



xReality Group Limited and Controlled Entities

ABN 39 154 103 607

Interim Financial Report
For the half year ended 31 December 2023

Appendix 4D

Interim Financial Report For the Half-year ended 31 December 2023

Results for Announcement to the Market

Name of Entity:	xReality Group Ltd
ABN:	39 154 103 607
Reporting Period:	Half-year ended 31 December 2023
Previous Corresponding Period:	Half-year ended 31 December 2022
Release Date:	29 February 2024

Reported	31 December 2023	31 December 2022	Change \$	Change %
Revenue from ordinary activities	5,607,358	5,577,261	30,097	+1%
Loss from ordinary activities after tax attributable to members	(1,501,438)	(882,669)	(618,769)	+70%
Loss for the half year attributable to members	(1,501,438)	(882,669)	(618,769)	+70%
Dividends	Nil	Nil	n/a	n/a

Revenue Breakdown	31 December 2023	31 December 2022	Change \$
Entertainment	4,221,489	4,968,839	-747,350
Enterprise	317,740	3,055	+314,685
Sub-total	4,539,229	4,971,894	-432,665
Government Grants	1,068,129	605,367	+462,762
Total revenue from ordinary activities	5,607,358	5,577,261	+30,097

Dividends

No dividends have been declared or are payable for the half-year ended 31 December 2023.

Net Tangible Asset Information

Net tangible assets per security on 31 December 23, \$0.013 (31 December 22, \$0.019). The NTA is derived by dividing the net tangible assets less intangible assets attributable to equity holders of the Company by the total ordinary shares at 31 December 2023 (534,031,605) and 31 December 2022 (423,489,675) respectively.

Financial Report

The Company's independent auditor Felsers, Chartered Accountants, has completed a review of the Group's 31 December 2023 Interim Financial Report on which this report is based and has provided an unqualified Review Report. A copy of the xReality Group Limited Interim Financial Report and Financial Statements, inclusive of the Review Report is attached.

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Directors' Report

Your directors submit the interim financial report of the consolidated group consisting of xReality Group Limited (**the Company** or **XRG**) and its controlled entities (**the Group**) during the half-year ended 31 December 2023.

Directors and Secretary

The following persons were directors who held office during the half-year and up to the date of this report, unless otherwise stated:

John Diddams	Non-Executive Chairman
Danny Hogan, MG	Non-Executive Director
Mark Smethurst, DSC AM	Non-Executive Director
Philip Copeland	Non-Executive Director
Kim Hopwood	Executive Director
Wayne Jones	Chief Executive Officer and Executive Director
Stephen Tofler	Company Secretary

Operations and Financial Review

Operations Summary:

- **Consistent retail trading with positive cashflow in the Entertainment Sector**
- **Cash position at end of period \$2.77m**
- **Aggressive Sales and Marketing Activity in the US**
- **Successful delivery of Operator XR systems to Colorado based Sheriff's Department**
- **New sales of systems across the US in Nevada, Illinois and Arizona**
- **Operator XR secures trial with Los Angeles SWAT**
- **Successful and strongly supported Capital Raise completed in November.**

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.

During the six-month period ending December 31, 2023, the Company focused on expanding its U.S. operations for its Operator XR division. Initial market engagement involved trade shows and selective customer interactions, leading to the establishment of a permanent Sales team and Operations unit in the U.S. and securing its first law enforcement client in Colorado. Subsequent to the period the Company secured three additional contracts, a new distributor in Mexico, and a trial with the LAPD SWAT team.

The sales pipeline has grown to exceed \$25 million total contract value (TCV) in qualified leads. The Company anticipates converting a portion of these leads into contracts, which in turn is expected to generate an increase in Annual Recurring Revenue (ARR) in future years. This expansion into the U.S. market represents a strategic effort to leverage opportunities within the law enforcement sector, with early successes indicating a positive trajectory for growth and market penetration.

