

26 February 2018

Dear Shareholder

## SKYVENTURE DISPUTE

In September 2017 we advised the market that we were involved in a legal dispute with SkyVenture International Ltd (**SkyVenture**). The dispute is a contractual dispute and we have recently been successful in having an arbitrator appointed to hear the dispute with SkyVenture. A hearing is scheduled in the United States for the period 7- 10 May 2018. I am keen to take this opportunity to provide an update on the proceedings.

The dispute with SkyVenture centres on the actions undertaken by ISA Group in pursuit of its expansion into South East Asia, China and beyond. The actions complained of are consistent with our long-standing and publicly released strategy of expanding our indoor skydiving operations beyond Australia and New Zealand.

On 20 September 2017, representatives for SkyVenture alleged that the construction of our AirRider Kuala Lumpur facility along with our entry into an MOU with Avest Capital Limited (see ASX Announcement 4 September 2017) breached certain provisions of the Purchase and License Agreements between SkyVenture and each of the ISA Group subsidiaries operating our Penrith, Gold Coast and Perth (**ISA Group Subsidiaries**). The ISA Group and its subsidiaries continue to vigorously deny any breach of our contractual obligations. Accordingly, a formal dispute resolution process is being undertaken by the Board and management.

The focus of ISA Group's legal team has been to ensure that our facility operations were not unduly interrupted while the dispute was being resolved. SkyVenture would not agree on reasonable commercial terms to allow the uninterrupted operation of our Australian facilities while the arbitration took place. The ISA Group, through its subsidiaries, successfully obtained injunctions restraining SkyVenture from taking any actions on the alleged breaches while the arbitration process is being undertaken. SkyVenture sought orders to restrain our activities in relation to our offshore projects which were denied.

SkyVenture and the ISA Group Subsidiaries are currently participating in an arbitration to resolve the alleged breaches of the Purchase and License Agreements. As ISA Group is not a party to these agreements, SkyVenture is secondly seeking an order requiring ISA Group to participate in that arbitration.

The Board, management and our legal team are strongly of the view that SkyVenture's claims are a calculated attempt to leverage a more advantageous business position. The Board remains confident that the ISA Group will be successful in pursuing our case. Once successful, we will be seeking compensation for the damage caused by SkyVenture's actions in this regard.

The next stage is to undertake the pre-arbitration processes ahead of the hearing in early May 2018. In parallel, legal processes will also be worked through in the usual course concerning the application to compel ISA Group to participate in the arbitration.

ISA Group is a dynamic, experienced and independent developer and operator of indoor skydiving facilities. Our extensive relationships with multiple vertical wind tunnel providers throughout the world has enabled us to create our own operating blueprint and to capitalize on technology improvements and innovation across the industry.

As with our Australian operations, we select the most appropriate provider for each project on a best for project basis. A process which we intend to continue.

Our strategy and intentions remain unchanged. ISA Group is continuing to advance plans for expansion offshore and the recent official launch of our first international facility, AirRider 1 Utama, has been well received.

I look forward to providing further information following the completion of the arbitration.

Yours faithfully



Ken Gillespie  
Chairman

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#### **About Indoor Skydive Australia Group Limited (ACN: 154 103 607)**

Indoor Skydive Australia Group Limited was established in 2011 as the parent company to build and operate indoor skydiving facilities across our region. These facilities allowing human flight within a safe environment are currently used by tourists, skydiving enthusiasts and military throughout the world. Flexible operating hours, low overheads and proven technology are just a few of the highlights that support the company's business model. The Company listed on ASX on 18 January 2013 under the code IDZ.

For further information visit: [www.indoorskydive.com.au](http://www.indoorskydive.com.au)

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