xReality Group Limited (ASX:XRG) (xReality)

ACN 154 103 607

ASX Release

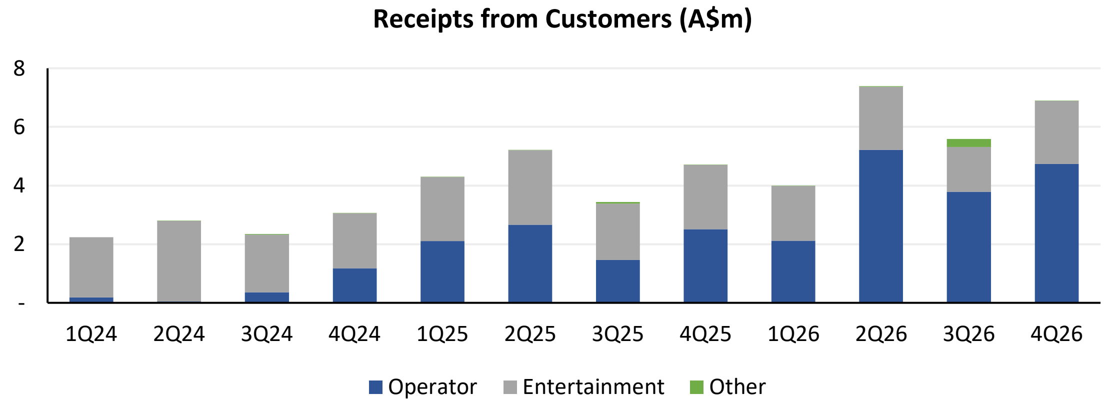
Sydney, Australia – 29 July 2026

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 30th June 2026, together with an Operational Update.

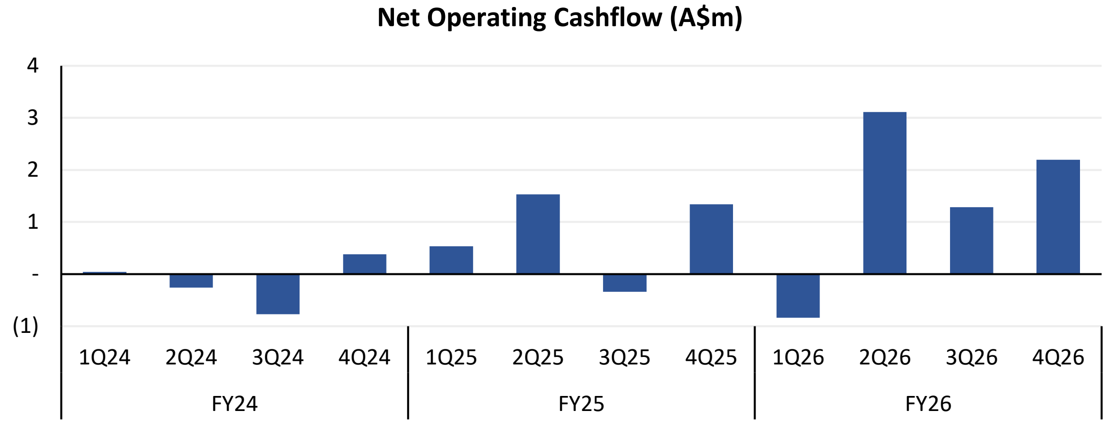
Key Highlights

- Cash Receipts Q4 of $6.9m (up 46% on PcP)
  - $23.9m FY26 (up 35% on PcP)
- Positive Net Operating Cashflow Q4 of $2.2m (up 64% on PcP)
  - $5.8m FY26 (up 88% on PcP)
- Total customers grown to 118 worldwide (up 13% QoQ, up 76% PcP) (108 in the USA)
- Annual Recurring Revenue (ARR) increased to $8.0m (up 69% PcP)
- Total Contract Value (TCV) of $13.0m in FY26 (up 27% QoQ)
- Sales Pipeline of $80.4m (up 8% QoQ)
- $5.6m US Department of Defense project successfully completed on time and on budget, MR-1 technology commercialised, and first commercial sale secured
- First European contract secured with a Swedish Armed Forces end-user, valued at approximately $0.45m
- Operator XR signed MOU with Thales Australia to jointly pursue defence, security and law enforcement training and simulation opportunities
- Continued debt reduction - ~$0.8m repaid across FY26 ($75k during the quarter), with the Causeway facility balance of $4.65m at quarter end



