



xReality Group Limited and Controlled Entities

ABN 39 154 103 607

Interim Financial Report
For the half year ended 31 December 2021

For personal use only

Appendix 4D

Interim Financial Report For the Half-year ended 31 December 2021

Results for Announcement to the Market

Name of Entity:	xReality Group Ltd
ABN:	39 154 103 607
Reporting Period:	Half-year ended 31 December 2021
Previous Corresponding Period:	Half-year ended 31 December 2020
Release Date:	22 February 2022

Reported	31 December 2021	31 December 2020	Change \$	Change %
Revenue from ordinary activities	2,396,720	3,500,137	(1,103,417)	(32%)
Profit/(loss) from ordinary activities after tax attributable to members	(1,228,959)	(625,576)	(603,383)	(96%)
Profit/(loss) for the half year attributable to members	(1,228,959)	(625,576)	(603,383)	(96%)
Dividends	Nil	Nil	n/a	n/a

Dividends

No dividends have been declared or are payable for the half-year ended 31 December 2021.

Net Tangible Asset Information

	31 December 2021 (cents)	31 December 2020 (cents)	Change %
Net tangible assets per share	4.0c	3.1c	29%

Derived by dividing the net tangible assets less intangible assets attributable to equity holders of the Company by the total ordinary shares at 31 December 2021 (336,700,099) and 31 December 2020 (336,700,099) respectively.

Financial Report

The Company's independent auditor Felsers, Chartered Accountants, has completed a review of the Group's 31 December 2021 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.

For personal use only

Contents

Directors' Report.....	4
Auditor's Independence Declaration	8
Consolidated Statement of Profit or Loss and other Comprehensive Income	9
Consolidated Statement of Financial Position.....	10
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Financial Statements.....	14
Directors' Declaration	20
Independent Auditor's Review Report to the members of xReality Group Limited	21

For personal use only

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 2021.

Directors

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
Stephen Baxter**	Non-Executive Chairman
Danny Hogan, MG	Non-Executive Director
Mark Smethurst, DSC AM***	Non-Executive Director
Kim Hopwood	Executive Director
Wayne Jones	Chief Executive Officer and Executive Director

*Appointed 24th Jan 22

**Resigned 24th Jan 22

***Appointed 15th Nov 21

Company Secretary

Stephen Tofler

Operations and Financial Review

Operations Summary:

- COVID lockdowns impacted first half of the period, strong rebound.
- Red Cartel, VR production company acquisition complete
- Defence XR Training division "Operator" launched
- Company rebrand to XRG complete
- FREAK Entertainment's 4th venue opened at Macquarie Centre in Sydney
- Operator announced Defence Industry product line-up
- Substantial Investment in IP and products

xReality Group (XRG) specialises in building and operating Virtual Reality, Augment Reality and Physical Simulation for the Enterprise, Defence and Consumer Leisure markets. Using technology, XRG creates experiences without the physical limitations found in the real world.

For personal use only

For the half year ended December 31 2021, COVID lockdowns were in place until October 11th, requiring NSW operations to be closed for 14 of the 26 weeks, or 54% of the reporting period.

During the lockdown, the company was able to successfully execute a number of corporate initiatives including the acquisition of VR Production Company Red Cartel, launch of defence focused XR training division Operator Tactical Solutions and rebranding the head company to xReality Group which better reflects the company's strategy and future direction. The company received government assistance during the closures.

With the re-opening of the consumer based operations in NSW on the 11th of October, XRG experienced a strong rebound in retail sales, in particular throughout late November and December in the lead up to Christmas.

XRG's Virtual Reality Entertainment brand, FREAK Entertainment, opened its fourth venue at Macquarie Centre in Sydney on the 22nd November. Macquarie Centre, based in North Ryde, is a leading Sydney shopping centre, servicing corporate headquarters, Macquarie University and a large local area population. The centre is close to train lines, buses, and the new Sydney metro. FREAK is located on level 4, near Timezone, cinemas and dining.

The Macquarie venue also launched FREAK's new motor racing simulator product, FREAK Drive, providing ultra realistic racing simulation using cutting edge technology first revealed at the 2020 Consumer Electronics Show (CES) in Las Vegas.

