



XREALITY GROUP LIMITED

INVESTOR PRESENTATION

— FY26 H1 Results & Strategy Update

26 February 2026

OR
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H1 FY26 Highlights



XRG delivers record half-year performance driven by Operator XR momentum

<p>Customer Cash Receipts</p> <p>\$12.1m</p> <p>▲ 36% pcp</p>	<p>Net Ops Cashflow</p> <p>\$3.1m</p> <p>▲ 133% pcp</p>	<p>Annual Recurring Revenue</p> <p>\$6.2m</p> <p>▲ 28% YTD</p>
<p>Revenue</p> <p>\$10.4m</p> <p>▲ 41% pcp</p>	<p>Deferred Revenue</p> <p>\$12.5m</p> <p>▲ 69% pcp</p>	<p>Sales Pipeline</p> <p>\$63m</p> <p>▲ 107% YTD</p>

Executive Summary



Company Overview

- XReality Group (XRG) is a market leader in immersive Extended Reality (XR) solutions, offering both VR and AR experiences.
- Current portfolio includes advanced global defence and law enforcement XR training and simulation products, and entertainment businesses including VR entertainment and indoor skydiving facilities.
- XRG's core product, Operator XR's growth is significantly outpacing the legacy entertainment segment in revenue, cashflow and scalability.

H1 FY26 Results

- XRG had its strongest half-year result to date, with Total Revenue exceeding \$10.4m (up 41% on pcp) and NPAT of \$0.7m an increase of \$1.7m on pcp.
- Annual Recurring Revenue (ARR) from Operator XR has grown to \$6.2m (up 72% on pcp).
- XRG cash receipts was \$12.1m (up 36% on pcp) with Net Operational Cashflow \$3.1m (up 133% on pcp)
- EBITDA was \$2.6m (up 190% on pcp) and Net operational cashflow was \$2.2m (up \$3m pcp)
- Unrecognised Revenue has grown to \$12.5m (up 69% on pcp)

Growth Strategy

- **Strategic Focus** – Operator XR positioned as the primary business unit, driving focused execution and streamlined operations to capture emerging market opportunities
- **Accelerated Geographic Expansion** – Rapid scaling across the United States and key global markets, establishing strategic footholds in high-growth regions to maximise revenue potential
- **Advanced Technology Roadmap** – Expanding system capabilities to include counter-drone solutions, larger fixed installations, AI-powered analytics, and mixed reality modules to maintain competitive advantage
- **Market Leadership & Innovation** – Leveraging integrated technology platform to address evolving defence and security requirements, positioning XRG as the premier provider in next-generation tactical solutions

H1 FY26 Financials

Profit & Loss



- FY26 H1 was the strongest half for XRG since the foundation of the company. Momentum has continued to increase in the USA and other global markets through the Operator XR flagship product, OP-2.
- Key metrics for the half include
 - Qualified sales pipeline increasing to \$63m (+107% YTD)
 - ARR of \$6.2m (+72% on pcp)
 - 89 Individual Agencies (+31% YTD)
 - Total Contract Value (New Sales 1H26) \$7.8m
- Operator XR Revenue and Grant funding contributed 63% of total Revenue in 1H FY26
- EBITDA of \$2.6m (+190% pcp), driven by the increase in Operator XR sales. The increase in expenses is attributable to COGs associated with the delivery of systems and an increase in marketing and sales activities.
- Positive NPAT of \$0.7m for the period (+\$1.7m on pcp)
- Performance of Entertainment division
 - The Entertainment division had a strong half contributing \$3.9m predominantly through its iFLY businesses.

Profit and Loss (\$m)	H1'25	H1'26	Δ pcp
Enterprise (Operator XR)	2.1	4.4	109%
Entertainment	3.8	3.9	3%
Revenue	5.9	8.3	41%
Costs of Sales	(1.0)	(1.4)	38%
Gross Profit	4.9	6.9	41%
Other Income	1.5	2.1	41%
Selling and marketing expenses	(3.4)	(3.5)	4%
Administration expenses	(1.2)	(1.6)	26%
Other expenses	(0.9)	(1.3)	53%
Expenses	(5.5)	(6.4)	17%
EBITDA	0.9	2.6	190%
Depreciation and Amortisation	(1.0)	(1.1)	9%
EBIT	(0.1)	1.5	1.6
Finance Expense	(0.9)	(0.8)	(11%)
PBT	(1.0)	0.7	+1.7m
Tax	-	-	
NPAT	(1.0)	0.7	+1.7m
Basic EPS (cents per share)	(0.18)	0.10	+28
Diluted EPS (cents per share)	(0.16)	0.09	+25
EBITDA %	15%	31%	

Balance Sheet

Strong growth in recurring / Software-linked revenue base

- Deferred revenue increased to \$12.5M (current + non-current), up 69% from \$7.4M — demonstrating strong forward contracted revenue and increasing earnings visibility.

