

xReality Group Limited

ACN 154 103 607

APPENDIX 4E PRELIMINARY FINAL REPORT

For the year ended 30 June 2026

Results for announcement to the Market

Reported	30 June 2026 \$000's	30 June 2025 \$000's	Change \$000's	Change %
Revenue from ordinary activities	20,004	13,959	6,045	43.3%
Profit/(Loss) from ordinary activities after tax attributable to members	(122)	(3,142)	3,020	96.1%
Profit/(Loss) attributable to members	(122)	(3,142)	3,020	96.1%
Dividends	Nil	Nil	n/a	n/a

Revenue Breakdown	30 June 2026 \$000's	30 June 2025 \$000's	Change \$000's	Change %
Entertainment	7,341	7,594	(253)	(3.3%)
Enterprise	7,786	5,112	2,674	52.3%
Sub-total	15,127	12,706	2,421	19.1%
Government Grants and Other Income	4,877	1,253	3,624	289.4%
Total revenue from ordinary activities	20,004	13,959	6,045	43.3%

EBITDA for FY26 was \$3.8m (FY25: \$0.6m).

This report is based on accounts which are in the process of being audited.

Dividends

No dividends have been declared or are payable for the year ended 30 June 2026.

Net Tangible Asset Information

	30 June 2026 (cents)	30 June 2025 (cents)	Change %
Net tangible assets per share*	0.2	0.6	(66.7%)

*Derived by dividing the net assets less intangible assets attributable to equity holders of the Company by the total ordinary shares at 30 June 2026 (752,131,722) and 30 June 2025 (663,547,525) respectively.

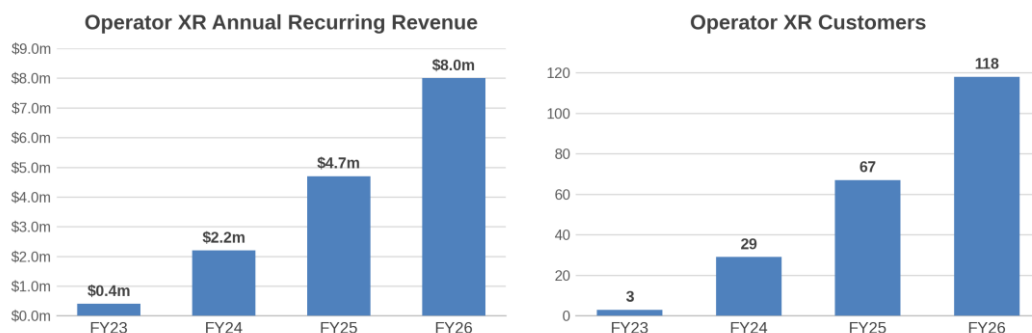
Please note that throughout the financial year the company has increased its intangible assets by \$5.3m, being the development of Operator XR software as a consequence of the transition to a SaaS business, which is subtracted in calculating the Net tangible assets.

Commentary and results for the year

Operator XR Delivers Record Growth and Builds Momentum for FY27

We are pleased that XRG delivered a strong performance in FY26, with Operator XR driving the Group's growth and momentum. Total income grew 43% to \$20.0 million (FY25: \$14.0 million), narrowing the net loss to \$0.1 million from FY25's net loss of \$3.1 million. This reflects the operating leverage emerging as Operator XR scales and validates the Group's strategic focus on high-growth, high-margin opportunities.

Operator XR's global customer base grew 76% to 118 customers (FY25: 67), while Annual Recurring Revenue increased to \$8.0 million, representing approximately 70% growth. Entering FY26 with a qualified sales pipeline of approximately \$30.4 million, Operator XR secured \$13.0 million in Total Contract Value during the year, reflecting continued commercial traction across its global defence and law enforcement customer base.



The qualified sales pipeline continued to expand strongly throughout the year, reaching \$80.4 million at 30 June 2026 being an increase of approximately 165% from the FY25 closing position. This substantial opportunity base, combined with the Group's demonstrated ability to convert opportunities into contracted TCV and recurring revenue, provides a strong foundation for continued growth in FY27 and beyond.

Importantly, this pipeline is complemented by a growing base of already-contracted revenue. Deferred revenue increased to \$15.5 million at 30 June 2026 (FY25: \$7.4 million), representing a substantial pool of contracted revenue yet to be recognised.

The combination of a growing global customer base, increasing recurring revenue, expanding contracted TCV and a significant qualified pipeline positions Operator XR for continued scale as XRG completes its transition towards a focused defence and enterprise technology business.