Global Operations outside of the US have also experienced positive traction, with current Australian and New Zealand customers and trials underway including the West Australian Police Force and the Australian Defence Force. The Company has also established a distributor network to include Thailand, Singapore, Malaysia and Japan, and Mexico as our first distributor in Central America.

Driven by customer feedback, the Operator XR products continue to expand through in-house development here in Australia. The core platform, software and hardware remain at the forefront of the Global market with an optional cloud-based subscription offering planned to become available this financial year, giving the product further scalability and offering customers a library of assets to build their own environments as quickly and as often as they require.

XRG's Entertainment sector continues to be affected by the economic environment which is impacting the retail market in general across Australia. The businesses are still operating on a positive cashflow basis and providing the Company with a stable source of income to drive our strategic growth into the Enterprise Sector. With retail spend down, the iFLY businesses saw strong demand from the professional market consisting of military and skydivers, with one of the highest performing half years in recent years.

The Company has taken steps to enhance its operational efficiency and safeguard its entertainment cost structure for the future. This effort is highlighted by the installation of solar panels at its Gold Coast facility to commence this financial year, a move anticipated to reduce future electricity costs. The Company has also completed upgrades to its cooling systems at the wind tunnels, once again, reducing overheads and creating efficiencies.

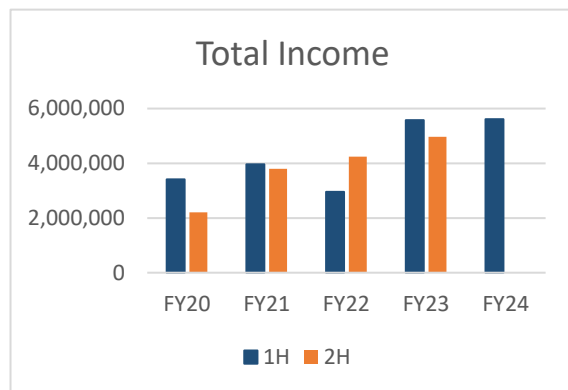
1H24 Financial Performance Summary:

- Total Half Year Income \$5.61M up 1% on PCP
- Closing Cash Position \$2.77m
- Normalised EBITDA \$561.5K*
- Deferred Revenue \$1.86m
- Enterprise Recognised Revenue \$318k.

**Excludes non-cash payments of iFLY Royalties \$94k, Share-based payments \$15k*

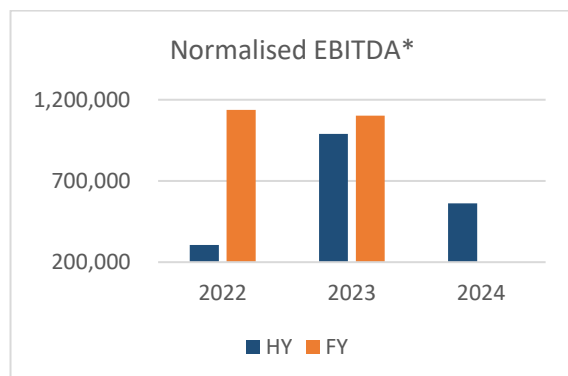
Total Income Stability

The Group achieved a total income, predominantly from the Entertainment Sector for the period of \$5,607,358 representing stability with a 1% increase on the PCP.



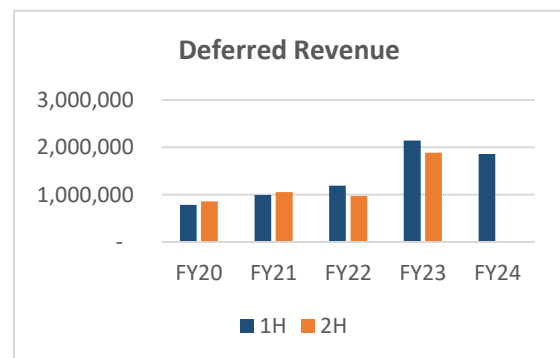
EBITDA and Normalised EBITDA

Reported EBITDA for the period was \$451,649 with a Normalised EBITDA of \$561,432. The additional expenses for 1H24 are attributed to the establishment of the Operator XR US Sales and Operations Teams and the higher tempo of marketing activities and conference attendance in the US.



