



PROSPECTUS

INDOOR SKYDIVE AUSTRALIA GROUP LIMITED | ACN 154 103 607
NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES



Indoor Skydive Australia Group Limited

ACN 154 103 607

PROSPECTUS

2.5 for 1 renounceable entitlement offer of new fully paid ordinary shares in the Company at a price of \$0.01 per New Share

Entitlement Offer closes at 5.00pm (Sydney time) on 1 August 2019 (unless extended). Valid applications must be received before that time

Lead managed by Veritas Securities Limited AFSL No.297 043

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This is an important document which is accompanied by a personalised entitlement and acceptance form and both should be read in their entirety. Please call your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser or the share registry if you have any questions.

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IMPORTANT NOTICE

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This prospectus relates to the 2.5 for 1 Entitlement Offer of New Shares by Indoor Skydive Australia Group Limited ACN 154 103 607 (**Prospectus**).

Lodgement and quotation

This Prospectus is dated 15 July 2019 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. None of ASIC, ASX Limited (**ASX**) or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company has applied to ASX for quotation of the New Shares on ASX. This Prospectus expires on 15 August 2020, the date which is 13 months after the Lodgement Date (**Expiry Date**), and no New Shares will be issued on the basis of this Prospectus after the Expiry Date. No exposure period applies to the Entitlement Offer.

Continuously Quoted Securities

This Prospectus is a transaction-specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act.

It does not contain the same level of disclosure as an initial public offering prospectus and may not contain, by itself, all information relevant to a decision to invest in the Company. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers whom investors may consult.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In considering the prospects of the Company, you should consider the risks that could affect the financial performance or position of the Company. You should carefully consider these risks in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risks that should be considered by prospective investors are set out at Section 7. There may be risk factors in addition to these that should be considered in the light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the New Shares.

No person is authorised to give any information or make any representation in connection with the Entitlement Offer which is not contained in this Prospectus. You should rely

only on information contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the directors of the Company (**Directors**).

Your right to acquire New Shares under the Entitlement Offer is not transferrable. Eligible Shareholders should carefully read and follow the instructions in Section 3 and on the back of the accompanying personalised Entitlement and Acceptance Form when making the decision whether to accept your entitlement (and apply for Additional New Shares).

Obtaining a copy of this Prospectus

Eligible Shareholders will receive a copy of this Prospectus together with an accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders in Australia and New Zealand can also obtain a copy of this Prospectus (free of charge) during the Entitlement Offer period (as defined below) from the Company's website at <http://www.indoorskydiveaustralia.com.au/investors/> or by calling the Share Registry on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside of Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday during the Entitlement Offer period. Shareholders in other jurisdictions (including the United States), or who are, or are acting for the account or benefit of, a person in the United States are not entitled to access the electronic version of this Prospectus. Eligible Shareholders who access the electronic version of this Prospectus on the Company's website should ensure they download and read the entire Prospectus. The electronic version of the Prospectus on the Company's website will not include a personalised Entitlement and Acceptance Form.

Statements of past performance

Past performance and pro forma financial information included in this Prospectus is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance or condition. Investors should note that past performance, including past Share price performance, of the Company cannot be relied upon as an indicator of (and provides no guidance as to) the Company's future performance including future Share price performance. The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

Investors should also be aware that certain financial data included in this Prospectus may be '*non-IFRS financial information*' under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial information do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios (if any) included in this Prospectus.

Financial information and forward looking statements

The financial information in Section 5 sets out the financial information referred to in the Prospectus. All dollar values are in Australian dollars unless noted otherwise (**\$** or **A\$**),

rounded to the nearest \$0.1 million and financial data is presented as at or for the half year ended 31 December 2018 unless stated otherwise. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as *'may'*, *'could'*, *'believes'*, *'estimates'*, *'expects'*, *'intends'* and other similar words that involve risks and uncertainties. Any forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Accordingly, such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and prospective investors are cautioned against placing undue reliance on these forward-looking statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, the risk factors at section 7 as well as the other information in this Prospectus.

The Company has no intention to update or revise forward looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

No cooling-off period

No cooling off rights apply to applications submitted under the Entitlement Offer.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Company website

Any references to documents included on the Company's website are for convenience only, and none of the documents or other information available on the Company's website are incorporated herein by reference.

Defined terms and time

Capitalised terms and abbreviations used in this Prospectus have the meanings given to them in the Glossary. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney, Australia time.

Disclaimer

Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

As set out in Section 3.14, it is expected that the New Shares will be quoted on ASX. The Company, the Lead Manager and the Share Registry (in each case, as defined below) disclaim all liability, whether in negligence or otherwise, to persons who trade New Shares before receiving their holding statements.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares, or the Entitlement Offer, or to otherwise permit a public offering of New Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the New Shares or Additional New Shares, if any, have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States unless the New Shares and Additional New Shares, if any are registered under the US Securities Act, or offered or sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

For further detail please see the foreign jurisdictions information set out in Section 8.10.

Privacy

By filling out the personalised Entitlement and Acceptance Form to apply for New Shares (and Additional New Shares, if applicable) you are providing personal information to the Company through the Company's securities registry, Boardroom Limited, which is contracted by the Company to manage applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not provide the information requested in the personalised Entitlement and Acceptance Form, the Company and the Share Registry may not be able to process or accept your application.

Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its members) and compliance by the Company with legal and regulatory requirements.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public. The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder.

