



XREALITY GROUP LIMITED

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

ASX Release

Sydney, Australia – 30 January 2026

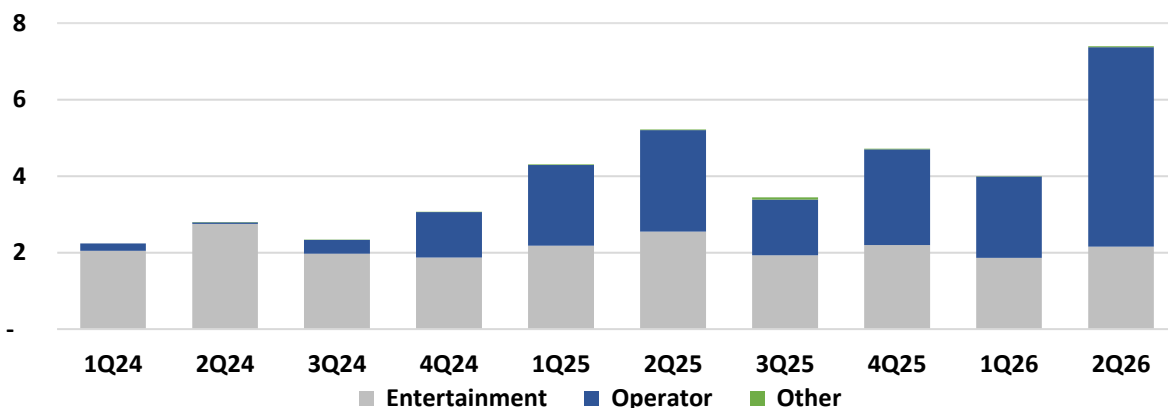
Quarterly Activities Report

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

Key Highlights

- Highest Cash Receipts to date
 - \$7.4m in Q2 (up 85% QoQ)
 - \$11.4m YTD (up 20% PcP)
- Net Cash from Operations \$3.1m
- Global Individual Agencies (customers) 89 (up 31% YTD)
- Total Contract Value as at FY26H1 \$7.8m (up 23% QoQ)
- Annual Recurring Revenue as at FY26H1 \$6.2m (up 28% YTD)
- Sales pipeline increased to \$63m (up 107% YTD)
- Largest single order to date of Operator XR systems from Texas DPS fulfilled on time
- New corporate headquarters and warehouse secured doubling production capacity
- Chief Commercial Officer appointed along with other key hires

Receipts from Customers (\$m)

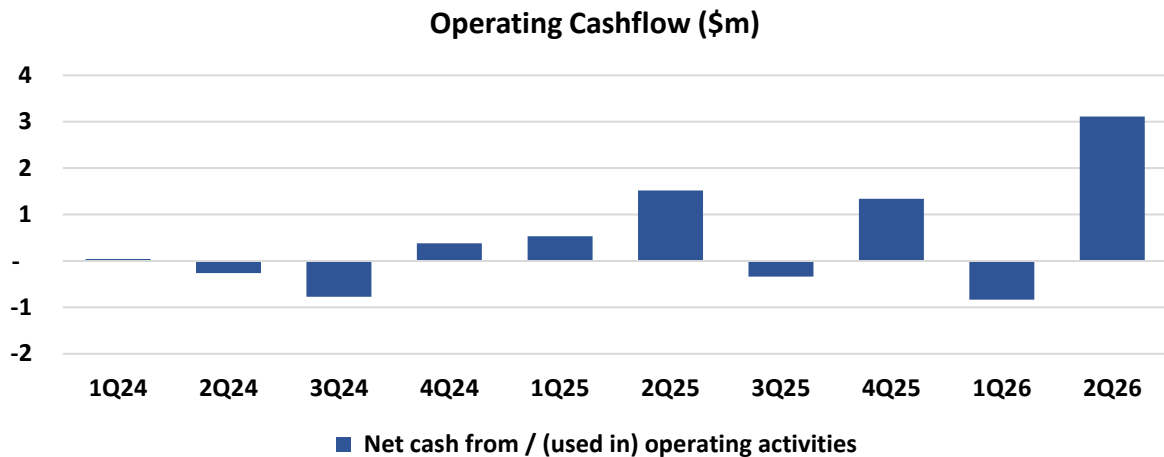




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Operational Cashflow:

- Net Operational Cashflow in Q2 FY26 was \$3.1m, driven by:
 - Strong quarter of Operator XR system sales
 - Partial payments from large orders in the USA including the Texas Department of Public Safety and the US DOD.



