

xReality Group Limited

ACN 154 103 607

APPENDIX 4E PRELIMINARY FINAL REPORT

For the year ended 30 June 2025

Results for announcement to the Market

| Reported | 30 June 2025 \$000's | 30 June 2024 \$000's | Change \$000's | Change % |
|---|-------------------------|-------------------------|-------------------|-------------|
| Revenue from ordinary activities | 13,959 | 10,239 | 3,720 | 36.3% |
| Loss from ordinary activities after tax attributable to members | (3,142) | (4,112) | 970 | 23.6% |
| Loss attributable to members | (3,142) | (4,112) | 970 | 23.6% |
| Dividends | Nil | Nil | Nil | n/a |

| Revenue Breakdown | 30 June 2025 \$000's | 30 June 2024 \$000's | Change \$000's | Change % |
|---|-------------------------|-------------------------|-------------------|-------------|
| Entertainment | 7,594 | 8,435 | (841) | -10% |
| Operator XR | 5,112 | 720 | 4,392 | 610% |
| Sub-total | 12,706 | 9,155 | 3,551 | 39% |
| Government Grants and Other Income | 1,253 | 1,083 | 170 | 16% |
| Total revenue from ordinary activities | 13,959 | 10,238 | 3,721 | 36% |

Dividends

No dividends have been declared or are payable for the year ended 30 June 2025.

Net Tangible Asset Information

| | 30 June 2025 (cents) | 30 June 2024 (cents) | Change % |
|---------------------------------------|-------------------------|-------------------------|-------------|
| Net tangible assets per share* | 0.6 | 0.8 | (19.4%) |

*Derived by dividing the net assets less intangible assets attributable to equity holders of the Company by the total ordinary shares at 30 June 2025 (663,547,525) and 30 June 2024 (553,139,337) respectively.

Please note that throughout the financial year the company has increased its intangible assets by \$2.2m which is subtracted in calculating the Net tangible assets.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2025

| | | Consolidated Group | |
|--|------|---------------------------|---------------------------|
| | | 2025 | 2024 |
| | Note | \$ | \$ |
| Revenue | 2(a) | 13,958,552 | 10,238,587 |
| Cost of Sales | | (2,417,426) | (1,624,385) |
| Gross Profit | | <u>11,541,126</u> | <u>8,614,202</u> |
| Finance Income | | 11,548 | 17,844 |
| Selling and marketing expenses | 2(b) | (6,704,485) | (5,584,988) |
| Administration expenses | 2(c) | (2,039,314) | (1,769,176) |
| Depreciation and amortisation | 2(d) | (1,907,046) | (2,108,526) |
| Legal expenses | | (109,295) | (66,074) |
| Other expenses | | (2,137,250) | (1,474,591) |
| Loss Before Interest and Tax | | <u>(1,344,716)</u> | <u>(2,371,309)</u> |
| Finance expense | | (1,797,673) | (1,740,431) |
| Loss before tax | | <u>(3,142,390)</u> | <u>(4,111,740)</u> |
| Income tax | | - | - |
| Loss After Tax | | <u>(3,142,390)</u> | <u>(4,111,740)</u> |
| Other comprehensive income | | | |
| Other comprehensive income for the period | | - | - |
| Total comprehensive income for the period | | <u>(3,142,390)</u> | <u>(4,111,740)</u> |
| Earnings per share | | | |
| From continuing operations: | | | |
| - Basic earnings per share (cents) | | (0.54) | (0.81) |
| - Diluted earnings per share (cents) | | (0.51) | (0.72) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2025

