INVESTOR PRESENTATION

FY25 H1 Results & Strategy Update

5 March 2025

Executive Summary

XRG

Company Overview

- XReality Group (XRG) is a market leader in immersive Extended Reality (XR) solutions, offering both VR and AR experiences.

- Current portfolio includes advanced XR training and simulation products, and entertainment businesses including VR entertainment and indoor skydiving facilities.

- XRG's core product, Operator XR's growth is significantly outpacing the legacy entertainment segment in revenue and scalability.

- XRG has agreed to complete a debt-to-equity conversion of major loan and shareholder, Birkdale, at $0.05 which is a 39% premium to market close.

- This transaction extinguishes the Birkdale loan facility in full, converting $4.63m by issuing 92,565,249 new shares.

- This transaction starts a transformational restructure, positioning the business for scalability, and long-term growth.

H1 FY25 Results

- XRG had its strongest half-year result to date, with Total Revenue exceeding $7.4m (up 32% on pcp) and NLAT improving to $1.0m from NLAT of $1.5m in pcp.

- Operator XR revenue was $2.1m, (up $1.8m on pcp) with strong momentum expected to continue throughout FY25.

- Annual Recurring Revenue (ARR) from Operator XR has grown 60% from June 2024 to $3.6m.

- Board and management have resolved and streamlined the business to focus on Operator XR.

Growth Strategy

- XRG's go forward product is Operator XR. Specialising in delivering advanced XR training solutions worldwide for defence and law enforcement agencies.

- Operator XR is expanding into key markets across North America, Asia, and Europe, aiming to secure a leading position in the global XR training industry.

- XRG have engaged corporate advisors to assess options for divestment of legacy entertainment businesses.
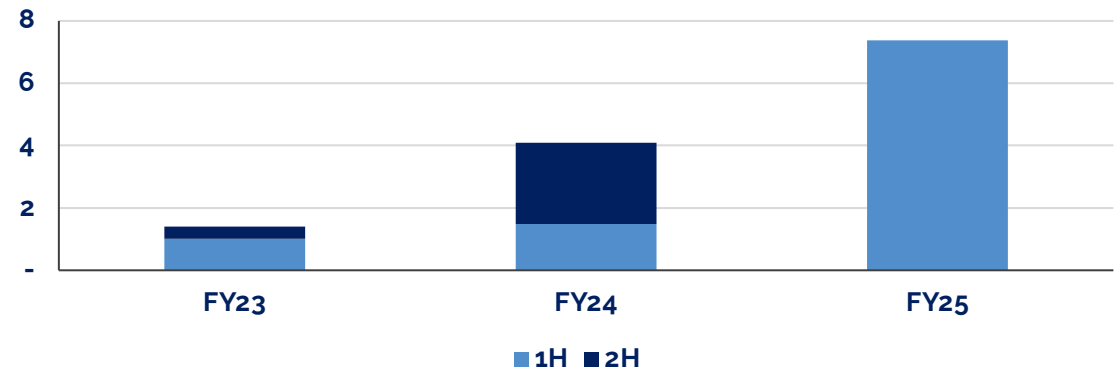
Operator XR

Operator XR: Overview

>XRG

OPERATOR >XR

- After a period of establishment, Operator XR is now the core growth asset for XRG

- Operator XR has seen rapid expansion to 51 customers, gaining strong traction across 30 US federal agencies, state and city police, and sheriff departments

- Operator XR's growth is significantly outpacing the legacy entertainment segment in revenue growth and scalability:

  - Total Contract Value (TCV) EOHY2025 growing 80% YoY to $7.4M

  - Annual Recurring Revenue (ARR) EOHY2025 reaching $3.6M up 60% from EOFY2024

  - The unrecognised Revenue from Operator XR Sales to date totals $4.6m, (sales not yet recognised as revenue, see revenue model slide five for further information)

- Operator XR's subscription-based revenue model provides higher margins, and long-term scalability

- XRG's transition toward a high-margin, technology-driven enterprise aligns with its strategic goal of becoming a global leader in mission-critical simulation solutions, setting the foundation for long-term profitability

New Sales (TCV) by Financial Year – Operator XR (A$m)

Legend: ■ 1H ■ 2H

Operator XR Competitive Advantage

1. Established a solid foothold in the US at both a state and federal level.

2. Founders and Executives at XRG have extensive experience as Operators within the Australian SAS and have undertaken missions with other global Tier one special forces units

3. High barriers to entry for competitors by developing market leading integration of software, hardware, and user tools.