Significant uplift in customer activity and sales conversion

- Trade receivables increased to \$4.0M (up 138%), reflecting higher sales volumes and expanding customer deployments.

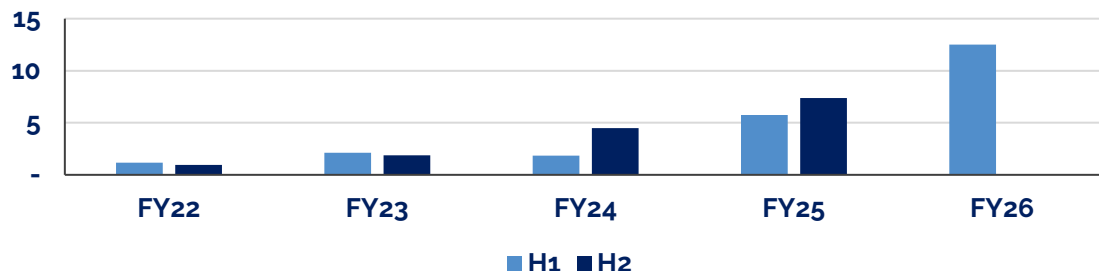
Improving liquidity and working capital position

- Cash increased to \$3.1M with total current assets growing 54% to \$8.8M, supporting operational scale-up and growth initiatives.

Continued investment in technology and platform capability

- Intangible assets increased to \$10.0M (+37%), reflecting ongoing investment in proprietary software and platform development aligned with the company's SaaS strategy.

Deferred Revenue (A\$m)



Balance Sheet (\$m)	Jun-25	Dec-25	Δ pcp
Cash and cash equivalents	2.8	3.1	12%
Trade and other receivables	1.7	4.0	138%
Inventories	0.3	0.4	18%
Contract asset	0.9	1.3	45%
Current Assets	5.7	8.8	55%
Property, plant and equipment	18.2	18	(1%)
Intangible assets	7.3	10	37%
Right-of-use asset	12.1	12.3	1%
Contract asset	1.1	1.6	51%
Other financial asset	0.8	0.9	15%
Non-Current Assets	39.5	42.9	8%
Total Assets	45.2	51.7	14%
Trade and other payables	4.9	2.0	(58%)
Lease liability	0.7	1.2	60%
Deferred revenue	4.2	6.0	45%
Borrowings	0.3	0.3	0%
Provisions	0.6	0.8	24%
Current Liabilities	10.7	10.3	(4%)
Trade and other payables	0.05	0	(88%)
Lease liability	13.9	13.9	(0%)
Deferred revenue	3.2	6.5	100%
Borrowings	4.7	5.0	8%
Provisions	1.2	1.5	26%
Non-Current Liabilities	23.1	26.9	17%
Total Liabilities	33.7	37.2	10%
Net Assets	11.5	14.5	26%

Cashflow

Record customer cash receipts

- \$12.1m in receipts from customers — highest level achieved to date, driven by strong Operator XR demand.

Strong positive operating cash generation

- Net operating cashflow of \$3.1m, demonstrating improving cash conversion and scalable operating model.

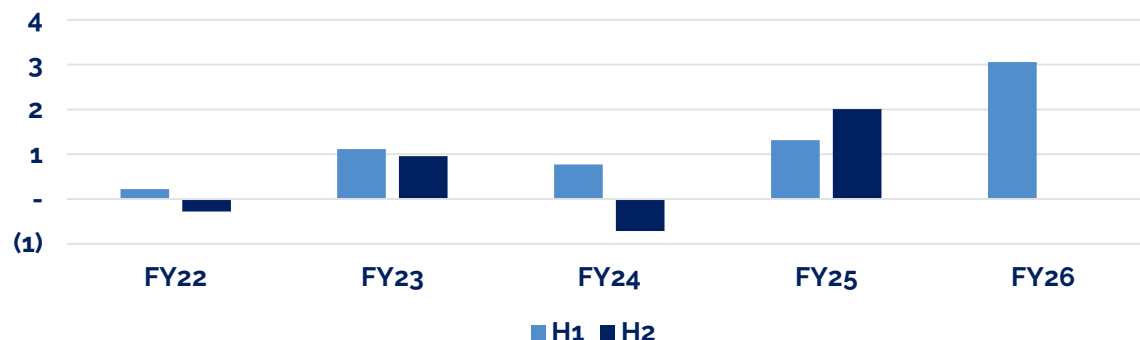
Increasing market penetration and customer growth

- Cash inflows supported by expanding customer base and continued global market expansion.

