



# **xReality Group Limited and Controlled Entities**

ABN 39 154 103 607

Interim Financial Report  
For the half year ended 31 December 2025

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## Appendix 4D

### Interim Financial Report For the Half-year ended 31 December 2025

#### Results for Announcement to the Market

|                                       |                                  |
|---------------------------------------|----------------------------------|
| <b>Name of Entity:</b>                | xReality Group Ltd               |
| <b>ABN:</b>                           | 39 154 103 607                   |
| <b>Reporting Period:</b>              | Half-year ended 31 December 2025 |
| <b>Previous Corresponding Period:</b> | Half-year ended 31 December 2024 |
| <b>Release Date:</b>                  | 26 February 2026                 |

| Reported   | 31 December<br>2025 | 31 December<br>2024 | Change<br>\$ | Change<br>% |
|--|---------------------|---------------------|--------------|-------------|
| Revenue from ordinary activities   | 10,437,227          | 7,424,567           | 3,012,660    | 41%         |
| Profit/(Loss) from ordinary activities after tax attributable to members | 733,205             | (992,338)           | 1,725,543    | 174%        |
| Profit/(Loss) for the half year attributable to members                  | 733,205             | (992,338)           | 1,725,543    | 174%        |
| Dividends  | Nil                 | Nil                 | n/a          | n/a         |

| Revenue Breakdown                             | 31 December<br>2025 | 31 December<br>2024 | Change<br>\$     |
|---|---------------------|---------------------|------------------|
| Entertainment                                 | 3,888,300           | 3,805,908           | 82,392           |
| Operator XR                                   | 4,422,476           | 2,113,388           | 2,309,088        |
| <b>Sub-total</b>                              | <b>8,310,776</b>    | <b>5,919,296</b>    | <b>2,391,480</b> |
| Government Grants and Other Income            | 2,126,451           | 1,505,271           | 621,180          |
| <b>Total revenue from ordinary activities</b> | <b>10,437,227</b>   | <b>7,424,567</b>    | <b>3,012,660</b> |

#### Dividends

No dividends have been declared or are payable for the half-year ended 31 December 2025.

#### Net Tangible Asset Information

Net tangible assets per ordinary security at 31 December 2025 was \$0.006 (31 December 2024: \$0.005).

Net tangible assets are calculated as total consolidated net assets of \$14,452,222 at 31 December 2025 (31 December 2024: \$8,935,286), less intangible assets of \$10,099,566 (31 December 2024: \$5,942,852), divided by the number of ordinary shares on issue at period end of 750,972,410 (31 December 2024: 569,100,436).

Intangible assets primarily comprise capitalised development expenditure and proprietary intellectual property associated with the Group's Operator XR platform. The increase in intangible

### Net Tangible Asset Information (continued)

assets reflects continued investment in product capability and content development as the Group progresses its transition to a software-led, recurring revenue model.

### Financial Report

The Company's independent auditor Felsers, Chartered Accountants, has completed a review of the Group's 31 December 2025 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 2025.

### 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            | Chief Operating Officer and Executive Director |
| Wayne Jones            | Chief Executive Officer and Executive Director |
| Stephen Tofler         | Company Secretary                              |

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## Operations and Financial Review

### Operations Summary:

- Record half-year performance with revenue of \$10.4m (+41% pcp) and EBITDA of \$2.6m (+190% pcp).
- Operator XR now the core growth engine, combined with the associated grants, contributing 63% of Group revenue and driving global expansion.
- Strong commercial momentum, with 89 global agencies, \$7.8m new sales TCV and \$63m qualified pipeline.
- Rapid expansion of recurring revenue, with ARR reaching \$6.2m from multi-year enterprise agreements.
- Platform and market expansion, including OP-2 rollout, Counter-UAS capability launch, and growing global distribution footprint.

XRG delivered its strongest half-year performance to date, with total revenue exceeding \$10.4 million, representing 41% growth on the prior corresponding period, and EBITDA of \$2.6 million, up 190%. This performance was driven by strong momentum in Operator XR, which continues to scale as the Group's primary growth engine.

Board and management continue to execute a strategic realignment to focus the business on Operator XR, driving operational scale, technology leadership and global market expansion. Operator XR revenue and grant funding contributed 63% of total revenue in 1H FY26, reflecting increasing adoption and growing demand for mission-critical immersive training solutions.

Commercial momentum remained strong during the period, with the Operator XR customer base expanding to 89 global agencies, representing 31% year-to-date growth. New sales total contract value reached \$7.8 million, supported by a qualified sales pipeline of \$63 million, up 107% year-to-date. Annual Recurring Revenue increased to \$6.2 million, reflecting continued expansion of multi-year agreements and increasing software-driven revenue streams.

The OP-2 platform continues to drive adoption across defence and law enforcement customers, strengthening XRG's position as a provider of mission-critical immersive training solutions. The Company also expanded its product capability with the launch of Counter-UAS simulation technology, extending the platform into priority defence and security applications, with early engagement from European stakeholders supporting future pipeline growth.

Global expansion initiatives continued to progress, including the first commercial sale into Japan through an APAC distribution partner and increasing engagement across Asia Pacific and European markets. The Entertainment division delivered a stable contribution to Group revenue, primarily through iFLY operations, while the Group continues to advance its strategic transition toward a focused Operator XR platform.