Revenue Pipeline

The deferred revenue of \$1.86m represents cash received in advance. The revenue pipeline is made up of pre-purchased iFLY and Freak vouchers within the Entertainment Sector, and unrecognised revenue from Enterprise sales including Law Enforcement and Military sales to date. The Enterprise Revenue is recognised over the term of the contract on a monthly basis.



Subsequent Events Post 31 December 2023

Events subsequent to the period primarily related to Operator XR include.

As announced 29th January 2024, the LAPD SWAT signed a formal trial of the Operator XR system to commence in February. LAPD SWAT is known as one of the foremost police tactical units in the world and will trial the system for 3 months as a supplement to their existing 'real world' training.

New customers of Operator XR Systems throughout January and February include.

- Woodbridge Police Department in Illinois purchased a 4-person Operator XR system in February.
- A private weapons training company in Arizona purchased a 2-person Operator XR system in February.
- A high school in Clark County, Nevada purchased a single Operator XR system on late January, opening a new market for Operator XR in the US.

In mid-February, Operator XR secured a Mexico Distributor, TSA. Founded in 1999, TSA is a trusted provider to State Police and Judicial agencies across Mexico, having successfully designed, built, and implemented the standard judicial recording system used across the majority of Mexican states. Operator XR and TSA have together identified a business development pipeline in 2024, giving rise to the formalisation of this partnership.

Outlook for 2H2024

The Company expects stable performance from existing operations in its entertainment sector over the 2nd half of the year, with the indoor skydiving centres and Freak Entertainment virtual reality businesses continuing to generate positive cashflows.

Operator XR is focused on growth in the North American law enforcement market. With an experienced sales and operations team established in the US, and pipeline developed, material growth in Operator XR's business is anticipated over the second half of the year.

This directors' report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors



Wayne Jones

Director & Chief Executive Officer

Dated: 29 February 2024

**Auditor's Independence Declaration
To the Directors of xReality Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of xReality Group Limited for the half-year ended 31 December 2023. I declare that, to the best of my knowledge and relief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit



FELSERS
Chartered Accountants



Glenda Nixon
Partner

29 February 2024

Sydney, Australia

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the Half Year Ended 31 December 2023

Consolidated Group			
		Half Year ending 31 Dec 23	Half Year ending 31 Dec 22
	Note	\$	\$
Revenues	2(a)	4,539,229	4,971,894
Cost of Sales		(751,669)	(925,255)
Gross Profit		3,787,560	4,046,639
Other income	2(a)	1,068,129	605,367
Selling and marketing expenses	2(b)	(2,604,664)	(2,027,266)
Administration expenses	2(b)	(873,941)	(964,614)
Depreciation and amortisation	2(c)	(1,107,927)	(1,079,976)
Other expenses		(925,435)	(671,295)
Loss Before Interest and Tax		(656,278)	(91,145)
Finance expense	2(d)	(845,160)	(791,524)
Net financing costs		(845,160)	(791,524)
Total loss from operations		(1,501,438)	(882,669)
Income tax benefit		-	-
Loss After Tax		(1,501,438)	(882,669)
Earnings per share			
- Basic earnings per share (cents)	11	(0.32)	(0.21)
- Diluted earnings per share (cents)	11	(0.30)	(0.20)