Operator XR — Scaling in US, Establishing Global Foundations

Operator XR's growth engine remains the US law enforcement market, comprising more than 18,000 agencies across local, county, state and federal levels. The Company continues to build a strong position across this market, with its portable and highly deployable training solutions differentiating through ease of setup, scenario planning and the ability to deliver high-value training at scale.

Each agency that adopts Operator XR becomes an important reference customer within a closely networked law enforcement community. The Company's growing base of US law enforcement customers now act as key opinion leaders, validating the platform's operational value and supporting further adoption and expansion across the broader market, an important driver of potential revenue growth in the years ahead.

In August 2025, Operator XR secured a contract of up to \$5.7 million with the Texas Department of Public Safety, comprising a \$4.3 million initial order and a further \$1.4 million in optional support services (exercisable in FY28). It was the largest order for OP-2 systems secured by Operator XR at that time and established a high-credibility reference customer for further expansion of the platform across the US law enforcement market. With 31 separate state Departments of Public Safety operating across the United States, the Texas win provides a high-visibility reference point that opens the door to broader adoption among comparable state-level agencies.

Across FY26, Operator XR was selected ahead of established competitors on numerous occasions through competitive tender and evaluation processes, reflecting the differentiated capability, deployability and training outcomes of its platform and reinforcing its competitive advantage.

International expansion also reached an important milestone with Operator XR securing its first European contract with the Swedish Armed Forces, representing the Company's first deployment with a NATO member's armed forces. In June 2026, Operator XR further strengthened its market position through a strategic MOU with Thales Australia to jointly pursue defence, security and law enforcement training and simulation opportunities.

Together, these milestones demonstrate the increasing maturity of Operator XR's technology, customer base and commercial capability, while establishing strong foundations for further expansion across the US and international defence and security markets.

US Department of Defense Project Delivered in Full, On Time and On Budget

In May 2026, Operator XR successfully completed its US Department of Defense subcontract, first announced in FY24, delivering the project on time and on budget over its 20-month program. The intellectual property developed through the project is wholly owned by xReality Group.

Successfully securing a project of this nature was an important milestone; delivering it in full, to specification, on schedule and within budget provides further evidence of Operator XR's technology capability, delivery discipline and organisational capacity to execute complex defence programs.

The successful completion of the project also accelerated the commercialisation of the technology developed through the program. During FY26, XRG completed its first independent commercial sale of the resulting MR-1 mixed reality platform to a separate US Department of Defense customer.

The transition from a complex defence R&D program to a commercial product sale within the same financial year provides early market validation for MR-1 and demonstrates XRG's ability to convert advanced technology development into deployable products and commercial opportunities across the defence market.

Early Wins in Europe and Asia

FY26 marked an important step in Operator XR's international expansion, with the Group securing its first contracts in new international markets. An OP-2 system was sold to the Swedish Armed Forces through distribution partner PROMOTEQ for approximately \$450,000, representing Operator XR's first deployment with a NATO member's armed forces. The Group also secured its first sale into Japan, expanding its presence in the Asia-Pacific region beyond Australia.

While modest in value individually, these contracts represent important international reference wins and demonstrate the portability and applicability of Operator XR's technology across different defence and security markets. The focus for FY27 is to build on these initial deployments and convert them into a broader international customer base, recognising the longer sales cycles and product maturity requirements typically associated with larger military programs.

MOU with Thales Australia

In June 2026, Operator XR entered into a Memorandum of Understanding with Thales Australia to jointly pursue training and simulation opportunities across the defence, security and law enforcement sectors. The reciprocal arrangement provides a framework for the parties to collaborate on future programs, with either party able to lead or support an opportunity depending on the requirements.

The relationship provides Operator XR with a potential pathway into larger and more complex defence programs that may be difficult to access independently at its current scale. Participation in these programs could materially expand the addressable market for Operator XR and provide opportunities to compete for contracts significantly larger than those historically secured by the Group.

While the MOU does not guarantee future contracts or revenue, developing opportunities under the agreement is a priority for FY27 and represents an important potential pathway for Operator XR to scale.

Continued Product and Technology Investment

XRG continues to invest in Operator XR's technology platform to maintain and strengthen its competitive position while developing new products and enhancing existing capabilities.

During FY26, the Group established a satellite office in Melbourne and expanded its Operator XR team, with a particular focus on engineering and product development.