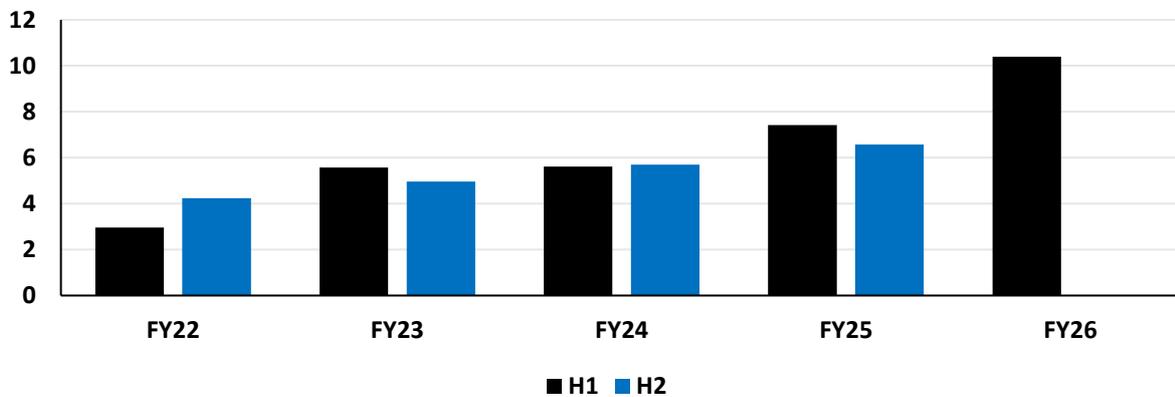
**1H2026 Financial Performance Summary:**

- Total Half Year Revenue \$10.4m, up 41% on pcp
- EBITDA \$2.6m, up 190% on pcp
- Net Cashflow from operations \$3.1m
- Deferred Revenue \$12.5m
- Annual Recurring Revenue \$6.2m

**Total Income Growth**

The Group achieved a total revenue for the period of \$10.4m. The increase was mainly due to the growth in Operator XR, recognised revenue totalling \$4.4m plus \$2.1m in grants associated with Operator XR.

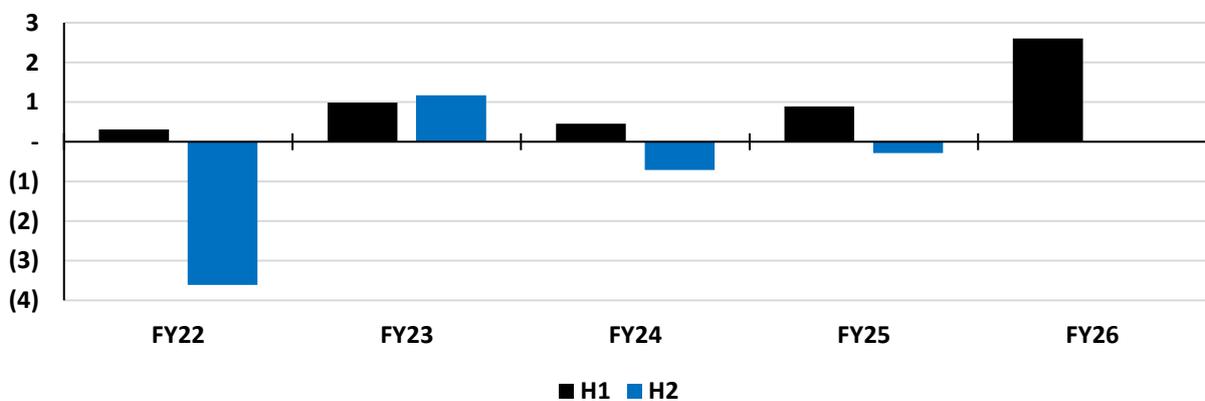
**Total Income (A\$m)**



**EBITDA**

Reported EBITDA for the period was \$2.6m, increasing by 190% on pcp. Driven mainly by an increase in recognised revenue to Operator XR. Expenses across the Entertainment facilities remains stable, however, Operator XR increased its sales and customer excellence capabilities in the US during the period, with further investment in marketing activities, generating a higher leads count. The Company also expanded its order fulfilment capacity through a larger manufacturing and logistics facility.

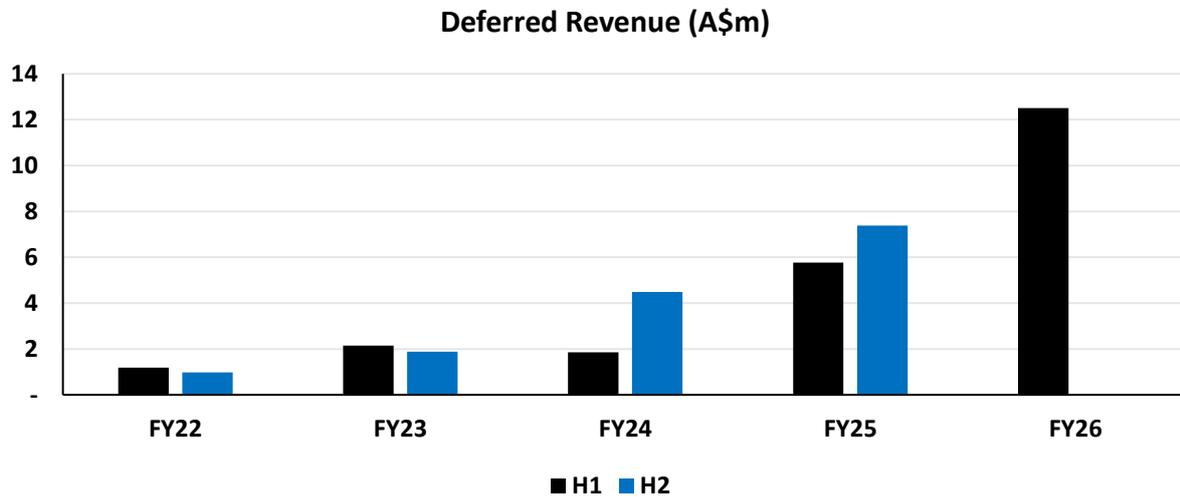
**EBITDA (A\$m)**



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### Revenue Pipeline

The deferred revenue of \$12.5m represents cash received in advance, of which \$6m is recognised within current liabilities. The revenue pipeline is made up of unrecognised revenue totalling \$11.5m from Operator XR sales to date. The majority of Operator XR Revenue is recognised over the term of the contract on a monthly basis.



