless it is specifically stated that the document or website is incorporated by reference and forms part of this Prospectus.

This Prospectus does not provide investment advice – you should seek your own professional investment advice.

ELECTRONIC PROSPECTUS

This Prospectus is available in electronic form to Australian residents on the Company's website, www.xrgroup.com.au.

The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia and is not available to persons in any other jurisdictions, including New Zealand and the United States.

A hard copy of the Prospectus is available free of charge to any person in Australia by emailing info@xrgroup.com.au.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus, or it accompanies the completed and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by emailing the Company at info@xrgroup.com.au.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when the person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

GLOSSARY AND INTERPRETATION

Defined terms and abbreviations used in this Prospectus are explained in Section 8.

TIME

All references to time in this Prospectus refer to the time in Sydney, Australia unless stated otherwise.

AMOUNTS AND ROUNDING

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

DATA

All data contained in charts, graphs and tables is based on information available as at the date of this Prospectus unless otherwise stated.

INTELLECTUAL PROPERTY

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third-party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with the Company.

FURTHER INFORMATION

If you have any questions in relation to the Offer, you can contact the company by email at info@xrgroup.com.au.

CORPORATE DIRECTORY

xReality Group Ltd (ASX:XRG)

Directors

John Diddams, Non-executive Chairman
Mark Smethurst, DSC, AM, Non-executive
Philip Copeland, Non-executive
Daniel Hogan, MG, Non-executive
Kim Hopwood, Executive
Wayne Jones, CEO

Company Secretary

Stephen Tofler

Registered Office

xReality Group Ltd
123 Mulgoa Road,
Penrith NSW 2750

info@xrgroup.com.au

www.xrgroup.com.au

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street,
Sydney NSW 2000

Australian Legal Advisers

Mont Lawyers Pty Ltd
9 Denham Street,
Darlinghurst NSW 2010

LETTER FROM THE CHAIRMAN

Dear Shareholder,

Rights issue with Bonus Options

The very pleasing financial results for FY2023 saw the Company post a 47% increase in income and positive EBITDA of \$2.2 million. The Company has reached a pivotal point in its journey and wishes to invite you to play a part in continuing that growth and future success.

Whilst the entertainment businesses, comprising iFly and FREAK, now provide the cash flow required to sustain the Company, further investment is required to fund the expansion of the Operator XR business (which allows military personnel and law enforcement officers to train operational tactics and procedures within a portable virtual reality environment).

Operator XR is now at the cusp of an expansive growth phase, especially within the US market, which we consider promises untapped potential and rewards. At the same time, we recognise the importance of maintaining a strong financial foundation, which involves optimising the Company's capital structure and reducing its overall debt levels.

With these objectives in mind, the Board has approved a pro rata non-renounceable offer of 1-for-5 shares with 1 Bonus Option for every 2 New Shares issued (**Offer**). The Company's goal is to raise up to \$3.25 million from the Offer. This new capital will be used for two primary purposes:

1. **Growth in the US Market:** We have identified a number of strategic avenues for Operator XR in the United States of America (**US**) that align with our core strengths and promise significant return on investment. With the additional capital, the Company will aim to seize these opportunities, further establishing its brand, expanding its distribution networks and delivering value to its customers.
2. **Reduction of Company Debt:** Maintaining a healthy balance sheet has always been a priority of the Company. Reducing its existing debt will not only offer more operational flexibility but also position it favourably for future ventures, while potentially leading to savings from decreased interest obligations.

Whilst the additional required capital may have been raised through a larger placement to institutional investors, the Board considers that all shareholders should be offered the opportunity to participate in the Offer and to capitalise on the growth in both revenue and profitability that this capital and the new direction is expected to produce.

The Company is pleased to announce that it has successfully completed a placement of 14,285,714 ordinary shares to sophisticated and professional investors at \$0.035 per share, raising a total of \$500,000 (before costs) (**Placement**). The Shares issued under the Placement will rank equally with existing Shares.

I would like to thank all shareholders for their trust and support to date which has been integral to our past achievements, and I now invite you to participate in this Offer, ensuring that we continue our trajectory of growth, innovation, and value creation for the Company and its shareholders. Thank you for your consideration, and I look forward to your participation with us on the exciting journey ahead.

Risks

Any investment in securities carries with it risk. A summary of the key risks is set out in Section 6. Shareholders are urged to understand these risks before applying for New Shares.

About the Offer

The Company is making a pro rata non-renounceable offer of 1-for-5 shares held by Eligible Shareholders registered on the Record Date, being 5.00pm (AEDT) on **Friday, 27 October 2023** at an issue price of **\$0.035** with 1 Bonus Option for every 2 New Shares issued. The issue price represents a 27% discount to the last closing of Shares on the ASX on 18 October 2023. The Offer is expected to close on **Friday 10 November 2023**, but may close earlier.

Full details and conditions of the Offer are set out in this Prospectus. You should read this Prospectus in its entirety and seek professional financial advice should you have any questions.

On behalf of the Board, I look forward to your continued support and updating you on the Company's progress.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Diddams', with a stylized flourish at the end.

John Diddams

Chairman

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1. KEY INFORMATION ABOUT THE OFFER

1.1 Key Offer statistics

Company	xReality Group Ltd (ABN 39 154 103 607)
ASX Code	XRG
Offer Ratio	1 New Share for every 5 Shares held on the Record Date plus 1 Bonus Option for every 2 New Shares issued
Number of Shares currently on issue ¹	450,011,224
Number of Options currently on issue ²	19,585,005
Number of Shares issued under Placement	14,285,714
Number of Shares on issue following Placement	464,296,938
Number of Options issued under Placement	7,142,857
Number of Options on issue following Placement	26,727,862
Maximum Number of New Shares to be issued under the Offer ³	92,859,388
Maximum Number of Bonus Options to be issued under the Offer ⁴	46,429,694
Amount to be raised under the Offer (before costs)	\$3,250,079
Maximum total number of Shares on issue following the Offer	557,156,326
Maximum total number of Options on issue following the Offer	73,157,556

The following assumptions apply to the table above:

1. No further Shares are issued prior to the Record Date.
2. Existing Options are not exercised prior to the Record Date.
3. All Eligible Shareholders take up their full Entitlement under the Offer.
4. Does not include any Options issued to the Lead Manager. See Section 7.8.

