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

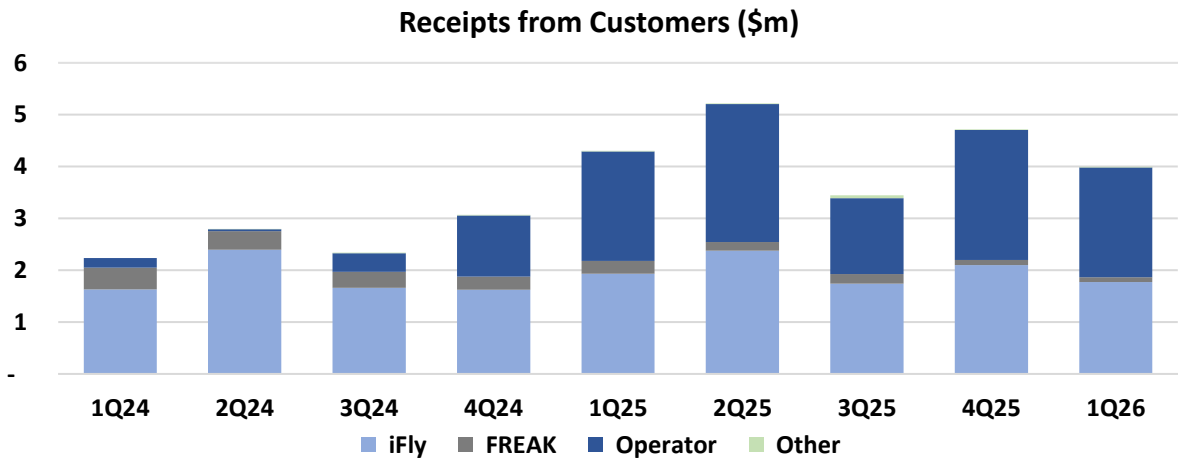
ASX Release
Sydney, Australia – 28 October 2025

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 September 2025, together with an Operational Update.

Key Highlights

- Largest single order to date of Operator XR systems from Texas DPS for up to $5.7m
- Industry Growth Program grant awarded $2.1m over two years
- Qualified Sales Pipeline increased to $51m (up 40% QoQ)
- Global Individual Agencies (customers) 80 (up 19% QoQ)
- Cash Receipts in Q1 FY26 of $4.0m driven by:
    - Operator XR of $2.1m, and
    - Entertainment of $1.9m
- Q1 Total Contract Value $6.3m (up 269% QoQ)
- Increase in Annual Recurring Revenue to $6.0m (up 28% QoQ)

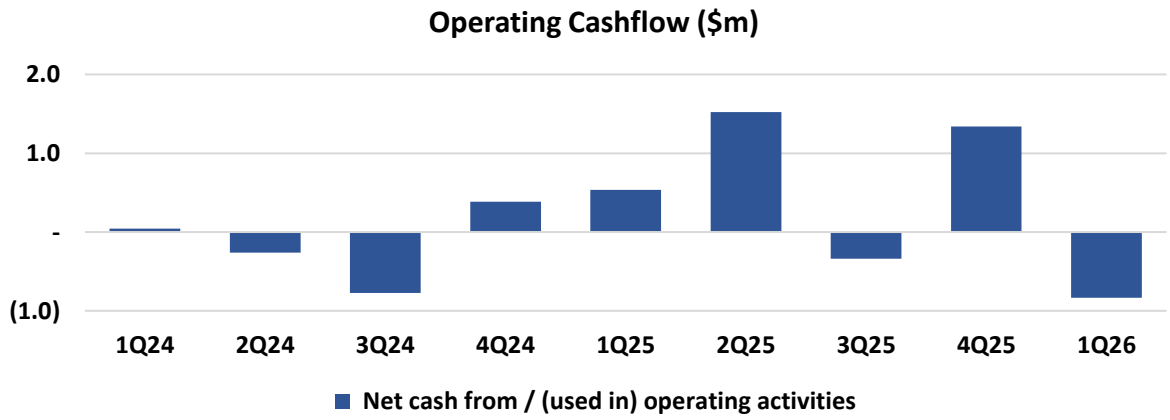


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Operational Cashflow:

