

xReality Group Limited (ASX:XRG) (xReality)

ACN 154 103 607

ASX Release

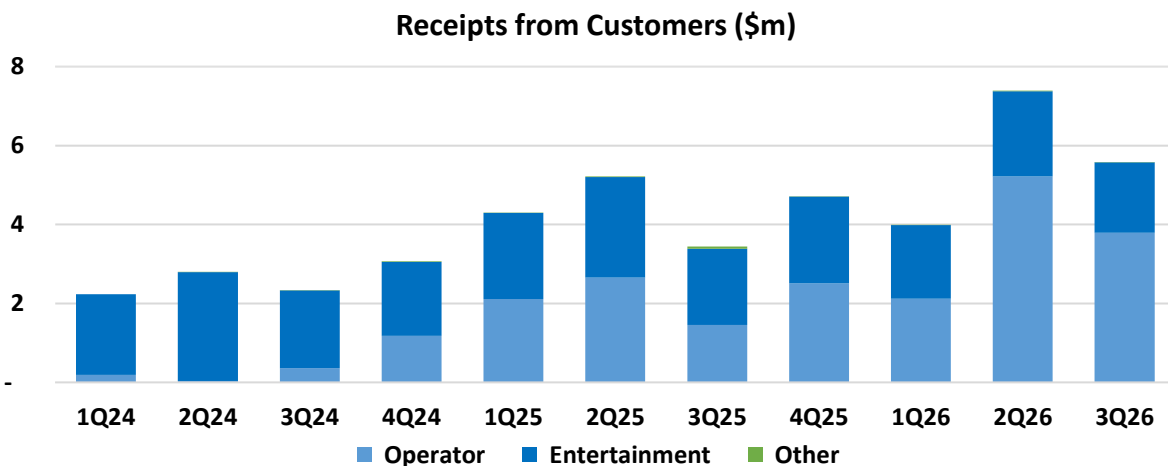
Sydney, Australia – 30 April 2026

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 March 2026, together with an Operational Update.

Key Highlights

- Cash Receipts of \$5.6m (up 62% on PcP)
 - \$17.0m YTD (up 31% on PcP)
- Positive Net Operating Cashflow of \$1.3m (up \$1.64m on PcP)
 - \$3.6m YTD up 103% on PcP
- Total customers grown to 104 worldwide (95 in the USA)
- Annual Recurring Revenue (ARR) increased to \$7.0m (up 67% PcP)
- Total Contract Value (TCV) of \$10.1m YTD (up 24% QoQ)
- Sales Pipeline of \$74.4m (up 15% QoQ)
- 11 new hires for Operator XR including a new satellite office in Melbourne to accelerate product delivery
- Texas Department of Public Safety – additional upsell secured (~US\$90k)
- Continued debt reduction – ~\$0.6m repaid, reducing total facility to \$4.7m

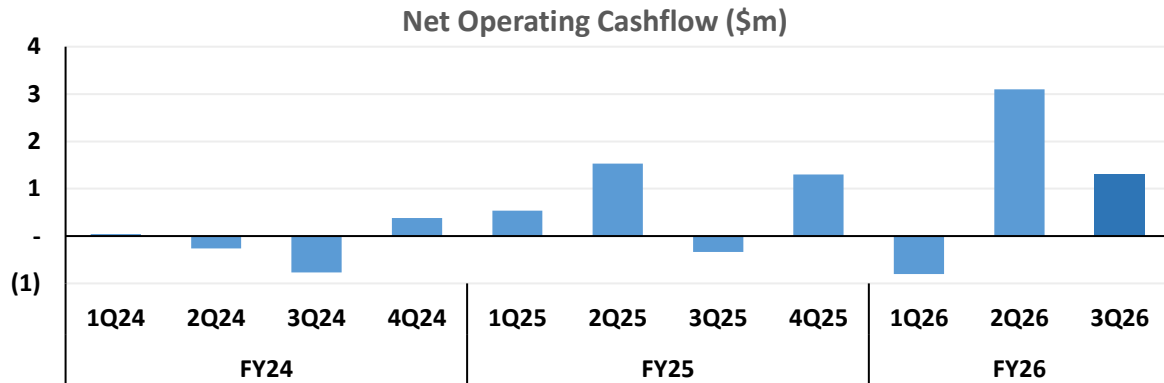




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Operational Cashflow:

Net Operational Cashflow in Q3 FY26 was \$1.3m. The result was driven by continued momentum from Operator XR system deployments and recurring software revenue, alongside a strong collection cycle on existing customer contracts.