1.2 Timetable

Announcement of Offer	Wednesday, 18 October 2023
Lodgement of Prospectus with ASIC	Tuesday, 24 October 2023
Ex-Date	Thursday, 26 October 2023
Record Date	Friday, 27 October 2023
Opening date for the Offer, Prospectus despatched to Eligible Shareholders, letters sent to Ineligible Shareholders and announcement that despatch has occurred	Monday, 30 October 2023
Last day to extend the Closing Date	Tuesday, 7 November 2023
Closing Date of the Offer	Friday, 10 November 2023
New Shares quoted on a deferred settlement basis	Monday, 13 November 2023
Issue and allotment of New Shares under the Offer and despatch of holding statements	Thursday, 16 November 2023
Issue and allotment of Additional New Shares under the Top-Up Facility on a deferred settlement basis	Thursday, 16 November 2023
Lodgement of Appendix 2A and Appendix 3G with ASX	Thursday, 16 November 2023
Quotation of New Shares issued under the Offer	Friday, 17 November 2023
Expiry Date of Bonus Options	Friday, 31 January 2025

The above dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable subject to the Corporations Act or other applicable law.

For any enquiries concerning the Offer, you can contact the Company at info@xrgroup.com.au or Boardroom Pty Limited at 1300 737 760 (within Australia) and +61 2 9290 9600 (from outside Australia), during office hours (AEDT) time on Monday to Friday.

2. OVERVIEW

2.1 Overview

The information set out in this Section 2 is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply under the Offer, you should read this Prospectus carefully and in its entirety.

If you are in doubt as to the course you should follow, please consult your stockbroker, financial advisor, accountant, lawyer or other professional advisors.

Question	Answer	More information
What is the Offer?	<p>The Company is making a pro rata non-renounceable offer of 1 New Share for every 5 Shares held to Eligible Shareholders registered on the Record Date, being 5.00pm (AEDT) on Friday, 27 October 2023.</p> <p>Eligible Shareholders will be issued with 1 Bonus Option for every 2 New Shares issued under the Prospectus.*</p> <p><small>* Where the number of New Shares issued to an Applicant is an uneven number, the number of Bonus Options will be rounded up.</small></p>	<i>Section 3.1</i>
What is the Offer Price?	The Offer Price is \$0.035 per New Share.	<i>Section 3.1</i>
What is the purpose of the Offer?	<p>The funds raised from the Offer will be used for two primary purposes:</p> <ul style="list-style-type: none">➤ Growth in the US Market: Allocation of \$2 million to accelerate and boost sales and marketing efforts of our Operator XR Military and Law Enforcement technology in the US.<ul style="list-style-type: none">• 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.➤ Reduction of Company debt: Additional new funds raised above \$2 million will be used to reduce existing debt resulting in an immediate increase in positive cashflow and strengthening of the balance sheet.	<i>Section 3.1</i>

Question	Answer	More information
Am I an Eligible Shareholder?	<p>You will be an Eligible Shareholder and may participate in the Offer under the Prospectus if you:</p> <ul style="list-style-type: none"> ➤ are registered as a holder of Shares as at the Record Date, being 5.00pm (AEDT) on Friday, 27 October 2023; ➤ have a registered address on the Company's Share Registry in Australia, or are Shareholders who the Company has otherwise determined to be eligible to participate in the Offer; ➤ are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds Shares for the account or benefit of such person in the United States); and ➤ the Company considers are eligible under all applicable securities laws to receive and participate in the Offer. 	<i>Section 3.1</i>
What are the benefits to Shareholders?	<p>The Offer will deliver benefits to all shareholders beyond the opportunity for Eligible Shareholders to purchase additional Shares at a discount to the current market price.</p> <p>The Offer will be available for our loyal shareholders to capitalise on the potential of the Company as we expand our foothold in the US and maximise our opportunities in the lucrative US Military and Law Enforcement sectors.</p>	<i>Section 3.1</i>
What is the maximum amount of money that may be raised if all Entitlements are taken up?	A maximum of approximately \$3,250,079 will be raised if all Eligible Shareholders take up their Entitlements under the Offer.	<i>Section 3.4</i>
What is the key financial information about the financial position, performance and prospects of the Company?	<p>The Company has a stable base of operations in Australia delivering pleasing financial results for FY2023. The Company posted a 47% increase in income and positive EBITDA of \$2.2 million.</p> <p>The strategy for expansion in the US is based on the Operator XR Military and Law Enforcement division of the Company. With our first US customer sale taking place within the first year of launch, our pipeline of sales has rapidly increased to \$31 million,* with several prospects at the final stages of the sales cycle.</p> <p><small>* This is not a forecast. There is no guarantee that the Company will be able to execute all opportunities in the pipeline.</small></p>	<i>Section 4</i>

Question	Answer	More information
What are the rights and liabilities attaching to the New Shares?	The New Shares rank equally with existing Shares. The Constitution sets out the full rights and liabilities in relation to the New Shares.	<i>Section 5.1</i>
What are the terms of the Bonus Options?	Each Bonus Option gives the holder the right to purchase a Share in the Company on payment of the Exercise Price, being \$0.05 , at any time prior to the Expiry Date, being 5:00pm (AEDT) on 31 January 2025 .	<i>Section 5.2</i>
What are the key risks associated with the Company and the Offer?	<p>Investors should be aware that there are general risks associated with owning securities in publicly listed companies. The price of the Shares can go down due to factors outside the control of the Company. Some of these factors include Australian and worldwide economic and political stability, taxation and laws and regulations.</p> <p>The performance and profitability of the Company are sensitive to a number of key risks, including the potential for dilution, execution of the Company's growth strategy, adequate funding for the Company to achieve its objectives, increased competition, the Company's ability to implement technological advancements to its offerings, use of information technology, protection of the Company's intellectual property, infringement of third party intellectual property rights and reliance on key personnel.</p> <p>These key risks are detailed in Section 6.</p>	<i>Section 6</i>
Who are the Company's directors?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> ➤ John Diddams ➤ Mark Smethurst, DSC, AM ➤ Philip Copeland ➤ Daniel Hogan, MG ➤ Kim Hopwood ➤ Wayne Jones 	<i>Section 7.5</i>

2.2 Background to the Offer

The Company is a leader 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 and augmented reality 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. This initiative is to accelerate and boost sales and marketing efforts of the Operator XR Military and Law Enforcement technology in the US. The Company intends to:

- Establish a Sales team in the US
- Capitalise on momentum, converting leads into sales
- Establish a logistics channel to service customers
- Carry out Marketing and Public Relations in the US to generate leads (and sales)

After successfully restructuring the Company's debt facilities over the past 3 months, the Company will allocate \$2 million of new funds raised through the Offer to implement its growth strategy in the US. Any additional funds raised (including from the exercise of any New Options) will be used predominantly to reduce remaining debt, further improving the Company's balance sheet.