### Core Operator XR business update

After a period of establishment, Operator XR is now the core growth asset for XRCG, driving the Group's strategic transformation toward a high-margin, technology-led enterprise. Operator XR has experienced rapid global expansion, growing to 89 customer agencies worldwide, gaining strong traction across US federal agencies, state and city police, sheriff departments, and defence organisations.

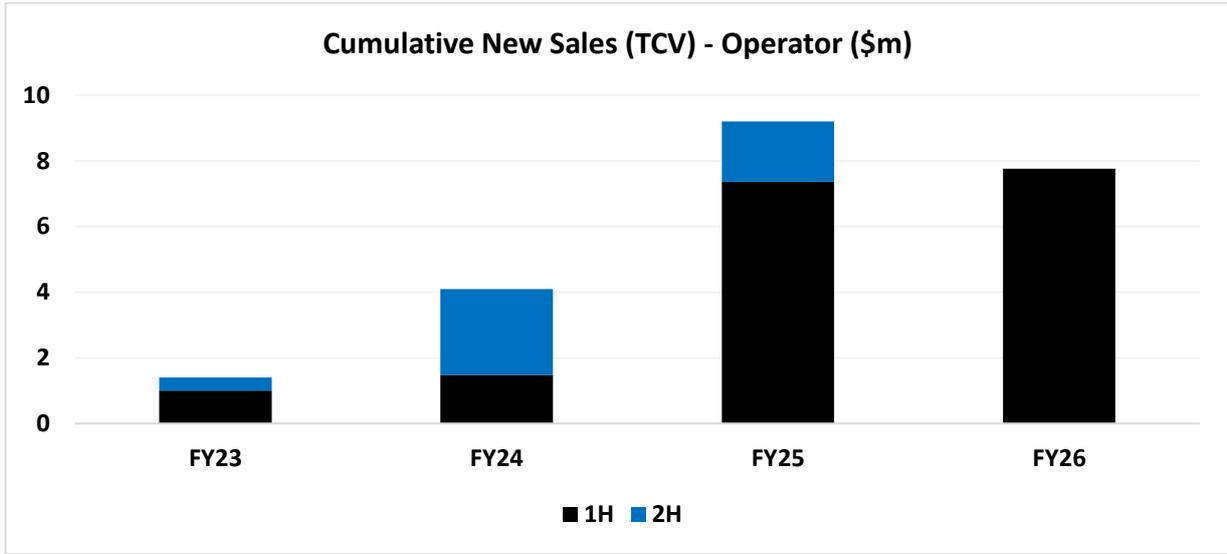
Operator XR's growth continues to significantly outpace the legacy entertainment segment in both revenue growth and scalability:

- New Sales Total Contract Value (TCV) of \$7.8m in 1H FY26, supporting a qualified pipeline of \$63m
- Annual Recurring Revenue (ARR) increased to \$6.2m, reflecting strong adoption of multi-year enterprise and subscription agreements
- Expanding global footprint across the United States, Europe and Asia Pacific, including first commercial sales through APAC distribution partners
- Expansion of platform capability through the OP-2 software release and launch of Counter-UAS simulation capability

XRCG's Board and management recognise the significant growth opportunity in the Operator XR business and are executing a strategic realignment to position Operator XR as the Group's primary operating focus. This includes streamlining legacy entertainment operations, scaling global sales and distribution capability, and maximising long-term shareholder value.

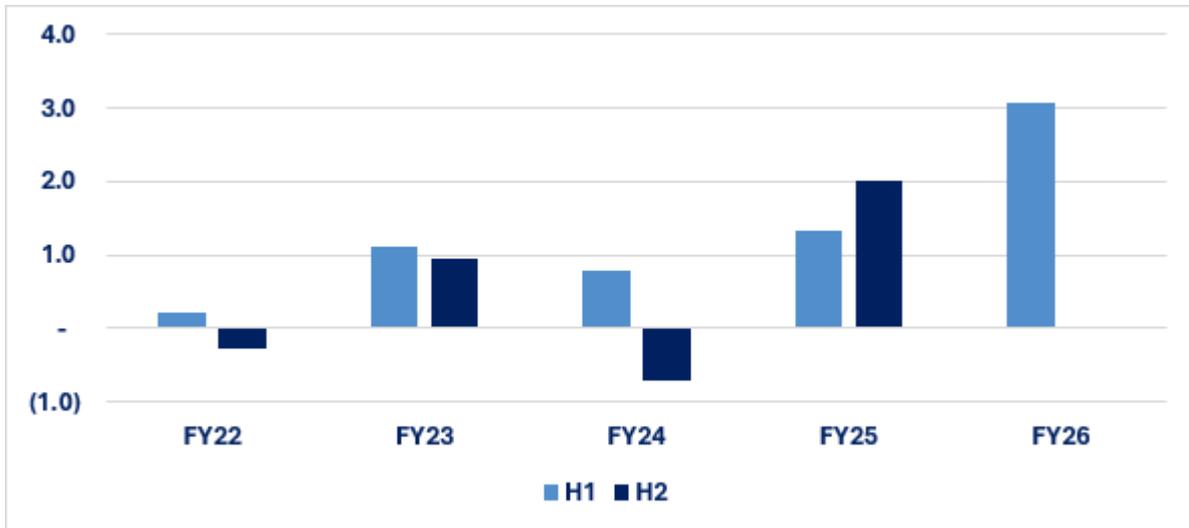
XRCG's transition toward a scalable, software-driven technology platform supports its strategic objective of becoming a global leader in mission-critical simulation and immersive training solutions, establishing a strong foundation for sustainable growth and long-term profitability.