4. Developing AI and cloud-based solutions to provide more adaptive and scalable training experiences.
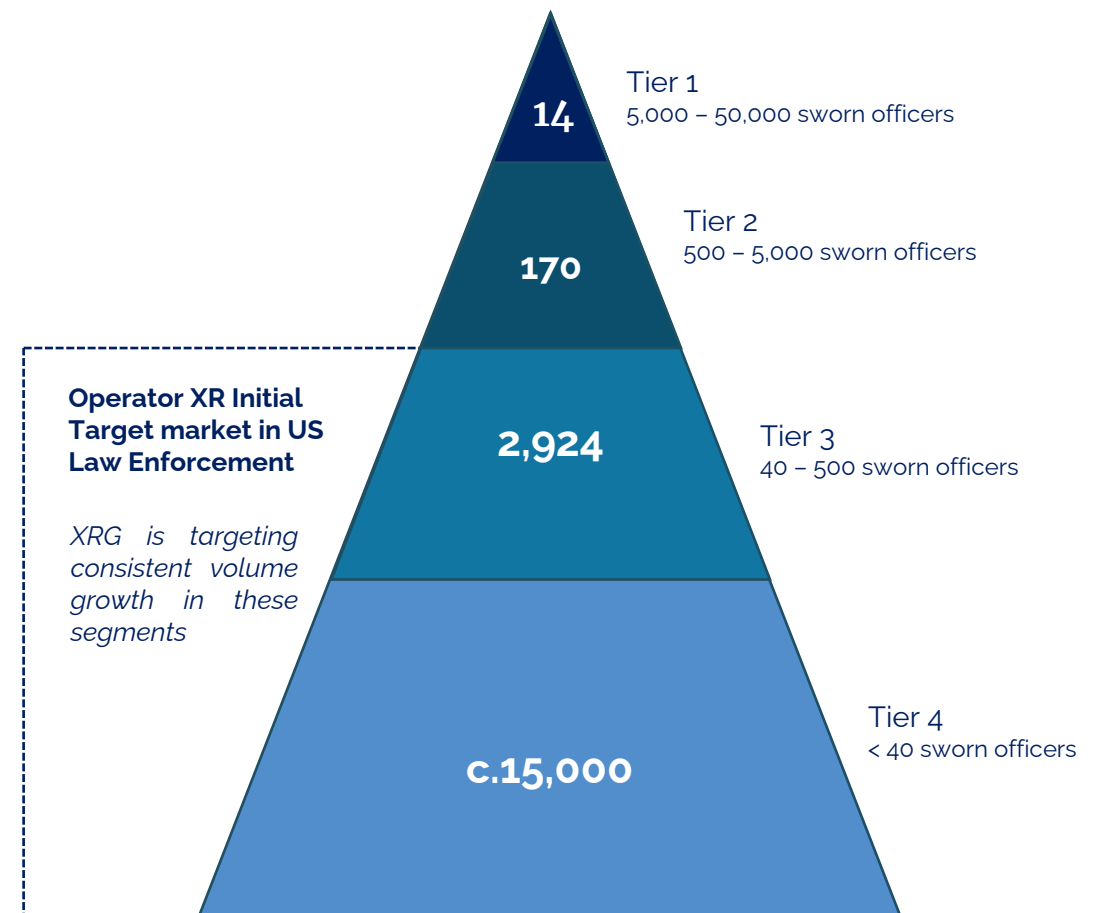
Operator XR: Market

Law Enforcement Customers US

- XRG has focused on gaining a foothold on the Law Enforcement Market in the US

- XRG categorises Operator XR customers into four tiers based on size (sworn officers)

- 20 of our current customer base in the US fits within Tier 3

- There are two types of contracts based on level of support and size of customer:

  - 3-year contract with cash payment upfront

  - Annual Subscription Contract paid annually (generally Military)

  - Investigating opportunities to add additional SaaS revenue in the future

Other Customers include:

- Australian Law Enforcement

- Australian Military

  - two customers within the ADF

- US Department of Defense

  - 20-month project valued at $5.6m AUD

Number of US Law Enforcement agencies by size.