- Net Operational Cashflow in Q1 FY26 was - $0.8m, driven by:
  - Significant cash outflows of ~$1.0m to fulfil US orders including $0.8m in COGS related to the Texas DPS order.
  - Contractual Cash receipts expected in Q2 excluding business as usual receipts:
    - $4.3m Texas DPS
    - $1.4m US DOD Project
    - $0.5m Industry Growth Grant



Operating Performance Metrics:

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

- Operator XR (Enterprise)
  - Q1 Total Contract Value $6.3m (up 269% QoQ)
  - Increase in Annual Recurring Revenue to $6.0m (up 28% QoQ)
  - New Operator XR customers include:
    - 12 new customers in the US
    - 2 annual subscription renewals in Australia
- iFLY and Freak Entertainment
  - Cash Receipts from Entertainment Q1 $1.9m (down 14% PcP)
  - iFLY Businesses held its most successful national championships to date held in August 2025.

Positive sales outlook

347 qualified and active sales opportunities with a total sales pipeline of $51M, increasing by 40.4% from last quarter.

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Operational Update by Business Sector:

Operator XR – Defence and Law Enforcement Software and Technology

Operator XR continues to make significant progress across the USA. The new financial year has commenced with the strongest quarter of sales to date totalling $6.3m during the quarter. Cash receipts from these sales will occur in Q2 FY26.

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).

The largest single order to date consisted of:

- $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 expected to be delivered throughout Q2 FY26.

Delivery of Texas DPS Order update:

The delivery of systems to the customer has been staged as four equal tranches. The company has commenced delivery with the first tranche delivered to the customer on the 20th October 2025. The second tranche was dispatched on the 24th October and the remaining two tranches will be delivered in November 2025.

All inventory for the delivery has been purchased throughout Q1 (c. $0.8m) with the first cash receipts expected to be received in November 2025.

Cash receipts from each tranche is expected 30 days from delivery, with the total payment for the initial order of $4.3m to be received in December 2025.

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 well with six months left on the project. The cash receipts from the project are heavily weighted within this period with $3.2m to be received between November 2025 to May 2026.

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General Business

Operator XR has continued to scale in the US with 12 new law enforcement and military customers across the country, and 2 annual subscription renewals in Australia during the period.

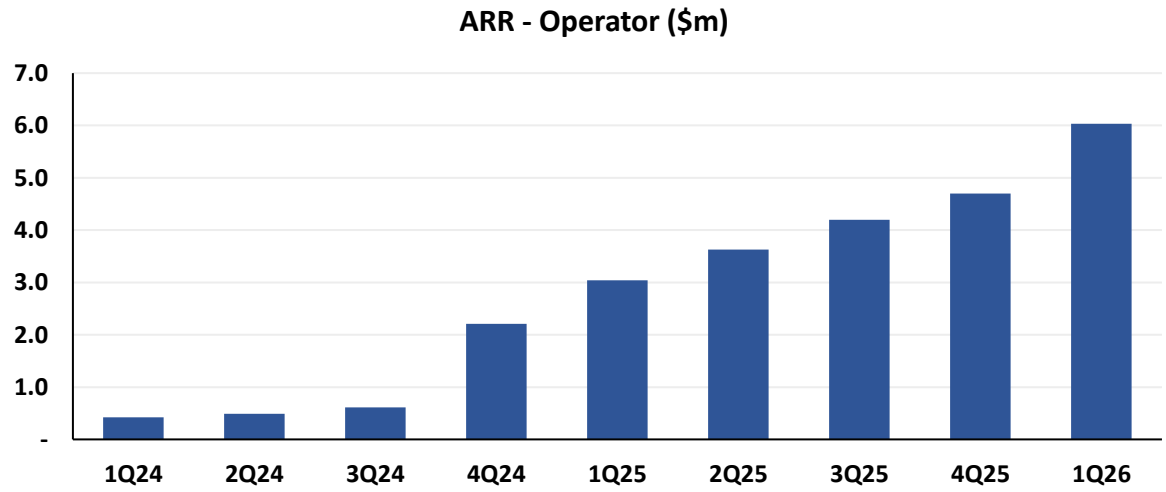
Total unique customers worldwide has grown to 80 at the end of Q1FY26 (compared to 34 at this time last year). The US Law Enforcement market continues to be our highest growth market; however, we have started to gain further interest across the Defence industry with multiple sales into the US Airforce and US Space Force.

