

xReality Group Limited (ASX:XRG) (xReality)

ACN 154 103 607

ASX Release

Sydney, Australia – 30 October 2026

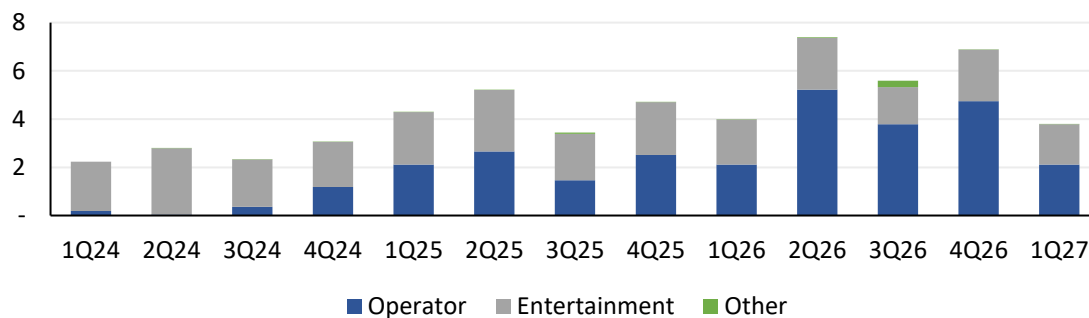
Quarterly Activities Report

xReality Group Limited (ASX:XRG) (xReality) provides the following Quarterly Activities Report and Appendix 4C for the quarter ended 30 September 2026 (Q1 FY27), together with an Operational Update.

Key Highlights

- **Global customer base increased to 132**, up 12% quarter-on-quarter (QoQ) and 65% on the prior corresponding period (PcP), including 120 customers in the United States.
- **Annual Recurring Revenue (ARR) increased to \$8.8m**, up 10% QoQ and 46% on PcP.
- **Qualified sales pipeline increased to \$83.3m**, up 4% QoQ.
- **First US Marine Corps order** for OP-2 Interceptor counter-drone (C-UAS) training systems secured after quarter end, following demonstrations and evaluations across Marine Corps units.
- **New US contracts secured**, including Miami Beach Police, Federal Reserve Bank of Richmond Police and the US Air Force's 36th Contracting Squadron in Guam.
- **Total Contract Value (TCV) of new sales reached \$2.0m** during Q1 FY27, down 68% on PcP, which included the \$4.3m initial Texas Department of Public Safety order.
- **Quarterly cash receipts of \$3.8m**, down 5% on PcP, including Operator XR receipts of \$2.1m, in line with PcP.
- **Net operating cash outflow reduced to \$0.1m**, representing a \$0.8m improvement on PcP.
- **Investment of \$1.9m in Operator XR product development** during the quarter
- **Closing cash balance of \$1.4m** at 30 September 2026, with a further \$1.27m received from the FY26 R&D Tax Incentive refund on 14 October 2026.
- **Exit from entertainment VR completed**, following the closure of the remaining FREAK Entertainment VR venues.

Receipts from Customers (A\$m)





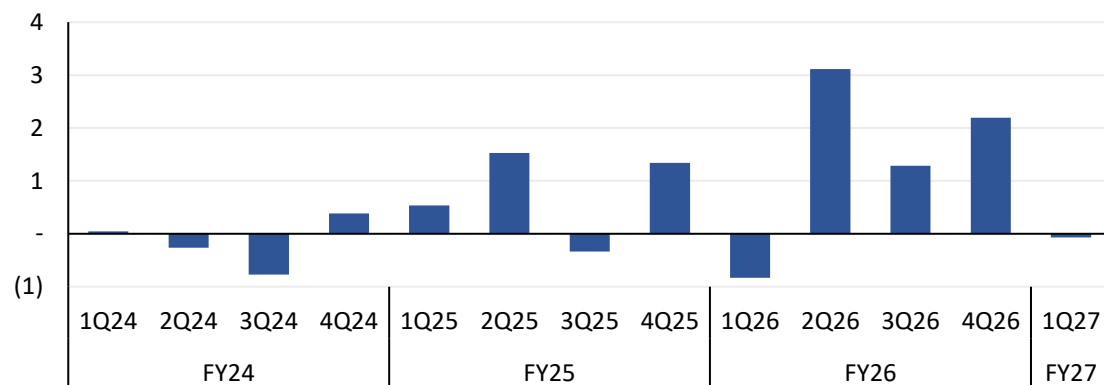
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Operational Cashflow

Net operating cash outflow in Q1 FY27 was \$0.1m, compared to PcP cash outflow of \$0.8m in Q1 FY26.

Receipts from Customers in Q1 FY27 were \$3.8m (down 5% on PcP (\$4.0m) and 45% QoQ (\$6.9m)). Operator XR receipts were in line with PcP at \$2.1m, ~56% of the total. Q4 FY26 (QoQ) included final milestone payments from the US Department of Defense project and the Swedish Armed Forces contract.