Contractual cash receipts expected in Q4 excluding business as usual receipts:

- US DOD Project final payments totalling \$1.56m
- Industry Growth Grant payment \$450k

Operating Performance Metrics:

Business momentum remains strong across both divisions:

- **Operator XR (Enterprise)**
 - Total Contract Value \$10.1m YTD (up 24% QoQ)
 - Annual Recurring Revenue increased to \$7.0m (up 13% QoQ)
 - 15 new customers during Q3, bringing total to 104 worldwide (95 in the USA)
 - First Mixed Reality (MR) product sale secured with the United States Department of Defense, expanding market opportunity with MR capability complementing existing VR solutions on the Operator XR platform
- **iFLY and FREAK Entertainment**
 - Cash receipts from Entertainment consistent with prior quarters through iFLY operations
 - Continued wind-down of legacy FREAK VR entertainment venues on track



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Operational Update by Business Sector:

Operator XR – Defence and Law Enforcement Software and Technology

Operator XR continued to scale across the USA and internationally during Q3, with 15 new customers onboarded during the quarter. The Company now serves 104 unique customers worldwide (up from 39 at this time last year), with 95 in the United States. The US Law Enforcement market remains the highest-growth segment, with further traction emerging in the military and defence sector.

Texas Department of Public Safety

During Q3, the Company secured an additional upsell to Texas DPS valued at approximately US\$0.1m, further expanding the existing engagement. This demonstrates the land-and-expand dynamic within the Operator XR customer base and demonstration of the ongoing value customers derive from the platform.

US DOD Project Update

The 20-month project with the US Department of Defence valued at \$5.6m continues to progress in line with expectations. The Company is concurrently developing export compliance and market launch strategies to support future commercialisation pathways for this capability.

First Mixed Reality Product Sale

This milestone represents a significant evolution in the Operator XR product suite, with the successful delivery of its first Mixed Reality (MR) solution to a new customer within the United States Department of Defense. The introduction of MR mode extends the capability of the existing Operator XR platform, enabling access to additional markets and use cases while leveraging the same core products, infrastructure and deployment model. Importantly, MR and VR serve different operational requirements depending on a customer's existing training infrastructure, environment and objectives—VR remains highly effective for fully immersive, controlled simulations, while MR enables blended, real-world integration for more context-driven training scenarios. This complementary approach allows Operator XR to tailor solutions to customer needs without requiring a separate product ecosystem, strengthening scalability, improving unit economics, and supporting broader adoption across diverse defence and law enforcement segments.

Counter Drone (C-UAS) System

Following its launch at I/ITSEC in the United States in December 2025, the Counter-UAS simulation capability has continued to generate strong market interest. The system was further showcased at ITEC in London in April, one of Europe's leading defence technology conferences, where it attracted significant attention from military and security stakeholders. Engineering investment during Q3 remained focused on advancing the platform toward full commercial readiness, supported by inbound enquiries from multiple NATO-aligned organisations and domestic defence agencies.

The capability has resonated strongly with end users due to its unique ability to train squad-level tactics and techniques, developed through close consultation with operators currently engaged in counter-UAS operations in active conflict zones. This direct operational input underpins the system's realism and relevance, positioning Operator XR at the forefront of emerging training requirements in this rapidly evolving threat domain.

AI Integration

The Company continued to advance AI integration across the Operator XR product portfolio, enabling personalised training scenarios, de-escalation training, instructor augmentation, and adaptive learning. This remains a key differentiator and product development priority.



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International Expansion

Following the first commercial sale into Japan via an APAC distribution partner in H1, the Company has continued to build its international pipeline. Engagement with European defence and security markets, including NATO-aligned stakeholders, continues to grow, supported by a series of targeted market activations and demonstrations. Operator XR was showcased at Enforce Tac in Nuremberg, Germany (held 23–25 February 2026), a leading European platform for defence and law enforcement engagement, as well as at ITEC in London in April. These engagements have driven strong inbound interest and progressed a number of near-term opportunities into European markets.

The global partner network continues to support scalable international deployment without material fixed cost additions, enabling the Company to convert pipeline opportunities efficiently while maintaining a disciplined cost base.

Organisational Scaling

During Q3, the Company expanded the Operator XR team with approximately 11 new hires, predominantly in engineering roles to accelerate product delivery across the Counter-UAS system, the Sentinel fixed-facility product, and AI integration initiatives. This investment strengthens the Company's ability to meet increasing demand and deliver at scale.

In parallel, the Company has enhanced its customer success capability in established markets, including the United States, with the addition of two dedicated Customer Success Managers to support growing deployment activity and ensure strong end-user outcomes.

To further support this growth, a new satellite office has been established in Melbourne, expanding access to key engineering talent and complementing the Brookvale headquarters in Sydney.

Australian Headquarters and Production Capacity

The Company continues to operate from its ~740m² headquarters in Brookvale, NSW, which provides approximately double the prior production capacity and dedicated space for software engineering, supporting near-term delivery requirements and medium-term scaling.