14 — Tier 1
5,000 – 50,000 sworn officers

170 — Tier 2
500 – 5,000 sworn officers

Operator XR Initial Target market in US Law Enforcement

XRG is targeting consistent volume growth in these segments

2,924 — Tier 3
40 – 500 sworn officers

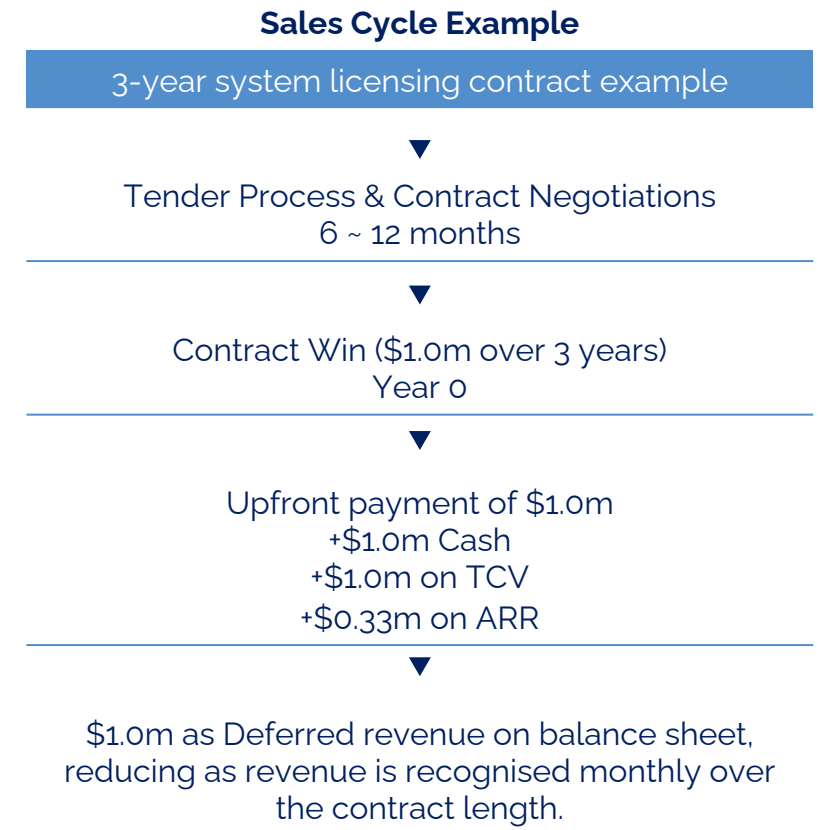**c.15,000** — Tier 4
< 40 sworn officers

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

Operator XR: Revenue Model

Below is a breakdown of the standard Operator XR sales cycle, along with its revenue treatment, which differs from the legacy entertainment business

	Customer Projects	System Licensing	Enterprise Model
Revenue Streams	Bespoke projects that are developed to meet specific client needs	Typically licensed to US PD customers Average US sale price of $50k-$250k USD typically recognized over three years	Typically licensed to larger government agencies
	Milestone Based	**Upon Delivery**	**Upon Delivery**
Payment	Tied to the completion of specific milestones	Licensing sales are mostly paid entirely upon delivery	100% paid upfront on an annual basis
Revenue Recognition	As milestones are met	Over the life of the contract, as ARR	Over the life of the contract, as ARR Average ARR is $0.2m-$1.0m

Sales Cycle Example

3-year system licensing contract example

▼

Tender Process & Contract Negotiations
6 ~ 12 months

▼

Contract Win ($1.0m over 3 years)
Year 0

▼

Upfront payment of $1.0m
+$1.0m Cash
+$1.0m on TCV
+$0.33m on ARR

▼

$1.0m as Deferred revenue on balance sheet, reducing as revenue is recognised monthly over the contract length.

Debt Conversion

Debt Conversion Summary

Debt-to-equity

- Birkdale Holding (Birkdale) will complete a transaction at $0.05 per share, which is a 39% premium to the closing price of $0.036

- Shareholder approval at an EGM will be required to complete this transaction

- This transaction will increase XRG's shares on issue from 570,982,276 to 663,547,525

- The funds raised will be used to reduce company debt from $8.7m to $4.1m and lower gearing to 30%

- Following approval of this transaction, XRG's remaining secured debt will be solely with Causeway Financial, with the facility set to mature on 30 September 2025

    - The $0.5m March 31 maturity will be repaid and closed from existing cash reserves

    - XRG has engaged with its existing debt providers as well as other debt providers on the potential refinance options relating to XRG's existing debt facilities