2.3 Directors' interests in Shares

Each Director's relevant interest in the Shares at the date of this Prospectus and their Entitlements are set out in the table below:

Director	Shares	Existing		Entitlement	
		Options	New Shares	Bonus Options	\$
John Diddams	4,500,500	3,000,000	900,000	450,000	31,500
Mark Smethurst, DSC, AM	0	1,100,000	0	0	0
Philip Copeland	3,806,576	0	761,315	380,658	26,646
Daniel Hogan, MG*	18,572,833	0	2,108,567	1,054,283	73,800
Kim Hopwood	31,303,773	4,400,000	6,260,755	3,130,377	219,126
Wayne Jones*	35,588,451	8,435,005	5,511,690	2,755,845	192,909

* The voting power of each of Mr. Hogan and Mr. Jones includes an interest in 16,060,000 shares held by a jointly held and controlled trust. For the purposes of summarising the Entitlements of these two Directors this shareholding has been split 50% each (an Entitlement to 1,606,000 New Shares each).

2.4 Detail of Substantial Holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their Associates) have a relevant interest in 5% or more of the Shares on issue are set out in the table below:*

Substantial Shareholders	Shares	Voting Power
Birkdale Holdings (Qld) Pty Ltd as trustee for the Baxter Family A/C (Birkdale)	99,638,163	22.141%
Wayne Jones (and Associates)	35,588,451	7.908%
Kim Hopwood	31,303,773	6.956%

**This is based on Shareholding as at 18 October 2023. It does not reflect holdings following the Placement Shares to be issued.*

Birkdale has indicated it does not intend to participate in the Offer.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer. Refer to Section 2.6 for further details with respect to the expected change in holdings and potential control implications of the Offer.

2.5 Effect on control

Based on current holdings and Entitlements of Shareholders (including substantial Shareholders) as at the date of this Prospectus, regardless of the amount raised under the Offer, no Shareholder will increase their voting power above 10% by exercising their Entitlements.

Further, there is not expected to be a material change to any Shareholder's voting power as a result of the issue of the New Shares (including Bonus Options) which may have an impact on control of the Company. Where Bonus Options are exercised into Shares, the voting power of the Shareholders who exercise the Bonus Options will increase. Any decision to exercise the Bonus Options is likely to depend on the price of Shares from time to time until the Bonus Options expire.

2.6 Potential dilution on non-participating Shareholders

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted.

3. DETAILS OF THE OFFER

3.1 The Offer

The Company is making a pro rata non-renounceable offer of 1-for-5 New Shares held by Eligible Shareholders registered on the Record Date, being **5.00pm** (AEDT) on **Friday, 27 October 2023** with 1 Bonus Option issued for every 2 New Shares issued to Eligible Shareholders.

The Offer Price is **\$0.035** per New Share. The Offer Price represents the following discounts:

- (a) **27%** to the last closing price of Shares on ASX on **18 October 2023**; and
- (b) **18%** to the 10-day volume weighted average price (**VWAP**) of Shares traded on ASX up to and including **18 October 2023**.

The Bonus Options will be exercisable at **\$0.05** and will expire on the Bonus Option Expiry Date, being **31 January 2025** and otherwise on the terms set out in Section 5.2.

Where the number of New Shares issued to an Applicant is an uneven number, the number of Bonus Options will be rounded up.

The Offer comprises three components:

- (a) **Offer** – Eligible Shareholders will be entitled to subscribe for 1-for-5 shares held on the Record Date with 1 Bonus Option for Every 2 New Shares issued (**Entitlement**). As the offer is non-renounceable, Entitlements can be taken up in whole or in part, but cannot be traded on ASX (or transferred directly to another person). Shareholders are however invited to take up further New Shares, beyond their Entitlement, under the Top-Up Facility discussed below.
- (b) **Top-Up Facility** – The Offer incorporates a top-up facility under which Eligible Shareholders can apply for additional New Shares (Additional New Shares) in excess of their pro rata Entitlements (**Top-up Facility**). The issue of Additional New Shares will be dependent on there being a shortfall in the take up of Entitlements under the Offer. Eligible Shareholders who wish to apply for Additional New Shares under the Top-Up Facility can do so by specifying the number of Additional New Shares they wish to apply for in the space provided on their Entitlement and Acceptance Form.
- (c) **Shortfall Facility** – If there remains any shortfall of Shares taken up by Eligible Shareholders (including after the application of the Top-Up Facility), the Board reserves the right to issue all or any of the New Shares under the Shortfall Facility at their absolute discretion. The New Shares issued under the Shortfall Facility will be offered through a placement to eligible professional and sophisticated investors at the same price and under the same terms as the Offer.

Based on the capital structure of the Company, a maximum of approximately 92,859,388 New Shares and 46,429,694 Bonus Options (subject to rounding) will be issued pursuant to this Offer to raise up to approximately \$3.25 million (before costs).*

The purpose of the Offer and the intended use of funds raised under the Offer are set out in Section 4.

* The Company will not issue any securities under this Prospectus if it considers the issuance may be in breach of the Corporations Act.

3.2 Underwriting

The Offer is not underwritten.

The Company has appointed a lead manager to the Offer. Refer to Section 7.8 for further information.

3.3 Rights and liabilities of New Shares and terms of Bonus Options

All of the New Shares offered under this Prospectus will rank equally with the existing Shares on issue at the date of this Prospectus. Please refer to Section 5.1 for further information regarding the rights and liabilities attaching to the New Shares.

Please refer to Section 5.2 for further information regarding the terms of the Bonus Options.

3.4 What Eligible Shareholders may do

The Offer is being made to all Eligible Shareholders. The number of New Shares to which each Eligible Shareholder is entitled is shown in a personalised Entitlement and Acceptance Form which will be posted or emailed to Eligible Shareholders.

Any enquiries concerning the Offer, or if you require a personalised Acceptance Form, you can contact the Company at info@xrgroup.com.au or Boardroom Pty Limited at **1300 737 760** (within Australia) and **+61 2 9290 9600** (from outside Australia), during office hours (AEDT) time on Monday to Friday.

By returning a completed Entitlement and Acceptance Form or making a payment via BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria to be an Eligible Shareholder.

The table below summarises what actions may be taken by Eligible Shareholders.