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

Consolidated Statement of Financial Position

As at 31 December 2023

Consolidated Group			
	Note	As at 31 Dec 2023	As at 30 Jun 2023
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,771,902	751,758
Trade and other receivables		226,517	844,174
Inventories		34,436	31,081
Other financial asset		-	94,367
TOTAL CURRENT ASSETS		3,032,855	1,721,380
NON-CURRENT ASSETS			
Property, plant and equipment	12	19,666,728	20,264,738
Right-of-use asset	8	13,179,357	13,532,945
Other financial asset		170,224	774,289
Intangible assets	9	4,396,922	3,059,612
TOTAL NON-CURRENT ASSETS		37,413,231	37,631,584
TOTAL ASSETS		40,446,086	39,352,964
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	3	1,328,949	2,234,996
Lease liability	8	859,687	1,315,388
Deferred revenue	4	1,621,347	1,519,671
Borrowings	5	300,000	300,000
Provisions		481,305	438,945
TOTAL CURRENT LIABILITIES		4,591,288	5,809,000
NON-CURRENT LIABILITIES			
Trade and other payables	3	498,503	289,312
Lease liability	8	14,222,957	13,875,491
Deferred revenue	4	237,600	367,200
Borrowings	5	7,787,210	7,282,333
Provisions		1,562,364	1,573,214
TOTAL NON-CURRENT LIABILITIES		24,308,634	23,387,550
TOTAL LIABILITIES		28,899,922	29,196,550

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

Consolidated Statement of Financial Position

As at 31 December 2023 - (continued)

Consolidated Group (continued)			
		As at 31 Dec 2023	As at 30 Jun 2023
	Note	\$	\$
NET ASSETS		11,546,164	10,156,414
EQUITY			
Share capital	7	48,543,313	45,675,268
Reserves		393,764	370,621
Accumulated losses		(37,390,913)	(35,889,475)
TOTAL EQUITY		11,546,164	10,156,414

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 Half Year Ended 31 December 2023

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2023	45,675,268	370,621	(35,889,475)	10,156,414
Shares issued during the half year	3,123,578	-	-	3,123,578
Share Issue Costs (Options)	(255,533)	-	-	(255,533)
Change in share based payment reserve	-	15,417	-	15,417
Change in foreign currency translation reserve	-	7,726	-	7,726
Comprehensive income				
Loss for the period	-	-	(1,501,438)	(1,501,438)
Balance at 31 December 2023	48,543,313	393,764	(37,390,913)	11,546,164
Balance at 1 July 2022	44,605,529	34,287	(34,198,964)	10,440,852
Shares issued during the half year	80,702	-	-	80,702
Share Issue Costs (Options)	(3,269)	-	-	(3,269)
Change in share based payment reserve		239,379	-	(239,379)
Comprehensive income				
Loss for the period	-	-	(882,669)	(882,669)
Balance at 31 December 2022	44,682,962	273,666	(35,081,663)	9,874,995

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 Half Year Ended 31 December 2023

	Consolidated Group	
	Half Year ending 31 Dec 23	Half Year ending 31 Dec 22
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	6,678,939	5,509,919
Payments to suppliers and employees	(5,061,938)	(4,527,721)
Payments to suppliers from prior periods	-	(257,232)
Grant and COVID assistance income	-	605,367
Finance costs	(845,160)	(213,588)
Net cash flows from operating activities	771,841	1,116,745
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(96,249)	(470,056)
Payment for intangible assets	(1,357,049)	(1,048,185)
Net cash (outflows) from investing activities	(1,453,298)	(1,518,241)
Cash Flows From Financing Activities		
Proceeds from issue of securities	2,868,045	77,434
Net proceeds/(repayments) of borrowings	326,071	(125,000)
Repayment of lease liability	(492,515)	(349,341)
Net cash inflows from financing activities	2,701,601	(396,907)
Net increase in cash held	2,020,144	(798,403)
Cash and cash equivalents at beginning of period	751,758	2,053,208
Cash and cash equivalents at end of period	2,771,902	1,254,805

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

Notes to the Financial Statements

For the Half Year Ended 31 December 2023

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION

a. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of xReality Group are for the six (6) months ended 31 December 2023 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of xReality Group for the year ended 30 June 2023 and any public announcements made by xReality Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 29 February 2024.

b. Material accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in xReality Group's last annual financial statements for the year ended 30 June 2023.