Investment into future growth

- \$2.3M invested into XR product development and intellectual property to support long-term platform expansion.

Operating Cashflow (\$m)



Cash Flow (\$m)	H1'25	H1'26	Δ pcp
Receipts from customers	8.9	12.1	36%
Payments to suppliers and employees	(6.7)	(9.3)	(39%)
Grants and other income	-	1.1	na
Finance costs	(0.9)	(0.8)	(11%)
NCF from Operating activities	1.3	3.1	138%
Purchase of PP&E	(0.1)	(0.3)	na
Payment for investment	(0.8)	(2.3)	(188%)
NCF (used in) Investing Activities	(0.9)	(2.6)	(189%)
Net Proceeds from issue of securities	-	(0.1)	(30%)
Net proceeds of borrowings	0.3	0.4	30%
Repayment of lease liability	(0.4)	(0.4)	-
NCF (used in) Financing Activities	(0.1)	(0.1)	-
Net Change in cash	0.3	0.4	30%
Cash at beginning of year	1.4	2.8	100%
Cash at end of Year	1.7	3.1	82%

Strategy update: Operator XR

Operator XR: Overview

Operator XR — Core Growth Engine for XRG

- Transitioned from establishment phase to growth phase.
- Growing US customer base across federal, state and local agencies.
- Expanding military and law enforcement customer pipeline with increasing deal size
- First commercial sale into Japan through APAC distribution partner, validating international demand and expanding global growth pathway (Feb 26)

Strong Revenue Visibility

- Increasing Total Contract Value (TCV) with multi-year enterprise agreements.
- Expanding Annual Recurring Revenue (ARR) from software and platform services.
- Growing contracted and unrecognised revenue supporting forward growth.

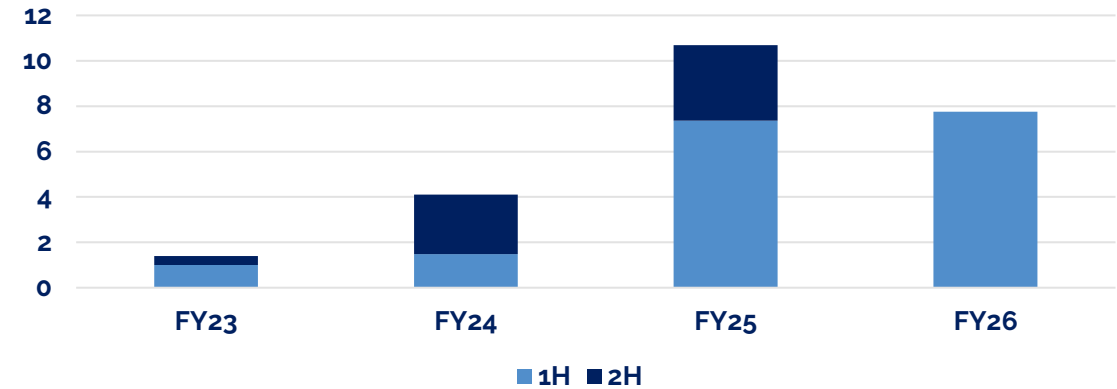
US Expansion Driving Growth

- Strengthened US operational presence and sales capability.
- Increasing adoption of mission-critical training solutions.

Counter-Drone Capability Launch & European Market Interest

- Launched Counter-Unmanned Aerial Systems (C-UAS) simulation capability, expanding Operator XR into high-priority defence and security applications.
- Early engagement and interest from European stakeholders, supporting international market expansion and future pipeline development.

New Sales (TCV) by Financial Year – Operator XR (A\$m)