Option	Key consideration	For more information
Take up all of your Entitlement	<p>If you wish to take up all of your Entitlement, then your application for New Shares under this Prospectus must be made by following the personalised Entitlement and Acceptance Form which will be posted or emailed to you. You can also request an Acceptance Form by emailing the Share Registry at corporateactions@boardroomlimited.com.au or calling 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia), or the Company at info@xrgroup.com.au.</p> <p>Payment can be made by the methods set out in Section 3.5. As set out in Section 3.5, if you pay by BPAY®, you do not need to return the Entitlement and Acceptance Form.</p> <p>Simply pay the amount you wish to invest using BPAY® or and the number of Shares and corresponding Bonus Options will be automatically calculated for you. If you have any queries, please email the Share Registry at corporateactions@boardroomlimited.com.au or the Company at info@xrgroup.com.au.</p>	<i>Section 3.5 Section 3.6</i>
Take up all of your Entitlement and also apply for Additional New Shares	<p>If you wish to accept all of your Entitlement and apply for Additional New Shares, then your application for your Entitlement and Additional New Shares under this Prospectus must be made by following the instructions on your personalised Entitlement and Acceptance Form which will be posted or emailed to you. You can also request an Acceptance Form by emailing the Share Registry at</p>	<i>Section 3.5 Section 3.6 Section 3.8</i>

corporateactions@boardroomlimited.com.au or calling **1300 737 760** (within Australia) or +61 2 9290 9600 (from outside Australia), or the Company at info@xrgroup.com.au.

Payment can be made by the methods set out in Section 3.5. Payment should be made for both your Entitlement and the amount of the Additional New Shares for which you are applying.

If you apply for Additional New Shares beyond your Entitlement you are deemed to have accepted your Entitlement in full. You should note that the allocation of Additional New Shares is at the discretion of the Company and as per the allocation policy set out in Section 3.12. Accordingly, your application for Additional New Shares may be scaled-back.

The Company's decision on the number of Additional New Shares to be allocated to you will be final.

Simply pay the amount you wish to invest using BPAY® and the number of Shares and corresponding Bonus Options will be automatically calculated for you. If you have any queries, please email the Share Registry at corporateactions@boardroomlimited.com.au or the Company at info@xrgroup.com.au.

Take up a proportion of your Entitlement and allow the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, your application must be made by completing the personalised Entitlement and Acceptance Form which will be posted or emailed to you. You can also request an Acceptance Form by emailing corporateactions@boardroomlimited.com.au or calling **1300 737 760** (within Australia) or +61 2 9290 9600 (from outside Australia),

*Section 3.5
Section 3.6*

You can apply for the number of New Shares you wish to take up and making payment using the methods set out in Section 3.5. As set out in Section 3.5, if you pay by BPAY®, you do not need to return the Entitlement and Acceptance Form.

Simply pay the amount you wish to invest using BPAY® and the number of Shares and corresponding Bonus Options will be automatically calculated for you. If you have any queries, please email the Share Registry at corporateactions@boardroomlimited.com.au or the Company at info@xrgroup.com.au.

Allow all or part of your Entitlement to lapse

If you do not wish to accept any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement by the Closing Date, the Offer will lapse.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

3.5 Payment methods

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations, representations and warranties on that Entitlement and Acceptance Form;
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies; and
- (c) if you pay more than is required to subscribe for your Entitlement, you will be taken to have applied for Additional New Shares under the Top-Up Facility, to the extent of the excess.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5.00pm (AEDT) on the Closing Date. The Company shall not be responsible for any delay in the receipt of the BPAY® payment.

If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings only use the customer reference number (**CRN**) specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any Application in respect of your remaining Shareholdings will not be valid).

Payment by cheque

For payment by cheque, please follow the instructions on the Entitlement and Acceptance Form. Your Application and Application Monies must be received by no later than 5.00pm (AEDT) on the Closing Date.

Cheque(s) must be drawn on an Australian branch of a financial institution and made payable to "xReality Group Ltd". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

If the amount of your cheque(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

3.6 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® or cheque will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® or cheque payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law.

3.7 Minimum subscription

There is no minimum subscription in respect of the Offer.

3.8 Top-Up Facility

Eligible Shareholders who take up their Entitlement in full may also apply for additional new shares in excess of their Entitlement (**Additional New Shares**) under a top-up facility (**Top-Up Facility**) (which will be allocated at the absolute discretion of the Company). Any New Shares not applied for by Eligible Shareholders will be included in the Top-Up Facility. Applications for Additional New Shares under the Top-Up Facility will be allocated at the absolute discretion of the Board of Directors and will be subject to scale back (where applicable). There is no guarantee that an Eligible Shareholder who applies for Additional New Shares will receive all or any of the Additional New Shares that they applied for. Eligible Shareholders who participate in the Top-Up Facility will do so without incurring any brokerage costs. Additional New Shares issued under the Top-Up Facility will rank equally with existing Shares on issue.

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Top-up Facility and potentially be allocated to other parties identified by the Directors, which may include parties who are not currently Shareholders as part of the Top-Up Facility. The Top-Up Facility will only be available where there is a shortfall between applications received from Eligible Shareholders and the number of Shares proposed to be issued under the Offer.

The Company reserves the right to issue an Eligible Shareholder a lesser number of Additional New Shares than applied for or no Additional New Shares at all. However, the Directors do not intend to refuse an application for Additional New Shares from Eligible Shareholders other than in circumstances of oversubscription or where acceptance may result in a breach of the Corporations Act. If the number of Additional New Shares applied for by Eligible Shareholders exceeds the total Top-Up Facility, the Additional New Shares will be allocated among applying Eligible Shareholders proportionate to their existing holdings.

All decisions regarding the allocation of Additional New Shares will be made by the Directors and will be final and binding on all applicants under the Top-Up Facility, as such there is no guarantee that any Additional New Shares applied for will be issued to Eligible Shareholders.

The Company will have no liability to any Applicant who receives less than the number of Additional New Shares they applied for under the Top-Up Facility. If the Company scales back any applications for Additional Shares under the Top-Up Facility any Application monies will be returned (without interest) as soon as practicable.

3.9 Shortfall Facility

If there remains any shortfall of New Shares taken up by Eligible Shareholders (including after the application of the Top-Up Facility), the Board reserves the right to issue all or any of the New Shares under the Shortfall Facility at their absolute discretion (**Shortfall Facility**). The New Shares issued under the Shortfall Facility will be offered through a placement to eligible professional and sophisticated investors at the same price and under the same terms as the Offer. Investors who participate in the Shortfall Facility will do so without incurring any brokerage costs. New Shares issued under the Shortfall Facility will rank equally with existing Shares on issue.