Product Development

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

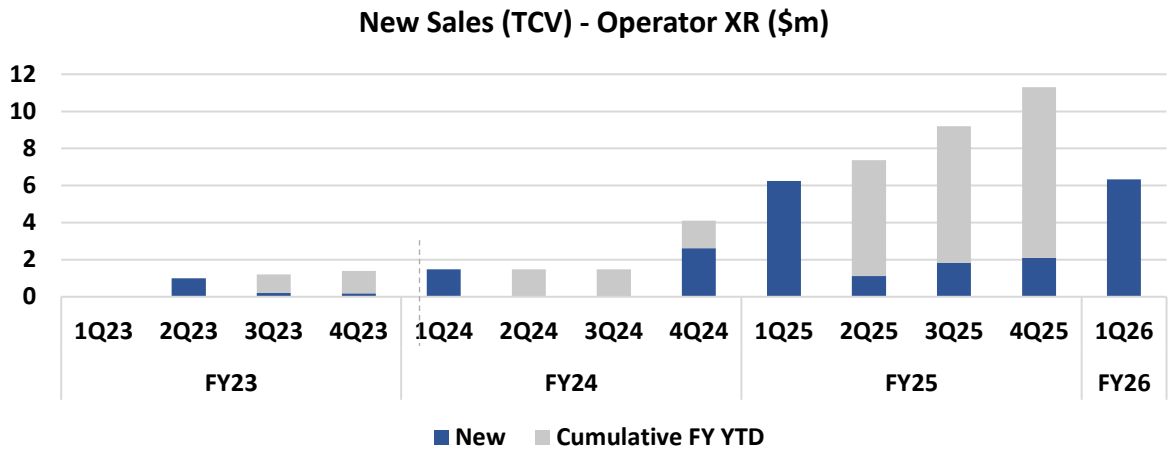
- Advanced AI integration into all products, enabling personalised training scenarios, de-escalation training, and instructor augmentation.
- A larger fixed facility product focused on military and federal agency customers.
- Counter drone simulations.
- Cloud based content subscription and customer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

Operator XR Annual Recurring Revenue (ARR) at the end of the quarter was $6.0m (up 28% in the quarter).



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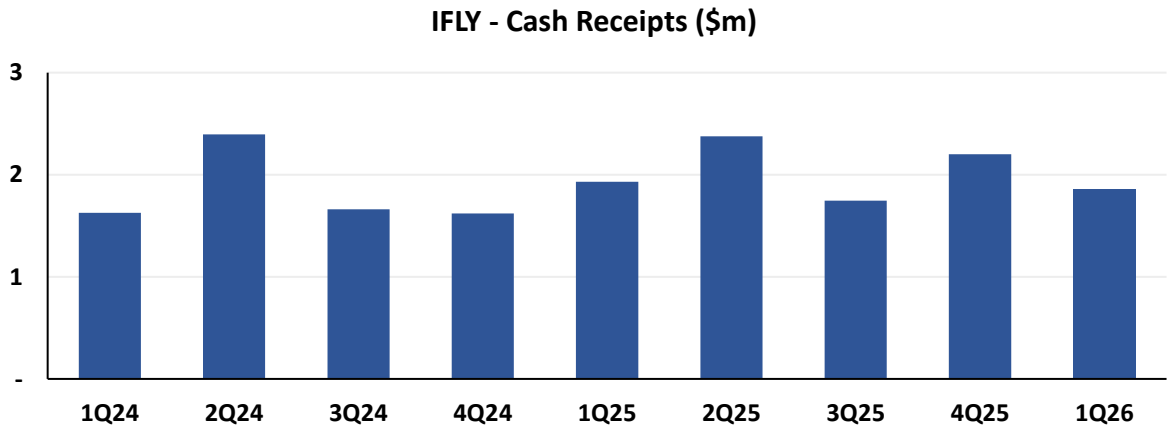
Operator XR Growth in Sales - Total Contract Value for FY26 YTD is $6.3m after a strong first quarter.



Entertainment Sector

iFLY

XRG's portfolio of Entertainment businesses have continued to perform well and stable in a challenging market. In August 2025, iFLY hosted the Australian Indoor Skydiving championships at it's Sydney venue, iFLY Downunder. The event saw 123 teams competing over three days, marking the most successful and well attended event since opening the facility in 2013.