The accounting policies have been applied consistently throughout xReality Group for the purposes of preparation of these interim financial statements.

c. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in xReality Group's last annual financial statements for the year ended 30 June 2023.

d. Going Concern

The Group incurred a loss for the half year after tax of \$1,501,438 (2022: loss of \$882,669) and, as at 31 December 2023, had a net current deficiency in assets of \$1,558,434 (June 2023: deficiency \$4,087,618). The Group generated positive cash flows from operations during the half year of \$771,841 (2022: \$1,116,745). Future expected cash flows have not been taken into account in determining the current assets position. Included within current liabilities is deferred revenue of \$1,858,947 that will be realised as revenue once the service has been delivered to the customer.

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

- i. Management has prepared detailed cash flow forecasts that are monitored on an ongoing basis.
- ii. Net cash flows from operations continue to be positive.

Given the steady performance of the existing businesses in the Entertainment sector as well as the early success of the Enterprise business, along with continuing positive cash flows from the entertainment operations, the Directors are of the view that the Company will continue as a going concern.

NOTE 2: REVENUE AND EXPENSES

	Consolidated Group	
	Half Year ending 31 Dec 2023	Half Year ending 31 Dec 2022
a) Revenue	\$	\$
Entertainment revenue	4,221,489	4,968,839
Enterprise revenue	317,740	3,055
	4,539,229	4,971,894
Other Income		
Grant Income	1,068,129	605,367
	1,068,129	605,367
b) Selling and Marketing Expenses		
Marketing Expenses	512,103	326,252
Employment Expenses	2,092,561	1,701,014
	2,604,664	2,027,266
Administration Expenses		
Occupancy Expenses	149,840	114,546
Employment Expenses	639,323	766,918
Legal Fees	26,203	24,483
Directors' fees	58,575	58,667
	873,941	964,614
c) Depreciation and Amortisation		
Depreciation and Amortisation Expenses	713,998	739,781
Depreciation – ROU asset	393,929	340,195
	1,107,927	1,079,976
d) Finance Costs		
Interest from finance providers	477,294	449,738
Interest on lease liability	367,866	341,786
	845,160	791,524

NOTE 3: TRADE AND OTHER PAYABLES

	As at 31 Dec 2023 \$	As at 30 Jun 2023 \$
Current Liabilities		
Trade payables	260,393	1,198,388
Other accruals	1,068,556	1,036,608
	1,328,949	2,234,996
Non-Current Liabilities		
Other accruals	498,503	289,312
	498,503	289,312

NOTE 4: DEFERRED REVENUE

	As at 31 Dec 2023 \$	As at 30 Jun 2023 \$
Current		
Deferred revenue - iFly	1,236,366	1,033,424
Deferred revenue - FREAK	66,473	120,933
Deferred revenue - Operator	318,508	365,314
	1,621,347	1,519,671
Non-current		
Deferred revenue - Operator	237,600	367,200
	237,600	367,200

Deferred revenue primarily represents prepaid sales in respect of flight time and VR experiences purchased in advance, Operator product sales for forward dated licence periods and revenues not yet recognised due to Operator warranty period. The sales are released to revenue at the time the services are rendered except the gift card revenue which is released in relation to expected redemption rates.

NOTE 5: BORROWINGS

	As at 31 Dec 2023 \$	As at 30 Jun 2023 \$
Current Liabilities		
Loan from Causeway Financial	300,000	300,000
	300,000	300,000
Non-current Liabilities		
Loan from Causeway Financial	3,600,000	3,250,000
Loan from Birkdale Holdings (QLD) Pty Ltd	4,187,210	4,032,333
	7,787,210	7,282,333

NOTE 5: BORROWINGS (continued)

The Company has in place a loan facility of \$4,000,000 with Causeway Wholesale Private Debt Income Fund, with principal being paid down at \$25,000 per month.

Interest is payable to Causeway based on the applicable rates set out in the loan agreement, over a maximum period of 3 years. Security is provided by a fully interlocking Guarantee and Indemnity across the Consolidated Group, supported by a General Security Agreement over all existing and future assets and undertaking by the Group including a Mortgage over Lease by Indoor Skydiving Penrith Holdings Pty Ltd, Indoor Skydiving Gold Coast Pty Ltd, and Freak Entertainment Pty Ltd.