- The transaction improves the cashflow of the business

Proforma Balance Sheet ($m)	31-Dec-24	Pro-forma following debt conversion
Current Assets	4.0	4.0
Non-Current Assets	38.6	38.6
Total Assets	**42.6**	**42.6**
Current Liabilities	11.7	11.7
Non-Current Liabilities	21.9	17.4
Total Liabilities	**33.6**	**29.1**
Share capital	49.2	53.8
Reserves	0.8	0.8
Accumulated losses	(41.0)	(41.2)
Equity	**8.9**	**13.4**

| Birkdale's Shareholding and Loan Positions	Before conversion	Following conversion
Shareholding		
Number of Shares	99,638,163	192,203,412
Percentage of total	17.51%	28.97%
Loan		
Loan Balance (as 31 April 25)	$4,625,512	-

H1 Financials

Profit & Loss

- FY25 H1 was a strong half for XRG with material contract wins for Operator XR; highlights include

  - $7.4M in Total Contract Value

  - ARR of $3.6m as of Dec-24

  - 21 new customers won since EOFY2024

  - $5.6M US DoD Project won, now 5 months into the 20-month project

- Operator XR Revenue now contributing 28% of total Revenue in 1H FY25 and 51% of cash receipts

- EBITDA of $0.9m (+96% pcp), driven by stable Entertainment division and Operator XRs, increased sales, customer service, and operations personnel in the US during the period, with further investment in marketing activities

- Operator XR has seen a 100% renewal rate among customer contracts since the first contract was won in December 2022

- Performance of entertainment division

  - iFLY had a strong half contributing $3.2m

  - FREAK's earnings contribution was immaterial to the result

Profit and Loss ($m)	H1'24	H1'25	Δ pcp
Enterprise (Operator XR)	0.3	2.1	565%
Entertainment	4.2	3.8	(10%)
Revenue	**4.5**	**5.9**	**30%**
Costs of Sales	(0.8)	(1.0)	38%
Gross Profit	**3.8**	**4.9**	**29%**
Other Income	1.1	1.5	41%
Selling and marketing expenses	(2.6)	(3.4)	30%
Administration expenses	(0.9)	(1.2)	41%
Other expenses	(0.9)	(0.9)	(4%)
Expenses	**(4.4)**	**(5.5)**	**25%**
EBITDA	**0.5**	**0.9**	**96%**
Depreciation and Amortisation	(1.1)	(1.0)	(12%)
EBIT	**(0.7)**	**(0.1)**	**(86%)**
Finance Expense	(0.8)	(0.9)	7%
PBT	**(1.5)**	**(1.0)**	**(34%)**
Tax	-	-	
NPAT	**(1.5)**	**(1.0)**	**(34%)**
Basic EPS (cents per share)	(0.32)	(0.18)	(45%)
Diluted EPS (cents per share)	(0.30)	(0.16)	(47%)
EBITDA %	10%	15%	

Balance Sheet

- Cash position improved up to $1.7m driven by the upfront nature of Operator XR terms as evident of the contract wins in the half

- Deferred Revenue grew to $5.8m, comprising of

  - $1.2m in the Entertainment division made up of pre-paid vouchers

  - $4.6m from Operator XR's unrecognised sales revenue to date

- Current borrowings increased during the period due to the $4.6m Causeway facility maturing in Sep-25

  - Engagement with existing and other debt providers on potential refinance options is currently underway

