



XREALITY GROUP LIMITED

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

ASX Release
Sydney, Australia – 22 April 2025

Quarterly Activities Report

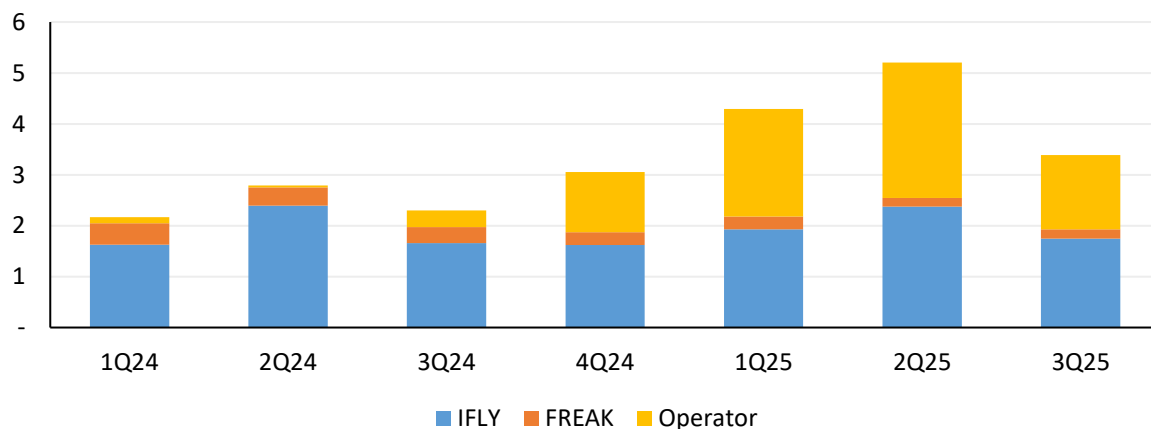
xReality Group Limited (ASX:XRG) (xReality) is pleased to provide the following Quarterly Activities Report and Appendix 4C for the quarter ending 31st March 2025, together with an Operational Update.

Key Highlights

- Another strong quarter for cash receipts and new sales of Operator XR in the US
- Cash Receipts in Q3 FY25 of \$3.4m (\$13.0m YTD) driven by:
 - Operator XR of \$1.5m in the quarter (\$6.3m YTD), and
 - Entertainment of \$1.9m in the quarter (\$6.6m YTD)
- Increase in ARR \$0.6m (17% QoQ) to \$4.2m
- Increase in TCV \$1.8m (24% QoQ) to \$9.2m YTD
- Balance Sheet Restructure complete – total company debt reduced by 48%*
- Establishment of AI Advisory Board
- Strategic Research program established with leading US Law Enforcement training organisation (3rd April 25)

**Shareholder approval to be obtained at EGM to be held 30th April 2025*

Receipts from Customers (\$m)



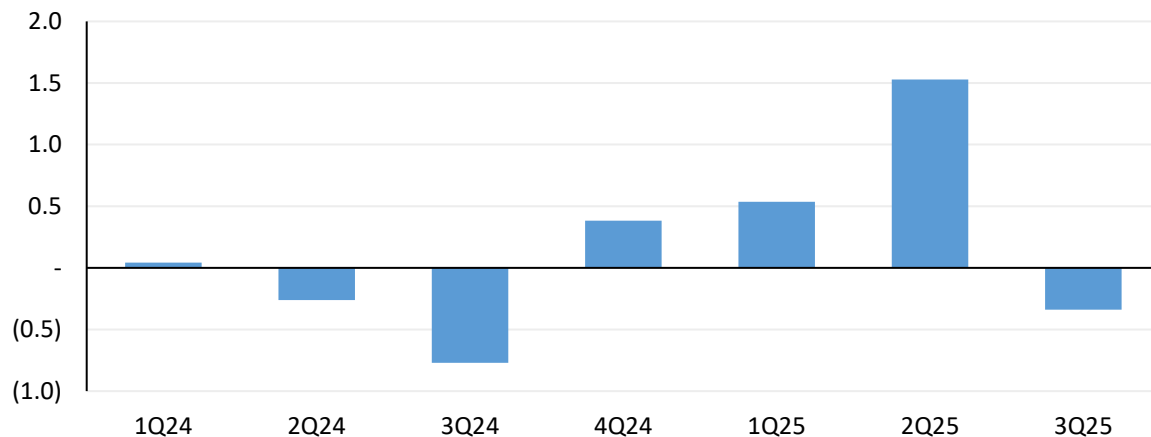


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Operational Cashflow:

- Operational Cashflow in Q3 FY25 was negative \$0.3m (positive \$1.7m YTD), driven by:
 - Timing differences between securing 12 new Operator XR customer contracts late in the quarter and associated cash receipts
 - Increased US expenditure to upgrade and train all current customers to the new OP-2 XR platform

Operating Cashflow (\$m)



Operating Performance Metrics:

- Business momentum remains strong, as evidenced by:
 - Annual Recurring Revenue increased to \$4.2m (up 17% QoQ)
 - Total Contract Value increased to \$9.2m (up 24% QoQ, up 124% on FY24)
 - 12 New Operator XR customers in the US, alongside 1 renewal
- Our largest trade show in the US in January, generating new leads and exposure

The outlook remains positive with:

- 280 qualified and active sales opportunities with a total sales pipeline of \$29.3m
- US DOD project passes 7-month milestone and remains on track for 20-month completion



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Operational Update by Business Sector:

Operator XR – Enterprise Software and Technology

Operator XR continues to make significant progress across the USA. Year to date Total Contract Value is 124% higher than the entire FY24.

Operator XR continued its scale in the US with 12 new law enforcement customers across the country. The largest trade show for the year, Shot Show took place in Las Vegas from 21-24 January. The event is a trade show for professionals involved in the shooting sports, hunting, and law enforcement industries with representation from over 100 countries.

Operator XR invested in the exhibition with a static live demonstration of our new OP-2 software to hundreds of parties which included state and federal law Enforcement agencies along with military unit representatives from around the world.

Global market interest has resulted in the appointment of new distributors in Europe and the Middle East.

In February, XRG established an AI advisory board led by Ash Crick to oversee AI integration into the Operator XR product suite. Initiatives are now in progress to improve customer training ROI, reduce reliance on instructors, and generate new revenue opportunities. With a proven track record leading fintech innovation within ANZ Bank and as founding CTO of iFlix, Ash will accelerate AI implementation and secure XRG's competitive edge in military and law enforcement training.

As announced on the 3rd April 2025, Operator XR LLC, has entered into a strategic research collaboration (MOU) with the Advanced Law Enforcement Rapid Response Training (ALERT) Centre at Texas State University, the FBI-designated national standard for active shooter response training in the United States. Key highlights from the collaboration include.

- Strategic research program established with the Advanced Law Enforcement Rapid Response Training (ALERT) Centre at Texas State University, the FBI-designated national standard in active shooter response training in the US
- Research will optimise Operator XR's technology platform in high-stress law enforcement scenarios
- ALERT has trained over 300,000 first responders in the US with more than \$180 million in federal and state funding
- Initial two-year collaboration with potential for extension

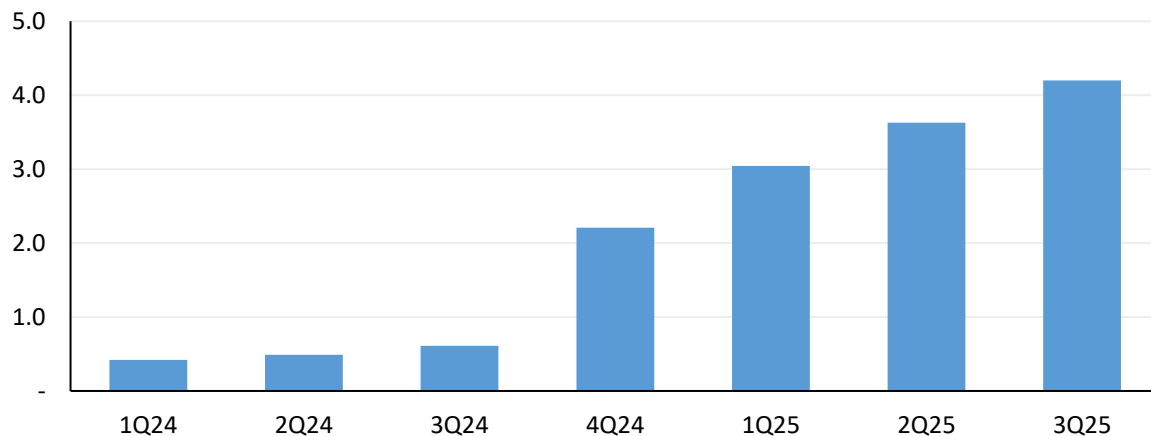


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During the quarter, Operator XR secured 12 new customers and one renewal, with a total contract value (TCV) of \$1.8m. These new sales add \$0.6m in annual recurring revenue to Operator XR.