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#### Strong positive operating cash generation

Net operating cash flow of \$3.1m for the period reflects a step-change in the business's cash generation as U.S. commercial momentum translates into faster, more predictable collections. As Operator XR scales, cash inflows are increasingly being driven by repeatable sales activity, improved billing and collections cadence, and tighter working capital control. This demonstrates the Company's growing ability to fund continued expansion from operating cash while maintaining investment in Operator XR growth initiatives.



#### Legacy Entertainment business update

The Group commenced its strategic transformation in FY25, initiating a review of its legacy entertainment operations, including iFLY and FREAK Entertainment, as part of XRCG's transition toward Operator XR as its core growth platform. Corporate advisers remain appointed and continue to progress with the process.

This strategic realignment is intended to streamline non-core operations, reduce operational complexity and capital intensity, and strengthen organisational focus on the higher-margin, scalable

Operator XR business. The Company expects this transition to enhance capital allocation discipline and maximise long-term shareholder value.

The Entertainment division continues to provide a stable contribution to revenue and cashflow during this transition, primarily through iFLY operations. FREAK Entertainment will be fully exited by the end of FY2026. The Company will continue to update the market as the review progresses.

### Subsequent Events Post 31 December 2025

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

Since the 31 December 2025, reporting date, Operator XR has added an additional 11 customers, bringing the total number of customers world-wide to 100. The new customers are all US based Law Enforcement agencies except for one new customer in Japan.

In February 2026, Operator XR received a purchase order from its primary APAC Distributor for the sale of an OP-2 system to a government agency in Japan. Although the contract amount is immaterial, the strategic sale into the region is material and is expected to open new government orders within the region.

The Company has reduced its debt facility with Causeway by \$500,000 since the reporting date, with the repayment funded from operational cash flows.

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: 26 February 2026

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## 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 auditors for the review of xReality Group Limited for the half-year ended 31 December 2025, we declare that, to the best of our knowledge and belief, 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



Steven Zabeti  
Partner

26 February 2026  
Sydney, Australia

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## Consolidated Statement of Profit or Loss and other Comprehensive Income

### For the Half Year Ended 31 December 2025

|  | Note | Consolidated Group                     |  |
|--|------|--|--|
|  |      | Half Year<br>ending 31<br>Dec 25<br>\$ | Half Year<br>ending 31 Dec<br>24<br>\$ |
| Revenue                                      | 2(a) | 8,310,776                              | 5,919,296                              |
| Cost of Sales                                |      | (1,422,369)                            | (1,035,255)                            |
| Gross Profit                                 |      | 6,888,407                              | 4,884,041                              |
| Grant and other income                       | 2(a) | 2,126,451                              | 1,505,271                              |
| Selling and marketing expenses               | 2(b) | (3,529,515)                            | (3,383,241)                            |
| Administration expenses                      | 2(b) | (1,558,119)                            | (1,236,182)                            |
| Depreciation and amortisation                | 2(c) | (1,063,928)                            | (976,695)                              |
| Other expenses                               |      | (1,356,056)                            | (884,246)                              |
| <b>Profit/(loss) Before Interest and Tax</b> |      | 1,507,240                              | (91,052)                               |
| Finance expense                              | 2(d) | (774,035)                              | (901,286)                              |
| <b>Net financing costs</b>                   |      | <b>(774,035)</b>                       | <b>(901,286)</b>                       |
| <b>Total profit/(loss) from operations</b>   |      | <b>733,205</b>                         | <b>(992,338)</b>                       |
| Income tax (expense)/benefit                 |      | -                                      | -                                      |
| <b>Profit/(loss) after tax</b>               |      | <b>733,205</b>                         | <b>(992,338)</b>                       |
| <b>Earnings/(loss) per share</b>             |      |  |  |
| - Basic earnings per share (cents)           | 11   | 0.10                                   | (0.18)                                 |
| - Diluted earnings per share (cents)         | 11   | 0.09                                   | (0.16)                                 |

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

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## Consolidated Statement of Financial Position

### As at 31 December 2025

| <b>Consolidated Group</b>            |                   |                   |  |
|--------------------------------------|-------------------|-------------------|--|
| <b>As at 31 Dec 2025</b>             |                   |                   |  |
| <b>As at 30 Jun 2025</b>             |                   |                   |  |
| <b>Note</b>                          | <b>\$</b>         | <b>\$</b>         |  |
| <b>ASSETS</b>                        |                   |                   |  |
| <b>CURRENT ASSETS</b>                |                   |                   |  |
| Cash and cash equivalents            | 3,136,468         | 2,785,275         |  |
| Trade and other receivables          | 3,955,244         | 1,658,599         |  |
| Inventories                          | 386,488           | 344,465           |  |
| Contract assets                      | 1,343,910         | 926,913           |  |
| <b>TOTAL CURRENT ASSETS</b>          | <b>8,822,110</b>  | <b>5,715,252</b>  |  |
| <b>NON-CURRENT ASSETS</b>            |                   |                   |  |
| Right-of-use asset                   | 8 12,328,377      | 12,146,765        |  |
| Intangible assets                    | 9 10,009,566      | 7,318,661         |  |
| Property, plant and equipment        | 12 17,997,593     | 18,222,711        |  |
| Contract assets                      | 1,621,854         | 1,074,295         |  |
| Other financial asset                | 13 899,033        | 778,643           |  |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>42,856,423</b> | <b>39,541,075</b> |  |
| <b>TOTAL ASSETS</b>                  | <b>51,678,533</b> | <b>45,256,327</b> |  |
| <b>LIABILITIES</b>                   |                   |                   |  |
| <b>CURRENT LIABILITIES</b>           |                   |                   |  |
| Trade and other payables             | 3 2,041,651       | 4,900,728         |  |
| Deferred revenue                     | 4 6,022,668       | 4,151,327         |  |
| Borrowings                           | 5 317,239         | 316,296           |  |
| Lease liabilities                    | 8 1,171,392       | 729,956           |  |
| Provisions                           | 754,198           | 607,804           |  |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>10,307,148</b> | <b>10,706,111</b> |  |
| <b>NON-CURRENT LIABILITIES</b>       |                   |                   |  |
| Trade and other payables             | 3 5,962           | 49,533            |  |
| Deferred revenue                     | 4 6,490,983       | 3,244,941         |  |
| Borrowings                           | 5 5,026,214       | 4,660,070         |  |
| Lease liabilities                    | 8 13,856,215      | 13,884,923        |  |
| Provisions                           | 13 1,539,789      | 1,220,167         |  |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>26,919,163</b> | <b>23,059,634</b> |  |
| <b>TOTAL LIABILITIES</b>             | <b>37,226,311</b> | <b>33,765,745</b> |  |