Product Development

Operator XR continues to invest in the expansion and enhancement of its integrated ecosystem, with all product development initiatives designed to operate seamlessly across the existing platform and product suite. This unified approach ensures interoperability, scalability and consistent user experience across all deployments. Mixed Reality (MR) capability is also being incorporated across the full product range, complementing existing Virtual Reality (VR) modes to support a broader set of customer requirements and training environments.

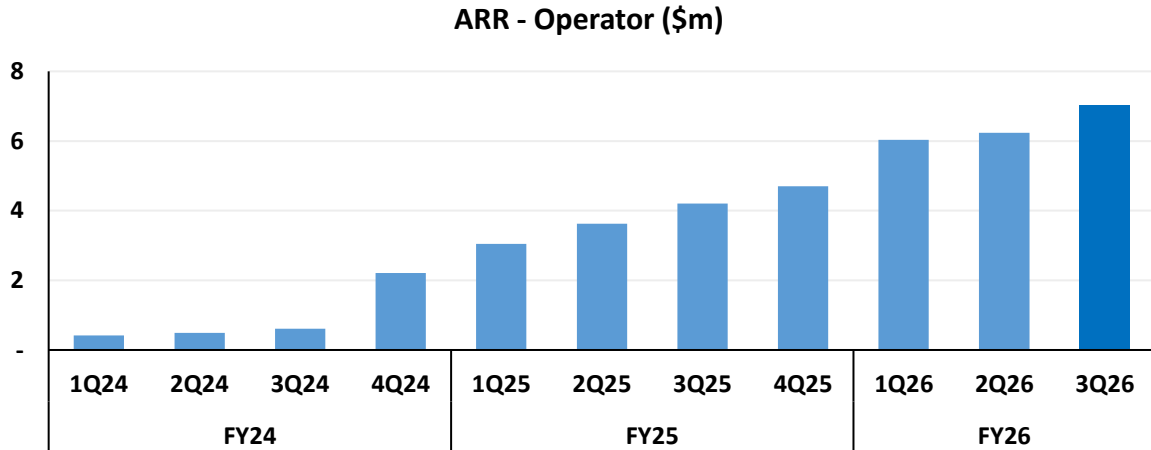
Key areas of investment include:

- **Advanced AI** integration across the Operator XR ecosystem, enabling personalised training scenarios, de-escalation training, and instructor augmentation
- **Sentinel** – a larger fixed facility product within the ecosystem, focused on military and federal agency customers
- **Counter-drone (C-UAS)** simulation capability for defence and national security applications
- **Cloud-based** content subscription and customer analytics platform, supporting ongoing engagement and data-driven insights
- **XR streaming** architecture, enabling higher-fidelity simulation and scalable deployment across multiple environments

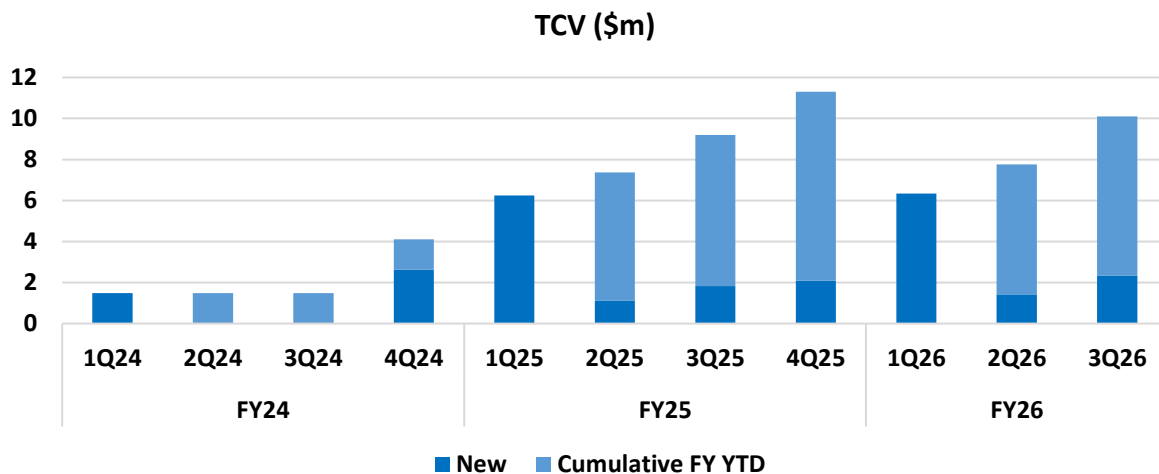


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Operator XR Annual Recurring Revenue (ARR) at the end of the quarter was \$7.0m (up 13% QoQ, up ~45% YTD)



Operator XR Growth in Sales – Total Contract Value for FY26 YTD is \$10.2m.