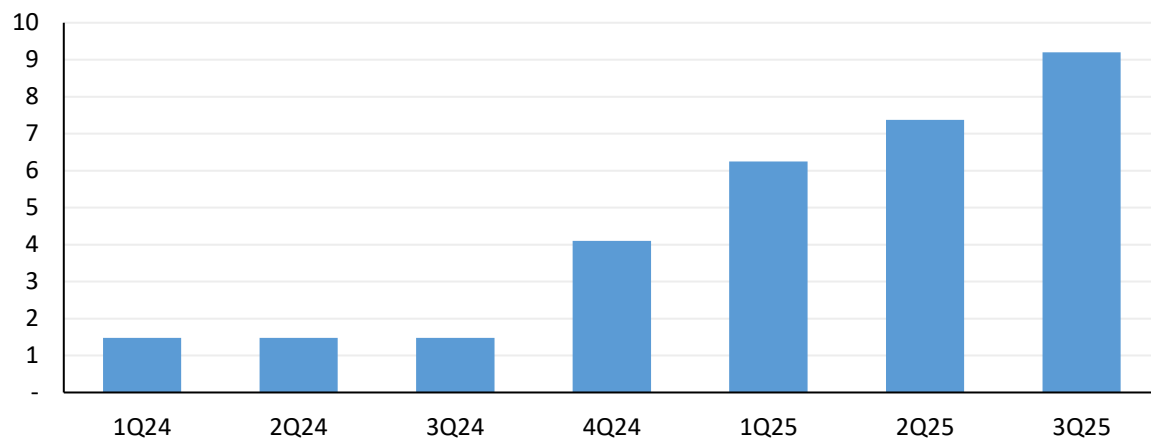
Operator XR Annual Recurring Revenue (ARR) at the end of the quarter was \$4.2m (up 17% or \$0.6m QoQ).

ARR - Operator (\$m)



Operator XR Growth in Sales - Total Contract Value FY25 YTD is now \$9.2m, up \$1.8m in the Quarter and up 124% on full year FY24.

New Sales (TCV) - Operator (\$m)





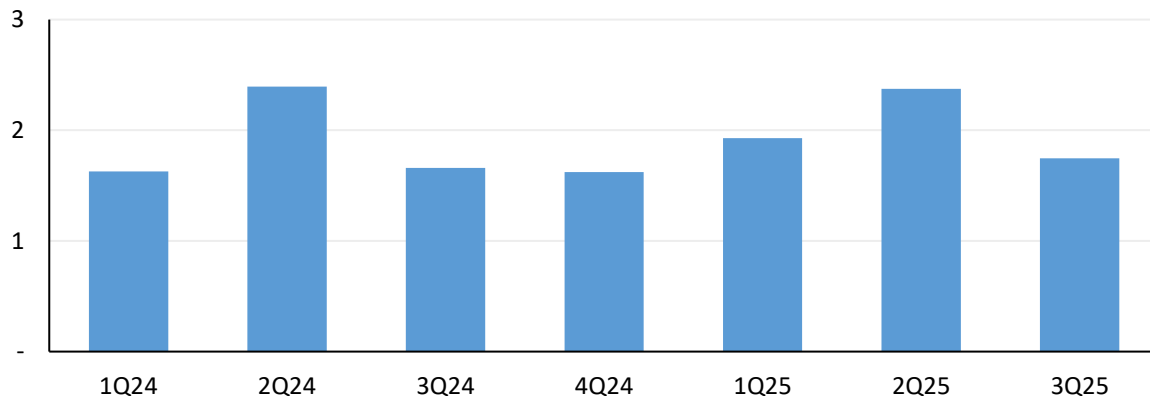
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Entertainment Sector – iFLY and Freak Entertainment

XRG's portfolio of Entertainment businesses have experienced another strong quarter, with an increase of sales across the sector of 16% on pcp, resulting in cash receipts for the division of \$1.9m.