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

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## Consolidated Statement of Financial Position

As at 31 December 2025 - (continued)

|                     |      | Consolidated Group<br>(continued) |                      |
|---------------------|------|-----------------------------------|----------------------|
|                     |      | As at 31 Dec<br>2025              | As at 30 Jun<br>2025 |
|                     |      | \$                                | \$                   |
| NET ASSETS          | Note |                                   |                      |
|                     |      | 14,452,222                        | 11,490,582           |
| <b>EQUITY</b>       |      |                                   |                      |
| Share capital       | 7    | 56,161,308                        | 54,034,173           |
| Reserves            |      | 658,648                           | 557,348              |
| Accumulated losses  |      | (42,367,734)                      | (43,100,939)         |
| <b>TOTAL EQUITY</b> |      | 14,452,222                        | 11,490,582           |

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

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## Consolidated Statement of Changes in Equity

### For the Half Year Ended 31 December 2025

|  | Issued<br>Capital<br>\$ | Reserves<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$       |
|--|-------------------------|----------------|-----------------------------|-------------------|
| <b>Balance at 1 July 2025</b>                  | <b>54,034,173</b>       | <b>557,348</b> | <b>(43,100,939)</b>         | <b>11,490,582</b> |
| Shares issued during the half year             | 2,335,000               | -              | -                           | 2,335,000         |
| Share issue costs (Options)                    | (207,865)               | -              | -                           | (207,865)         |
| Change in share-based payment reserve          | -                       | 89,774         | -                           | 89,774            |
| Change in foreign currency translation reserve | -                       | 11,526         | -                           | 11,526            |
| Profit for the period                          | -                       | -              | 733,205                     | 733,205           |
| <b>Balance at 31 December 2025</b>             | <b>56,161,308</b>       | <b>658,648</b> | <b>(42,367,734)</b>         | <b>14,452,222</b> |
| <b>Balance at 1 July 2024</b>                  | <b>48,887,773</b>       | <b>545,182</b> | <b>(40,001,215)</b>         | <b>9,431,740</b>  |
| Shares issued during the half year             | 304,775                 | -              | -                           | 304,775           |
| Share Issue Costs (Options)                    | (5,587)                 | -              | -                           | (5,587)           |
| Change in share-based payment reserve          | -                       | 292,500        | -                           | 292,500           |
| Change in foreign currency translation reserve | -                       | (43,775)       | (52,029)                    | (95,804)          |
| Loss for the period                            | -                       | -              | (992,338)                   | (992,338)         |
| <b>Balance at 31 December 2024</b>             | <b>49,186,961</b>       | <b>793,907</b> | <b>(41,045,582)</b>         | <b>8,935,286</b>  |

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

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## Consolidated Statement of Cash Flows

### For the Half Year Ended 31 December 2025

|  | Consolidated Group                     |  |
|--|--|--|
|  | Half Year<br>ending 31 Dec<br>25<br>\$ | Half Year<br>ending 31 Dec<br>24<br>\$ |
| <b>Cash Flows from Operating Activities</b>          |  |  |
| Receipts from customers                              | 12,144,385                             | 8,910,702                              |
| Payments to suppliers and employees                  | (9,394,895)                            | (6,693,937)                            |
| Grant income   | 1,074,303                              | -                                      |
| Finance costs  | (774,035)                              | (901,286)                              |
| Interest Income                                      | 13,994                                 | -                                      |
| <b>Net cash flows from operating activities</b>      | <b>3,063,752</b>                       | <b>1,315,479</b>                       |
| <b>Cash Flows from Investing Activities</b>          |  |  |
| Purchase of property, plant and equipment            | (299,217)                              | (65,435)                               |
| Payment for intangible assets                        | (2,348,911)                            | (841,366)                              |
| <b>Net cash outflows from investing activities</b>   | <b>(2,648,128)</b>                     | <b>(906,801)</b>                       |
| <b>Cash Flows from Financing Activities</b>          |  |  |
| Net proceeds from issue of securities                | (73,115)                               | -                                      |
| Net proceeds of borrowings                           | 367,088                                | 344,500                                |
| Repayment of lease liability                         | (358,404)                              | (431,686)                              |
| <b>Net cash flows (to)/from financing activities</b> | <b>(64,431)</b>                        | <b>(87,186)</b>                        |
| <b>Net increase in cash held</b>                     | <b>351,193</b>                         | <b>321,492</b>                         |
| Cash and cash equivalents at beginning of period     | 2,785,275                              | 1,365,512                              |
| <b>Cash and cash equivalents at end of period</b>    | <b>3,136,468</b>                       | <b>1,687,004</b>                       |

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

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## Notes to the Financial Statements

### For the Half Year Ended 31 December 2025

#### 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 2025 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 2025 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 26 February 2026.