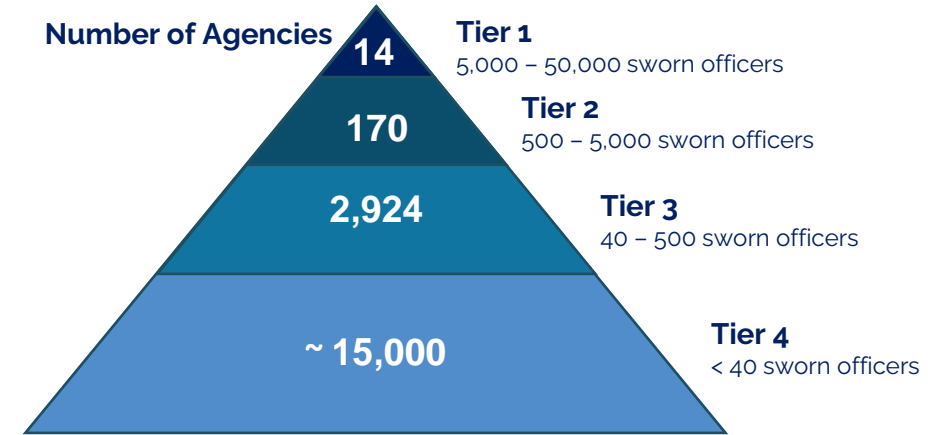
Operator XR Competitive Advantage

1. Established US market position with expanding customer base
2. Leadership with real-world mission-critical operational expertise
3. Integrated platform combining hardware, software and AI simulation
4. Proven in market with tier 1 agencies and defence customers
5. Scalable cloud-based training ecosystem with recurring revenue model

Operator XR: Market Opportunity USA LE

US Law Enforcement — Core Market Entry Strategy

- XRG is executing a structured US market entry strategy targeting law enforcement agencies based on operational scale and training requirements.
- Tiered customer segmentation enables efficient deployment, repeatable sales execution and scalable expansion across the addressable market.
- Early traction in mid-market agencies, tiers 3 and 4, supports volume growth and establishes a pathway to larger enterprise opportunities.
- Multi-year enterprise agreements combining upfront and subscription revenue streams
- Growing adoption of recurring software and support services.
- Key partnerships developed with governing and research bodies
- Advancing initiatives to embed VR as a core component of training doctrine, positioning immersive simulation as an essential capability for US training and law enforcement qualification programs.



Operator XR: Market Opportunity and Global Expansion

Global Expansion Momentum

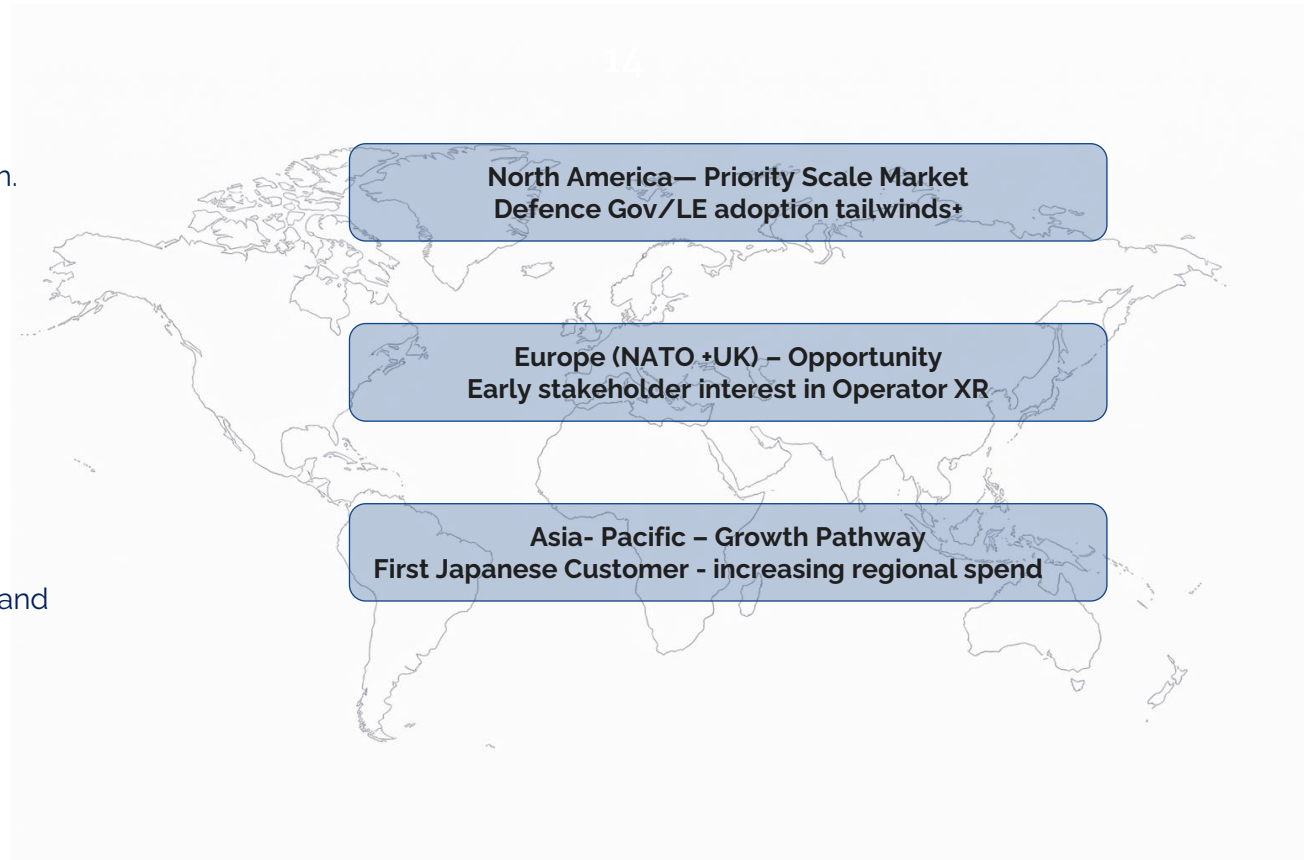
- First commercial sale into Japan via APAC distribution partner, validating international demand and distributor-led growth model.
- Increasing engagement across APAC and European markets.
- Expanding global partner network supporting scalable international growth.