Freak Entertainment

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

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Corporate Activity

XRG has invested further in resourcing the Operator XR global expansion. Several new senior positions have been identified across global Marketing and Sales functions. Operator XR has also increased its software engineering team to facilitate the high demand for specific features associated with Military and Law Enforcement training.

Executive Director, Kim Hopwood was promoted to Chief Operating Officer on the 7th October. In this expanded role, Mr Hopwood will broaden his remit beyond product and technology to oversee day-to-day operations across Australia and the United States, including delivery, customer success, supply chain, quality and HSE systems, and operational scaling as the Company expands deployments of Operator XR.

The expanded operating cadence in North America is further supported by the recent promotion of Simon Maxwell to General Manager, USA, strengthening local leadership and on-the-ground execution as XRG accelerates growth in that market.

Post reporting period, the XRG Board approved the short-term drawing of $0.5m from it's Causeway facility for working capital purposes, largely to fulfil the Texas DPS contract. In granting this drawdown request, Causeway has temporarily waived the condition of $7m ARR by XRG to allow the short term draw down of these funds, as outlined in the ASX announcement of 8 April.

The remaining balance of $0.5m announced in the ASX announcement 8 April remains undrawn. This purpose of this additional working capital is to provide further buffer for payment timing related to the significant cash inflows and outflows associated with the heightened level of sales investment and delivery. XRG intends for the $0.5m drawdown to be repaid during or before December 2025. There are no additional fees associated with accessing this funding tranche when drawn or repaid.

Cash Flow Analysis

Cash receipts for the quarter totalled $4.0m. Net cash from operating activities was negative $0.8m for the quarter. The Company invested ~$1.0m into inventory for future order deliveries and $1.0m into XR product development and projects. Closing cash position was $1.3m.

Related parties' expenses of $0.16m 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

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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 September 2025

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (3 months) $A**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3,992,447	3,992,447
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-2,118,460	-2,118,460
	(c) advertising and marketing	-363,855	-363,855
	(d) leased assets	-	-
	(e) staff costs	-1,842,183	-1,842,183
	(f) administration and corporate costs	-620,306	-620,306
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	59,257	59,257
1.5	Interest and other costs of finance paid	-254,842	-254,842
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	313,311	313,311
1.8	Other (creditors from other periods)	-	-
1.9	**Net cash from / (used in) operating activities**	**-834,631**	**-834,631**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-775,185	-775,185

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Consolidated statement of cash flows		Current quarter $A	Year to date (3 months) $A
	(f) other non-current assets	-259,650	-259,650
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**	**-1,034,835**	**-1,034,835**

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	-22,800	-22,800
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	-75,000	-75,000
3.7	Transaction costs related to loans and borrowings	-164,400	-164,400
3.8	Dividends paid	-	-
3.9	Other (creditor settlement to facilitate debt restructure)	-	-
3.10	**Net cash from / (used in) financing activities**	**-262,200**	**-262,200**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,475,212	3,475,212

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Consolidated statement of cash flows		Current quarter $A	Year to date (3 months) $A
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-834,631	-834,631
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-1,034,835	-1,034,835
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-262,200	-262,200
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,343,545**	**1,343,545**

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	Previous quarter $A
5.1	Bank balances	1,343,545	3,475,212
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)**	**1,343,545**	**3,475,212**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	46,695
6.2	Aggregate amount of payments to related parties and their associates included in item 2	116,236

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.

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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**	**Amount drawn at quarter end $A**
7.1	Loan facilities	4,850,000	4,850,000
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	**Total financing facilities**	**4,850,000**	**4,850,000**

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.

Causeway Financial – secured – 14.5%

8.	**Estimated cash available for future operating activities**	**$A**
8.1	Net cash from / (used in) operating activities (Item 1.9)	-834,631
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,343,545
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,343,545
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.61

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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:

No. There have been significant outflows of circa $1m to fulfill large orders from the US during the September quarter. The related inflows will be coming in during the December quarter, including $4.3m from Texas DPS, $1.4m from milestone payments of US DoD and $0.5m from the IGP Grant.

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:

After the reporting quarter (Q1) the Company has increased the Causeway facility on a short-term basis by drawing $0.5m of the available $1.0m second tranche (announced in the New Debt Facility release on 8 April 2025), with repayment anticipated before the end of Q2.

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:

Yes. Significant cash inflows including those mentioned above are expected over Q2.

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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: ....28 /..10 /..25....

Authorised by: .....
(By the board)

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.

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