Operating Performance Metrics:

Business momentum remains strong across both divisions, as evidenced by:

- Operator XR (Enterprise)
 - Total Contract Value \$7.8m (up 23% QoQ)
 - Increase in Annual Recurring Revenue to \$6.2m (up 28% YTD)
 - New Operator XR customers include:
 - 11 new customers in the US
- Entertainment Cash Receipts
 - Cash Receipts from Entertainment Q2 \$2.15m (up 15% QoQ)
 - Successful School Holidays campaigns driven by online sales and gifting.



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Operational Update by Business Sector:

Operator XR – Defence and Law Enforcement Software and Technology

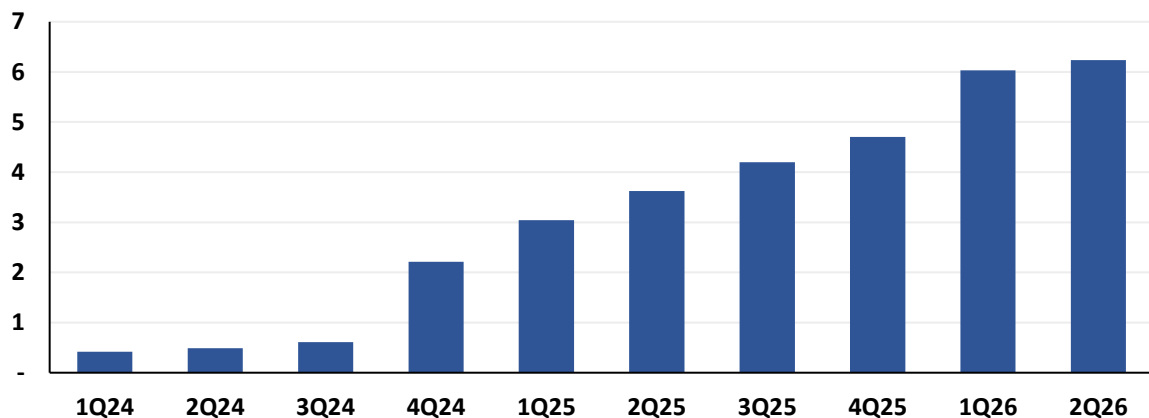
Operator XR has continued to make significant progress across the USA in Q2, with the strongest quarter of cash receipts to date totalling \$5.2m an increase of 146% on Q1.

Positive Sales Outlook

346 qualified and active sales opportunities with a total sales pipeline of \$63m, increasing by 23% from last quarter.

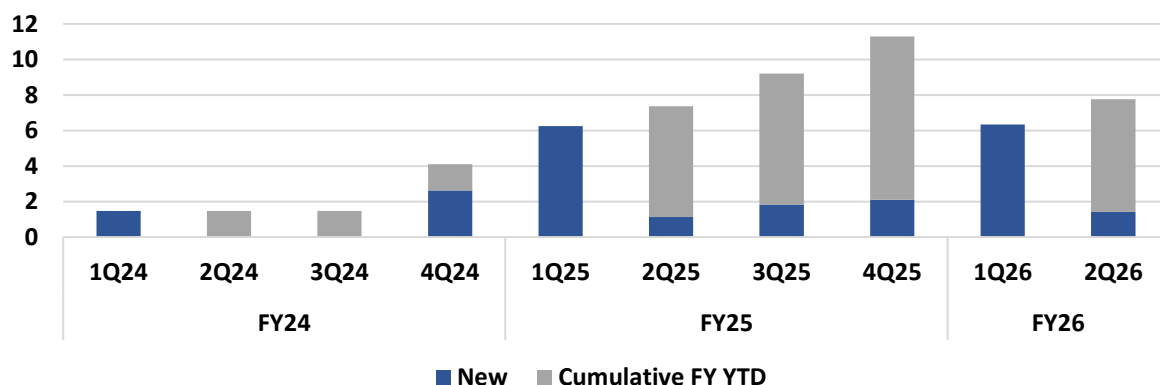
Operator XR Annual Recurring Revenue (ARR) at the end of the quarter was \$6.2m (up 32% YTD)

ARR - Operator (\$m)



Operator XR Growth in Sales - Total Contract Value for FY26 YTD is \$7.8m up 23% for last quarter.