Any Shortfall will be placed under the same terms as the Offer.

3.10 Directors' Intentions

Directors (and their Associates) who are Eligible Shareholders will participate in the Offer.

The Directors (and their Associates) have indicated as follows:

- (a) Mr. Wayne Jones, with a voting power of 7.91% (through his Associates), has indicated he will take up approximately 13% of his Entitlements.
- (b) Mr. Kim Hopwood, with a voting power of 6.96%, has indicated he will take up approximately 9% of his Entitlement.
- (c) Mr. Daniel Hogan, with a voting power of 4.13%, has indicated he will take up approximately 68% of his Entitlement.
- (d) Mr. John Diddams, with a voting power of 1%, has indicated he will take up 100% of his Entitlement.
- (e) Mr. Philip Copeland, with a voting power of 1% has indicated he will be taking up 100% of his Entitlement.

In addition to taking up his full Entitlement under the Offer, Mr. Philip Copeland proposes to invest a sum of \$73,354 under the Placement, subject to obtaining Shareholder approval at the upcoming Annual General Meeting. If approved, Mr. Philip Copeland's total investment under the Placement and the Offer is expected to be \$100,000.

3.11 ASX Listing

Application for Official Quotation of the New Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any New Shares and will repay all Application Monies for the New Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

The Company will not apply for Official Quotation of the Bonus Options.

3.12 Issue of New Shares

New Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 1.2 this Prospectus. Additional New Shares issued pursuant to the Top-Up Facility will be issued on a progressive basis. Where the number of Additional New Shares issued is less than the number applied for, or where no issue is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Top-Up Facility.

Pending the issue of the New Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Share Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form or submitting an Application.

Holding statements for New Shares issued under the Offer (including Additional New Shares under the Top-Up Facility) will be mailed as soon as practicable.

3.13 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions, having regard to the number of overseas Shareholders, the number and value of New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and New Shares will not be issued to Shareholders with a registered address which is outside Australia.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

3.14 Ineligible Shareholders

The Offer is not being made to Ineligible Shareholders. The Company has determined, pursuant to ASX Listing Rule 7.7.1 and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to extend the Offer to Ineligible Shareholders, having regard to:

- (a) the small number of Ineligible Shareholders as a proportion of the total number of Shareholders;
- (b) the small number and value of the New Shares which would be offered to Ineligible Shareholders if they were Eligible Shareholders; and
- (c) the cost of complying with the legal and regulatory requirements in the overseas jurisdictions.

The Company, in its absolute discretion, may extend the Offer to Shareholders outside Australia if it is satisfied that the Offer may be made to the Shareholder in compliance with all applicable securities laws. Where this Prospectus has been dispatched to an Ineligible Shareholder, and the law, code or legislation in their jurisdiction prohibits or restricts in any way the making of the Offer, this Prospectus is provided for information purposes only.

3.15 Nominee for Ineligible Shareholders

Veritas Securities Limited has agreed to act as nominee (**Nominee**) (subject to ASIC approval) for the purposes of section 615 of the Corporations Act to take up the Entitlements which would otherwise have been offered to Ineligible Shareholders.

The Nominee will sell the Shares issued to it on taking up those Entitlements. All sales will be at prices and otherwise in the manner determined by the Nominee in its absolute discretion.

Neither the Company nor the Nominee will be liable for any failure to sell the New Shares at any particular price. The proceeds of the sale, net of expenses, (if any) will be distributed to each of the Ineligible Shareholders in proportion to their Entitlement.

Except as detailed in Section 7.8, the Company will not pay any additional fees to the Nominee for providing the services.

3.16 Taxation

The potential tax effects relating to the Offer will vary between Shareholders. Shareholders are urged to consider the possible tax consequences of acquiring New Shares and exercising Bonus Options by consulting a professional tax adviser.

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of being granted New Shares under this Prospectus as it is not possible to provide a comprehensive summary of the possible taxation positions of all Shareholders. The Company, its advisors and officers do not accept any responsibility or liability for any taxation consequences to Shareholders in respect of the Offer. Shareholders should consult their own professional tax adviser in connection with the taxation implications of the Offer.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, financial advisor, accountant, solicitor or other professional advisor immediately.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to raise a total of \$3,250,079 (before costs).

The funds raised will be allocated towards the following two core objectives:

- (a) **Growth in the US:** The Company will allocate approximately \$2 million from the funds raised under the Offer to implement its growth strategies in the US. The Company has identified a number of strategic opportunities for Operator XR in the US that align with its core strengths and promise expected significant returns on investment. The Company will seek to seize these opportunities using the additional capital, further establishing its brand, expanding its distribution networks and delivering value to its customers. A growing pipeline of opportunity in the Global markets and in particular the US, is currently expected to start converting into substantial sales and annual recurring revenue within the short to medium term. By focusing its efforts and resources into this area, the Company will seek to maximise the momentum, fast track the sales cycles and significantly increase the opportunity pipeline.
- (b) **Reduction of Company Debt:** Maintaining a healthy balance sheet has always been a priority of the Company. The Company will allocate part of the remaining amount from the funds raised under the Offer to reduce its debt. A reduction in its existing debt will result in immediate positive cashflow effects by reducing interest and principal repayments which the Company currently pays on a monthly basis. It is expected that further debt reduction will be possible from the proceeds of the exercise of the Bonus Options.

If the Offer is not fully subscribed, any funds raised will first be applied toward the expenses of the Offer and then, as determined by the Board, between the costs of the execution of growth strategies in the US and reduction of Company debt.

4.2 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, and no other Shares are issued, including on exercise or conversion of Options/Shares prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	450,011,224
Shares to be issued pursuant to the Offer*	92,859,388
Total shares on issue after completion of the Offer	557,156,326

* Includes Shares issued under the Placement.

Options

	Number
Options currently on issue*	19,585,005
Bonus Options to be issued pursuant to the Offer**	53,572,551
Total Options on issue after completion of the Offer	73,157,556

* Includes Options issued under the Placement.

** Does not include any Options issued to the Lead Manager. See Section 7.8.

4.3 Unaudited pro-forma Statement of Financial Position

An unaudited pro-forma statement of financial position of the Company as set out below is based on the audited annual report for the Company released to ASX on 31 August 2023, adjusted for completion of the Offer and exercise of all the Bonus Options.

It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus nor at the conclusion of the Offer. In particular, it does not reflect actual expenditure of funds since 30 June 2023.

References to 'pro-forma' information are non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information). Non-IFRS financial information has not been subject to audit or review.