| | Consolidated Group | |
|--------------------------------------|--------------------|-------------------|
| | 2025 | 2024 |
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 2,785,275 | 1,365,512 |
| Trade and other receivables | 1,658,599 | 2,704,371 |
| Inventories | 344,465 | 172,570 |
| Contract asset | 926,913 | 151,927 |
| TOTAL CURRENT ASSETS | 5,715,252 | 4,394,380 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 18,222,711 | 19,266,005 |
| Intangible assets | 7,318,661 | 5,119,178 |
| Right-of-use asset | 12,146,765 | 12,823,217 |
| Contract asset | 1,074,295 | 321,327 |
| Other financial asset | 778,643 | 733,545 |
| TOTAL NON-CURRENT ASSETS | 39,541,075 | 38,263,272 |
| TOTAL ASSETS | 45,256,327 | 42,657,652 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 4,900,728 | 2,307,313 |
| Lease liability | 729,956 | 814,649 |
| Deferred revenue | 4,151,327 | 2,525,045 |
| Borrowings | 316,296 | 314,564 |
| Provisions | 607,804 | 527,049 |
| TOTAL CURRENT LIABILITIES | 10,706,111 | 6,488,620 |
| NON-CURRENT LIABILITIES | | |
| Trade and other payables | 49,533 | 986,580 |
| Lease liability | 13,884,923 | 14,145,319 |
| Deferred revenue | 3,244,941 | 1,959,558 |
| Borrowings | 4,660,070 | 8,347,626 |
| Provisions | 1,220,167 | 1,298,209 |
| TOTAL NON-CURRENT LIABILITIES | 23,059,634 | 26,737,292 |
| TOTAL LIABILITIES | 33,765,745 | 33,225,912 |
| NET ASSETS | 11,490,582 | 9,431,740 |
| EQUITY | | |
| Share capital | 54,034,173 | 48,887,773 |
| Reserves | 557,348 | 545,182 |
| Accumulated losses | (43,100,939) | (40,001,215) |
| TOTAL EQUITY | 11,490,582 | 9,431,740 |

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2025

| | Issued Capital | Reserves | Retained Earnings | Total |
|--|-------------------|----------------|----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2024 | 48,887,773 | 545,182 | (40,001,215) | 9,431,740 |
| Shares issued during the year | 4,860,235 | - | - | 4,860,235 |
| Change in share based payment reserve | 286,165 | 12,167 | 42,666 | 340,998 |
| Comprehensive income | | | | |
| Loss for the year | - | - | (3,142,390) | (3,142,390) |
| Total comprehensive loss for the year | - | - | (3,142,390) | (3,142,390) |
| Balance at 30 June 2025 | 54,034,173 | 557,349 | (43,100,939) | 11,490,583 |
| Balance at 1 July 2023 | 45,675,268 | 370,621 | (35,889,475) | 10,156,414 |
| Shares issued during the year | 3,212,505 | - | - | 3,212,505 |
| Change in share based payment reserve | - | 174,561 | - | 174,561 |
| Comprehensive income | | | | |
| Loss for the year | - | - | (4,111,740) | (4,111,740) |
| Total comprehensive loss for the year | - | - | - | (4,111,740) |
| Balance at 30 June 2024 | 48,887,773 | 545,182 | (40,001,215) | 9,431,740 |

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2025

| | Consolidated Group | |
|--|---------------------------|--------------------|
| | 2025 | 2024 |
| | \$ | \$ |
| Cash Flows from Operating Activities | | |
| Receipts from customers | 18,729,582 | 9,402,249 |
| Payments to suppliers and employees | (14,872,954) | (8,812,277) |
| | 3,856,628 | (589,972) |
| Grant income received | 178,993 | 163,024 |
| Finance costs | (713,233) | (693,362) |
| Net cash inflows from operating activities | 3,322,388 | 59,634 |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | (167,661) | (2,392,615) |
| Investment in Intangibles | (2,355,914) | - |
| Net cash outflows from investing activities | (2,523,575) | (2,392,615) |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of securities | 752,845 | 3,435,113 |
| Proceeds from borrowings | 1,221,349 | 1,068,831 |
| Repayment of borrowings | (300,000) | (302,901) |
| Share issue costs | (203,619) | (222,608) |
| AASB leases repayment | (839,625) | (1,031,700) |
| Net cash inflows from financing activities | 620,950 | 2,946,735 |
| Net increase in cash held | 1,419,763 | 613,754 |
| Cash and cash equivalents at beginning of year | 1,365,512 | 751,758 |
| Cash and cash equivalents at end of year | 2,785,275 | 1,365,512 |

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDING 30 JUNE 2025

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. xReality Group Ltd is the Group's ultimate parent company. xReality Group Ltd is a public company listed on the Australian Stock Exchange and domiciled in Australia. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Basis of Accounting

The Group produced a loss for the year after tax of \$3,142,390 (2024: loss of \$4,111,740). The Group has a net deficiency in current assets of \$4,990,859 (2024: \$2,094,240). Included within this net deficiency are deferred revenues of \$4,151,327. In total, there are \$7,396,268 of deferred revenues (current and non-current) that will be realised as revenue once the service is recognised as being delivered to the customer.