Deferred Revenue (A$m)
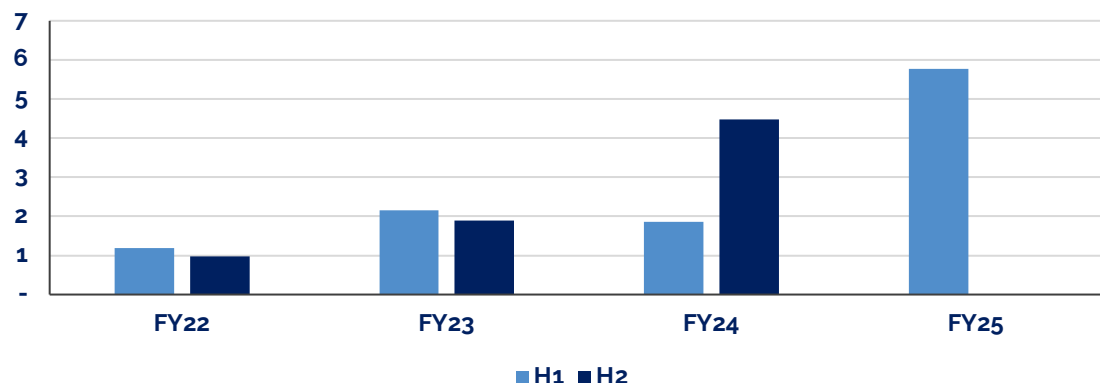
Balance Sheet ($m)	Jun-24	Dec-24	Δ pcp
Cash and cash equivalents	1.4	1.7	24%
Trade and other receivables	2.7	1.0	(63%)
Inventories	0.2	0.6	229%
Contract asset	0.2	0.7	360%
Current Assets	**4.4**	**4.0**	**(10%)**
Property, plant and equipment	19.3	18.7	(3%)
Intangible assets	5.1	5.9	16%
Right-of-use asset	12.8	12.5	(2%)
Contract asset	0.3	0.7	124%
Other financial asset	0.7	0.8	3%
Non-Current Assets	**38.3**	**38.6**	**1%**
Total Assets	**42.7**	**42.6**	**(0%)**
Trade and other payables	2.3	2.1	(8%)
Lease liability	0.8	0.8	(1%)
Deferred revenue	2.5	3.6	42%
Borrowings	0.3	4.6	1367%
Provisions	0.5	0.6	16%
Current Liabilities	**6.5**	**11.7**	**81%**
Trade and other payables	1.0	–	(100%)
Lease liability	14.1	14.1	(0%)
Deferred revenue	2.0	2.2	12%
Borrowings	8.3	4.6	(45%)
Provisions	1.3	1.1	(17%)
Non-Current Liabilities	**26.7**	**21.9**	**(18%)**
Total Liabilities	**33.2**	**33.6**	**1%**
Net Assets	**9.4**	**8.9**	**(5%)**

*Note: Balance Sheet prior to debt conversion

Cashflow

- Company has been operating cash flow positive for three consecutive quarters
  - 2H FY24 net outflows relating to the purchasing of equipment with milestone and contract payments received H1 FY25
- Operator XR cash receipts grew to $4.77m ($0.23m pcp) driven by a successful half-year performance in the US.
- Operator XR contribution to cash receipts expected to continue to increase relative to legacy entertainment business

Operating Cashflow (A$m)
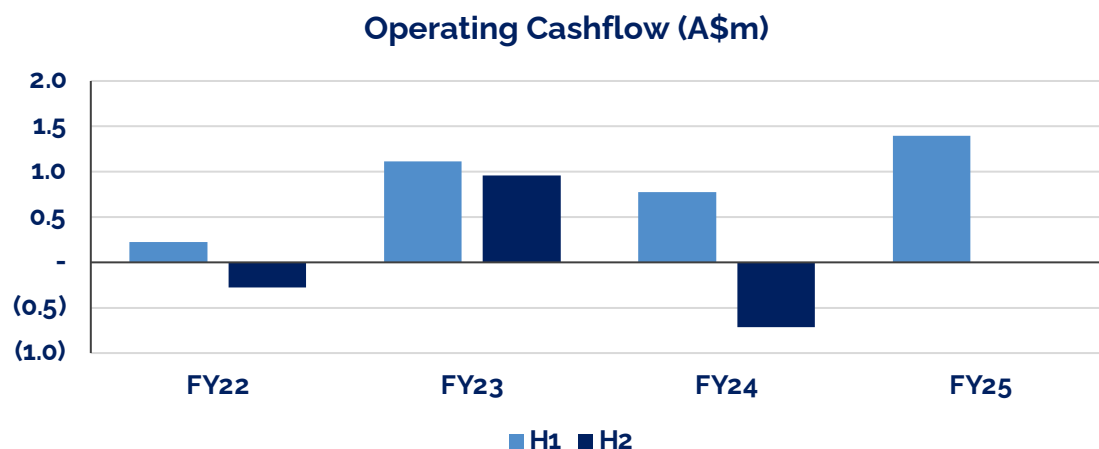
Cash Flow ($m)	H1'24	H1'25	Δ pcp
Receipts from customers	6.7	8.9	33%
Payments to suppliers and employees	(5.1)	(7.2)	42%
Finance costs	(0.8)	(0.3)	(62%)
NCF from Operating activities	**0.8**	**1.4**	**81%**
Purchase of PP&E	(0.1)	(0.1)	(32%)
Payment for investment	(1.4)	(0.8)	(38%)
NCF (used in) Investing Activities	**(1.5)**	**(0.9)**	**(38%)**
Proceeds from issue of securities	2.9	-	na
Net proceeds of borrowings	0.3	0.3	6%
Repayment of lease liability	(0.5)	(0.5)	4%
NCF (used in) Financing Activities	**2.7**	**(0.2)**	**na**
Net Change in cash	2.0	0.3	na
Cash at beginning of year	0.8	2.8	269%
Cash at end of Year	**2.8**	**3.1**	**12%**

Outlook

Operator XR Outlook

XRG

XRG is streamlining the business, focusing on Operator XR growth.