TCV (\$m)





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Texas Department of Public Safety

On the 7th August 2025, the company announced a \$5.7m contract with the Texas Department of Public Safety (Texas DPS) consisting of a \$4.3m initial order with \$1.4m option for additional support services to be delivered in years 3,4 and 5.

- A quantity of OP-2 software licenses and VR training systems
- Implementation, training, two years of support
- A further three years of optional support
- Systems and training were completed in Q2

Delivery of Texas DPS Order update:

During the quarter, Operator XR completed shipment of all Texas DPS kits across four tranches and completed associated training. Total cash received in the quarter was \$2.4m AUD with the balance of \$1.9m AUD received in January 2026.

US DOD Project Update

On the 11th of September 2024, the company announced a project with the US Department of Defence valued at \$5.6m. The 20-month project continues to progress to plan and remains on track for overall completion by April 2026. The Company is concurrently developing export compliance and market launch strategies to support future commercialisation pathways for this capability.

Total received in the quarter was \$0.8m AUD with a further \$0.5m received in January 2026. The balance of \$1.5m AUD is expected to be received prior to May 2026.

Counter Drone Launch

Operator XR launched its new Counter Drone training system at the world's largest military simulation conference, I/ITSEC in December 2025. The launch generated strong market feedback, including inbound requests for follow-on work from multiple NATO-aligned stakeholders.

General Business

Operator XR has continued to scale in the US with a further 11 new law enforcement and military customers across the country during the quarter.

Total unique customers worldwide has grown to 89 (compared to 39 at this time last year). The US Law Enforcement market continues to be our highest growth market; however, momentum continues to grow with the US DOD, Europe (both Law Enforcement and Military) and the APAC region.

Operator XR will be attending two major trade shows in Germany and the UK over the coming months. The trade shows will be supported by our local partners and will feature live demonstrations of the OP-2 System and the Counter Drone Training system launched in December 2025.

Organisational Scaling

During the quarter, the Company appointed a Chief Commercial Officer (CCO) to lead Operator XR's commercial execution, including strategic account growth, channel development and conversion of increased international interest into contracted programs of work.



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To support delivery capacity and accelerated product development, Operator XR expanded its leadership team with senior hires across software production and engineering management, and strengthened its AI capability with the appointment of a Head of AI, who commenced on 12 January 2026 and will lead the development and execution of the Operator XR AI roadmap.

Australian Headquarters and Production Capacity

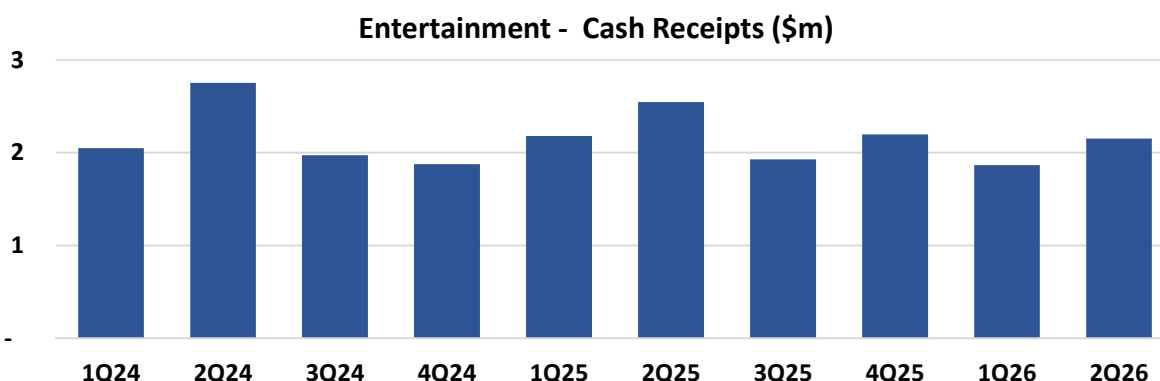
Operator XR secured a new ~740m² headquarters in Brookvale, NSW. The expanded facility materially increases production throughput (approximately doubling production capacity) and provides additional dedicated space for software engineering, supporting near-term delivery requirements and medium-term scaling.