By completing an Entitlement and Acceptance Form or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at <http://www.indoorskydiveaustralia.com.au/contact-us/>).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the

Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Website

To view annual reports, shareholder and other information about the Company, announcements, background information on the Company's operations and historical information, visit the Company's website at <http://www.indoorskydiveaustralia.com.au/>

KEY ENTITLEMENT OFFER DATES

Entitlements trading on ASX commences on a deferred settlement basis	17 July 2019
Record Date for the Entitlement Offer	18 July 2019
Entitlement Offer opens	23 July 2019
Dispatch of personalised Entitlement and Acceptance Forms and this Prospectus to Eligible Shareholders	23 July 2019
Entitlements trading on ASX ends	25 July 2019
Entitlement Offer closes	1 August 2019
Issue of New Shares under the Entitlement Offer	8 August 2019
Quotation of New Shares under the Entitlement Offer	8 August 2019
Dispatch of holding statements for New Shares	9 August 2019

Dates and times in this Prospectus are indicative only and subject to change. All times and dates refer to Sydney time. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer without prior notice, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, or to withdraw the Entitlement Offer without prior notice. Applicants are encouraged to submit their personalised Entitlement and Acceptance Forms as soon as possible. The commencement of quotation of New Shares is subject to confirmation from ASX.

KEY OFFER STATISTICS

Company	Indoor Skydive Australia Group Limited
ASX code	IDZ
Offer ratio	2.5:1
Offer Price	\$0.01
Discount to last closing price on ASX prior to the date of this Prospectus	38%
Discount to 15-day VWAP of the Shares	38%
Gross proceeds	Up to \$3.4 million (subject to a minimum subscription of \$2 million)
Number of Shares on issue as at the date of the Prospectus	136,696,514
Number of Shares on issue following completion of the Entitlement Offer (Minimum Subscription)	336,696,514
Number of Shares on issue following completion of the Entitlement Offer (Maximum Subscription)	478,437,799

Maximum number of Shares on issue following completion of the Entitlement Offer and Conversion ¹	598,437,799
Market capitalisation prior to the Entitlement Offer ²	\$2,187,144
Market capitalisation following the Entitlement Offer ³	\$4,784,378
Market capitalisation following the Entitlement Offer and the Conversion ⁴	\$5,984,378

¹ Assumes the Maximum Subscription is achieved and shareholder approval is obtained for the Conversion (see Section 2.3).

²Based on the closing price of the Shares on the trading day prior to the date of this Prospectus.

³Based on the number of Shares to be issued under the Maximum Subscription multiplied by the Offer Price.

⁴ Assumes the Maximum Subscription is achieved and shareholder approval is obtained for the Conversion (see Section 2.3) multiplied by the Offer Price.

Enquiries

Before making a decision about investing in the Entitlement Offer, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

If you have any questions on how to:

- (a) complete your personalised entitlement and acceptance form; or
- (b) take up the New Shares offered to you under the Entitlement Offer, either in full or in part;
- (c) take up your full Entitlement and apply for Additional New Shares; or
- (d) trade all or part of your Entitlement on ASX

please call the Share Registry between 8.30am and 5.30pm (Sydney time) Monday to Friday during the period from and including the date on which the Entitlement Offer opens until and including the date on which it closes:

Within Australia: 1300 737 760

Outside Australia: +61 2 9290 9600

If you have misplaced your Entitlement and Acceptance Form and would like a replacement form, please call the applicable number above. Alternatively, if you have the Securityholder Reference Number or Holder Identification Number for your holding(s), you can download a replacement form from the Share Registry's secure website at www.investorserve.com.au.

CHAIRMAN'S LETTER

15 July 2019

Dear Shareholder,

On behalf of Indoor Skydive Australia Group Limited (**ISA Group**) I invite you to participate in a 2.5:1 renounceable entitlement offer of New Shares in the Company at an Offer Price of \$0.01 per New Share. The Offer Price represents a discount of approximately 38% to the closing price of ordinary shares in the Company (**Shares**) on ASX on 12 July 2019 (being the last day Shares were traded on ASX before the announcement of the Entitlement Offer).

This Prospectus marks the culmination of an intense period of activity for the Company. It also marks the continuing return to normal of our relationship with SkyVenture since the settlement of the SkyVenture dispute. We look forward to continuing and advancing the commercial relationship over the coming years. I thank them for their positive approach in repairing the relationship

Background

ISA Group was established in 2011 and was listed on the ASX in January 2013 with the goal of establishing leading simulation experiences through world class indoor skydiving facilities in the Australian, New Zealand & South East Asian regions. Founded with a focus on rapid growth, ISA Group constructed four indoor skydiving facilities within four years.

In early 2018 the Company entered into a legal dispute with its wind tunnel supplier, SkyVenture. The dispute was settled in September 2018. Over this time, management distraction and disruption to marketing activities had an impact on operations. The Company suffered financial loss and incurred significant expenses plus costs of the settlement.

As a result, the Company has developed a new strategy around repair, growth and diversification.

Repair

The Company has agreed to sell iFLY Perth to SkyVenture in return for the extinguishment of outstanding debt and outstanding royalty payments to SkyVenture, SkyVenture granting a royalty free period for iFLY Downunder (Sydney) and iFLY Gold Coast as well as a cash payment to the Company as outlined previously to the market.

As a result of the sale of iFLY Perth and the Entitlement Offer, the Company will significantly reduce interest bearing debt, and be in a position to increase margins and cashflows while decreasing overheads by completing the following actions following completion of the Entitlement Offer:

- a. variation and partial conversion of the Birkdale Loan facility;
- b. restructure of the Board and Management.

Growth and Diversification

With the capital being raised and redirected cash flows we will make significant investments in our direct digital strategy, above the line advertising, a new digital platform and continued introduction of Virtual Reality offerings at iFLY Downunder (Sydney) and iFLY Gold Coast – this is designed to have an immediate impact on sales in our existing businesses.

The Company will pursue diversification through the introduction of further selective leisure and entertainment activities. The Company will also continue to assess appropriate acquisition opportunities, complimentary to both current and new market segments.

Reduction in overheads

As part of the continued focus on reduction in head office costs and implementing an appropriate national corporate footprint, the Board and senior management has been restructured. To allow for a smaller more cost-effective board going forward, Jon Brett and James Spenceley have offered to step down from the Board and transition into an advisory role to assist with future growth initiatives.

I want to thank both Jon Brett and James Spenceley for their work on the Board that helped us get to this stage. I am glad to see their continued involvement as part of an advisory committee as we complete the process of repair and power through with our growth and diversification strategy.