Net Operating Cashflow (A\$m)

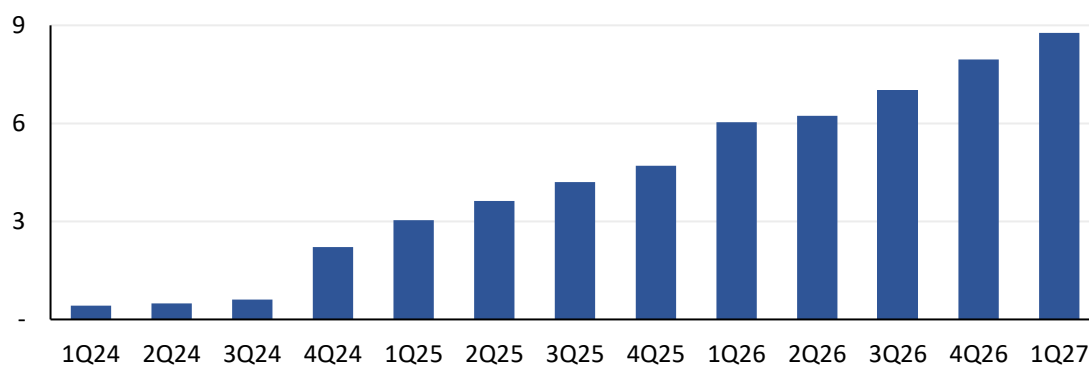


Operating Performance Metrics

Operator XR Customers grew to 132 worldwide as at 30 September 2026 (up 12% QoQ (118)), with 14 new customers and one renewal during Q1 FY27.

Operator XR ARR as at 30 September 2026 was \$8.8m (up 10% QoQ (\$8.0m)).

ARR - Operator (A\$m)

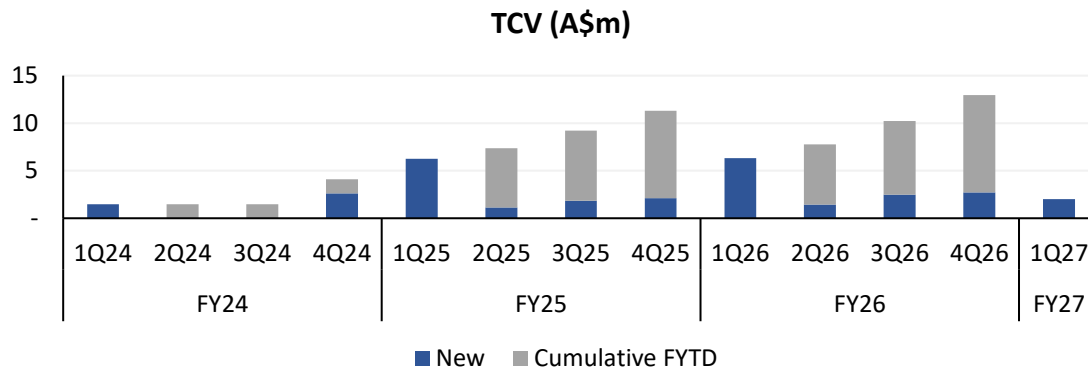




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Operator XR Total Contract Value for Q1 FY27 of \$2.0m (down 68% on PcP (\$6.3m)). The PcP of Q1 FY26 included the \$4.3m initial Texas Department of Public Safety order, ~68% of the TCV. Excluding that order, Q1 FY26 TCV was approximately \$2.0m.

Operator XR Qualified Sales Pipeline as at 30 September 2026 of \$83.3m (up 4% QoQ).



Operational Update

Growth

First United States Marine Corps Order

After quarter end, Operator XR received its first order from the United States Marine Corps for OP-2 Interceptor counter-drone (C-sUAS) training systems. Announced to ASX on 7 October 2026, the order is the first commercial sale of Interceptor. The order follows demonstrations and evaluations across Marine Corps units as Interceptor progresses through the military evaluation and pilot sales cycle.

The order covers software licences, training hardware and 12 months of support, with delivery scheduled for Q2 FY27.

User training was delivered in October. A demonstration to senior leadership is scheduled for November.

Global Sales

United States Law Enforcement and Federal Customers

New US contracts during the quarter included Miami Beach Police, the Federal Reserve Bank of Richmond Police, and the US Air Force's 36th Contracting Squadron in Guam.

Operator XR continues to invest in US sales, customer success and account management capability to support growth in its core US law enforcement market. Operator XR exhibited at IACP in October and will attend I/ITSEC in Orlando in December, supporting continued growth in the qualified pipeline.

International Expansion

Asia Pacific: A number of opportunities are in progress across the region including through Japan, Taiwan and the Philippines, at various stages from demonstration through to proposal primarily for military customers.

Europe: Operator XR was invited to present at CCXR, a VR Police event in Germany, followed by MSPO in Poland. The pipeline across Europe has been developing for both military and police, with several deals at an advanced level.



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Australia: Operator XR exhibited at Land Forces 2026, presenting OP-2 Interceptor. Discussions continue with Australian Army units on training packages and renewals.

Product Development and Growth Investment

OP-2 Law Enforcement

Work during the quarter delivered the second version of the cloud content delivery system, which lets agencies manage their devices and update instructor tablets over the internet using zero-trust authentication. The quarter also delivered a redesigned instructor interface, low-light scenarios with weapon-mounted torches, voice commands, more realistic handcuffing, and new environments.