Operational Cashflow

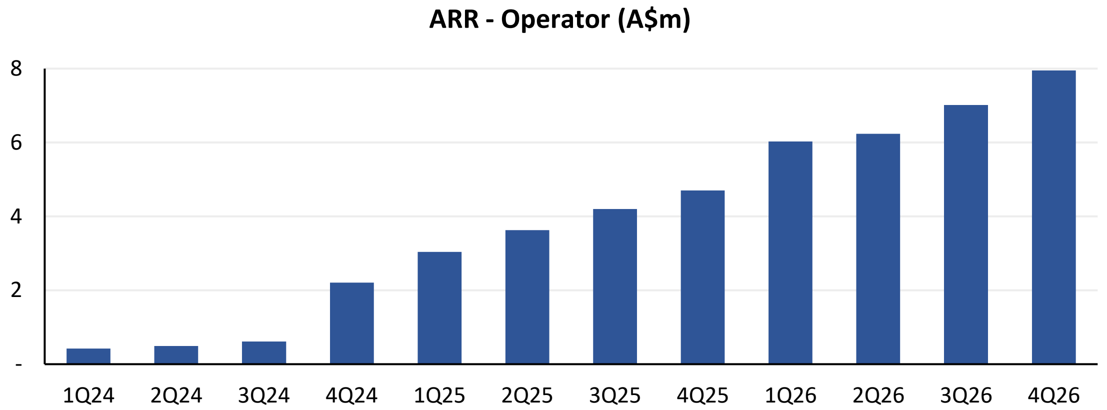
Net Operational Cashflow in Q4 FY26 was $2.2m, which results in FY26 achieving $5.8m net operating cash flow for the year, driven by an increase in Operator XR sales throughout the year.



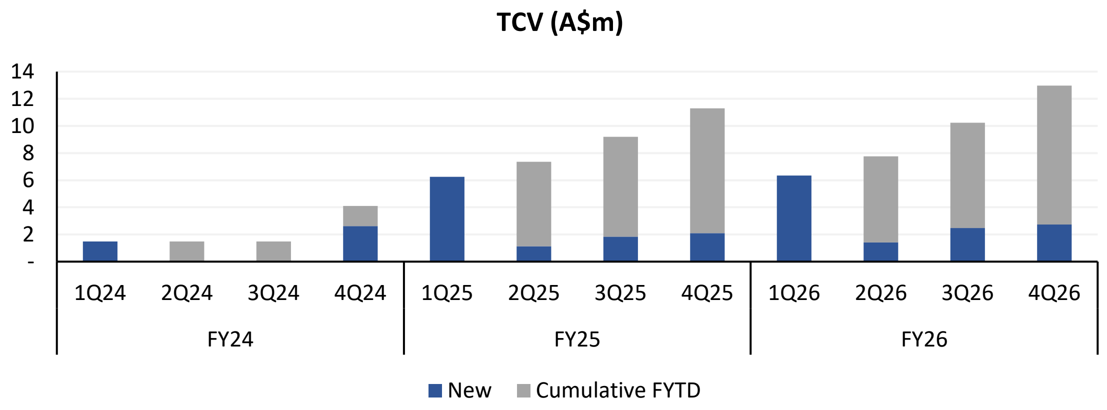
Operating Performance Metrics

Operator XR Customers grew to 118 worldwide (up 13% QoQ, up 76% PcP) (108 in the USA)

Operator XR Annual Recurring Revenue (ARR) at the end of the quarter was $8.0m (up 69% on PcP, up 13% QoQ)



Operator XR Growth in Sales – Total Contract Value for FY26 is $13.0m (up 15% on PcP, up 27% QoQ).



Operational Update

Growth

US DOD Project Completion

During Q4, Operator XR completed all milestones of its 20-month, AU$5.6m subcontract with the US Department of Defence, delivered through Acrolect Solutions LLC (DBA Endurance Group). The project was delivered on time and on budget, with the prototype formally accepted by the customer and validated by end users following final acceptance testing. All milestone payments have now been received.

Thales Australia MOU

During Q4, Operator XR signed a non-binding Memorandum of Understanding with Thales Australia to jointly pursue training and simulation programs across the defence, security and law enforcement markets. The relationship is reciprocal, with either party able to act as prime contractor or supplier depending on the opportunity.

Global Sales

First European Contract, Swedish Armed Forces

During Q4, Operator XR secured its first European contract, supplying an OP-2 Virtual Reality tactical training system to an end-user within the Swedish Armed Forces. The contract, valued at ~A$450,000, was executed via Operator XR's Swedish distribution partner PROMOTEQ i Sandviken AB, with delivery completed and final payment received during the quarter. This is Operator XR's first deployment with a NATO member's armed forces and establishes a reference customer for European pipeline development.

International Expansion

Following the first commercial sale into Japan via an APAC distribution partner in H1, the Company continued to build its international pipeline. During the quarter, Operator XR was showcased at ITEC (London), SOF Week (Tampa) and Eurosatory (Paris), with strategic business development activity in Poland and Taiwan. These engagements have driven strong inbound interest and progressed a number of near-term opportunities across European and APAC markets.