I want to also call out the work of the founders Wayne Jones and Danny Hogan both of whom have worked tirelessly in this process. Danny will be exiting as an executive but will be remaining on the Board as a non-executive Director ensuring the Company retains his experience; it will be good to continue to work with Danny.

Conversion of Loan

In conjunction with the Entitlement Offer, there will be a partial conversion of the Birkdale Loan facility that I control (\$1.2M of the \$3M of outstanding principal) plus capitalisation of approximately 10 months of interest to 30 June 2020 (subject to Shareholder approval being obtained). This will assist us deploying as much free cash as possible during the royalty free period, agreed as part of the iFly Perth Sale, in order to take advantage of that opportunity.

Participation in this offer by directors

I will be participating in the capital raise taking up my pro-rata entitlement alongside the CEO Wayne Jones who will also be investing in this process. I continue to support the Company and I hope all shareholders can see the same opportunity we do.

Further detail on the above and the use of funds to implement these strategies are contained within this Prospectus.

The aggregate gross proceeds of the Entitlement Offer, expected to be between \$2 and \$3.4 million, will be used to fund the strategies described above and to pay the costs of the Entitlement Offer. If the Minimum Subscription of \$2 million is not raised, the Entitlement Offer will not proceed.

New Shares issued under the Entitlement Offer will rank equally with existing Shares.

Details of your Entitlement

Eligible Shareholders are entitled to subscribe for 2.5 New Shares for every 1 existing Share held at 5.00pm (Sydney time) on 18 July 2019.

Eligible Shareholders may also apply for Additional New Shares at the Offer Price in excess of their Entitlement. Additional New Shares will only be allocated to Eligible Shareholders if available and if and to the extent that the Company so determines, in its absolute discretion. The Company may elect to scale-back applications for Additional New Shares in its absolute discretion.

Further information

Further information on the Entitlement Offer and the ISA Group's business is detailed in this Prospectus. You should read the entirety of this Prospectus carefully before deciding whether to participate in the Entitlement Offer. An investment in the Company and the New Shares is speculative and subject to a range of risks, which are more fully detailed in Section 7. If any of these risks or other material risks eventuate it will likely have a material adverse impact on the Company's future financial performance and position.

On behalf of the Directors and management team of ISA Group I invite you to consider this investment opportunity and thank you for your ongoing support.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Steve Baxter', with a long horizontal flourish extending to the right.

Steve Baxter
Chairman

1 INVESTMENT OVERVIEW

The purpose of this Section 1 is to give Shareholders an investment overview that helps them make an informed investment decision by highlighting key information. It is an introduction to the Entitlement Offer and is not intended to replace the other sections of this Prospectus, which Shareholders should read in full.

Topic	Summary	For more information
The Company and its Strategy		
Who is the issuer of the New Shares?	Indoor Skydive Australia Group Limited ACN 154 103 607	Section 2.1
What is the Company's business?	<p>ISA Group is a company that specialises in the experiential leisure industry. Providing experiences through indoor entertainment and realistic simulation, targeting a wide market that includes families, tourists, thrill seekers and military.</p> <p>The Company currently has three indoor skydiving operations in Australia; iFLY Downunder (Sydney), iFLY Gold Coast and iFLY Perth.</p> <p>Following the iFLY Perth Sale, the Company will own and operate iFLY Downunder (Sydney) and iFLY Gold Coast</p> <p>ISA Group also currently manages an indoor skydiving operation in Malaysia under a partnership with 1 Utama Shopping centre in Kuala Lumpur but the economic benefits to this operation flow to SkyVenture.</p>	Section 2.1
What is the Company's strategy?	The Company has developed a new strategy around repair, growth and diversification of its business.	Section 2.3
What steps is the Company taking to repair its financial position?	<p>In order to significantly reduce interest bearing debt, increase revenue at remaining facilities following the iFLY Perth Sale, margins and cashflows and decrease overheads the Company will implement:</p> <ol style="list-style-type: none"> the iFLY Perth Sale; the variation and partial conversion of the Birkdale Loan facility (subject to Shareholder Approval); a restructure of the Board and Management teams; and the introduction of Virtual Reality offerings at the iFLY Downunder (Sydney) and iFLY Gold Coast (based on the Maximum Subscription being raised) locations initially, followed by further locations within Australia. 	Section 2.3
What is the iFLY Perth Sale?	<p>ISA Group has entered into an agreement with SkyVenture to sell the assets of iFLY Perth to SkyVenture in exchange for (amongst other things) the extinguishment of outstanding debt and royalties owed by ISA Group to SkyVenture, a suspension of royalty payments for a period of 4 years for iFLY Downunder (Sydney) and iFLY Gold Coast (which will be recorded in our financial statements as deferred consideration based on forecast royalty payments FY20) and a payment of A\$500,000 from SkyVenture to the Company.</p> <p>Management's estimate of the value of the sale to the Company is c. A\$9.24m</p>	Section 2.3

	The sale of assets and restructure of corporate overheads will result in a minimal effect to Group EBITDA with material impact to debt reduction and the ability to implement growth initiatives.	
What does the royalty suspension mean to the Company?	<p>The royalty suspension period means that the Company will not be required to pay royalties on sales for the iFLY Downunder (Sydney) and the iFLY Gold Coast facilities for a period of 4 years.</p> <p>Management estimates that the result of this (based on the Forecast Financial Information for FY20) is over \$621,000 per year in increased cashflow from the remaining tunnels; equating to an extra \$2.3m over the period in normalised EBITDA (cashflow).</p>	Section 2.3
What are the Company's diversification and new growth initiatives?	<p>The Company plans to invest \$900,000 (based on the Maximum Subscription) into marketing and growth initiatives.</p> <p>In conjunction with the repair strategy, the Company will pursue diversification through the introduction of further selective leisure and entertainment activities. The Company will continue to assess appropriate acquisition opportunities, complimentary to both current and new market segments.</p>	Section 2.3
Growth through existing operations	<p>Investment in a new web platform and the implementation of a direct digital marketing strategy will see an increase in sales immediately across the iFLY Downunder (Sydney) and iFLY Gold Coast facilities.</p> <p>Marketing spend will be realigned with FY18, including further digital marketing spend and the reintroduction of above the line advertising such as radio, billboards and television.</p>	Section 2.3
Growth through new businesses	<p>New revenues will be generated through the introduction of Virtual Reality offerings with low CAPEX requirements initially within the existing facilities then expanding into new, stand-alone locations.</p> <p>The Company will continue to assess the introduction of new experiences and leisure activities that fit within our expertise.</p> <p>The assessment of appropriate acquisition opportunities will continue, complimentary to both current and new markets.</p>	Section 2.3