	As at 30 June 2023	Pro-forma Post Offer 16 November 2023	Pro-forma Post Bonus Option exercise 31 January 2025*
	\$'000	\$'000	\$'000
Current Assets			
Cash and cash equivalents	752	2,752	5,430
Trade and other receivables	844	844	844
Inventories	31	31	31
Other financial assets	94	94	94
Total current assets	1,721	3,721	6,399
Non-Current Assets			
Property, plant & equipment	20,265	20,265	20,265
Right of Use over Asset	13,533	13,533	13,533
Intangible asset	3,060	3,060	3,060
Other financial asset	774	774	774
Total non-current assets	37,632	37,632	37,632
Total assets	39,353	41,353	44,031
Current Liabilities			
Trade and other payables**	(2,237)	(1,573)	(1,573)
Lease liability	(1,315)	(1,315)	(1,315)
Deferred revenue	(1,520)	(1,520)	(1,520)
Borrowings	(300)	(300)	(300)
Provisions	(439)	(439)	(439)
Total current liabilities	(5,811)	(5,147)	(5,147)

	As at 30 June 2023	Pro-forma Post Offer 16 November 2023	Pro-forma Post Bonus Option exercise 31 January 2025*
	\$'000	\$'000	\$'000
Non-Current Liabilities			
Trade and other payables*	(289)	(32)	(32)
Lease liability	(13,875)	(13,875)	(13,875)
Deferred revenue	(367)	(367)	(367)
Borrowings	(7,282)	(5,757)	(5,757)
Provisions	(1,573)	(1,573)	(1,573)
Total non-current liabilities	(23,386)	(21,604)	(21,604)
Total liabilities	(29,197)	(26,751)	(26,751)
Net assets	10,156	14,602	17,280
Equity			
Issued capital	45,675	49,200	51,878
Reserves	371	371	371
Accumulated losses	(35,890)	(34,969)	(34,969)
Total equity	10,156	14,602	17,280

* Does not include any Options issued to the Lead Manager see Section 7.8.

** Includes R&D claim of \$920,109 received in September 2023 and costs incurred in connection with the Offer.

5. RIGHTS AND TERMS

5.1 Rights and liabilities attaching to New Shares

All New Shares rank equally with existing Shares. The rights and liabilities attaching to the Shares apply to the New Shares being offered pursuant to this Prospectus.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.2 Terms of Bonus Options

- (a) **Entitlement** – Each Bonus Option entitles the holder to subscribe for 1 Share on exercise of the Bonus Option.
- (b) **Exercise Price** – Subject to Section 4.6(f), the amount payable on exercise of each Bonus Option will be \$0.05 (**Exercise Price**). A notice of exercise of options is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds.
- (c) **Expiry Date** – Each Bonus Option will expire at 5.00pm (AEDT) on or before 31 January 2025 (**Expiry Date**). A Bonus Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) **Exercise Period** – The Bonus Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (e) **Notice of Exercise** – The Bonus Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Bonus Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Bonus Option being exercised in Australian currency by enclosing your cheque with the Notice of Exercise or it can be made by BPAY® or other means of payment acceptable to the Company.
- (f) **Exercise Date** – A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Bonus Option being exercised in cleared funds (**Exercise Date**).
- (g) **Timing of issue of Shares on exercise** – Within five (5) Business Days after the Exercise Date, the Company will:
 - (i) issue the number of Shares required under these terms and conditions in respect of the number of Bonus Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (iii) if admitted to the official list of ASX at the time, apply for Official Quotation on ASX of Shares issued pursuant to the exercise of the Bonus Options.

If a notice delivered under Section 4.6(g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

- (h) **Shares issued on exercise** – Shares issued on exercise of the Bonus Options will rank equally with the then issued Shares of the Company.
- (i) **Reconstruction of capital** – If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (j) **Participation in new issues** – There are no participation rights or entitlements inherent in the Bonus Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Bonus Options without exercising the Bonus Options.
- (k) **Change in exercise price** – A Bonus Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Bonus Option can be exercised.
- (l) **Transferability** – The Bonus Options are not transferable.
- (m) **Register** – The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.
- (n) **Dividend entitlement** – The Bonus Options do not carry any dividend entitlement. Shares issued on exercise of Bonus Options rank equally with other issued Shares of the Company on and from issue.
- (o) **Participating rights** – Optionholders may only participate in new issues of Shares to holders of Shares in the Company if the Bonus Option has been exercised and Shares allotted in respect of the Bonus Option before the record date for determining entitlements to the issue. The Company must give at least 4 Business Days' notice to Optionholders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

6. RISK FACTORS

6.1 Introduction

The New Shares offered under this Prospectus should be considered speculative and an investment in the Company is not risk free.

The Directors strongly recommend that prospective investors consider the risk factors set out in this Section 6, together with all other information contained within the Prospectus.

The future performance of the Company and the value of the New Shares may be influenced by a range of factors, many of which are largely beyond the control of the Company and the Directors. The key risks associated with the Company's business, the industry in which it operates and general risks applicable to all investments in listed securities and financial markets generally are described below.

The risks factors set out in this Section 6, or other risk factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the New Shares. This Section 6 is not intended to provide an exhaustive list of the risk factors to which the Company is exposed.

Before determining whether to invest in the Company you should ensure that you have a sufficient understanding of the risks described in this Section 5, and all of the other information set out in this Prospectus, and consider whether an investment in the Company is suitable for you, taking into account your objectives, financial situation and needs.

If you do not understand any matters contained in this Prospectus or have any queries about whether to invest in the Company, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional advisor.

6.2 Company specific risks

- (a) **Potential for dilution** – As set out in the key Offer statistics in Section 1.1, following completion of the Offer, assuming all Entitlements are accepted, the number of Shares in the Company will increase from 464,296,938 currently on issue (including Shares issued under the Placement), to 557,156,326. This means that immediately after the Offer each Share will represent a lower proportion of the ownership of the Company. It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer and the Directors do not make any representation as to such matters. The last trading price of Shares on ASX on the 18 October 2023 of \$0.048 is not a reliable indicator as to the potential trading price of Shares following completion of the Offer.
- (b) **Growth strategy** – Achievement of the Company's objectives is largely dependent on its ability to successfully execute its growth strategy. There can be no assurance that the Company's growth strategy will be successfully implemented, deliver the expected returns or ultimately be profitable. The ability to properly implement and manage the strategic direction of the Company and its growth strategy may affect the Company's operating and financial performance.
- (c) **Fundraising** – While the Company expects it will have sufficient funds after completion of the Offer to meet all its growth and capital requirements in the near term, if the Company is unable to obtain additional capital, it may be required to reduce the scope of its expected activities, which could adversely affect its business, financial condition and operating results.