Customer Segments Expanding

- US Federal and Department of Defense programs.
- Australian Law Enforcement and Defence customers.
- Growing international pipeline across defence and security markets.

Entry into High-Growth Counter-Drone Market

- Counter-UAS capability launch expands Operator XR into priority defence and national security applications.
- Global counter-drone market expected to grow rapidly driven by rising security threats and drone proliferation.
- Strong early interest from European stakeholders supporting international pipeline development.



OP-2 Total Addressable Market

1% of Global Market = **US\$203m ARR**



- 1. Operator XR Pty Ltd Sydney, AUS
- 2. Operator XR LLC Virginia, USA

Total Addressable Market	Annual Recurring Revenue (modelled potential) > Market Share Sensitivity (USD\$m)					Total Market (m)
	1%	3%	5%	10%	20%	
Law Enforcement						
United States	11	32	53	106	212	1,063
Rest of the World	18	53	88	176	353	1,764
<i>Law Enforcement ARR</i>	<i>29</i>	<i>85</i>	<i>141</i>	<i>282</i>	<i>565</i>	<i>2,827</i>
Military						
United States	81	242	403	805	1,611	8,055
Rest of the World	94	282	470	941	1,881	9,406
<i>Military ARR</i>	<i>174</i>	<i>524</i>	<i>873</i>	<i>1,746</i>	<i>3,492</i>	<i>17,461</i>
Combined						
United States	92	274	456	912	1,823	9,118
Rest of the World*	111	335	559	1117	2,234	11,170
Total ARR	203	609	1,015	2,029	4,057	20,288

\$20.29 BN total addressable market for military and law enforcement immersive training.

*ROW = UK, Australia, NZ, Singapore, South Korea, Japan, India, Philippines, Europe

OP-CUAS Total Addressable Market

1% of Global Market = US\$21m ARR



- 1. Operator XR Pty Ltd Sydney, AUS
- 2. Operator XR LLC Virginia, USA

\$2.12 BN total addressable market for military and law enforcement C-UAS immersive training.

Total Addressable Market	Annual Recurring Revenue (modelled potential) > Market Share Sensitivity (USD\$m)					Total Market (m)
	1%	3%	5%	10%	20%	
Law Enforcement						
United States	1	4	7	14	28	138
U.K. & Europe	1	2	3	7	13	66
Asia Pacific	0	1	2	3	6	31
<i>Law Enforcement ARR</i>	<i>2</i>	<i>7</i>	<i>12</i>	<i>24</i>	<i>47</i>	<i>235</i>
Military						
United States	11	33	54	109	217	1,087
U.K. & Europe	5	16	27	54	109	544
Asia Pacific	3	8	13	26	52	262
<i>Military ARR</i>	<i>19</i>	<i>57</i>	<i>94</i>	<i>189</i>	<i>378</i>	<i>1,893</i>
Combined						
United States	12	37	61	123	245	1,225
U.K. & Europe	6	18	30	61	122	610
Asia Pacific	3	9	15	29	58	293
Total ARR	21	64	106	213	425	2,128

Outlook

Operator XR Outlook



XRG Focus on Operator XR Scaled Growth.

Operator XR Product & Platform Expansion

- Expanding integrated XR training platform across VR, AR and simulation environments for mission-critical training
- Integration of AI across the Operator XR product portfolio to enhance scenario realism, adaptive learning and operational insights
- Counter-UAS (CUAS) simulation capability launched, expanding Operator XR into high-priority defence and national security applications.
- Cloud analytics platform supporting training compliance, performance monitoring and data-driven capability development.
- XR streaming architecture enabling higher fidelity simulation and scalable deployment across enterprise customers.
- Continued product innovation pipeline supporting larger deal sizes, higher margins and recurring revenue growth.