Operator announced the product line up of its defence focused XR products on the 14th December. The Virtual Reality based systems include the OP-1 VR Tactical Trainer, Mission Rehearsal System, and Weapons Integration System. The products are the first in the roadmap that provide the end user (Military and Law Enforcement) with the ability to conduct team training, operational planning and mission rehearsals utilising their own equipment combined with Operator's hardware and software. The technology incorporates a proprietary calibration system that allows for a fully mobile, closed network, multi- user platform designed for team training, rehearsals and operational planning.

1H22 Financial Performance Summary:

- **Operating Revenue of \$2.4M**
- **Underlying EBITDA of \$427k**
- **Closing cash at 31 Dec \$1.4m – strong rebound in sales post closures**
- **Net Tangible Assets per Share 4.0c up 29% on last year**
- **Investment of \$592k in XR product development**

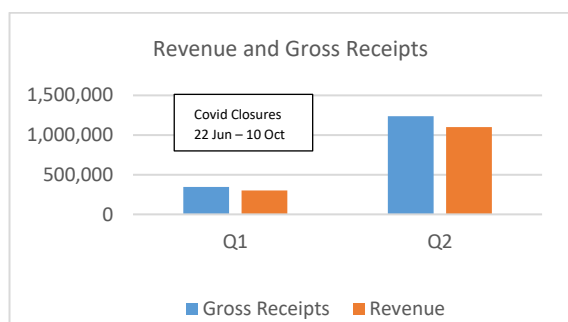
Despite NSW operations being closed for over half the period with Government enforced lockdowns caused by COVID-19, the company is pleased to report both an increase in cash and a positive underlying EBITDA.

Operating Revenue and Other Income

The Group achieved a total income of \$2,953,972 with an operating revenue of \$2,396,720. Q1 was severely affected by COVID closures throughout the entire period with Q2 showing a strong rebound generating 77% of revenue compared to 57% for the same period last year. With the restrictions lifted the entertainment businesses have experienced a strong return of customers throughout the Christmas school holidays through to the end of January 22.

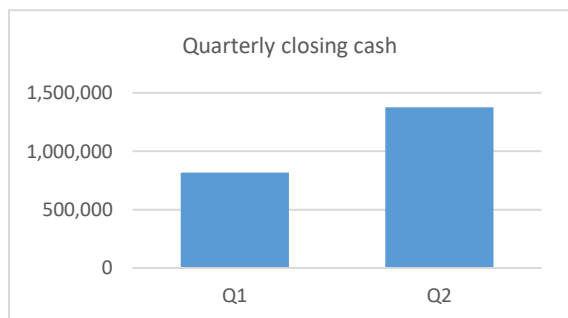
Underlying EBITDA and non-cash expenses

Reported EBITDA for the period was (\$67,323) with an underlying EBITDA of \$426,796. The adjustments include adding back non-cash amortisation of pre-paid royalties of \$283k, and non-cash accounting treatments of \$211k.



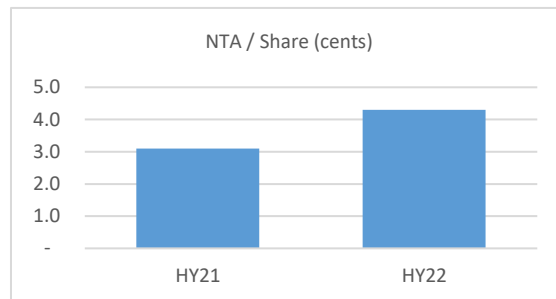
Cash Movement

The closing cash position of \$1,378,469 marked an increase of \$561,247 or 69% from Q1. Gross receipts for Q2 totalled \$2,468,756 an increase of 19% from the same period last year. The company invested \$591,961 in IP and future products over the period including our Operator, defence technology, FREAK game creation and the fitout of the new Macquarie Centre store.



Net Tangible Assets per Share

Net Assets per Share increased 29% vs December 2020 due to increased capital expenditure and debt restructuring completed 2H2021.



Outlook for 2H2022

With all consumer based operations open and government enforced restrictions stabilising, the company expects a strong financial performance for existing operations over the 2nd half of the year.

FREAK Entertainment has four new Westfield sites that are planned for commencement at various stages throughout the next 12 months, COVID situation dependant.

Red Cartel have just completed the first in-house Virtual Reality game that will be rolled out into existing FREAK facilities over the next 30 days. New wholly owned VR experiences are planned for development each qtr over the next 12 months. External client work will continue with the completion of works for FIFA/SBS and Shell/F1 by the end of the month.