6.3 Industry specific risks

- (a) **Competition** – There is always a risk that the Company may experience increased competition from existing competitors and new entrants to the market. Competition may also result from mergers and acquisitions activity within the industry or advancements in technology and product innovation. If these risks materialise, this will have an adverse impact on the Company's financial performance and competitive position.
- (b) **New technologies** – The Company may be required to implement technological advancements to maintain its competitive edge in the market. The Company may encounter difficulties in incorporating advancements to its offerings due to factors outside of its control. The inability of the Company to implement new technologies may have an adverse impact on the Company's financial performance and growth.
- (c) **Information technology** – The Company depends on information technology systems and platforms to operate its business. A disruption to supply of components of hardware, or failure of, one or more of these internal or third-party systems may have an adverse effect on the Company's financial performance and growth prospects.
- (d) **Intellectual property** – The Company cannot be certain that the actions it takes to protect its intellectual property rights will be adequate or that third parties will not infringe or misappropriate the Company's intellectual property. There is a risk that the actions taken by the Company will not be sufficient to protect its intellectual property rights or that existing protection measures implemented by the Company cannot be maintained or are inadequate. If the Company fails to protect and retain its intellectual property rights, it could have an adverse effect on the Company's operating and financial performance and reputation.
- (e) **Infringement of third-party intellectual property rights** – There is a risk that third parties might raise concerns that the Company has inadvertently infringed on their intellectual property rights without their consent or permission. Any claims, even if unsubstantiated, could potentially lead to disagreements or legal proceedings that may be prolonged and costly. Although the Company has taken actions to avoid this eventuating, including, engagement of intellectual property and patent professionals, insurance policies with experienced underwriters and multiple other research and mitigation methods, should the Company be regarded as infringing intellectual property rights of third parties, it could have an adverse effect on the Company's operations and financial performance and its reputation.
- (f) **Reliance on key personnel** – The responsibility of overseeing the day-to-day operations and strategic management of the Company depends substantially on key personnel. The loss or departure of one or more key personnel, and/or the inability to hire new employees to underpin the Company's growth, may have a material adverse effect on the Company's performance and growth.
- (g) **Government and legal risk** – Adverse changes in government policies or legislation may affect the activities of the Company.
- (h) **Compliance with and changes to legislation and regulation** – If the Company does not or cannot comply with the necessary laws and regulations it may be exposed to fines, penalties or loss of requisite licenses or authorisations, which may alone or in combination have a material adverse effect on the Company's ability to operate. These factors, as a consequence may have a material adverse effect on the Company's financial performance and future prospects.

6.4 General risks

- (a) **Trading and liquidity in Shares** – The price of Shares may rise or fall depending on a range of factors beyond the Company's control and which are unrelated to the Company's performance. There is no guarantee or assurance that an active market for Shares will exist or that the price of Shares will increase. There may be relatively few potential buyers or sellers of Shares on ASX at any given time which will impact upon Share liquidity. This may increase the volatility of the market price of Shares and may also impact on the ability of Shareholders to be able to sell their Shares at a price that is more or less than that paid by the Shareholder.
- (b) **General economic conditions and external factors** – The Company's financial performance and Share price may be materially adversely affected by a number of general risk factors including but not limited to changes in the Australian and international economic outlook, Federal or State Government fiscal, monetary or regulatory policies (such as increases in interest rates) and inflation and exchange rates. The general economic climate may affect the performance of the Company. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Company and their impact cannot be predicted.
- (c) **Taxation** – There are tax implications arising from buying and selling Shares. Investors should seek their own independent taxation advice before applying for Shares.

6.5 Investment speculative

The risk factors described above, and other risks factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the New Shares.

Prospective investors should consider that an investment in the Company is highly speculative.

There is no guarantee that the New Shares offered under this Prospectus will provide a return on capital, payment of dividends or increases in the market value of those Shares.

Before deciding whether to subscribe for New Shares under this Prospectus you should read this Prospectus in its entirety and consider all factors, taking into account your objectives, financial situation and needs.

6.6 Investor considerations

Before deciding whether to take up your Entitlement, you should consider whether the New Shares are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of shares listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, accountant, solicitor or other professional advisor immediately.

The potential tax effects relating to the Offer will vary between Shareholders. Shareholders are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax advisor.

7. ADDITIONAL INFORMATION

7.1 Legal proceedings

The Company is not and has not been, during the 12 months preceding the date of this Prospectus, involved in any legal or arbitration proceedings which have had or may have a significant effect on the financial position on the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

7.2 Continuous disclosure obligations

The Company is a disclosing entity for the purposes of section 713 of the Corporations Act and as such, is subject to regular reporting and disclosure obligations.

Broadly, these obligations require the Company to:

- (a) prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a Directors' statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning the Company of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of Shares in the Company, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to the Company may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to the Company may be obtained from the ASX website (www.asx.com.au).

This Prospectus is issued pursuant to Section 713 of the Corporations Act. This enables listed disclosing entities to issue a prospectus with more limited disclosure than would be required in a full-form prospectus, when the Company has been a listed disclosing entity for a period of at least 12 months.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
18 October 2023	XRG Investor Presentation
18 October 2023	ASX Release – Cleansing Notice
18 October 2023	Appendix 3B – Announcement of proposed issue of securities
18 October 2023	ASX Release – Capital Raise for US Expansion
16 October 2023	ASX Announcement – Trading halt
26 September 2023	ASX Release – Restructure of Birkdale debt facility
22 September 2023	Appendix 2A – Application for quotation of securities

7.3 Other documents

The Company will provide a copy of any of the following documents free of charge to any person who requests a copy in relation to this Prospectus:

- (a) the annual financial report of the Company for the year ended 30 June 2023 being the most recent annual report lodged with ASIC before the lodgement of this Prospectus;
- (b) the half-year financial report for the period ended 31 December 2022, being the half-year lodged with ASIC by the Company after the lodgement of the 2022 annual report and before the lodgement of the copy of this Prospectus with ASIC; and
- (c) any other document or financial statement lodged by the Company with ASIC or the ASX under the continuous disclosure reporting requirements in the period after lodgement of the year ended 30 June 2023 annual financial report referred to above to the date of lodgement of this Prospectus with ASIC.