Commercial Growth & Global Expansion

- Continued expansion of US customer base across federal, state and local agencies.
- Growth of direct sales capability and enterprise pipeline in North America.
- Strong customer engagement and positive feedback from European defence and security markets.
- Expanding Asia-Pacific distribution network, including first commercial sale into Japan and increasing regional engagement.
- Building a global partner ecosystem supporting scalable international deployment.

Operator XR Roadmap



Operational Roadmap

- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> • First US market entry establishing credibility • First US law enforcement sale secured • First major Australian law enforcement deployments | <ul style="list-style-type: none"> • US market entry established with dedicated sales and operations capability • Established regional distributors in Asia and Europe • Expansion of enterprise customer base and increasing deal size | <ul style="list-style-type: none"> • Strong US law enforcement and defence customer adoption • Operational Cashflow Positive • Capitalising on rapid early progress in the US | <ul style="list-style-type: none"> • Increasing momentum in the US with law enforcement of defence • First APAC partner sale into Japan • CUAS launch and AI-driven platform innovation |
|---|--|--|--|

Financial Roadmap

- | | | | |
|---|--|--|---|
| <ul style="list-style-type: none"> • Contracted TCV of \$1.4m • 3 global customers • Revenue \$0.6m • ARR of \$0.4m | <ul style="list-style-type: none"> • Contracted TCV of \$4.1m • 29 global customers • Revenue \$0.7m • ARR of \$2.2m | <ul style="list-style-type: none"> • Contracted TCV of \$11.3m • 67 global customers • Revenue \$5.1m • ARR \$4.7m | <ul style="list-style-type: none"> • Contracted TCV of \$7.8m (YTD) • 89 global customers • Revenue \$4.4m (YTD) • ARR \$6.2m |
|---|--|--|---|

Since launch in FY22, Operator XR has rapidly scaled from initial deployments to a globally expanding mission-critical training platform serving defence and law enforcement markets.

Company Outlook



Strengthening Balance Sheet & Financial Position

- Balance sheet continues to strengthen, with net assets increasing to ~\$14.5m and improving liquidity supporting operational scale-up.
- Deferred (unearned) revenue increased significantly to ~\$12.5m, demonstrating strong forward contracted revenue and improving earnings visibility.
- Growing trade receivables and contract assets reflect increasing customer deployments and sales conversion.
- Continued investment in proprietary software and platform capability aligned with Operator XR SaaS strategy.

Increasing Revenue Visibility & Recurring Model

- Expanding software-linked revenue base supporting predictable cashflows and margin expansion.
- Operator XR now contributing the majority of revenue growth and cash receipts.
- Strong operating cash generation and improving cash conversion driven by enterprise deployments.
- Platform economics improving through scalable software and recurring service revenue.

Strategic Business Transformation

- Strategic realignment to focus on Operator XR as the core growth engine,
- Continued investment in AI, cloud analytics and next-generation training capability.
- Increasing global demand supporting long-term growth outlook.

Entertainment Business Exit & Portfolio Simplification

- Exit of legacy VR entertainment operations almost complete with one remaining location expected to close in June 26.
- Review of iFLY strategic options ongoing with corporate advisors.
- Portfolio simplification expected to improve operational focus, profitability and capital efficiency.