Operator Tactical Solutions (Defence XR and Simulations) are looking forward to completing trials and commencing their go-to-market strategy throughout Q3/4 of FY22. The strategy includes the Australian, United States and select European Defence forces and Law Enforcement Agencies. Major trade shows have been confirmed including:

- Milcis, Canberra in February – global launch of products
- Land Forces, Brisbane in October – largest land focused military conference in Australia
- I/ITSEC, Orlando USA in November – largest defence training and simulation conference in the world.

For personal use only

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: 22 February 2022

For personal use only

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of xReality Group Limited for the half-year ended 31 December 2021, I declare that, to the best of my 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



Vindran Vengadasalam
Partner

22 February 2022

Sydney, Australia

For personal use only

Consolidated Statement of Profit or Loss and other Comprehensive Income For the Half Year Ended 31 December 2021

	Note	Consolidated Group	
		Half Year ending 31 Dec 21	Half Year ending 31 Dec 20
		\$	\$
Revenues	2(a)	2,396,720	3,500,137
Cost of Sales		(636,512)	(830,306)
Gross Profit		<u>1,760,208</u>	<u>2,669,831</u>
Other income	2(a)	557,252	465,500
Selling and marketing expenses	2(b)	(1,151,823)	(1,525,021)
Administration expenses	2(b)	(1,447,906)	(1,247,732)
Other expenses		(399,845)	(383,100)
Loss Before Interest and Tax		<u>(682,116)</u>	<u>(20,522)</u>
Finance expense	2(c)	(671,743)	(605,054)
Net financing costs		(671,743)	(605,054)
Reversal of prior year loss on a joint venture entity		124,900	-
Total loss from operations		<u>(1,228,959)</u>	<u>(625,576)</u>
Income tax benefit		-	-
Loss After Tax		<u>(1,228,959)</u>	<u>(625,576)</u>
Earnings per share			
- Basic earnings per share (cents)	11	(0.37)	(0.19)
- Diluted earnings per share (cents)	11	(0.35)	(0.18)

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

For personal use only

Consolidated Statement of Financial Position

As at 31 December 2021

Consolidated Group			
		As at 31 Dec 2021	As at 30 Jun 2021
	Notes	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,378,469	1,761,186
Trade and other receivables		541,375	551,363
Inventories		13,258	18,225
Other financial asset		566,188	566,184
TOTAL CURRENT ASSETS		2,499,290	2,896,958
NON-CURRENT ASSETS			
Property, plant and equipment	12	23,943,677	24,042,488
Right-of-use asset	8	9,818,743	9,543,523
Other financial asset		1,053,592	1,296,409
Intangible	9	572,110	-
TOTAL NON-CURRENT ASSETS		35,388,122	34,882,420
TOTAL ASSETS		37,887,412	37,779,378
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	3	1,423,864	1,548,650
Lease liability	8	215,871	178,627
Deferred revenue	4	1,190,607	1,051,843
Borrowings	5	300,000	225,000
Provisions		318,134	200,475
TOTAL CURRENT LIABILITIES		3,448,476	3,204,595
NON-CURRENT LIABILITIES			
Trade and other payables	3	1,422,842	1,312,542
Lease liability	8	10,273,007	9,903,327
Borrowings	5	7,373,491	7,316,709
Provisions		1,309,634	754,234
TOTAL NON-CURRENT LIABILITIES		20,378,974	19,286,812
TOTAL LIABILITIES		23,827,450	22,491,407

Consolidated Group (continued)

	Notes	As at 31 Dec 2021 \$	As at 30 Jun 2021 \$
NET ASSETS		14,059,962	15,287,971
EQUITY			
Share capital	7	42,513,283	42,513,283
Reserves		42,388	41,438
Accumulated losses		(28,495,709)	(27,266,750)
TOTAL EQUITY		14,059,962	15,287,971

For personal use only

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

Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2021

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2021	42,513,283	41,438	(27,266,750)	15,287,971
Shares issued during the half year	-	-	-	-
Share Issue Costs (Options)	-	-	-	-
Comprehensive income				
Loss for the half year	-	950	(1,228,959)	(1,228,009)
Balance at 31 December 2021	42,513,283	42,388	(28,495,709)	14,059,962
Balance at 1 July 2020	42,513,283	9,467	(31,329,207)	11,193,544
Shares issued during the half year	-	-	-	-
Comprehensive income				
Loss for the half year	-	-	(625,576)	(625,576)
Balance at 31 December 2020	42,513,283	9,467	(31,954,783)	10,567,968