##### b) Material accounting policy information

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 2025.

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 2025.

##### d) Going Concern

The Group recorded a profit after tax for the half year of \$733,205 (2024: loss of \$992,338). As at 31 December 2025, the Group reported a net current liability position of \$1,485,038 (30 June 2025: \$4,990,859).

The net current liability position primarily reflects the Group's contracted revenue model, under which customer payments are received in advance and recognised as deferred revenue until the associated services are delivered. As at 31 December 2025, current liabilities include deferred revenue of \$6,022,668 (30 June 2025: \$4,151,327), representing contracted customer receipts that will be recognised as revenue over the respective contract periods. These balances are not indicative of future cash outflows but represent revenue to be recognised in future reporting periods.

The Group generated positive operating cash flows during the half year of \$3,063,752 (2024: \$1,315,479). In assessing the current asset position, future expected cash inflows from contracted purchase orders have not been recognised as current assets.

**NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

The Directors note that the Group's increasing Annual Recurring Revenue (ARR) and contracted customer base support revenue which are characteristic of the Group's software-enabled operating model.

In assessing whether the Group is a going concern, the Directors have considered the following matters:

- I. Management has prepared detailed cash flow forecasts covering a period of at least 12 months from the date of signing the financial statements, which are reviewed and monitored on an ongoing basis.
- II. The Group continues to generate positive operating cash flows and improving financial performance.
- III. The Group maintains a growing base of contracted and recurring revenue streams supporting future cash flow generation.
- IV. Subsequent to the reporting date, the Company repaid \$500,000 of its debt facility with Causeway from internally generated operational cash flows, demonstrating the Group's ongoing cash generation and capacity to meet its financial obligations.

Based on the above, the Directors have reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due and therefore it is appropriate to prepare the financial statements on a going concern basis.

**NOTE 2: REVENUE AND EXPENSES**

|  | Half Year<br>ending<br>31 Dec 2025<br>\$ | Half Year<br>ending<br>31 Dec 2024<br>\$ |
|--|--|--|
| a) <b>Revenue</b>                        |  |  |
| Entertainment revenue                    | 3,888,300                                | 3,805,908                                |
| Operator XR revenue                      | 4,422,476                                | 2,113,388                                |
|  | <b>8,310,776</b>                         | <b>5,919,296</b>                         |
| <b>Other Income</b>                      |  |  |
| Grant Income                             | 2,112,457                                | 1,183,006                                |
| Revaluation of Inventory                 | -  | 313,223                                  |
| Other Income                             | 13,994                                   | 9,042                                    |
|  | <b>2,126,451</b>                         | <b>1,505,271</b>                         |
| <b>Total Revenue</b>                     | <b>10,437,227</b>                        | <b>7,424,567</b>                         |
| b) <b>Selling and Marketing Expenses</b> |  |  |
| Marketing Expenses                       | 850,162                                  | 763,239                                  |
| Employment Expenses                      | 2,679,353                                | 2,620,002                                |
|  | <b>3,529,515</b>                         | <b>3,383,241</b>                         |

**NOTE 2: REVENUE AND EXPENSES (continued)**

|   | <b>Consolidated Group</b>                   |   |
|---|---|---|
|   | <b>Half Year<br/>ending<br/>31 Dec 2025</b> | <b>Half Year<br/>ending<br/>31 Dec 2024</b> |
| <b>Administration Expenses</b>          |   |   |
| Occupancy Expenses                      | 221,432                                     | 204,394                                     |
| Employment Expenses                     | 1,232,900                                   | 931,967                                     |
| Legal Fees                              | 44,299                                      | 37,815                                      |
| Directors' fees                         | 59,488                                      | 62,006                                      |
|   | <b>1,558,119</b>                            | <b>1,236,182</b>                            |
| <b>c) Depreciation and Amortisation</b> |   |   |
| Depreciation and Amortisation Expenses  | 819,090                                     | 694,622                                     |
| Depreciation – ROU asset                | 244,838                                     | 282,073                                     |
|   | <b>1,063,928</b>                            | <b>976,695</b>                              |
| <b>d) Finance Costs</b>                 |   |   |
| Interest from finance providers         | 429,352                                     | 545,490                                     |
| Interest on lease liability             | 344,683                                     | 355,796                                     |
|   | <b>774,035</b>                              | <b>901,286</b>                              |

**NOTE 3: TRADE AND OTHER PAYABLES**

|                                | <b>As at<br/>31 Dec 2025<br/>\$</b> | <b>As at<br/>30 Jun 2025<br/>\$</b> |
|--------------------------------|-------------------------------------|-------------------------------------|
| <b>Current Liabilities</b>     |                                     |                                     |
| Trade payables                 | 632,069                             | 3,504,224                           |
| Other accruals                 | 1,409,582                           | 1,396,504                           |
|                                | <b>2,041,651</b>                    | <b>4,900,728</b>                    |
| <b>Non-Current Liabilities</b> |                                     |                                     |
| Other accruals                 | 5,962                               | 49,533                              |
|                                | <b>5,962</b>                        | <b>49,533</b>                       |