The Entitlement Offer and the New Shares

What is the Entitlement Offer?	<p>The Entitlement Offer is a renounceable pro rata offer of New Shares in the Company.</p> <p>Under the Entitlement Offer, Eligible Shareholders will be given an Entitlement to subscribe for 2.5 New Shares for every 1 Share held as at the Record Date of 5.00pm (Sydney time) on 18 July 2019.</p> <p>Eligible Shareholders can also apply for Additional New Shares in excess of their Entitlement.</p>	Section 3.1
Is the Entitlement Offer underwritten?	No, the Entitlement Offer is not underwritten. However, the Entitlement Offer is being lead managed by Veritas.	Section 3.3 and 8.11
What is the Shortfall Placement?	To the extent that Eligible Shareholders (or persons who acquire Entitlements on ASX) do not take up their Entitlements in full, the Company reserves the right to place a number of Shares equal to the shortfall with	Section 3.3

	third party investors at a price no less than the Offer Price within three months of the close of the Entitlement Offer.																
What is the purpose of the Entitlement Offer?	<p>The Company is conducting the Entitlement Offer in order to raise funds to:</p> <ul style="list-style-type: none"> – invest in Growth activities, specifically introducing new revenue generating businesses including virtual reality offerings; – reduce interest bearing debt and other liabilities including bank debt and creditors associated with the legal dispute; – fund enhanced marketing efforts to drive revenue; and – provide additional working capital. <p>If only the Minimum Subscription is raised, the Company will prioritise funding enhanced marketing efforts to increase immediate cashflows. In this scenario VR rollout will still be funded for the iFLY Downunder (Sydney) and VR will be rolled out at iFLY Gold Coast when sufficient cash flow is generated to fund the fitout, followed by further sites through organic funding from operations over the next 12 months.</p>	Section 4															
How much is the Company seeking to raise under the Entitlement Offer?	<p>The Company is seeking to raise up to \$3.42 million under the Entitlement Offer.</p> <p>The minimum amount to be raised by the Company under the Entitlement Offer and Shortfall Placement is \$2 million (Minimum Subscription). If the Minimum Subscription is not raised within four months after the date of this Prospectus, the Company will repay all Application Monies (without interest) or issue a refresh document and allow Shareholders one month to withdraw their acceptances and have their Application Monies returned.</p>	Section 4 and 3.3.															
What happens to Entitlements that are not taken up?	<p>To the extent that Eligible Shareholders under the Entitlement Offer:</p> <ul style="list-style-type: none"> • elect not to take up some or all of their Entitlements; • do not sell all of their Entitlements on the ASX by 25 July 2019, any remaining Entitlements will lapse. 	Section 3.6															
What will the proceeds of the Entitlement Offer be used for?	<table border="1"> <thead> <tr> <th>Use of Proceeds</th><th>Minimum Subscription</th><th>Maximum Subscription</th></tr> </thead> <tbody> <tr> <td>Reduction of debt and liabilities</td><td>\$1.16m</td><td>\$1.97m</td></tr> <tr> <td>Investment in growth activities</td><td>\$0.35m</td><td>\$0.90m</td></tr> <tr> <td>Working capital</td><td>\$0.24m</td><td>\$0.26m</td></tr> <tr> <td>Costs of raise</td><td>\$0.25m</td><td>\$0.28m</td></tr> </tbody> </table>	Use of Proceeds	Minimum Subscription	Maximum Subscription	Reduction of debt and liabilities	\$1.16m	\$1.97m	Investment in growth activities	\$0.35m	\$0.90m	Working capital	\$0.24m	\$0.26m	Costs of raise	\$0.25m	\$0.28m	Section 4.1
Use of Proceeds	Minimum Subscription	Maximum Subscription															
Reduction of debt and liabilities	\$1.16m	\$1.97m															
Investment in growth activities	\$0.35m	\$0.90m															
Working capital	\$0.24m	\$0.26m															
Costs of raise	\$0.25m	\$0.28m															
What is the Conversion?	<p>In conjunction with the Entitlement Offer, to assist with the Company's strategy of reducing debt and liabilities, Birkdale (an entity associated with the Chairman, Steve Baxter) has agreed to convert \$1.2m of its existing \$3.0 million loan into New Shares at the Offer Price.</p> <p>The above Conversion is subject to Shareholder approval being obtained for the issue of New Shares to Birkdale.</p>	Section 2.3															