Contact

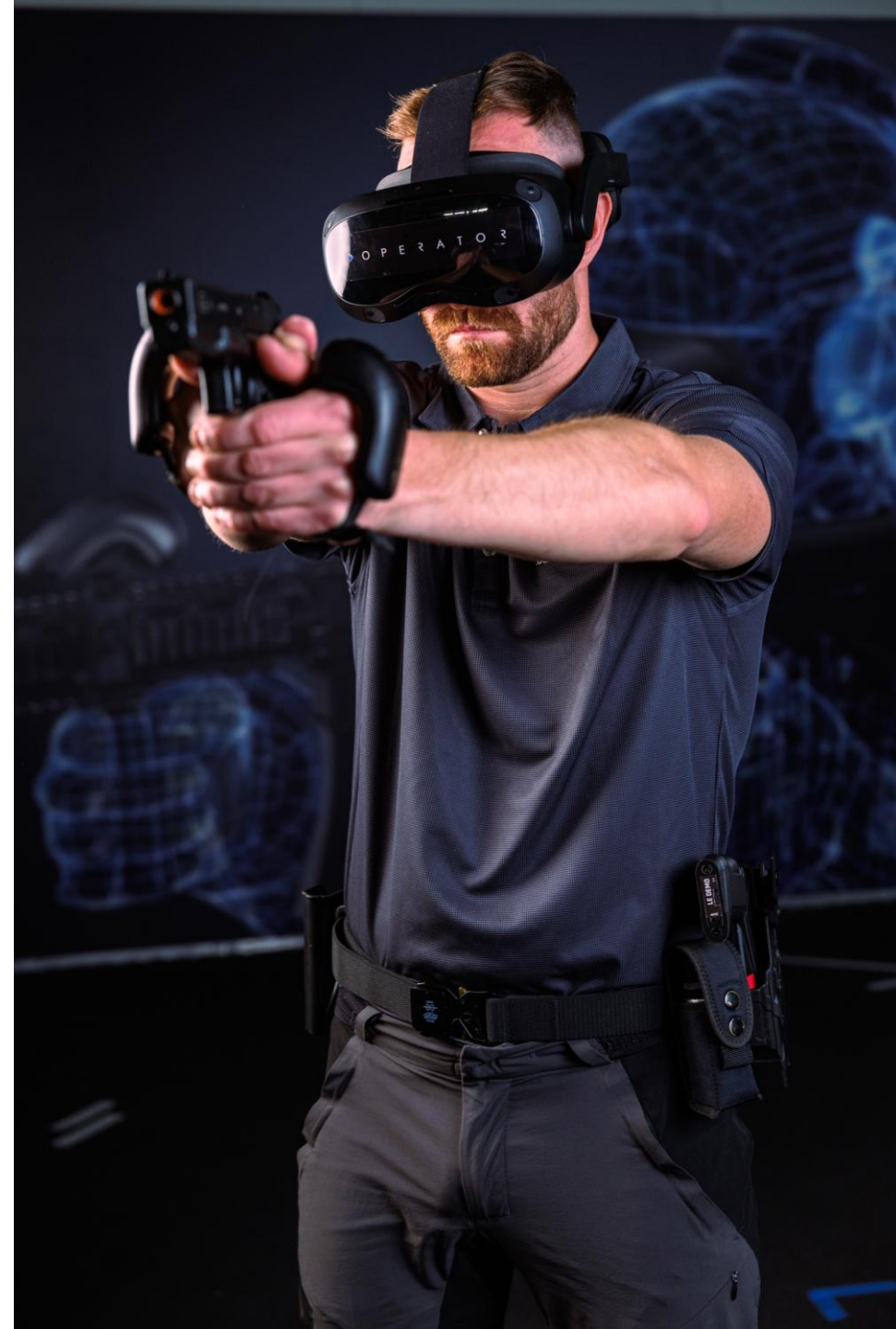
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Appendix: Operator XR

Key Offerings Summary

Software

- Developed in-house, the OP-2 software uses advanced multi-user networking, allowing groups of trainees in the same physical space in any virtual location.

User Created Scenarios

- Teams can quickly design mission-specific scenarios to train for real situations.