**NOTE 4: DEFERRED REVENUE**

|                                | <b>As at<br/>31 Dec 2025<br/>\$</b> | <b>As at<br/>30 Jun 2025<br/>\$</b> |
|--------------------------------|-------------------------------------|-------------------------------------|
| <b>Current</b>                 |                                     |                                     |
| Deferred revenue - iFLY        | 940,712                             | 1,269,549                           |
| Deferred revenue - FREAK       | 43,281                              | 72,950                              |
| Deferred revenue - Operator XR | 5,038,675                           | 2,808,828                           |
|                                | <b>6,022,668</b>                    | <b>4,151,327</b>                    |

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**NOTE 4: DEFERRED REVENUE (continued)**

|                                | As at<br>31 Dec 2025 | As at<br>30 Jun 2025 |
|--------------------------------|----------------------|----------------------|
| <b>Non-current</b>             |                      |                      |
| Deferred revenue - Operator XR | 6,490,983            | 3,244,941            |
|                                | <b>6,490,983</b>     | <b>3,244,941</b>     |

Deferred revenue primarily represents prepaid sales in respect of Operator product sales for forward dated licence periods, and entertainment experiences purchased in advance. 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<br>31 Dec 2025<br>\$ | As at<br>30 Jun 2025<br>\$ |
|--------------------------------|----------------------------|----------------------------|
| <b>Current Liabilities</b>     |                            |                            |
| Causeway Financial             | 300,000                    | 300,000                    |
| Smart Ease                     | 17,239                     | 16,296                     |
|                                | <b>317,239</b>             | <b>316,296</b>             |
| <b>Non-current Liabilities</b> |                            |                            |
| Causeway Financial             | 5,000,000                  | 4,625,000                  |
| Smart Ease                     | 26,214                     | 35,070                     |
|                                | <b>5,026,214</b>           | <b>4,660,070</b>           |

At the commencement of the reporting period the Company had in place a loan facility of \$4,925,000 with Causeway Wholesale Private Debt Income Fund, with the principal being paid down at \$25,000 per month. During the period, the Company borrowed a further \$500,000 under the same facility (bringing total borrowings up to \$5,300,000 as reported), to assist in fulfilling the Texas DPS order. Since balance date and prior to the date of this report, the additional \$500,000 funding has been repaid from cash reserves generated from operational cashflow.

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 Causeway loan matures in April 2027, and XRG will look to repay or refinance this loan as appropriate, prior to maturity.

**NOTE 6: DIVIDENDS**

No dividends have been paid or declared during the period.

**NOTE 7: ISSUED CAPITAL**

|   | As at<br>31 December<br>2025<br>\$ | As at<br>30 June<br>2025<br>\$ |
|---|------------------------------------|--------------------------------|
| 750,972,410 (June 2025: 663,547,525) fully paid ordinary shares | 59,093,439                         | 56,758,439                     |
| Share issue costs   | (2,932,131)                        | (2,724,266)                    |
|   | <b>56,161,308</b>                  | <b>54,034,173</b>              |
|   | <b>No.</b>                         | <b>No.</b>                     |
| Ordinary Shares   |                                    |                                |
| At the beginning of the reporting period                        | 663,547,525                        | 553,139,337                    |
| Shares issued during the period                                 | 87,424,885                         | 110,408,188                    |
|   | <b>750,972,410</b>                 | <b>663,547,525</b>             |

**NOTE 8: LEASES**

|               | As at 31 December 2025     |                   |
|---------------|----------------------------|-------------------|
|               | Right of Use<br>over Asset | Lease Liability   |
| Property      | 12,328,377                 | 15,027,607        |
| <b>Total:</b> | <b>12,328,377</b>          | <b>15,027,607</b> |
| Current       | -                          | 1,171,392         |
| Non-current   | 12,328,377                 | 13,856,215        |
| <b>Total:</b> | <b>12,328,377</b>          | <b>15,027,607</b> |

**NOTE 9: INTANGIBLE ASSETS**

|                                     | Dec-25            | Jun-25           | Dec-25           | Jun-25           | Dec-25            | Jun-25           |
|-------------------------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
|                                     | Cost              |                  | Depreciation     |                  | Carrying Value    |                  |
| <i>Software costs</i>               |                   |                  |                  |                  |                   |                  |
| <b>Balance at Beginning of year</b> | 6,961,722         | 4,605,808        | (215,171)        | (58,740)         | 6,746,552         | 4,547,068        |
| Acquisitions / depreciation         | 2,985,658         | 2,355,906        | (294,754)        | (156,431)        | 2,690,904         | 2,199,476        |
| Disposals / transfers               | -                 | 8                | -                | -                | -                 | 8                |
| <b>Balance at end of year</b>       | <b>9,947,380</b>  | <b>6,961,722</b> | <b>(509,925)</b> | <b>(215,171)</b> | <b>9,437,456</b>  | <b>6,746,552</b> |
| <i>Goodwill</i>                     |                   |                  |                  |                  |                   |                  |
| <b>Balance at Beginning of year</b> | 572,110           | 572,110          | -                | -                | 572,110           | 572,110          |
| Acquisitions / depreciation         | -                 | -                | -                | -                | -                 | -                |
| Disposals / transfers               | -                 | -                | -                | -                | -                 | -                |
| <b>Balance at end of year</b>       | <b>572,110</b>    | <b>572,110</b>   | <b>-</b>         | <b>-</b>         | <b>572,110</b>    | <b>572,110</b>   |
| <b>Balance at Beginning of year</b> | 7,533,832         | 5,177,918        | (215,171)        | (58,740)         | 7,318,661         | 5,119,178        |
| Acquisitions / depreciation         | 2,985,658         | 2,355,906        | (294,754)        | (156,431)        | 2,690,905         | 2,199,475        |
| Disposals / transfers               | -                 | 8                | -                | -                | -                 | 8                |
| <b>Balance at end of year</b>       | <b>10,519,490</b> | <b>7,533,832</b> | <b>(509,925)</b> | <b>(215,171)</b> | <b>10,009,566</b> | <b>7,318,661</b> |