The Group continues to invest in OP-2, its current sales-leading product, while expanding the Operator XR platform across new products and capabilities.

FY26 product development has strengthened the Group's portfolio across multiple stages of maturity. In FY27, the focus will be on converting new customers and expanding existing relationships, while further maturing products including Interceptor C-UAS and MR-1 for larger-scale defence applications.

Accelerated AI Development

Artificial intelligence is central to the next phase of the Operator XR platform. In August 2025, Operator XR was awarded a \$2.1 million grant under the Australian Government's Industry Growth Program, supporting accelerated AI and cloud development alongside increased manufacturing capacity and the security and quality certifications required to pursue larger defence and government opportunities.

The Group is applying these capabilities to build longer-term differentiation through AI-enabled adaptive learning, automated scenario generation and automated instructor workflows — designed to improve training outcomes, increase the volume and realism of training that can be delivered, and reduce delivery costs. By automating tasks that would otherwise require significant instructor time, these capabilities allow customers to train more people, more often, and position Operator XR to scale its platform efficiently as demand grows.

Counter-Drone (C-UAS) Training

The rapid proliferation of low-cost drones across modern conflict, border security and critical-infrastructure protection has created significant and growing demand for counter-unmanned aerial system (C-UAS) capability — and for the training that underpins it. Defence and security forces increasingly require realistic, repeatable and cost-effective ways to prepare personnel to detect, assess and respond to drone threats.

Operator XR is maturing its Interceptor C-UAS training product to address this demand, extending its immersive training platform into one of the fastest-growing areas of defence and security. The product has already attracted strong interest from larger military programs, underlining both the scale of the emerging opportunity and the competitiveness of Operator XR's approach.

Strengthening the Leadership Team

The executive team was strengthened during FY26, with Kim Hopwood promoted to Chief Operating Officer and Ben Smith appointed as Chief Commercial Officer to lead the Group's global commercial function.

The Group also continued to build the scale and quality of its United States team, which brings Operator XR closer to its largest market and deepens its defence and law enforcement relationships. As global military activity intensifies and demand for advanced training grows, the Group intends to further expand its engineering and technical workforce, including specialists working with AI, to accelerate the product roadmap and capture the substantial revenue opportunities emerging across defence and security markets.

These appointments and investments strengthen the Group's operational and commercial leadership as Operator XR scales internationally. The Group also continued to develop internal talent, with a number of team members progressing into increasingly senior roles, supporting the development of the organisational capability required for the next phase of growth.

Entertainment Segment

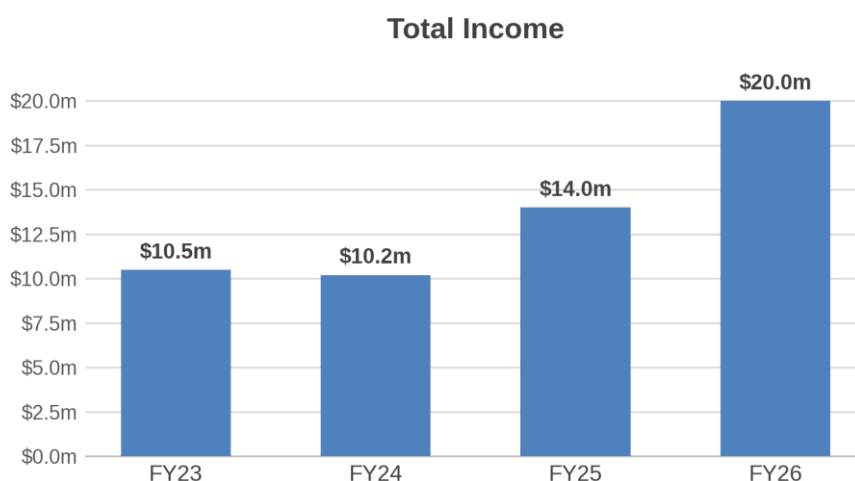
The iFLY wind tunnel businesses delivered another solid year, generating combined revenue of \$7.1 million (iFLY Downunder: \$4.3 million; iFLY Gold Coast: \$2.8 million) and operating profit of \$1.3 million.

The exit from FREAK Entertainment is substantially complete, with FREAK Penrith, which is co-located within the iFLY Downunder lease, being retained while the Group, together with its advisors, assesses the optimal strategy for the wind tunnel assets.