	<p>In addition, Birkdale has agreed to extend the repayment date of the loan until 26 June 2021 and capitalise interest on the loan until 30 June 2020.</p> <p>If the Company does not obtain shareholder approval for the Conversion, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan facility by extending the repayment date for the whole amount of the outstanding principal under the Birkdale Loan facility, being \$3 million, by a further 12 months to 26 June 2021.</p>	
Who can participate in the Entitlement Offer?	Eligible Shareholders, being Shareholders on the Record Date with a registered address in Australia and New Zealand, may participate in the Entitlement Offer.	Section 3.9
What is my Entitlement?	Your Entitlement is the right granted to you under the Entitlement Offer to subscribe for 2.5 New Shares at the Offer Price for every 1 Share you hold as at the Record Date. Your Entitlement will be noted on your personalised Entitlement and Acceptance Form.	Section 3.2
What can I do with my Entitlement?	<p>As an Eligible Shareholder, you may do any one of the following:</p> <ul style="list-style-type: none"> • take up all or part of your Entitlement (i.e. acquire 2.5 New Shares at the Offer Price for every 1 Share you hold as at the Record Date); • apply for additional New Shares in excess of your Entitlement; • sell all or part of your Entitlement on ASX; or • do nothing, in which case you will be deemed to have renounced your Entitlement and your shareholding will be diluted if Shares are issued under the Entitlement Offer. <p>In the event that you do not take up all of your Entitlement and/or your full Entitlement is not purchased on ASX, by 25 July 2019, the remaining Entitlements will lapse.</p>	Section 3.8
Can I apply for New Shares in excess of my Entitlement?	<p>Yes, you can apply for New Shares in excess of your Entitlement.</p> <p>The Shortfall Shares, if any, will be allocated at the discretion of the Directors.</p>	Section 3.3
How much will I pay per New Share?	\$0.01 per New Share (i.e. the Offer Price).	Section 3.1
Can I sell or transfer my Entitlement under the Entitlement Offer?	<p>Yes. As the Entitlement Offer is renounceable, all or part of an Eligible Shareholder's Entitlement may be traded on ASX.</p> <p>In the event that Eligible Shareholders do not take up some or all of their Entitlements and/or some or all of a Shareholder's Entitlement are not taken up on ASX by the 25 July 2019, such Entitlements that are not taken up will lapse.</p>	Section 3.6
How do I accept the Entitlement Offer?	<p>If you are within Australia or New Zealand and you have an account with an Australian financial institution that supports BPAY payments, you may pay your Application Monies via BPAY.</p> <p>Alternatively, you may complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies, by following the instructions set out on the personalised Entitlement and Acceptance Form.</p>	Section 3.12
Can I withdraw my Application?	To the extent permitted by law, Applications are irrevocable.	Section 3.16

What are the key terms of the New Shares?	<p>The New Shares are fully paid ordinary shares in the equity capital of the Company.</p> <p>New Shares will rank equally in all respects with existing Shares on issue from their issue date.</p>	Section 8.4																																																																																																		
What is the effect of the Entitlement Offer on the capital structure of the Company?	<table><tr><th rowspan="2">Securities</th><th rowspan="2">At the Date of the Prospectus</th><th colspan="2">Following Completion of the Entitlement Offer</th></tr><tr><th>Minimum Subscription</th><th>Maximum Subscription</th></tr><tr><td>Ordinary Shares</td><td>136,696,514</td><td>336,696,514</td><td>478,437,799</td></tr><tr><td>Options</td><td>8,200,000</td><td>8,200,000</td><td>8,200,000</td></tr></table> <p>If the Conversion is approved by Shareholders, a further 120,000,000 New Shares will be issued to Birkdale in or around August 2019.</p>	Securities	At the Date of the Prospectus	Following Completion of the Entitlement Offer		Minimum Subscription	Maximum Subscription	Ordinary Shares	136,696,514	336,696,514	478,437,799	Options	8,200,000	8,200,000	8,200,000	Section 4.2																																																																																				
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What effect will the Entitlement Offer and Conversions have on the financial position of the Company.	<table><tr><th></th><th></th><th colspan="5">Maximum subscription</th></tr><tr><th></th><th>As at 31 Dec 2018</th><th>Capital raising adjustments</th><th>Debt repayment adjustments</th><th>Sale of Asset adjustments</th><th>Impairment adjustments</th><th>Pro-forma balance sheet at 31 Dec 18</th></tr><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>TOTAL ASSETS</td><td>44,227,807</td><td>3,222,569</td><td>(1,291,204)</td><td>(11,964,235)</td><td>(264,350)</td><td>33,930,589</td></tr><tr><td>TOTAL LIABILITIES</td><td>23,000,773</td><td>-</td><td>(2,491,204)</td><td>(6,057,820)</td><td>-</td><td>14,451,750</td></tr><tr><td>NET ASSETS</td><td>21,227,034</td><td>3,222,569</td><td>1,200,000</td><td>(5,906,415)</td><td>(264,350)</td><td>19,478,839</td></tr><tr><td>TOTAL EQUITY</td><td>21,227,034</td><td>3,222,569</td><td>1,200,000</td><td>(5,906,415)</td><td>(264,350)</td><td>19,478,839</td></tr></table> <table><tr><th></th><th></th><th colspan="5">Minimum subscription</th></tr><tr><th></th><th>As at 31 Dec 2018</th><th>Capital raising adjustments</th><th>Debt repayment adjustments</th><th>Sale of Asset adjustments</th><th>Impairment adjustments</th><th>Pro-forma balance sheet at 31 Dec 18</th></tr><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>TOTAL ASSETS</td><td>44,227,807</td><td>1,825,000</td><td>(861,884)</td><td>(11,964,235)</td><td>(264,350)</td><td>32,962,340</td></tr><tr><td>TOTAL LIABILITIES</td><td>23,000,773</td><td>-</td><td>(2,061,884)</td><td>(6,057,820)</td><td>-</td><td>14,881,070</td></tr><tr><td>NET ASSETS</td><td>21,227,034</td><td>1,825,000</td><td>1,200,000</td><td>(5,906,415)</td><td>(264,350)</td><td>18,081,270</td></tr><tr><td>TOTAL EQUITY</td><td>21,227,034</td><td>1,825,000</td><td>1,200,000</td><td>(5,906,415)</td><td>(264,350)</td><td>18,081,270</td></tr></table>			Maximum subscription						As at 31 Dec 2018	Capital raising adjustments	Debt repayment adjustments	Sale of Asset adjustments	Impairment adjustments	Pro-forma balance sheet at 31 Dec 18		\$	\$	\$	\$	\$	\$	TOTAL ASSETS	44,227,807	3,222,569	(1,291,204)	(11,964,235)	(264,350)	33,930,589	TOTAL LIABILITIES	23,000,773	-	(2,491,204)	(6,057,820)	-	14,451,750	NET ASSETS	21,227,034	3,222,569	1,200,000	(5,906,415)	(264,350)	19,478,839	TOTAL EQUITY	21,227,034	3,222,569	1,200,000	(5,906,415)	(264,350)	19,478,839			Minimum subscription						As at 31 Dec 2018	Capital raising adjustments	Debt repayment adjustments	Sale of Asset adjustments	Impairment adjustments	Pro-forma balance sheet at 31 Dec 18		\$	\$	\$	\$	\$	\$	TOTAL ASSETS	44,227,807	1,825,000	(861,884)	(11,964,235)	(264,350)	32,962,340	TOTAL LIABILITIES	23,000,773	-	(2,061,884)	(6,057,820)	-	14,881,070	NET ASSETS	21,227,034	1,825,000	1,200,000	(5,906,415)	(264,350)	18,081,270	TOTAL EQUITY	21,227,034	1,825,000	1,200,000	(5,906,415)	(264,350)	18,081,270	Section 5
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Is the Entitlement Offer subject to Shareholder approval?	<p>No, shareholder approval is not required for the Entitlement Offer. However, Shareholder approval is required for the issue of New Shares to Birkdale.</p>	Section 2.3																																																																																																		
Key risks																																																																																																				
What are the key risks associated with New Shares and the Company?	<p>An investment in the New Shares or the Company is subject to significant risk. Some of the 'key risks' are summarised below:</p> <p>Failure to satisfy debts if capital raising does not complete: If the Company does not complete the Entitlement Offer as a result of not raising the Minimum Subscription or otherwise (including as a result of withdrawing the Entitlement Offer which the Company may consider as an option if SkyVenture withdraws from the iFLY Perth Sale , it may be unable to pay its debts as and when they become due and payable and as a result, the Company may fail to remain solvent.</p>	Section 7																																																																																																		