- **Operator XR Product Development**

  - Aggressive New Product Development pipeline to build an integrated product portfolio, expanding customer accounts, increasing average deal size and increasing margins

  - Augmented Reality tactical training solution allowing virtual scenarios to be executed in real world locations

  - Cloud Analytics for training compliance and aggregated data collection

  - XR Streaming solution of hardware and software to upscale graphics and compute for larger, higher fidelity scenarios

  - Integration of AI across the Operator XR product portfolio

- **Operator XR Sales**

  - Increasing inbound leads through targeted investment into national and state based Military and Law Enforcement trade shows across North America

  - Continue growth of direct sales team in North America

  - Second distributor recently appointed in Europe, at time coinciding with highly supportive European defense spending

  - Positive sales feedback at the recent German trade show; EnforceTac

  - Growing network of distributors in Asia, including Japan

Role of AI in product roadmap

Embedding AI through the product and organisation

- XRG is rolling out AI integration into the Operator XR product, driving market leadership and long-term growth. By integrating AI with XR, the company delivers adaptive, data-driven training that improves performance, reduces costs, and scales efficiently

- AI-powered scenarios, characters, and after-action reviews create new revenue opportunities while strengthening Operator XR's competitive edge

- As demand for high-fidelity, cost-effective training rises, this strategic investment ensures Operator XR is positioned as a clear leader for military and law enforcement agencies, maximising value for investors

Customer gains

- AI-driven training personalisation to enhance skill development and retention

- Real-time feedback and scenario adaptation to improve decision-making under pressure

- Increased accessibility and efficiency reduce training time and costs for agencies

New use cases

- Compliment the current instructor-led training system with a self-directed learning platform

XRG operational gains

- Increased product development velocity, helping XRG maintain its advantages and expand the value of its solutions to customer organisations

Establishment of AI Advisory Board

Led by Ash Crick

- Ash Crick, a globally recognised AI expert, has joined XRG as Chief AI Advisor to drive innovation across its product suite, including Operator XR's immersive training simulations

    - Operator XR is integrating advanced AI to enhance immersive training, scenario realism, and decision-making support

    - AI-driven adaptive learning and automated scenario generation will optimise training effectiveness and customer ROI

    - AI automation reduces instructor resource and enhances training outcomes - driving efficiency, scalability, and higher margins

- Ash brings strong extensive experience in AI and technology innovation, previously

    - the founding CTO of iFlix - growing it to 15 million subscribers

    - led fintech startups ANZi and 1835i

- His deep expertise in AI-powered immersive technologies will help XRG scale its offering and enhance dynamic, adaptive user experiences

- Ash is working closely with XRG's board and a specialised technology subcommittee, providing strategic AI guidance to shape product offering and roadmap

    - Technology subcommittee's focus is to guide accelerated AI implementation within XRG

- His leadership will ensure XRG remains at the forefront of AI-driven advancements, delivering groundbreaking solutions to clients

- AI is deeply embedded in product development, delivering real competitive advantage

ANZ   iflix

Operator XR Roadmap

XRG

FY23	FY24	H1FY25

Operational Roadmap

FY23
- Impact of first sale in the US, enhancing reputation and credibility
- Achieved the first LE sale, $1.7M TCV with WA Police force
- Hired the first US sales manager in the US
- First sale in the US in November 2023

FY24
- Established entry into the US market
- Built Sales and Operations teams in the US
- Established regional distributors in Asia and Europe
- Largest Australian Sale to a State Govt Agency for $810k, showcasing growing demand

H1FY25
- Continued investment in the US operations, customer service and sales teams
- Operational Cashflow Positive
- Capitalising on rapid early progress in the US
- Foundation customers established through international distribution network

Financial Roadmap

FY23
- Contracted TCV of $1.4m (FY23)
- 3 global customers
- Revenue of $0.6m
- ARR of $0.4m

FY24
- Contracted TCV of $4.1m (FY24)
- 29 global customers
- Revenue of $0.7m
- ARR of $2.2m

H1FY25
- Contracted TCV of $7.4m
- 51 global customers (Feb 25). With a pipeline of 216 active opportunities valued at $27.3m
- Revenue of $2.1m
- ARR $3.6M growing at 60% from FY24

Since launching in FY22, Operator XR has quickly gained momentum becoming a recognised disruptor in immersive defence and police solutions.