Hardware

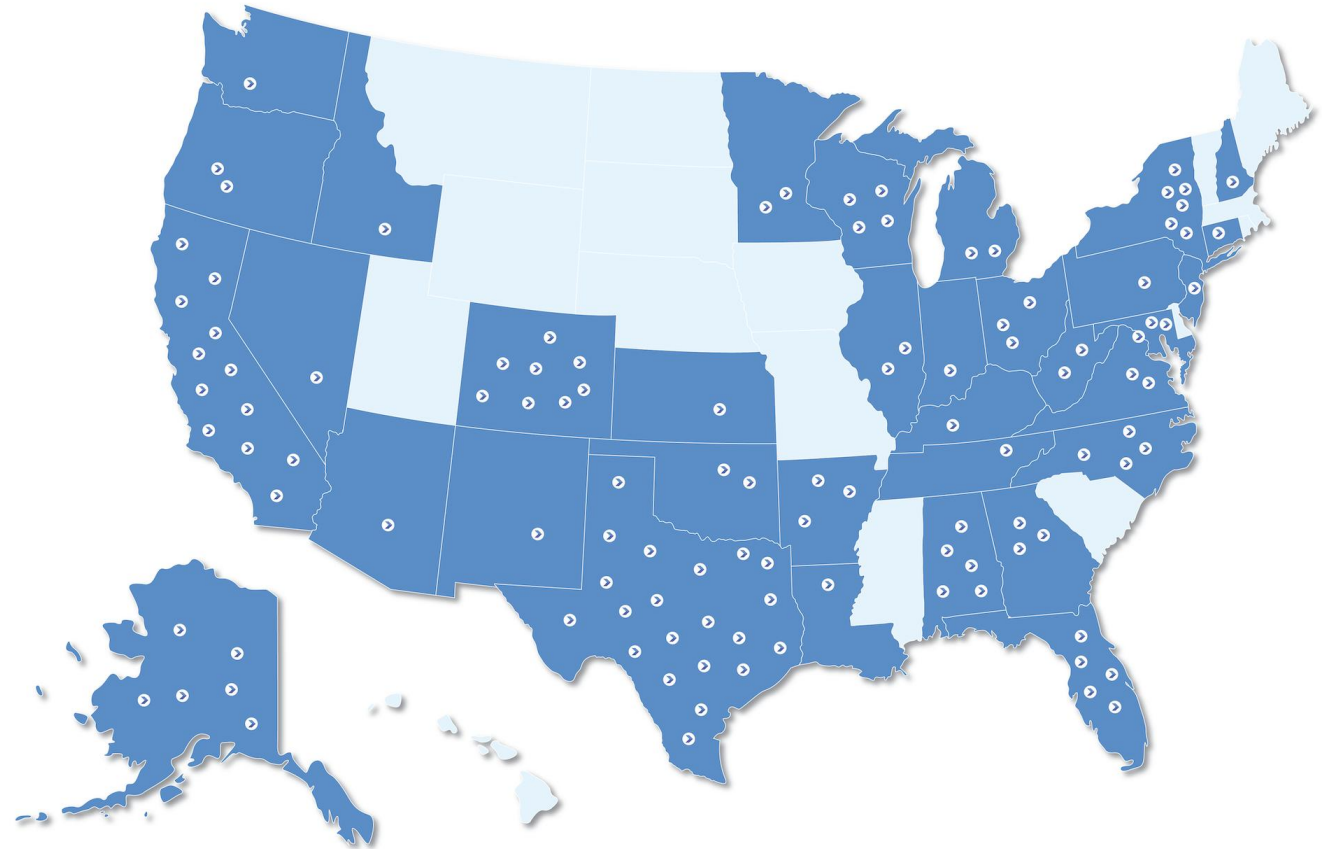
- Training weapons and sensors designed and manufactured in-house Australia, combined with COTS VR technology. Tailored solutions for Military and Law Enforcement.

Portable & Secure

- It sets up in minutes, no internet is needed and operates anywhere. Unmatched flexibility in field conditions.

Designed for Operators

- Built for real-world defence and law enforcement needs, allowing users to train with their own weapons and equipment. Designed by in-house subject matter experts.



Operator XR Sales in the USA

The System

Operator XR: OP-2 for Military and Law Enforcement

- Enables military to conduct virtual missions using their own specific service weapons and equipment. True integration of combat equipment for immersive near-real experience.
- Law enforcement officers can train operational tactics and procedures more often, leading to safer outcomes in the field for Officers and the Public.
- Users can upskill tactics, techniques and procedures while operating safely in simulated high-stress and high-risk simulated environments.
- Fully mobile system can be deployed at small sites through to large government agencies at scale.
- System operates offline with no I.T. support required.
- Extensive After-Action Review for deep learning outcomes.



The Software

Operator XR: OP-2 Scenario Creator Suite

- Instructors can design fully customised and interactive training environments for their unique requirements.
- Library of high-quality pre-built scenes and interactive props, including vehicles, forensic evidence, cover options, and everyday objects.
- Accurately recreate real-world floor plans, from simple structures to complex facilities.
- Adapt the environment in real-time to challenge trainees and address specific training needs as they arise.
- Instructor-controlled characters and ability to act as real-life suspects using a role player headset for de-escalation and critical thinking skills.



Legacy Entertainment Business

iFLY Indoor Skydiving

XRG owns and operates two Australian indoor flying facilities under a licence agreement with the global "iFLY" Brand.

- **iFLY Downunder (Sydney West):** XRG's flagship Penrith facility remains a cornerstone asset within the Entertainment portfolio. As one of the largest vertical wind tunnels in the Southern Hemisphere, it has operated since 2014 with sustained annual visitation exceeding 200,000 participants. The venue delivers consistent profitability, supported by strong brand recognition, repeat corporate and group bookings, and favourable long-term lease terms.
- **iFLY Gold Coast:** Located in the high-traffic Surfers Paradise precinct, the Gold Coast facility benefits from a diversified customer base spanning tourism, professional skydiving, and defence training segments. The venue operates at financial breakeven on a full-year basis while maintaining positive operating cash flow, reflecting disciplined cost management and stable demand fundamentals.
- **Disciplined Operating Model: Across both venues,** the Entertainment segment delivers healthy margins and positive operating cash flow through lean on-site management structures and minimal reliance on central corporate overhead. This efficient cost base ensures the portfolio remains self-sustaining while enabling corporate resources to remain focused on scaling Operator XR.

iFLY Revenue (\$m)