Entertainment Sector

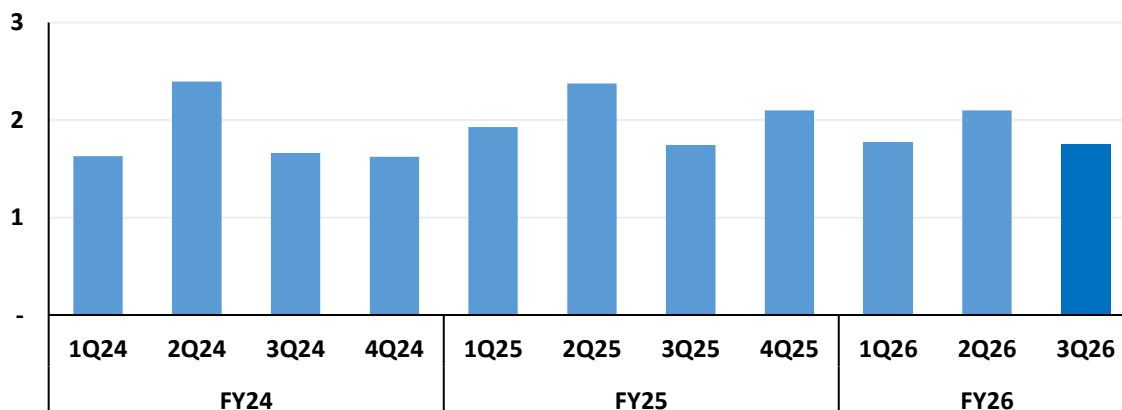
iFLY

The iFLY indoor skydiving facilities performance during Q3 remained consistent with prior periods, despite an unplanned interruption to tunnel operations in January which temporarily impacted throughput. The associated downtime was covered by the Company's insurance policy. The mechanical fault has since been rectified, and the Penrith facility is fully operational.



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IFLY - Cash Receipts (\$m)



FREAK Entertainment

The strategy to exit the Entertainment Virtual Reality businesses continues to progress. FREAK Bondi Junction was closed on 13th October 2025, and the closure of FREAK Macquarie is expected to be completed during Q4 FY26. All IT hardware and equipment from the sites is being repurposed for testing and R&D for future Operator XR product development.

The review of strategic options for iFLY is ongoing with corporate advisors. Portfolio simplification is expected to improve operational focus, profitability, and capital efficiency.

Corporate Activity

XRG continued its investment in resourcing the Operator XR global expansion. Approximately 11 new positions were filled in Australia during Q3, predominantly engineering hires to accelerate product delivery across the C-UAS system, the Sentinel fixed facility, and AI integration.

A new satellite office was established in Melbourne to support the expanded engineering team. Staff costs grew for the quarter as the Company uplifted capacity to execute against its significant opportunity sets.

Operator XR enterprise receipts continued to represent approximately 70% of total Company receipts for the quarter, reinforcing the Company's transition toward a scalable, higher-margin software business.

The Company repaid \$575k of its Causeway Financial debt facility during the quarter, reducing the total facility balance to \$4.7m. The facility matures on 1 April 2027.

Cash Flow Analysis

Cash receipts for the quarter totalled \$5.6m. Net cash from operating activities was \$1.3m for the quarter. The Company invested \$1.7m into XR product development and projects. Closing cash position was \$2.7m.

Related parties' expenses of \$0.2m comprise salaries and superannuation paid to executive directors and fees paid to non-executive directors.



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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 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 2026

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,581	16,967
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-916	-4,759
(c) advertising and marketing	-453	-1,043
(d) leased assets	-	-2
(e) staff costs	-1,827	-5,496
(f) administration and corporate costs	-957	-2,656
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	77
1.5 Interest and other costs of finance paid	-188	-634
1.6 Income taxes paid	-35	-35
1.7 Government grants and tax incentives	394	1,464
1.8 Other (provide details if material)*	-319	-319
1.9 Net cash from / (used in) operating activities	1,287	3,564

* Includes \$348k payments to creditors from Q1 & Q2.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-531	-531
(d) investments	-	-
(e) intellectual property	-1,154	-2,939
(f) other non-current assets	-	-381

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	-1,685	-3,851

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
3.6	Repayment of borrowings	-575	-725
3.7	Transaction costs related to loans and borrowings	-	-179
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-575	-427

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,734	3,475
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,287	3,564
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-1,685	-3,851

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-575	-427
4.5	Effect of movement in exchange rates on cash held	-74	-74
4.6	Cash and cash equivalents at end of period	2,687	2,687

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	2,687	3,734
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)	2,687	3,734

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

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 <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	4,725	4,725
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,725	4,725
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)	1,287
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,687
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,687
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:30/04/2026.....

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.