

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