OP-2 Interceptor

During the quarter the team added improvements across drone scenario authoring, drone jamming, integrating Benelli M1014 shotguns (the US Marines in service shotgun), ballistics modelling, and a redesigned replica handheld RF Jamming device.

Mixed Reality and Security

MR-1, the mixed reality system commercialised through the US Department of Defense was showcased at IACP in October and will be demonstrated at I/ITSEC.

Operator XR LLC increased its digital security infrastructure to support US Department of Defense contracting requirements. Its secure controlled unclassified information (CUI) enclave went live during the quarter.

AI

The Company continued to develop its AI offering across the Operator XR product portfolio, enabling personalised training scenarios, de-escalation training, instructor augmentation, and adaptive learning. Operator XR was named a finalist in the Australian AI awards in the Defence and National Security category. Winners will be announced on 30 October 2026.

Entertainment Sector

iFLY Sydney and Gold Coast

iFLY receipts for Q1 FY27 were \$1.7m (down 6% on PcP). Sydney hosted the Australian Indoor Skydiving National Championships in August, with a record 127 teams registered.

September trading benefited from school holidays with the Sydney first-time flyer revenue exceeding September 2025, while sport flyer revenue was softer following the championships event.

The Company continues to review strategic options for the iFLY business with its corporate advisors.

FREAK Entertainment

All FREAK Entertainment VR venues have closed, completing the Company's exit from entertainment VR. FREAK receipts for the quarter were \$17k. The Company is reallocating venue hardware for Operator XR testing and R&D.



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Corporate Activity

FY26 Audit Update

The audit of the Company's FY26 financial statements remains ongoing. A separate announcement titled "*FY26 Audit and Annual General Meeting Update*" has been released today, providing shareholders with further information on the status of the audit and associated regulatory matters.

Q2 FY27 Priorities

The Board's immediate priority is the reinstatement of trading in XRG securities and satisfying the related listing obligations, alongside continued conversion of Operator XR's qualified pipeline into contracted sales.

Key operational milestones for Q2 FY27 include delivery of the US Marine Corps OP-2 Interceptor systems, further military demonstrations, the OP-2 customer release, the planned public launch of MR-1 and participation in I/ITSEC in Orlando, USA.

Cash Flow Analysis

Cash receipts from customers totalled \$3.8m for the quarter, with net operating cash outflow of \$0.1m. Staff costs were \$1.9m, including approximately \$0.3m in additional superannuation payments arising from a change in payment timing. Product manufacturing and operating costs decreased by \$0.5m quarter-on-quarter to \$1.2m. The Company also received \$0.4m in government grants and tax incentives.

Net cash used in investing activities was \$1.9m, primarily attributable to \$1.88m invested in capitalised Operator XR product development. The Company repaid \$0.05m in borrowings during the quarter and held \$1.4m in cash at 30 September 2026.

At quarter end, the outstanding balance of the Company's secured Causeway Financial facility was \$4.55m.

Funding After Quarter End

On 1 October 2026, the Company drew down \$1.0m under a separate Causeway funding facility (Facility 2), established to provide short-term funding against its FY26 R&D Tax Incentive refund.

Following receipt of the \$1.27m R&D refund on 14 October, the \$1.0m drawn under Facility 2 was repaid in full on 15 October for \$1.01m, including interest.

On 15 October, Causeway agreed to extend Facility 2, increasing its limit to \$1.5m and aligning its maturity date with the Company's existing principal facility (Facility 1) on 1 April 2027. The Company subsequently drew down \$0.5m under Facility 2 for working capital purposes.

Payments to Related Parties

Payments to related parties totalled \$154k during the quarter, comprising executive director remuneration and non-executive director fees. Of this amount, \$69k was included in operating activities (item 6.1) and \$85k in investing activities (item 6.2).

This announcement is authorised by the Board of Directors.

END



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About xReality Group Limited (ACN 154 103 607)

xReality Group develops enterprise simulation software for military and law enforcement training. Operator XR provides an integrated, portable and highly immersive mission planning and rehearsal system. The Group also operates indoor skydiving facilities in Sydney and on the Gold Coast. The Company is listed on ASX under the code XRG.

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

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")

30 September 2026

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,802	3,802
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-1,153	-1,153
(c) advertising and marketing	-315	-315
(d) leased assets	-	-
(e) staff costs	-1,878	-1,878
(f) administration and corporate costs	-803	-803
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-133	-133
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	411	411
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	-67	-67
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	-1,877	-1,877
(f) other non-current assets	-54	-54

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-1,931	-1,931

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	-	-
3.6	Repayment of borrowings	-50	-50
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-50	-50

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,485	3,485
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-67	-67
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-1,931	-1,931

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-50	-50
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,437	1,437

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	1,437	3,485
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)	1,437	3,485

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	69
6.2	Aggregate amount of payments to related parties and their associates included in item 2	85

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.</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	4,550	4,550
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,550	4,550
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)	-67
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,437
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,437
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	21.41
	<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: 3 October 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.