SkyVenture dispute: As a result of the Group currently being in breach of certain provisions under the Purchase and License Agreements (**PLAs**) with SkyVenture for outstanding royalty payments and breach of certain covenants under the SkyVenture promissory notes, SkyVenture may (at its discretion) be entitled to terminate the PLAs and to require the Company to repay all amounts due and payable under the promissory notes.

SkyVenture has agreed not to exercise these rights for a period of 6 weeks with an ability to extend this period in certain circumstances. If the Company is unable to satisfy any of the conditions to this forbearance or a termination right is triggered which enables SkyVenture to terminate this forbearance, then SkyVenture will be entitled to terminate the forbearance and will be entitled to require repayment under the promissory notes and to terminate the PLAs. Any of these actions would significantly impact the Company's ability to continue its operations.

Compliance with remaining financial facility terms: The Company may fail to comply with the terms of its remaining finance facilities (ie. Westpac finance facilities and Birkdale Loan) and the Group is currently in breach of certain covenants under its finance facilities with Westpac which has resulted in cross default under the Birkdale Loan. Birkdale and Westpac have waived these past breaches however, if the Company is unable to raise the Minimum Subscription, the standstill provided by Westpac will fall away and its rights in relation to these prior breaches will be reinstated.

Shareholder dilution as a result of the Entitlement Offer: If Eligible Shareholders elect not to take up some or all of their Entitlement, they will be subject to substantial dilution as a result of the issue of Shares under the Entitlement Offer. In addition, Ineligible Shareholders will be subject to substantial dilution under the Entitlement Offer.

Historical losses: The Company has historically reported losses and has partially relied upon raising debt and equity to fund its operations and development. There can be no assurance that the Company's objectives can continue to be met in the future without securing further funding

Further funding: The Company will likely require further financing in the future which may include additional debt funding or equity funding which may dilute existing shareholdings further. If additional funds are required but cannot be raised or cannot be raised on favourable terms, this may adversely impact the Company's operations and ability to remain solvent.

Exclusive use of SkyVenture equipment: The Company is restricted under its arrangements with SkyVenture to exclusively use SkyVenture equipment in various territories. Other third parties may also obtain licences from SkyVenture to use the same equipment and intellectual property that has been granted to the Company outside the territories granted to the Company.

Success of growth strategy and sales and marketing strategy: The Company's growth profile has changed from overseas expansion to organic growth at existing facilities including other offerings to its current customer base including expanding virtual reality experiences. The Company's future success is also partly dependent on its ability to implement its proposed digital marketing strategy and utilising its marketing spend to regenerate brand awareness. The Company may fail to implement such growth strategies or may fail to receive benefits from these strategies for several years or at all.

Company unable to become profitable: Whilst the Company is taking actions to improve cashflow through debt reduction and implementing digital marketing and brand awareness, there is no guarantee that the Company will be profitable in the near future or coming financial years.

Other risks

More detail on these and other risks are outlined in Section 7, including risks relating to the Group's operations as well as more general risks.

The above risk factors ought not be taken as an exhaustive list of the risks faced by the Company or by investors in the Company's securities (including the New Shares). The above factors, and others not specifically referred to in Section 7, may in the future materially affect the financial condition or prospects of the Company and therefore the value of the New Shares offered under this Prospectus. Therefore, the New Shares to be issued under this Prospectus, carry no guarantee with respect to their value or price.

2 BACKGROUND TO AND REASONS FOR THE ENTITLEMENT OFFER

2.1 Background

ISA Group was established in 2011 and was listed on the ASX in January 2013 with the goal of establishing leading simulation experiences through world class indoor skydiving facilities in the Australian, New Zealand & South East Asian regions.

ISA Group was founded with a focus on rapid growth, constructing four indoor skydiving facilities within four years, generating total revenue in excess of \$14m in FY2018 (including other income). The Company currently has three operations in Australia; iFLY Downunder (Sydney), iFLY Gold Coast and iFLY Perth. Following the proposed iFLY Perth Sale, the Company will own and operate iFLY Downunder (Sydney) and iFLY Gold Coast.

ISA Group also manages an operation in Malaysia under a partnership with 1 Utama Shopping centre in Kuala Lumpur but the economic benefits to this operation flow to SkyVenture following the settlement of the legal dispute in 2018.