7.4 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market traded prices of the Shares on ASX during the three (3) months immediately preceding the date of release of this Prospectus and the respective dates of those trades were:

	(\$)	Date
Highest	\$0.058	20 July 2023
Lowest	\$0.038	03 October 2023
Last	\$0.048	18 October 2023

7.5 Company's Directors

Director	Experience
John Diddams, Chairman	<ul style="list-style-type: none">➤ 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, 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 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 Hogan 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
and 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
and 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, Southeast 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).

7.6 Interests of Directors in the Company

The interests of the Directors (and their Associates) in the Company are set out in Section 2.3.

No other interests

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within 2 years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company or a promoter of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce them to become or to qualify them as a Director or otherwise, for services rendered by them in connection with the promotion or formation of the Company.

7.7 Related party disclosures

All transactions with related entities are made on commercial and arms-length terms.

7.8 Lead Manager

The Company has entered into an agreement with Veritas Securities Limited (ACN 117 124 535) (**Lead Manager**), appointing the Lead Manager to raise funds under the Placement and the Shortfall Facility. Pursuant to the terms of the agreement, the Company has agreed:

- (a) to pay the Lead Manager a fee of 4% (excluding GST) in connection with the funds raised under the Placement and the Shortfall Facility;
- (b) to pay the Lead Manager a management fee equivalent to 2% of the total gross proceeds raised under the Offer;
- (c) to reimburse the Lead Manager for all reasonable out-of-pocket expenses, up to a maximum of \$15,000; and
- (d) to issue to the Lead Manager new Options on the same terms as the Bonus Options – the total number of Options will be 3,000,000 and 1 Option for each dollar raised under the Placement and the Shortfall Facility.

The fees payable to the Lead Manager will be paid by the Company on completion of the Offer.

7.9 Interests of experts and advisors

Other than as set out in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company;

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

7.10 Consents and responsibility statements

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as proposed directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section 7;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 7; and
- (c) has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Each of the following parties has given and, before lodgement of the paper Prospectus with ASIC and the issue of the electronic Prospectus, has not withdrawn its written consent to be named as performing the below role in the form and context in which it is so named.

Name	Role / Responsible
Mont Lawyers Pty Limited (Mont Lawyers)	Australian Solicitors
Boardroom Pty Limited	Share Registry for the Company
Veritas Securities Limited	Lead Manager

Each of the above parties has only been involved in the preparation of that part of the Prospectus where they are named. Except to the extent indicated above, none of the above parties have authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

7.11 Expenses of the Offer

Expenses of the Offer including legal fees, ASIC fees and registry, printing, ASX and other fees, are estimated to be approximately \$56,693. A summary of these Offer costs is set out below.

Issue costs*	\$
Legal fees	\$35,000
ASIC fees	\$6,693
Registry, printing, ASX and other fees	\$15,000

** Costs are estimates only and exclusive of GST, does not include Lead Manager fees which will be calculated as detailed in Section 7.8. The fees detailed above do not include all fees payable to advisors for matters incidental to the Offer.*

7.12 Other information

There is no information relating to the Offer that, because of its confidential or prejudicial nature, has not been notified to the ASX which investors or their professional advisors would reasonably require and reasonably expect to make an informed assessment of the effect on the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to the New Shares.

7.13 Governing law

This Prospectus is governed by the laws of New South Wales.

7.14 Approval

This Prospectus has been approved by unanimous resolution of the Directors of the Company.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: **24 October 2023**



John Diddams
Chairman
xReality Group Ltd

8. GLOSSARY AND INTERPRETATION

8.1 Glossary

In this Prospectus:

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time.

Applicant means an Eligible Shareholder who submits an Entitlement and Acceptance Form and/or payment of Application Monies.

Application means an application for New Shares lodged in accordance with the instructions in this Prospectus and the Entitlement and Acceptance Form.

Application Monies means monies paid by Eligible Shareholders in respect of New Shares the subject of an Application.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as in the Corporations Act.

ASX means the ASX Limited or the securities exchange operated by ASX Limited.

ASX Listing Rules means the listing rules of ASX.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out in Section 1.2 (unless extended).

Company means xReality Group Ltd (ABN 39 154 103 607).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act (2001)* (Cth).

CRN means Customer Reference Number in relation to BPAY®.

Directors or **Board** means the directors or board of the Company.

EBITDA means earnings before interest, taxes, depreciation and amortisation.

Eligible Shareholders are those persons who:

- (a) are registered as a holder of Shares as at the Record Date, being 5.00pm (AEDT) on Friday, 27 October 2023;
- (b) have a registered address on the Company's Share Registry in Australia, or are Shareholders who the Company has otherwise determined to be eligible to participate in the Offer;
- (c) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds Shares for the account or benefit of such person in the United States); and
- (d) the Company considers are eligible under all applicable securities laws to receive and participate in the Offer.

Entitlement means the number of New Shares that an Eligible Shareholder is entitled to apply for under the Offer (on the basis of 1-for-5).

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Exercise Price means the exercise price of the Bonus Options being \$0.05.

Expiry Date means the expiry date of the New Options, being 5.00pm (AEDT) on Friday, 31 January 2025.

FY2023 means the financial year ended 30 June 2023.

Ineligible Shareholders means a Shareholder that is not an Eligible Shareholder.

Listing Rules means the listing rules of the ASX.

Bonus Option means a bonus Option to be issued under the Offer.

New Share means a new Share to be issued under the Offer.

Offer means the pro-rata non-renounceable offer to Eligible Shareholders to subscribe for 1 New Share for every 5 existing Shares held with 1 Bonus Option for every 2 New Shares issued under this Prospectus at the Offer Price.

Offer Price means \$0.035.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share in the Company.

Optionholder means a holder of an Option.

Placement means the placement to institutional investors as announced on 18 October 2023.

Prospectus means this prospectus as modified or varied by any supplementary document issued by the Company and lodged with ASIC from time to time.

Record Date means Friday, 27 October 2023.

Relevant Interest has the meaning set out in the Corporations Act.

Section means a section of this Prospectus.

Service Rights means the service rights issued by the Company.

Share means a fully paid ordinary share in the Company.

Shareholder means a registered holder of a Share.

Share Registry means Boardroom Pty Limited, Level 8, 210 George Street, Sydney NSW 2000.

Shortfall Facility has the meaning in in Section 3.9.

Top-Up Facility has the meaning in in Section 3.8.

8.2 Interpretation

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (a) Words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified.
- (b) The singular includes the plural and vice versa.
- (c) A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa.
- (d) A reference to any gender includes both genders.
- (e) A reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires.
- (f) A reference to “dollars” or “\$” is to Australian currency.
- (g) In this document, headings are for ease of reference only and do not affect its interpretation.
- (h) Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.