Product Development

Operator XR continues to invest in future products of which include:

- Advanced AI integration into all products, enabling personalised training scenarios, de-escalation training, and instructor augmentation.
- A larger fixed facility product focused on military and federal agency customers.
- Counter drone simulations.
- Cloud based content subscription and customer analytics.

Entertainment Sector



The iFLY facilities have performed well over the quarter generating strong sales in the lead up to Christmas, exceeding management expectations. The drop in receipts compared to the prior period of 2Q25 was attributed to a one-off sale of bulk wind tunnel time to the professional flyer market.

Midway through January 2026, iFLY Downunder experienced a mechanical issue which required specialist equipment to be shipped from overseas. The pause in operations and subsequent mechanical works will be covered under the businesses insurance policies. The facility is expected to be fully operational in the first week of February.

The strategy to exit the Entertainment Virtual reality businesses is almost complete with the closure of FREAK Bondi Junction on the 13th October 2025. The closure of FREAK Macquarie is expected in 2026. All IT hardware and equipment from the sites is being repurposed for testing and R & D for future Operator XR product development.



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Corporate Activity

XRG has continued further investment in resourcing the Operator XR global expansion. Several new senior positions have been filled across global Marketing and Sales functions. Operator XR has also continued to increase its software engineering team to facilitate and expedite current features and future products.

On the 12th December 2025, the company announced the appointment of Mr. Benjamin Smith as Chief Commercial Officer.

This newly created executive role strengthens XRG's commercial leadership as the Company accelerates global expansion of its Operator XR law enforcement and defence training solutions. Mr Smith is a highly accomplished commercial executive with 17+ years' experience driving revenue growth, enterprise transformation, and major contract wins across the defence, aerospace, infrastructure, and technology sectors in Australia, the UK, Europe and Asia.

Post reporting period, XRG has repaid the short-term drawing of \$0.5m from its Causeway Debt facility that was used to fulfil the Texas DPS contract.

Cash Flow Analysis

Cash receipts for the quarter totalled \$7.4m. Net cash from operating activities was \$3.1m for the quarter. The Company invested \$1.1m into XR product development and projects. Closing cash position was \$3.7m.

Related parties' expenses of \$0.2m 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

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 December 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,394	11,386
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-1,724	-3,843
(c) advertising and marketing	-226	-590
(d) leased assets	-2	-2
(e) staff costs	-1,827	-3,669
(f) administration and corporate costs	-1,078	-1,699
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	70
1.5 Interest and other costs of finance paid	-191	-446
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	757	1,070
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	3,112	2,277
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-1,009	-1,785
(f) other non-current assets	-122	-381

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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	-1,131	-2,166

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	-	-23
3.5	Proceeds from borrowings	500	500
3.6	Repayment of borrowings	-75	-150
3.7	Transaction costs related to loans and borrowings	-15	-179
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	410	148

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,344	3,475
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,112	2,277
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-1,131	-2,166

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	410	148
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,734	3,734

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'000	Previous quarter \$A'000
5.1	Bank balances	3,734	1,344
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)	3,734	1,344

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	50
6.2	Aggregate amount of payments to related parties and their associates included in item 2	141
<i>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.</i>		

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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	5,300	5,300
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,300	5,300
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.		
	Lender: Causeway Financial Interest rate: 14.50% Maturity date: 1 April 2027 Secured		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	3,112
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,734
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,734
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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:	
8.6.2	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:	

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 30/01/2026

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

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.