Revenue growth has historically been driven by construction of new facilities. Successful construction was supported by in-house teams with project management and engineering capabilities at a corporate level. Marketing and customer service for operations have driven customer use of facilities and flight pricing.

In early 2018 the Company entered into a legal dispute with its wind tunnel supplier, SkyVenture. The dispute was settled in September 2018. Over this time, management distraction and disruption to marketing activities had an impact on operations. The Company suffered financial loss and incurred significant expenses plus costs of the settlement. FY2019 results have been affected by the lack of marketing spend due to cashflow restrictions which saw a correlating reduction in sales, distraction due to the legal settlement and costs associated with the restructure of the Company headquarters as part of the Company's cost reduction measures.

Subsequent to the resolution of the dispute, the Company has significantly downsized its corporate footprint and ceased all offshore wind tunnel projects (other than its continued management of the Malaysian joint venture operation) and eliminated expenses associated with the offshore expansion strategy, refocusing on optimising its Australian operations.

2.2 Reasons for the Entitlement Offer

The Company is conducting the Entitlement Offer in order to raise funds to:

- a) invest in growth activities, specifically introducing new revenue generating businesses including virtual reality offerings;
- b) reduce interest bearing debt and other liabilities including bank debt and creditors associated with the legal dispute;
- c) funding enhanced marketing efforts to drive revenue; and
- d) provide additional working capital.

2.3 Strategy

The Company's immediate strategy is focused on repair, growth and diversification.

The Company will significantly reduce interest bearing debt and be in a position to increase cashflows and decrease overheads by conducting the following actions;

- a) completion of the iFLY Perth Sale;

- b) variation and partial conversion of the Birkdale Loan facility;
- c) restructure the Board and Management;
- d) introduction of Virtual Reality offerings within current locations initially, followed by further locations within Australia

The amendment and conversion of the Birkdale Loan facility is subject to applicable Shareholder approvals being obtained in accordance with the ASX Listing Rules and a waiver being granted by ASX as described in Section 8.12.

Following implementation of this immediate strategy, the Company will pursue diversification through the introduction of further selective leisure and entertainment activities. The Company will also continue to assess appropriate acquisition opportunities, complimentary to both current and new market segments.

2.3.1 Immediate strategy

a. iFLY Perth Sale

Pursuant to an agreement dated 27 June 2019, the Company, Indoor Skydive Perth Pty Ltd and SkyVenture entered into an agreement for the sale of assets of iFLY Perth to SkyVenture subject to certain terms and conditions.

As consideration for the transfer of iFLY Perth assets, SkyVenture has agreed to the following (amongst other things):

- full satisfaction of amounts payable by the ISA Group companies to SkyVenture under the SkyVenture promissory notes and the PLAs;
- a waiver of any known breach of any of the PLAs prior to the date of the agreement;
- payment by SkyVenture to ISA Group of A\$500,000; and
- a waiver of ISA Group's obligation to pay royalties to SkyVenture in relation to iFLY Downunder (Sydney) and iFLY Gold Coast for a period of four years.

The agreement is subject to various conditions and rights for SkyVenture to terminate the agreement on the occurrence of certain events, further details of which are set out in Section 8.11.2.

Management estimate that the value of the transaction to the Company is c. A\$9.24m

Birkdale Loan

An agreement has been entered into with Birkdale Holdings Pty Ltd to vary the Birkdale Loan facility. The key details include:

- the conversion of A\$1.2m into Shares at \$0.01 per Share;
- the extension of the maturity date for an additional 12 months to June 2021; and
- capitalisation of the interest component on the remaining A\$1.8m to 30 June 2020.

The conversion of the loan into Shares will be subject to obtaining Shareholder approval in accordance with the ASX Listing Rules as Birkdale is associated with a director of the Company, Steve Baxter.

If the Company does not obtain Shareholder approval for the Conversion, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan facility by extending the repayment date for the whole amount of the outstanding principal under the Birkdale Loan facility, being \$3 million, by a further 12 months to 26 June 2021.

b. Restructure of Board and Management

Post settlement of the SkyVenture dispute in 2018, the Board was bolstered with two new non-executive directors in order to assist the Company through multiple courses of action required to repair the balance sheet. Under their guidance the company has achieved a positive outcome through a complex and high tempo period.

As part of the continued focus on reduction in head office costs and implementing an appropriate national corporate footprint, the Board and senior management has been restructured. To allow for a smaller more cost-effective board going forward, Jon Brett and James Spenceley have offered to step down from the Board and transition into an advisory role to assist with future growth initiatives.

Steve Baxter, non-executive director and our major shareholder, has been appointed non-executive Chairman effective immediately and Daniel Hogan, co-founder and executive director will transition to a non-executive director.

These changes are expected to significantly reduce the Company's overhead expenses whilst retaining expertise and continuity throughout the implementation of the immediate strategy.

c. Improve revenue, margins and cashflows in the iFLY Downunder (Sydney) and iFLY Gold Coast indoor skydiving facilities

ISA Group intends to focus on optimising the iFLY Downunder (Sydney) and iFLY Gold Coast wind tunnel operations to improve revenue, cash flow and EBITDA margins by:

- targeting a return to historical revenue levels for iFLY Downunder (Sydney) and iFLY Gold Coast through investment in marketing, the introduction of a new website, and the continuation of ISA Group's sport flyer initiatives. The Company expects an improvement in sales to its retail customer base through implementation of its direct digital strategy within a short timeframe;
- taking a continuous improvement approach to service and costs to drive incremental improvement in margins by implementing updated systems and automation of processes; and
- introducing virtual reality offerings within the iFLY Downunder (Sydney) and iFLY Gold Coast facilities initially, followed by further locations within Australia.

Work commenced on the VR rollout over 18 months ago and was placed on hold due to cashflow restrictions. The business model, technology, systems and customer pipeline are all prepared. Fit out of the iFLY Downunder (Sydney) and iFLY Gold Coast facilities will take place following the Entitlement Offer and operations can commence shortly after. If the Maximum Subscription is raised, the Company proposes to immediately prepare for launch at its iFLY Downunder (Sydney) and iFLY Gold Coast facilities. If the Minimum Subscription is raised, ISA Group will initially launch the iFLY Downunder (Sydney) VR arcade and will seek to open at the iFLY Gold Coast facility as and when sufficient cashflow is generated to fund the fit out.