The Company has in place a loan facility of \$4,187,210 with Birkdale Holdings (Qld) Pty Ltd, a company associated with Steve Baxter, a past Director of xReality Group Limited (resigned on 24th Jan 2022), with a maturity date of September 2027.

Interest is payable to Birkdale at the rate set out in the agreement and is capitalised for the remaining term of the loan. Security is provided by a fully interlocking Guarantee and Indemnity across the Consolidated Group, supported by a General Security Agreement over all existing and future assets and undertaking by the Group including a Mortgage over Lease by Indoor Skydiving Penrith Holdings Pty Ltd, Indoor Skydiving Gold Coast Pty Ltd, and Freak Entertainment Pty Ltd.

NOTE 6: DIVIDENDS

No dividends have been paid or declared during the period.

NOTE 7: ISSUED CAPITAL

	As at 31 Dec 2023	As at 30 Jun 2023
	\$	\$
534,031,605 (June 2023: 446,346,595) fully paid ordinary shares	51,167,702	48,044,123
Share issue costs	(2,624,389)	(2,368,855)
	48,543,313	45,675,268
	No.	No.
Ordinary Shares		
At the beginning of the reporting period	446,346,595	421,245,554
Shares issued during the period	87,685,010	25,101,041
	534,031,605	446,346,595

NOTE 8: LEASES

As at 31 December 2023		
	Right of Use over Asset	Lease Liability
Property	12,457,290	15,082,644
Equipment	722,067	-
Total:	13,179,357	15,082,644
Current	-	859,687
Non-current	13,179,357	14,222,957
Total:	13,179,357	15,082,644

NOTE 9: INTANGIBLE ASSETS

	Dec-23	Jun-23	Dec-23	Jun-23	Dec-23	Jun-23
	Cost		Depreciation		Carrying Value	
<i>Intangible Assets (Software)</i>						
Balance at Beginning of year	2,506,975	-	(19,473)	-	2,487,502	-
Acquisitions / depreciation	1,359,242	2,506,975	(19,742)	(19,473)	1,339,500	2,487,502
Disposals / transfers	(2,190)	-	-	-	(2,190)	-
Balance at end of year	3,864,027	2,506,975	(39,215)	(19,473)	3,824,812	2,487,502
<i>Intangible Assets (Other)</i>						
Balance at Beginning of year	572,110	572,110	-	-	572,110	572,110
Acquisitions / depreciation	-	-	-	-	-	-
Disposals / transfers	-	-	-	-	-	-
Balance at end of year	572,110	572,110	-	-	572,110	572,110
Balance at Beginning of year	3,079,085	572,110	(19,473)	-	3,059,612	572,110
Acquisitions / depreciation	1,359,242	2,506,975	(19,742)	(19,473)	1,339,500	2,487,502
Disposals / transfers	(2,190)	-	-	-	(2,190)	-
Balance at end of year	4,436,137	3,079,085	(39,215)	(19,473)	4,396,922	3,059,612

NOTE 10: INTEREST IN SUBSIDIARIES

Subsidiaries	Country of incorporation	As at 31 December 2023	As at 30 June 2023
		%	%
Indoor Skydiving Penrith Holdings Pty Ltd	Australia	100	100
Indoor Skydiving Penrith Pty Ltd	Australia	100	100
Indoor Skydiving Gold Coast Pty Ltd	Australia	100	100
ISA Flight Club Pty Ltd	Australia	100	100
Indoor Skydiving Perth Pty Ltd	Australia	100	100
Freak Entertainment Pty Ltd	Australia	100	100
Operator XR Pty Ltd	Australia	100	100
Operator XR LLC	United States	100	100
Red Cartel Pty Ltd	Australia	100	100

NOTE 11: EARNINGS PER SHARE

	As at 31 December 2023 Cents	As at 30 June 2023 Cents
Earnings per share (cents per share)		
From continuing operations:		
- basic earnings per share	(0.32)	(0.40)
- diluted earnings per share	(0.30)	(0.38)

a. Reconciliation of earnings to profit or loss:

Earnings used to calculate basic EPS - continuing operations	(1,501,438)	(1,690,511)
Earnings used in the calculation of dilutive EPS - continuing operations	(1,501,438)	(1,690,511)

	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	470,577,022	426,894,488
Average number of dilutive performance rights outstanding	34,520,180	19,585,005
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	505,097,203	446,479,493

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Dec-23	Jun-23	Dec-23	Jun-23	Dec-23	Jun-23
	Cost		Depreciation		Carrying Value	
<i>Vertical wind tunnel building and equipment</i>						
Balance at Beginning of year	26,985,954	25,668,491	(7,500,279)	(6,748,089)	19,485,675	18,920,402
Acquisitions / depreciation	2,686	47,463	(542,810)	(752,190)	(540,124)	(704,727)
Disposals / transfers	-	-	-	-	-	-
Impairment	-	1,270,000	-	-	-	1,270,000
Balance at end of year	26,988,640	26,985,954	(8,043,089)	(7,500,279)	18,945,551	19,485,675
<i>IT Equipment</i>						
Balance at Beginning of year	3,029,039	2,552,464	(2,271,740)	(1,572,356)	757,299	980,108
Acquisitions / depreciation	92,303	786,575	(146,923)	(699,384)	(54,620)	87,191
Disposals / transfers	-	-	-	-	-	-
Impairment	-	(310,000)	-	-	-	(310,000)
Balance at end of year	3,121,342	3,029,039	(2,418,663)	(2,271,740)	702,679	757,299
<i>Furniture and fittings</i>						
Balance at Beginning of year	219,328	205,246	(201,190)	(195,865)	18,138	9,381
Acquisitions / depreciation	1,257	14,082	(2,898)	(5,325)	(1,641)	8,757
Disposals / transfers	-	-	-	-	-	-
Balance at end of year	220,585	219,328	(204,088)	(201,190)	16,497	18,138
<i>Office Equipment</i>						
Balance at Beginning of year	13,258	9,319	(9,633)	(6,488)	3,626	2,832
Acquisitions / depreciation	-	3,939	(1,625)	(3,145)	(1,625)	794
Disposals / transfers	-	-	-	-	-	-
Balance at end of year	13,258	13,258	(11,258)	(9,633)	2,001	3,626
Balance at Beginning of year	30,247,579	28,435,520	(9,982,842)	(8,522,797)	20,264,738	19,912,724
Acquisitions / depreciation	96,246	852,059	(694,256)	(1,460,045)	(598,010)	(607,986)
Disposals / transfers	-	-	-	-	-	-
Impairment	-	960,000	-	-	-	960,000
Balance at end of year	30,343,826	30,247,579	(10,677,098)	(9,982,842)	19,666,728	20,264,738

NOTE 13: EVENTS AFTER THE END OF THE INTERIM PERIOD

Whilst there are no material events after balance date to report, a number of important subsequent events can be seen in the Directors' report, page 6.

Directors' Declaration

In accordance with a resolution of the directors of xReality Group Limited, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, including:
 - A. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - B. giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
2. In the directors' opinion, by continuing to pursue the courses of action outlined in Note 1(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Wayne Jones

Director & Chief Executive Officer

Dated: 29 February 2024

Independent Auditor's Review Report To the Members of xReality Group Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of xReality Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policies and other explanatory information and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the half-year financial report of xReality Group Limited is not in accordance with the *Corporations Act 2001* including:

- + Giving a true and fair of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- + Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulation 2001*.

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Emphasis of Matter

We draw attention to Note 1(d) of the half-yearly financial statements which details the fact that the ability of the Group to continue as a going concern is dependent on the courses of action being considered by Group's Management and forecasted cash flow operations. In addition, the Group's net current deficiency in assets was \$1,558,433. Our opinion is not modified in respect of this matter.

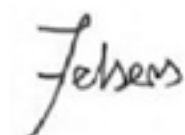
Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Chartered Accountants



Glenda Nixon
Partner

29 February 2024

Sydney, Australia