A cash flow forecast for the next 12 months prepared by management has indicated that the consolidated entity will have sufficient cash assets to be able to meet its debts as and when they fall due. The directors are satisfied that the consolidated entity is able to meet its working capital liabilities through the normal cyclical nature of receipts and payments.

As a result, the financial report has been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Critical Accounting Estimates and Judgements

i. Useful lives, Residual Values and Classification of Property, Plant and Equipment

There is a degree of judgement required in estimating the residual values and useful lives of the Property, Plant and Equipment. There is also a degree of judgement required in terms of the classification of such Property, Plant and Equipment. The Group's main assets at present comprise the Vertical Wind Tunnel (VWT) Equipment and its related Building Infrastructure. The construction of these assets are typically foreseen in the lease agreements, however the Board has exercised their judgement in determining that the nature of these assets are that of buildings and equipment, rather than leasehold improvements. To this extent, the Board has confirmed the useful life of the Buildings to be 40 years and VWT equipment to be 20 years and the residual values of both these classes of assets to be nil.

ii. Useful lives, Residual Values and Classification of Intellectual Property

There is also a degree of judgement required in the creation and estimating the useful lives of the software releases for the respective Operator projects. These intangible assets are being created based on the products to be sold to the market, and then depreciated based on the estimated life of the products. The costs incurred in development of the products is aggregated into that product. The Board has made the judgement that the products developed have a reasonable economic life estimate of 10 years.

iii. Gift Card Revenue

Gift card revenue from the sale of gift cards is recognised when the card is redeemed for the purchase of flight time (Flight Revenue), or when the gift card is no longer expected to be redeemed (Gift Card Revenue). At 30 June 2025, a debit of \$98,315 to Gift Card Revenue is recognised (2024: \$453,371 credit), as the post COVID trend of "buying and flying" grows. The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers with a portion recognised upfront, which are reviewed based on historical information. Any reassessment of expected redemption rates in a particular period impacts the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any foreseeable change in the estimate is unlikely to have a material impact on the financial statements.

iii. Site Restoration

Provisions for site restoration obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

In the current year, the Group has recognised a provision for site restoration for its two tunnels. To this extent, an estimate of the costs to remove the VWT's and its related Building Infrastructure has been determined based on current costs using existing technology at current prices. Management used the services of an expert and determined the cost to restore the sites. These costs were projected forward at a 2.4% inflationary escalation per annum and then discounted back at 6.28% (2024: 9.17%), which is a change in estimate from the prior year, after consideration of the associated risks. The discount rate has been amended to reflect the time value of money and risks specific to the operation of the tunnels. The site restoration asset is depreciated over the remainder of each extended lease period being 40 years in the case of each of iFLY Downunder (Penrith) and iFLY Gold Coast. The unwinding of the effect of discounting on the site restoration provision is included within finance costs in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: REVENUE AND EXPENSES

| | Consolidated Group | |
|--|--------------------|-------------------|
| | 2025 | 2024 |
| | \$ | \$ |
| a) Revenue | | |
| Entertainment sector | 7,593,984 | 8,435,157 |
| Enterprise revenue | 5,112,012 | 720,297 |
| Grant income | 1,252,556 | 1,083,133 |
| | 13,958,552 | 10,238,587 |
| b) Selling and Marketing Expenses | | |
| Marketing Expenses | 1,530,704 | 1,228,737 |
| Employment Expenses | 5,173,780 | 4,356,251 |
| | 6,704,485 | 5,584,988 |
| c) Administration Expenses | | |
| Occupancy Expenses | 364,022 | 285,814 |
| Employment Expenses | 1,558,368 | 1,367,462 |
| Directors' fees – current year | 116,925 | 115,898 |
| | 2,039,315 | 1,769,176 |
| d) Depreciation and amortisation | | |
| Depreciation and Amortisation Expenses | 1,367,386 | 1,331,783 |
| Depreciation – AASB 16 | 539,660 | 776,743 |
| | 1,907,046 | 2,108,526 |
| e) Finance Expenses | | |
| Interest Expense | 1,096,893 | 1,007,289 |
| Interest - AASB 16 | 700,780 | 733,142 |
| | 1,797,673 | 1,740,431 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2025. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal country of business.