Company Outlook

XRG

- Following the approval of the Birkdale debt-to-equity transaction completion, the company will be in a stronger financial position with lower debt gearing, and a stronger balance sheet.

- This transaction starts a transformational restructure to focus on Operator XR.

- Proforma balance sheet reflects

  - Debt reduced 53%, from $8.7m to $4.1m

  - Gearing reducing from 97% to 30%

- The business continues to advance a large pipeline of opportunities, with 216 new opportunities in development across its core US market.

- The recent traction in the US validates our strategic pivot.

- XRG's corporate advisors have engaged with a panel of existing and potential debt providers regarding the Causeway facility and will provide the market updates as this progresses.

- iFLY operations continue to contribute meaningfully to revenue, profitability and cashflow.

- XRG is reviewing its strategic options for its iFLY assets with its corporate advisors, there is no certainty on direction or timing of this process in its early stages.

- The exit of Freak will be complete by 30 June 2025, with all transition steps are being worked through.

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XRG

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Appendix: Operator XR

Key Offerings Summary

Software

- Developed in-house, the OP-2 software uses advanced multi-user networking, allowing groups of trainees in the same physical space to train in any virtual location.

User Created Scenarios

- Teams can quickly design mission-specific scenarios to train for real-time situations.

Hardware

- Training weapons and sensors designed and manufactured in-house in Australia, combined with COTS VR technology. Tailored solutions for both Military and Law Enforcement.

Portable & Secure

- It sets up in minutes, no internet is needed and operates anywhere. Unmatched flexibility in field conditions.

Designed for Operators

- Built for real-world defence and law enforcement needs, allowing users to train with their own weapons and equipment. Designed by in-house subject matter experts.
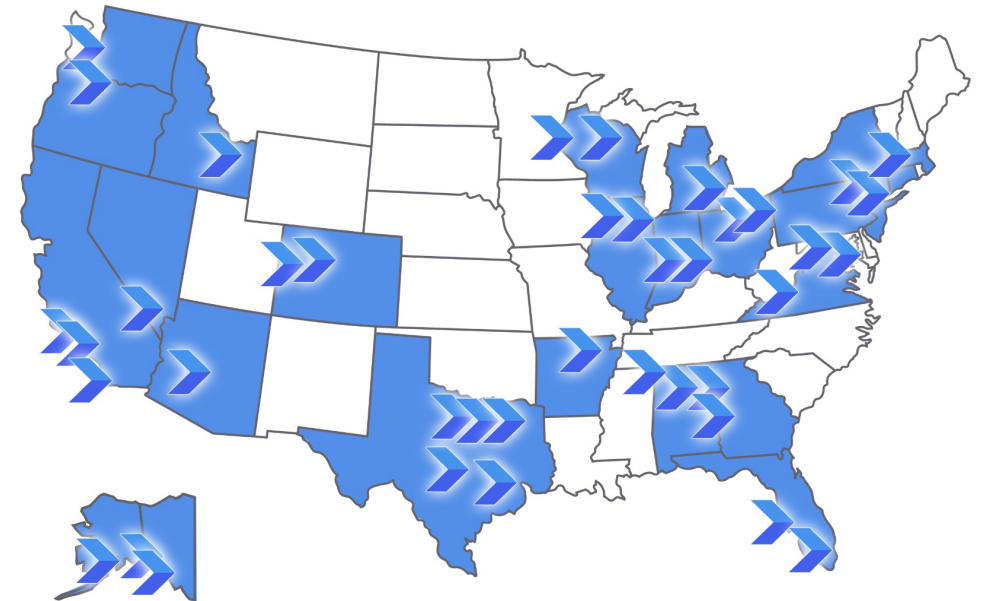
U.S. states where XRG has sold Operator XR units

The System

Operator XR: OP-2 for Military and Law Enforcement

- Enables military to conduct virtual missions using their own specific service weapons and equipment. True integration of combat equipment for immersive near-real experience.

- Law enforcement officers can train operational tactics and procedures more often, leading to safer outcomes in the field for Officers and the Public.

- Users can upskill tactics, techniques and procedures while operating safely in simulated high-stress and high-risk simulated environments.

- Fully mobile system can be deployed at small sites through to large government agencies at scale.

- System operates offline with no I.T. support required.

- Extensive After-Action Review for deep learning outcomes.