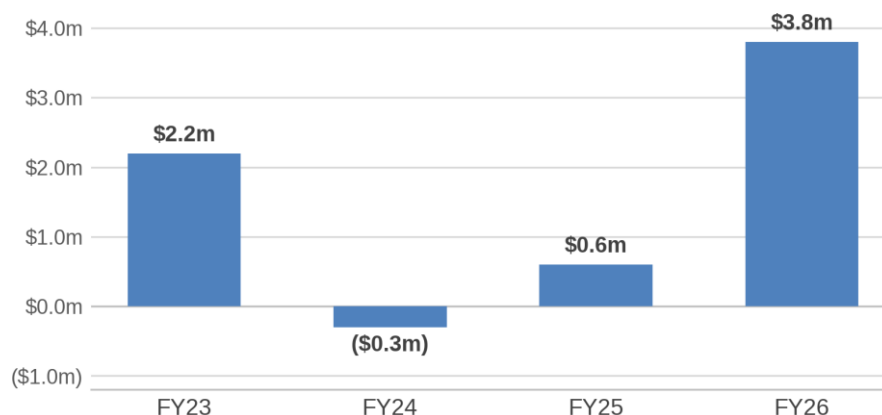
The entertainment segment remains cash generative and contributed positively to Group performance during FY26. The businesses continue to be actively managed in a more challenging consumer environment, while the Group remains focused on disciplined capital allocation and its broader transition towards Operator XR.

FY26 Financial Performance

Total income for FY26 increased 43% to \$20.0 million (FY25: \$14.0 million). The Group recorded a net loss of \$0.1 million compared with a net loss of \$3.1 million in FY25. EBITDA increased to \$3.8 million, from \$0.6 million in FY25, reflecting the growing contribution and operating leverage of Operator XR.



EBITDA



Deferred revenue increased to \$15.5 million (FY25: \$7.4 million), representing a significant pool of contracted revenue yet to be recognised in future periods. This provides increased revenue visibility into FY27 and beyond and reflects the growing base of multi-year customer programs.

Cash and cash equivalents at 30 June 2026 were \$2.7 million (FY25: \$2.8 million), while the Group generated \$5.5 million in net operating cash flow during FY26 (FY25: \$3.3 million). The Board is particularly pleased with this cash generation, which reflects the increasing contribution from Operator XR together with disciplined management of the Group's cost base.

The Group continued to reduce its Causeway debt facility during FY26, with \$800,000 repaid during the year. Discussions have commenced regarding the refinancing of the facility ahead of its April 2027 maturity, with the Group focused on securing a funding structure that best supports its strategic growth objectives.

The Group's intangible assets remain subject to final audit procedures. Management has applied conservative methodologies in assessing and substantiating the amounts recognised and does not currently expect any material adjustment to the FY26 financial results.

The Board recognises the contribution of the entire xReality Group team to the successful delivery of FY26. The breadth of the Group's operational and financial achievements reflects the increasing capability of our people and the strength of the organisation as it enters its next phase of growth.

The Board also acknowledges the strong market response to the Group's FY26 performance, with the XRC share price more than doubling over the twelve months to 30 June 2026. On behalf of the Board, management and staff, we thank shareholders for their continued support.

FY2027 Outlook

The Board's optimism entering FY26 has been rewarded by the progress achieved across the Group. The breadth of execution across product development, operations, cost management and sales is particularly pleasing. Closing FY26 with an Operator XR qualified pipeline of \$80.4 million, an expanding global customer base and demonstrated capability across demanding defence and law enforcement programs provides a materially stronger platform for FY27.

The continued growth of Operator XR, conversion of early reference wins in Europe and Asia, and development of opportunities arising from the MOU with Thales Australia provide a number of avenues for further growth. The Group remains focused on accelerating these opportunities while continuing to strengthen its products, customer relationships and international reach.

Global defence and law enforcement spending remains supportive of the markets in which Operator XR operates. The Board looks forward to building on a year in which Operator XR

demonstrated its capability with highly demanding customers and helped accelerate the Group's growth and momentum.

With a stronger platform, broader international reach and a substantial opportunity pipeline entering FY27, the Board and management remain confident in the Group's ability to capture the significant opportunities ahead.

Dividend Reinvestment Plan

xReality Group does not operate a dividend or distribution reinvestment plan.

Control Gained or Lost over Entities Having a Material Effect

There were no transactions during the year ended 30 June 2026 having a material effect.

Accounting Standards

The financial information contained in this Appendix 4E has been prepared in accordance with Australian Accounting Standards.