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

Product Development and Growth Investment

Interceptor – Counter-Drone (C-sUAS) System

Following its launch at I/ITSEC in the United States in December 2025, the Counter-UAS simulation capability, now designated Interceptor, has continued to generate strong market interest, including at ITEC in London in April. Engineering investment during the quarter remained focused on advancing the platform toward full commercial readiness. Addressable programs include the Australian Defence Force’s LAND 156 counter-UAS project (~$7bn over ten years, inclusive of a training capability) and growing demand from the US Department of Defense and state and local law enforcement.

Interceptor has also open further doors within the US DOD, including positive engagement with the United States Marine Corps and various Government initiatives.

The capability has resonated strongly with end users due to its ability to train squad-level tactics and techniques, developed in close consultation with operators 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 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.

Product Development

Operator XR continues to invest in expanding its integrated ecosystem, with all product development designed to operate seamlessly across the existing platform and product suite. This approach deepens customer engagement, supports longer-term customer retention, broadens existing relationships into new capability areas. Mixed Reality (MR) capability is 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

- Interceptor – C-sUAS 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
- Sentinel – a higher-tier system in development for Tier 1 special operations forces and large training academy customers

Organisational Scaling

A strategic hire was made during the quarter with the appointment of a lead product manager for military and C-sUAS systems, focused on aligning training outcomes with the requirements of large military programs. The appointment reflects the Company's strategic focus on defence and counter UAS markets and strengthens its ability to execute against them.

With the US DoD project completed, with all milestones delivered on time and on budget, engineering capacity across both existing and newly hired resources has shifted to rapid enhancement of OP-2 core capability, maintaining and growing OP-2's leadership position in the US law enforcement market in line with the Company's stated strategic ambitions for the US.

The expansion of the Melbourne engineering team is now well advanced, with resourcing aligned to the product priorities outlined above. The Melbourne satellite office has materially increased engineering output, working closely with Operator XR headquarters in Brookvale, Sydney.

Entertainment Sector

iFLY Sydney and Gold Coast

The iFLY indoor skydiving facilities performance during Q4 remained consistent with prior periods, with a strong professional flyer uptake due to the National Championships scheduled to be held in Sydney in August 2026. The competition has broken all previous registration records with 127 teams from all over the world to compete over the three days.

FREAK Entertainment

The strategy to exit the Entertainment Virtual Reality businesses continues to progress with the finalisation of the lease at Macquarie Centre in November 2026. 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

Staff costs grew for the quarter as the Company uplifted capacity to execute against its significant opportunity sets, with a near-term focus on enhancing the US law enforcement product to maintain and grow market position.

Operator XR enterprise related receipts represented approximately 78% of total Company receipts for the quarter, reinforcing the Company's transition toward a scalable, higher-margin software business.

The Company repaid $75k of its Causeway Financial debt facility during the quarter, a total of $800k in FY26, reducing the total facility balance to $4.65m. The facility matures on 1 April 2027.

Cash Flow Analysis

Cash receipts for the quarter totalled $6.9m. Net cash from operating activities was $2.2m for the quarter. The Company invested $1.3m into XR product development and projects. Closing cash position was $3.5m.

Related parties' expenses of $155k 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 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	Quarter ended ("current quarter")
39 154 103 607	30 June 2026

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	6,892	23,859
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-1,685	-6,444
	(c) advertising and marketing	-293	-1,336
	(d) leased assets	-	-2
	(e) staff costs	-2,312	-7,808
	(f) administration and corporate costs	-849	-3,505
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	80
1.5	Interest and other costs of finance paid	-183	-817
1.6	Income taxes paid	-	-35
1.7	Government grants and tax incentives	621	2,085
1.8	Other (provide details if material)	-	319
1.9	**Net cash from / (used in) operating activities**	**2,194**	**5,759**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-531
	(d) investments	-	-
	(e) intellectual property	-1,273	-4,212
	(f) other non-current assets	-48	-429

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 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**	**-1,321**	**-5,172**

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	-75	-800
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**	**-75**	**-502**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,687	3,475
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,194	5,759
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-1,321	-5,172

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-75	-502
4.5	Effect of movement in exchange rates on cash held	-	-74
4.6	**Cash and cash equivalents at end of period**	**3,485**	**3,485**

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	3,489	2,687
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)**	**3,485**	**2,687**

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	45
6.2	Aggregate amount of payments to related parties and their associates included in item 2	110

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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	4,650	4,650
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	4,650	4,650
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)	2,194
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,485
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,485
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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.

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: 29/07/26

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.