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

For personal use only

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2021

	Consolidated Group	
	Half Year ending 31 Dec 21	Half Year ending 31 Dec 20
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	2,371,160	3,712,417
Payments to suppliers and employees	(2,342,549)	(2,879,666)
Payments to suppliers from prior periods	(63,587)	(515,004)
Grant and COVID assistance income	557,252	585,500
Finance costs	(300,841)	-
Net cash flows from operating activities	221,435	903,247
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(591,960)	(317,151)
Payment for investment	(12,191)	-
Net cash inflows/(outflows) from investing activities	(604,151)	(317,151)
Cash Flows From Financing Activities		
Proceeds from issue of securities	-	-
Repayment of borrowings	-	-
Share issue costs	-	-
Net cash inflows from financing activities	-	-
Net increase in cash held	(382,716)	586,096
Cash and cash equivalents at beginning of period	1,761,186	234,150
Cash and cash equivalents at end of period	1,378,470	820,246

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

For personal use only

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2021 and are presented in Australian Dollar (\$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 (then named Indoor Skydive Australia Group) for the year ended 30 June 2021 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 22 February 2022.

b. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in xReality Group's last annual financial statements for the year ended 30 June 2021.

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 2021.

d. Going Concern

The Group incurred a loss for the half year after tax of \$1,228,959 (2020: loss of \$625,576) and, as at 31 December 2021, had a net current deficiency in assets of \$949,186 (June 2021: deficiency \$307,637). The Group generated positive cash flows from operations during the half year of \$221,435 (2020: \$903,247). Future expected cash flows have not been taken into account in determining the current assets position. Included within current liabilities is deferred revenue of \$1,190,607 that will be realised as revenue once the service has been delivered to the customer.

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

- i. Management has prepared detailed cash flow forecasts that are monitored on an ongoing basis.
- ii. The company's financiers, Causeway and Birkdale, remain supportive. All interest on the Birkdale loan is being capitalised with repayment scheduled for September 2024.

Given the current strategic plan well underway by the xReality Group Board, along with forecasted cash flows from operations the Directors are of the view that the company will continue as a going concern.

NOTE 2: REVENUE AND EXPENSES

	Consolidated Group	
	Half Year ending 31 Dec 2021	Half Year ending 31 Dec 2020
	\$	\$
a) Revenue		
VWT revenue - rendering of services	1,989,219	3,083,454
Freak revenue	220,095	238,742
Red Cartel revenue	68,672	-
Other sales	118,734	177,941
	2,396,720	3,500,137
Other Income		
Grant Income	557,252	465,500
	557,252	465,500
b) Selling and Marketing Expenses		
Marketing Expenses	178,123	246,567
Employment Expenses	973,699	1,278,454
	1,151,823	1,525,021
Administration Expenses		
Depreciation and Amortisation Expenses	729,012	669,102
Depreciation – AASB16	259,532	218,952
Occupancy Expenses	61,926	55,831
Employment Expenses	364,205	282,058
Legal Fees	28,231	1,789
Directors' fees	5,000	20,000
	1,447,906	1,247,732
c) Finance Costs		
Interest from finance providers	432,623	373,388
Interest from AASB16	239,120	231,666
	671,743	605,054

NOTE 3: TRADE AND OTHER PAYABLES

	As at 31 December 2021	As at 30 June 2021
	\$	\$
Current Liabilities		
Trade payables	1,008,613	705,235
Other accruals	415,250	843,415
	1,423,864	1,548,650

For personal use only

Non-Current Liabilities

Other accruals	1,422,842	1,312,543
	1,422,842	1,312,543

NOTE 4: DEFERRED REVENUE

	As at 31 December 21	As at 30 June 21
	\$	\$
Deferred revenue	1,190,607	1,051,843
	1,190,607	1,051,843

Deferred revenue primarily represents prepaid sales in respect of flight time and VR 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 31 December 21	As at 30 June 21
	\$	\$
Current Liabilities		
Loan from Causeway Financial	300,000	225,000
	300,000	225,000
Non - Current Liabilities		
Loan from Causeway Financial	3,700,000	3,775,000
Loan from Birkdale Holdings (QLD) Pty Ltd	3,673,491	3,541,709
	7,373,491	7,316,709

The Company has in place a 3 year loan facility of \$4,000,000 with Causeway Wholesale Private Debt Income Fund.