The increase in cash receipts from Q3 2024 was attributed to the iFLY businesses in Sydney and the Gold Coast, reflecting a strong and stable retail market post the Christmas period and into the early months of 2025.

iFLY - Cash Receipts (\$m)



Corporate Activity

- Conversion of Subordinate Debt Facility at 30% premium
 - On the 5th March 2025, the company entered into an agreement with its largest shareholder, Birkdale Holdings, to convert \$4.6m of debt into shares at a conversion price of \$0.05 per share, a 39% premium to the closing price as at the date of the agreement. The conversion is subject to shareholder approval to be sought at the upcoming EGM to be held on the 30th April 2025.
- Execution of New Debt Facility of up to \$6m
 - On the 3rd April 2025, the company announced that it had entered into an agreement with Causeway Asset Management to implement a new senior debt facility to repay the existing debt facility in place and provide additional working capital for the growth of Operator XR.

The company's Debt restructure phase is now complete, with an overall debt reduction of 48%, resulting in a long-term, stable debt position with substantially improved gearing.

Cash Flow Analysis

Cash receipts for the quarter totalled \$3.4m. Net cash from operating activities was negative \$0.3m due primarily to timing differences between late-quarter sales and cash receipts. The Company invested \$0.8m into XR product development. The Company repaid \$75,000 of debt, remains compliant with all debt covenants, and had a closing cash position of \$2.3m.

Related parties' expenses of \$0.1m comprise salaries and superannuation paid to executive directors and fees paid to non-executive directors.

This announcement is authorised by the Board of Directors.

END



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About xReality Group Limited (ACN: 154 103 607)

xReality Group Limited are leaders in enterprise software development for mission critical simulations for military and law enforcement. The company develops and operates physical and digital simulations. Portfolio companies include Indoor Skydiving facilities, Virtual Reality (VR) and Augmented Reality (AR) entertainment, training, and production.

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

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

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

Wayne Jones, Chief Executive Officer, wjones@xrgroup.com.au
Stephen Tofler, Chief Financial Officer and Company Secretary, stofler@xrgroup.com.au

Appendix 4C

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

Name of entity

xReality Group Ltd

ABN

39 154 103 607

Quarter ended ("current quarter")

31 March 2025

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A	\$A
1. Cash flows from operating activities			
1.1 Receipts from customers		3,442,547	12,964,031
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		-962,078	-2,700,152
(c) advertising and marketing		-612,130	-1,264,037
(d) leased assets		-	-1,772
(e) staff costs		-1,509,489	-4,892,901
(f) administration and corporate costs		-537,151	-1,955,159
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		2,216	9,764
1.5 Interest and other costs of finance paid		-184,404	-523,143
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		22,500	81,304
1.8 Other (creditors from other periods)		-	-
1.9 Net cash from / (used in) operating activities		-337,990	1,717,934
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		-	-
(d) investments		-	-
(e) intellectual property		-845,427	-2,908,009

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A	\$A
	(f) other non-current assets	-48,373	-60,942
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-893,801	-2,968,952

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	494,500
3.6	Repayment of borrowings	-75,000	-225,000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (creditor settlement to facilitate debt restructure)	-	-
3.10	Net cash from / (used in) financing activities	75,000	269,500

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,332,190	2,006,918

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

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A	\$A
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-337,990	1,717,934
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-893,801	-2,968,952
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-75,000	269,500
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,025,400	1,025,400

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	1,025,400	2,332,190
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,025,400	2,332,190

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A**

41,282

79,242

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Directors' fees to non-executive Directors and salaries and superannuation to executive Directors.

6.2 Salaries and superannuation to executive Directors.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (Birkdale Holdings (Qld) Pty Ltd)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
4,550,000	4,550,000
-	-
4,597,194	4,597,194
9,147,174	9,147,174

7.5 **Unused financing facilities available at quarter end**

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Causeway Financial – secured – 14.5%

Birkdale Holdings (Qld) Pty Ltd – secured – 7.5%

8. Estimated cash available for future operating activities**\$A**

8.1 Net cash from / (used in) operating activities (Item 1.9)

-337,990

8.2 Cash and cash equivalents at quarter end (Item 4.6)

1,025,400

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

1,025,400

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

3.03

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 22 / 04 / 2025

Authorised by: 
(By the board)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.