The Software

Operator XR: OP-2 Scenario Creator Suite

- Instructors can design fully customised and interactive training environments for their unique requirements.

- Library of high-quality pre-built scenes and interactive props, including vehicles, forensic evidence, cover options, and everyday objects.

- Accurately recreate real-world floor plans, from simple structures to complex facilities.

- Adapt the environment in real-time to challenge trainees and address specific training needs as they arise.

- Instructor-controlled characters and ability to act as real-life suspects using a role player headset for de-escalation and critical thinking skills.

OPERATOR XR

Total Addressable Market

OPERATOR XR

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

Total Addressable Market	Annual Recurring Revenue > Market Share Sensitivity (USD$m)					
	1%	3%	5%	10%	20%	Total Market
Law Enforcement						
United States	2.73	8.19	13.65	27.30	54.61	273.04
Rest of the World	4.10	12.29	20.48	40.96	81.91	409.56
Law Enforcement ARR	*6.83*	*20.48*	*34.13*	*68.26*	*136.52*	*682.60*
Military						
United States	10.75	32.24	53.74	107.48	214.96	1,074.80
Rest of the World	16.12	48.37	80.61	161.22	322.44	1,612.20
Military ARR	*26.87*	*80.61*	*134.35*	*268.70*	*537.40*	*2,687.00*
Combined						
United States	13.48	40.44	67.39	134.78	269.57	1,347.84
Rest of the World	20.22	60.65	101.09	202.18	404.35	2,021.75
Total ARR	**33.70**	**101.09**	**168.48**	**336.96**	**673.92**	**3,369.59**

1. Operator XR Pty Ltd Sydney, AUS
2. Operator XR LLC Virginia, USA

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

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

Legacy Entertainment Business

iFLY Indoor Skydiving

XRG owns and operates two Australian indoor flying facilities under a licence agreement with the global "iFLY" Brand.
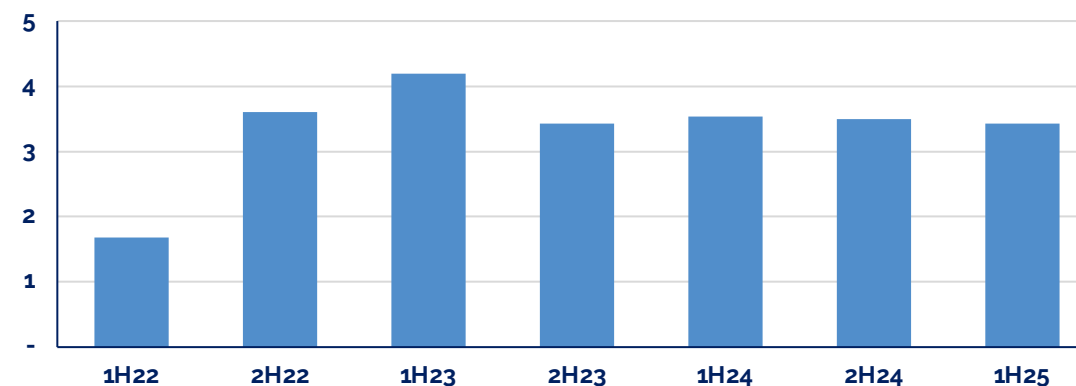
- iFLY Downunder (Sydney West): XRG's flagship facility in Penrith, one of the largest vertical wind tunnels in the Southern Hemisphere. Operational since 2014, it consistently attracts over 200,000 visitors per year and is a profit contributor, benefiting from favourable lease terms.

- iFLY Gold Coast: Strategically located in Surfers Paradise, this venue leverages high tourism foot traffic and serves a mix of tourists, professional skydivers, and military personnel. It currently operates at breakeven on a financial year basis and remains cashflow positive.

FREAK Entertainment

XRG's proprietary VR entertainment brand, launched in 2019 to provide market-leading immersive experiences across multiple retail locations.

- Fully owned and developed by XRG, including proprietary VR gaming technology and in-house content creation.

- Operates four venues across major shopping centres: Westfield Bondi Junction, Macquarie Centre, Penrith (NSW), and Paradise Centre Surfers Paradise (QLD).

- Since its inception, over 300,000 customers have engaged with FREAK's VR experiences, which include Free-Roaming Arena, VR Arcade, VR Escape Rooms, VR Super Escape Rooms, VR Laser Tag, and FREAK Drive.

- The four venues combined currently operate at breakeven, with opportunities for further growth through content expansion and increased venue utilisation.

iFLY Revenue (A$m)

FREAK Revenue (A$m)