| Subsidiaries | | Country of Incorporation | 2025 % | 2024 % | Tax Residency |
|---|----------------|--------------------------|--------|--------|--------------------------|
| Indoor Skydiving Penrith Holdings Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| Indoor Skydiving Penrith Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| Indoor Skydiving Gold Coast Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| ISA FLIGHT Club Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| Indoor Skydiving Perth Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| Freak Entertainment Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| Operator XR Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |
| Operator XR LLC | Body corporate | United States | 100 | 100 | United States of America |
| Red Cartel Pty Ltd | Body corporate | Australia | 100 | 100 | Australia |

At the end of the financial year, no entity within the consolidated entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: SEGMENT INFORMATION

General Information

Identification of reportable segments

The Group's operations are primarily involved in two market segments, being the provision of simulated experiences through indoor skydiving facilities and virtual reality centres, and the provision of virtual reality solutions to enterprises. These are known as Entertainment and Enterprise respectively. While there are synergies between the two operating segments, the Company views them as two autonomous operational segments.

As well as these two operational segments, the Company also reports on the Corporate segment, being the overall management and centralised services supporting the operating segments.

Types of Products and Services by Segment

(i) Entertainment

This segment is comprised of the indoor skydiving operations run under the iFLY brand, and the virtual reality operations run under the FREAK brand. All of these operations are conducted within Australia.

(ii) Enterprise

The Enterprise segment is the developing business of virtual reality solutions to enterprises, consisting of the Red Cartel virtual reality production studio and the development and marketing of the Operator products.

(iii) Corporate

The Corporate segment provides personnel and business infrastructure to the operational segments, including management, marketing and capital.

Segment analysis by operation:

| | Entertainment | Enterprise | Corporate | Total |
|-------------------------------|---------------|------------|-------------|-------------|
| Segment Revenue | 8,095,447 | 5,117,634 | 757,018 | 13,970,099 |
| Segment EBITDA | 1,669,184 | 801,405 | (1,908,260) | 562,329 |
| Depreciation and amortisation | (685,652) | (220,402) | (1,000,992) | (1,907,046) |
| Interest | (18,834) | (30,224) | (1,748,615) | (1,797,673) |
| Income tax | - | - | - | - |
| Segment NPAT | 964,698 | 550,779 | (4,657,867) | (3,142,390) |

The net loss after tax above has also been impacted by the following specific items:

Lease asset depreciation expense
recognised under AASB 16

| | | | | |
|--------|---|---|-----------|-----------|
| Leases | - | - | (539,660) | (539,660) |
|--------|---|---|-----------|-----------|

Lease asset interest expense
recognised under AASB 16

| | | | | |
|--------|---|---|-----------|-----------|
| Leases | - | - | (700,780) | (700,780) |
|--------|---|---|-----------|-----------|

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: SEGMENT INFORMATION (CONTINUED)

Segment analysis by geographical location:

| | Asia Pacific | United States | Total |
|-------------------------------|--------------|---------------|-------------|
| Segment Revenue | 10,949,169 | 3,020,930 | 13,970,099 |
| Segment EBITDA | (99,207) | 661,536 | 562,329 |
| Depreciation and amortisation | (1,907,046) | - | (1,907,046) |
| Interest | (1,797,673) | - | (1,797,673) |
| Income tax | - | - | - |
| Segment NPAT | (3,803,926) | 661,536 | (3,142,390) |

NOTE 5: EARNINGS PER SHARE

| | 2025 Cents | 2024 Cents |
|---|---------------|---------------|
| Earnings per share (cents per share) | | |
| From continuing operations: | | |
| - basic earnings per share | (0.54) | (0.81) |
| - diluted earnings per share | (0.51) | (0.72) |
| a. Reconciliation of earnings to profit or loss: | | |
| Earnings used to calculate basic EPS - continuing operations | (3,142,390) | (4,111,740) |
| Earnings used in the calculation of dilutive EPS - continuing operations | (3,142,390) | (4,111,740) |
| b. | No. | No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 581,263,376 | 508,825,955 |
| Average number of dilutive performance rights outstanding | 36,357,143 | 65,867,359 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 617,620,519 | 574,693,314 |