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

The company has in place a loan facility of \$3,673,491 with Birkdale Holdings (Qld) Pty Ltd, a company associated with Steve Baxter, Director of xReality Group Limited (resigned on 24th Jan 2022), with a maturity date of September 2024.

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

For personal use only

NOTE 6: DIVIDENDS

No dividends have been paid or declared during the period.

NOTE 7: ISSUED CAPITAL

	As at 31 December 2021	As at 30 June 2021
	\$	\$
336,700,099 (June 2021: 336,700,099) fully paid ordinary shares	44,803,421	44,803,421
Share issue costs	(2,290,138)	(2,290,138)
	42,513,283	42,513,283
	No.	No.
Ordinary Shares		
At the beginning of the reporting period	336,700,099	336,700,099
Shares issued during the period	-	-
	336,700,099	336,700,099

NOTE 8: LEASES

From 1st July 2019, the operating leases of the business are accounted for using AASB 16. The lease balances are outlined below:

	Right of Use over Asset	Lease Liability
Property	9,729,277	10,397,063
Equipment	89,466	91,815
Total:	9,818,743	10,488,878
Current	-	215,871
Non-current	9,818,743	10,273,007
Total:	9,818,743	10,488,878

NOTE 9: INTANGIBLE

	As at 31 December 2021	As at 30 June 2021
Goodwill on purchase of Red Cartel	572,110	-
	572,110	-

NOTE 10: INTEREST IN SUBSIDIARIES

Subsidiaries	Country of incorporation	As at 31 December 2021	As at 30 June 2021
		%	%
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
ISAG Holdings D Pty Ltd *	Australia	n/a	100
ISAG Café Pty Ltd *	Australia	n/a	100
ISA Asia Operations Pty Ltd	Australia	100	100
ISA Asia Holdings Pty Ltd	Australia	100	100
Freak Entertainment Pty Ltd	Australia	100	100
Operator TS Pty Ltd	Australia	100	100

* Deregistered 13 October 2021

NOTE 11: EARNINGS PER SHARE

	As at 31 December 2021 Cents	As at 30 June 2021 Cents
Earnings per share (cents per share)		
From continuing operations:		
- basic earnings per share	(0.37)	1.22
- diluted earnings per share	(0.35)	1.19

For personal use only

a. Reconciliation of earnings to profit or loss:

Earnings used to calculate basic EPS - continuing operations	(1,228,959)	4,112,456
Earnings used in the calculation of dilutive EPS - continuing operations	(1,228,959)	4,112,456
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	336,700,099	336,700,099
Average number of dilutive performance rights outstanding	17,293,044	9,500,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	353,993,143	346,200,099

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	As at 31 December 2021	As at 30 June 2021
	\$	\$
Vertical wind tunnel building and equipment		
At Cost	29,274,834	28,956,233
Accumulated depreciation	(6,580,266)	(5,858,453)
Balance	22,694,568	23,097,780
IT Equipment		
At Cost	2,322,589	1,968,955
Accumulated depreciation	(1,087,380)	(1,033,984)
Balance	1,235,209	934,971
Furniture and fittings		
At Cost	78,424	195,527
Accumulated depreciation	(69,605)	(188,271)
Balance	8,819	7,256
Office Equipment		
At Cost	15,564	7,255
Accumulated depreciation	(10,483)	(4,775)
Balance	5,080	2,480
Total		
At Cost	31,691,411	31,127,970
Accumulated depreciation	(7,747,734)	(7,085,483)
Balance	23,943,677	24,042,488

For personal use only

NOTE 13: EVENTS AFTER THE END OF THE INTERIM PERIOD

The company has experienced stable and positive trading conditions with minimal effects from COVID-19 throughout January and February 2022.

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 8 to 19 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 2021 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 Peter Jones

Director & Chief Executive Officer

Dated: 22 February 2022

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

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of xReality Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Conclusion

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

- + Giving a true and fair of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- + Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulation 2001*.

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

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

Emphasis of Matter

We draw attention to Note 1(d) of the half-yearly financial statements which details the fact that the ability of the Group to continue as a going concern is dependent on the courses of action being considered by Group's Management and forecasted cash flow operations. In addition, the Group's net working capital deficiency of \$949,186. Our opinion is not modified in respect of this matter.

For personal use only

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*.

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



Chartered Accountants



Vindran Vengadasalam
Partner

22 February 2022

Sydney, Australia

For personal use only