**NOTE 10: INTEREST IN SUBSIDIARIES**

| Subsidiaries                              | Country of incorporation | As at            | As at        |
|---|--------------------------|------------------|--------------|
|   |                          | 31 December 2025 | 30 June 2025 |
|   |                          | %                | %            |
| 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<br>31 December<br>2025<br>Cents | As at<br>30 June<br>2025<br>Cents |
|---|---------------------------------------|-----------------------------------|
| <b>Earnings per share (cents per share)</b>   |                                       |                                   |
| From continuing operations:   |                                       |                                   |
| - basic earnings per share  | 0.10                                  | (0.54)                            |
| - diluted earnings per share  | 0.09                                  | (0.51)                            |
| a. Reconciliation of earnings to profit or loss:  |                                       |                                   |
| Earnings used to calculate basic EPS - continuing operations  | 733,205                               | (3,142,390)                       |
| Earnings used in the calculation of dilutive EPS - continuing operations                                | 733,205                               | (3,142,390)                       |
|   | <b>No.</b>                            | <b>No.</b>                        |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 745,973,401                           | 581,263,376                       |
| Average number of dilutive performance rights outstanding   | 35,835,403                            | 36,357,143                        |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 781,808,804                           | 617,620,519                       |

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

|  | Dec-25     | Jun-25     | Dec-25                  | Jun-25       | Dec-25         | Jun-25      |
|--|------------|------------|-------------------------|--------------|----------------|-------------|
|  | Cost       |            | Depreciation/Impairment |              | Carrying Value |             |
| <i>Vertical wind tunnel building and equipment</i> |            |            |                         |              |                |             |
| <b>Balance at Beginning of year</b>                | 27,160,885 | 27,102,434 | (9,307,079)             | (8,468,602)  | 17,853,805     | 18,633,831  |
| Acquisitions / depreciation                        | 11         | 58,451     | (423,503)               | (838,477)    | (423,492)      | (780,026)   |
| Disposals / transfers                              | -          | -          | -                       | -            | -              | -           |
| Impairment   | -          | -          | -                       | -            | -              | -           |
| <b>Balance at end of year</b>                      | 27,160,896 | 27,160,885 | (9,730,582)             | (9,307,079)  | 17,430,313     | 17,853,805  |
| <i>IT Equipment</i>                                |            |            |                         |              |                |             |
| <b>Balance at Beginning of year</b>                | 3,260,890  | 3,200,932  | (2,943,955)             | (2,587,007)  | 316,935        | 613,925     |
| Acquisitions / depreciation                        | 207,377    | 59,958     | (86,631)                | (356,948)    | 120,746        | (296,990)   |
| Disposals / transfers                              | -          | -          | -                       | -            | -              | -           |
| Impairment   | -          | -          | -                       | -            | -              | -           |
| <b>Balance at end of year</b>                      | 3,468,267  | 3,260,890  | (3,030,586)             | (2,943,955)  | 437,681        | 316,935     |
| <i>Furniture and fittings</i>                      |            |            |                         |              |                |             |
| <b>Balance at Beginning of year</b>                | 253,383    | 222,877    | (216,672)               | (207,108)    | 36,710         | 15,769      |
| Acquisitions / depreciation                        | 82,090     | 30,506     | (9,199)                 | (9,564)      | 72,891         | 20,941      |
| Disposals / transfers                              | -          | -          | -                       | -            | -              | -           |
| <b>Balance at end of year</b>                      | 335,473    | 253,383    | (225,871)               | (216,672)    | 109,601        | 36,710      |
| <i>Office Equipment</i>                            |            |            |                         |              |                |             |
| <b>Balance at Beginning of year</b>                | 33,865     | 15,118     | (18,605)                | (12,639)     | 15,260         | 2,480       |
| Acquisitions / depreciation                        | 9,738      | 18,747     | (5,001)                 | (5,966)      | 4,737          | 12,780      |
| Disposals / transfers                              | -          | -          | -                       | -            | -              | -           |
| <b>Balance at end of year</b>                      | 43,603     | 33,865     | (23,606)                | (18,605)     | 19,997         | 15,260      |
| <b>Balance at Beginning of year</b>                | 30,709,023 | 30,541,362 | (12,486,311)            | (11,275,357) | 18,222,711     | 19,266,005  |
| Acquisitions / depreciation                        | 299,216    | 167,661    | (524,334)               | (1,210,955)  | (225,118)      | (1,043,294) |
| Disposals / transfers                              | -          | -          | -                       | -            | -              | -           |
| Impairment   | -          | -          | -                       | -            | -              | -           |
| <b>Balance at end of year</b>                      | 31,008,239 | 30,709,023 | (13,010,645)            | (12,486,312) | 17,997,593     | 18,222,711  |

**NOTE 13: OTHER FINANCIAL ASSETS**

A cash balance of \$666,405 is included in Other Financial Assets, representing a term deposit held as security for the iFly Gold Coast premises. This amount is restricted and not available for Company use, with a corresponding amount being carried in non-current Provisions.

**NOTE 14: 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 10.

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## 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 12 to 23 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 2025 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: 26 February 2026

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

### Report on the Interim Financial Report

We have reviewed the accompanying interim 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 2025, 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 to the financial statements including material accounting policy information and other explanatory information and the directors' declaration.

### Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying interim 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 2025 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 Review of the Interim Financial Report section of our report. We are independent of the Entity 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 interim 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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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## Directors' Responsibility for the Interim Financial Report

The directors of the Group are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the interim financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us believe that the interim 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 2025 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 an interim 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.



FELSERS  
Chartered Accountants



Steven Zabeti  
Partner

26 February 2026  
Sydney, Australia

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