Audit of the Financial Report

This report is based on the consolidated financial statements for the year ended 30 June 2026, which are in the process of being audited by Felsers, Chartered Accountants trading as Accru Felsers.



Wayne Jones
Chief Executive Officer & Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2026

		Consolidated Group	
		2026	2025
	Note	\$	\$
Revenue	2(a)	20,003,612	13,958,552
Cost of Sales		(3,314,355)	(2,417,426)
Gross Profit		<u>16,689,257</u>	<u>11,541,126</u>
Finance Income		36,983	11,548
Selling and marketing expenses	2(b)	(7,669,601)	(6,704,485)
Administration expenses	2(c)	(3,769,624)	(3,013,605)
Depreciation and amortisation	2(d)	(2,409,850)	(1,907,046)
Legal expenses		(71,932)	(109,295)
Other expenses		(1,391,946)	(1,162,960)
Profit/loss Before Interest and Tax		<u>1,413,287</u>	<u>(1,344,716)</u>
Finance expense		(1,518,716)	(1,797,674)
Loss before tax		<u>(105,431)</u>	<u>(3,142,390)</u>
Income tax		(16,338)	-
Loss After Tax		<u>(121,769)</u>	<u>(3,142,390)</u>
Other comprehensive income			
Other comprehensive income for the period, net of tax		53,501	-
Total comprehensive loss for the period		<u>(68,268)</u>	<u>(3,142,390)</u>
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)		(0.02)	(0.54)
- Diluted earnings per share (cents)		(0.02)	(0.51)

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 2026

	Consolidated Group	
	2026	2025
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,716,330	2,785,275
Trade and other receivables	3,715,809	1,611,915
Inventories	767,881	344,465
Contract asset	1,864,507	926,913
Other financial asset	123,599	46,683
TOTAL CURRENT ASSETS	9,188,126	5,715,251
NON-CURRENT ASSETS		
Property, plant and equipment	17,829,523	18,222,711
Intangible assets	12,603,417	7,318,661
Right-of-use asset	12,493,069	12,244,314
Contract asset	1,456,710	1,074,295
Other financial asset	8,264	36,300
TOTAL NON-CURRENT ASSETS	44,390,983	38,896,281
TOTAL ASSETS	53,579,109	44,611,532
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,663,397	4,900,728
Lease liability	867,472	729,956
Deferred revenue	7,511,106	4,151,327
Borrowings	4,668,233	316,296
Provisions	922,530	607,804
TOTAL CURRENT LIABILITIES	16,632,738	10,706,111
NON-CURRENT LIABILITIES		
Trade and other payables	-	49,533
Lease liability	14,079,169	13,884,923
Deferred revenue	8,002,781	3,244,941
Borrowings	16,837	4,660,070
Provisions	825,468	575,372
TOTAL NON-CURRENT LIABILITIES	22,924,255	22,414,839
TOTAL LIABILITIES	39,556,993	33,120,950
NET ASSETS	14,022,116	11,490,582
EQUITY		
Share capital	56,220,187	54,034,173
Reserves	943,231	557,348
Accumulated losses	(43,141,302)	(43,100,939)
TOTAL EQUITY	14,022,116	11,490,582

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 2026

	Issued Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2025	54,034,173	557,349	(43,100,939)	11,490,583
Shares issued during the year	2,186,014	-	-	2,186,014
Share-based payments reserve movement	-	413,787	-	413,787
Comprehensive income				
Loss for the year	-	-	(121,769)	(121,769)
Movement in foreign currency translation reserve	-	(27,905)	81,406	53,501
Total comprehensive loss for the year	-	(27,905)	(40,363)	(68,268)
Balance at 30 June 2026	56,220,187	943,231	(43,141,302)	14,022,116
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

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 2026

	Consolidated Group	
	2026	2025
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	24,199,282	18,729,582
Payments to suppliers and employees	(20,781,708)	(14,872,954)
	3,417,573	3,856,628
Grant income received	2,950,079	178,993
Finance costs	(808,447)	(713,233)
Income taxes paid	(16,338)	-
Net cash inflows from operating activities	5,542,868	3,322,388
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(659,141)	(167,661)
Investment in Intangibles	(6,042,434)	(2,355,914)
Net cash outflows from investing activities	(6,701,575)	(2,523,575)
Cash Flows from Financing Activities		
Proceeds from issue of securities	2,455,486	752,845
Net (repayment)/proceeds from borrowings	(291,295)	911,349
Share issue costs	(269,473)	(203,619)
AASB leases repayment	(804,956)	(839,625)
Net cash inflows from financing activities	1,089,762	620,950
Net increase in cash held	(68,945)	1,419,763
Cash and cash equivalents at beginning of year	2,785,275	1,365,512
Cash and cash equivalents at end of year	2,716,330	2,785,275

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 2026

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 generated a loss after interest, depreciation and tax of \$121,769 for the year ended 30 June 2026 (2025: loss of \$3,142,390). As at 30 June 2026, the Group had a net current liability position of \$7,444,612 (2025: \$4,990,859), primarily reflecting the classification of the Causeway debt as a current liability. Included within current liabilities is \$7,511,105 of deferred revenue. When adjusted for this deferred revenue, the Group has an adjusted net current asset position of \$66,493. Total deferred revenue of \$15,513,886 (current and non-current) comprises predominantly multi-year customer contracts and will be recognised as revenue as the Group satisfies its contractual performance obligations.

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 2026, a credit of \$171,839 of Gift Card Revenue is recognised (2025: \$98,315 debit). 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 3.30% inflationary escalation per annum, and then discounted back at 5.26% (2025: 6.38%), 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	
	2026	2025
	\$	\$
a) Revenue		
Entertainment sector	7,341,135	7,593,984
Enterprise revenue	7,785,640	5,112,012
Grant income - Entertainment	15,698	47,424
Grant income - Enterprise*	4,861,139	1,205,132
	20,003,612	13,958,552
b) Selling and Marketing Expenses		
Marketing Expenses	1,760,760	1,530,704
Employment Expenses	5,496,049	4,836,812
Superannuation	412,792	336,968
	7,669,601	6,704,484
c) Administration Expenses		
Occupancy expenses	463,176	364,022
Professional fees	326,517	403,425
Consulting fees	250,749	258,507
Insurance	311,675	312,359
Employment expenses (excl. superannuation)	2,126,549	1,447,842
Superannuation	173,017	110,526
Directors' fees - current year	117,941	116,925
	3,769,624	3,013,606
d) Depreciation and amortisation		
Depreciation and Amortisation Expenses	1,770,274	1,367,386
Depreciation - AASB 16	639,576	539,660
	2,409,850	1,907,046
e) Finance Expenses		
Interest Expense	808,447	1,096,893
Interest - AASB 16	710,269	700,780
	1,518,716	1,797,673

* The enterprise grant income includes \$1,276,308 received for the FY25 R&D Tax Offset, \$1,834,968 from the Industry Growth Program (\$213,878 received in FY27) and \$1,749,863 calculated to be received for the FY26 R&D Tax Offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2026. 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	2026 %	2025 %	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 XR 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	7,332,083	12,584,868	123,643	20,040,594
Segment EBITDA	805,693	5,942,844	(2,925,402)	3,823,135
Depreciation and amortisation	(57,319)	(240,174)	(2,112,357)	(2,409,850)
Interest	(492)	(548)	(1,517,676)	(1,518,716)
Income tax	-	-	(16,338)	(16,338)
Segment NPAT	747,882	5,702,122	(6,571,773)	(121,769)

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

Lease asset depreciation expense
recognised under AASB 16

Leases	-	-	(639,576)	(639,576)
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Lease asset interest expense
recognised under AASB 16

Leases	-	-	(710,269)	(710,269)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: SEGMENT INFORMATION (CONTINUED)

Segment analysis by geographical location:

	Asia Pacific	United States	Total
Segment Revenue	12,840,608	7,199,986	20,040,594
Segment EBITDA	(632,798)	4,455,933	3,823,135
Depreciation and amortisation	(2,409,850)	-	(2,409,850)
Interest	(1,518,168)	(548)	(1,518,716)
Income tax	-	(16,338)	(16,338)
Segment NPAT	(4,560,816)	4,439,047	(121,769)

NOTE 5: EARNINGS PER SHARE

	2026 Cents	2025 Cents
Earnings per share (cents per share)		
From continuing operations:		
- basic earnings per share	(0.02)	(0.54)
- diluted earnings per share	(0.02)	(0.51)
 a. Reconciliation of earnings to profit or loss:		
Earnings used to calculate basic EPS - continuing operations	(121,769)	(3,142,390)
Earnings used in the calculation of dilutive EPS - continuing operations	(121,769)	(3,142,390)
 b.	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	748,623,876	581,263,376
Average number of dilutive performance rights outstanding	38,107,142	36,357,143
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	786,731,018	617,620,519