VR sales will be generated initially through existing channels. Currently ISA Group experiences approximately 200,000 visitors per year across its wind tunnel facilities. With a lower price point experience, we believe the VR offering will open up a new customer base and will also be very attractive through resellers.

3 DETAILS OF THE ENTITLEMENT OFFER AND HOW TO APPLY

3.1 The Entitlement Offer

Eligible Shareholders (as defined in Section 3.9) are being offered the opportunity to subscribe for 2.5 New Shares for every 1 existing Share held at 5.00pm (Sydney time) on 18 July 2019, at the Offer Price of \$0.01 per New Share.

Eligible Shareholders may also apply for Additional New Shares in excess of their Entitlement. The allocation of any Additional New Shares will be limited to the extent that there are sufficient New Shares available from Eligible Shareholders who do not take up their full Entitlement or from investors who bought Entitlements on the ASX and who do not take up their full Entitlement. Additional New Shares will be allocated by the Company, in its absolute discretion. The Company may apply any scale-back to applications for Additional New Shares in its absolute discretion.

New Shares issued pursuant to the Entitlement Offer will be fully paid and will rank equally with existing Shares on issue.

Please consider the Entitlement Offer in the light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser if you have any queries or are uncertain about any aspects of the Entitlement Offer.

An investment in New Shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Company including possible loss of income and principal invested. The ISA Group does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment.

3.2 Your Entitlement

Your Entitlement is set out in the accompanying personalised Entitlement and Acceptance Form and has been calculated as 2.5 New Shares for every 1 existing Share you held as at the Record Date. If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

New Shares issued pursuant to the Entitlement Offer will be fully paid and will rank equally with existing Shares.

If you decide to take up all or part of your Entitlement, or apply for Additional New Shares, please refer to the personalised Entitlement and Acceptance Form and apply for New Shares (and Additional New Shares, if applicable) pursuant to the instructions set out on the personalised Entitlement and Acceptance Form.

The ISA Group reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders or persons claiming to be Eligible Shareholders if their claims prove to be incorrect or overstated or if they fail to provide information to substantiate their claims.

3.3 Shortfall Placement

The Entitlement Offer is not underwritten, however, it is being lead managed by Veritas.

To the extent that Eligible Shareholders (or persons who acquire Entitlements on ASX) do not take up their Entitlements in full, the Company reserves the right to place a number of Shares

equal to the shortfall with third party investors at not less than the Offer Price within three months of the close of the Entitlement Offer.

3.4 Minimum Subscription

The Company is seeking to raise up to \$3.4 million under the Entitlement Offer and Shortfall Placement.

The minimum amount to be raised by the Company under the Entitlement Offer and Shortfall Placement is \$2 million (**Minimum Subscription**). If the Minimum Subscription is not raised within four months after the date of this Prospectus, the Company will repay all Application Monies (without interest) or issue a refresh document and allow Shareholders one month to withdraw their acceptances and have their Application Monies returned.

3.5 Nominees

The Entitlement Offer is only being made to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares (e.g. for the purposes of determining whether any such persons may participate in the Entitlement Offer).

Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws. Any person that is in the United States with a holding through a nominee may not participate in the Entitlement Offer and the nominee must not take up any Entitlement or send any materials into the United States or to any person it knows to be in the United States.

The ISA Group assumes no obligation to advise you on any foreign laws.

3.6 Entitlements trading

As the Entitlements are renounceable, Eligible Shareholders may sell some or all of their rights to subscribe for New Shares under the Entitlement Offer on ASX. However, if the rights are not taken up on the ASX in full by 25 July 2019, any remaining Entitlements will lapse and you will be deemed to have renounced the Entitlements not taken up.

Information on how Entitlements may be sold on ASX is detailed in section 3.8.

Entitlements trading is scheduled to commence on ASX on 17 July 2019 and cease on 25 July 2019.

3.7 Risks of the Entitlement Offer

As with any securities investment, there are risks associated with investing in the Company. Having regard to the risks applicable to the Company and its business, Eligible Shareholders should be aware that an investment in the New Shares offered under this Prospectus should be considered speculative and there exists a risk that you may, in the future, lose some or all of the value of your investment.

Before deciding to invest in the Company, investors should read this Prospectus in its entirety, in particular the specific risks associated with an investment in the Company (detailed in section 7) and should consider all factors in light of their personal circumstances and seek appropriate professional advice.

3.8 Options available to you

If you are an Eligible Shareholder, you may take any one of the following options:

Option	Action
Take up all of your Entitlement	<p>If you wish to take up all of your Entitlement, then applications for New Shares must be made in accordance with the instructions at section 3.12 before the Entitlement Offer Closing Date.</p> <p>You will be issued your New Shares on 8 August 2019.</p>
Do nothing	<p>If you take no action or your application is not supported by cleared funds, you will be deemed to have renounced your Entitlement. You should note that if you renounce all or part of your Entitlement, then your percentage holding in the Company will be diluted by your non-participation in the Entitlement Offer.</p>
Take up part of your Entitlement and renounce the balance	<p>If you elect to take up and pay for part of your Entitlement, then you must submit an application for New Shares in accordance with the instructions at section 3.12 before the Entitlement Offer Closing Date.</p> <p>You will be issued New Shares with respect to that part of your Entitlement on 8 August 2019.</p> <p>The balance of your Entitlement will be deemed to have been renounced unless otherwise sold on the ASX (see details immediately below).</p>
Sell all or part of your Entitlements on ASX	<p>If you elect to sell all or part of your Entitlements on ASX you must instruct your stockbroker personally and provide details as requested (which appear on the reverse of the Entitlement and Acceptance Form) regarding the Entitlement which you wish to sell on-market.</p> <p>You may incur brokerage costs if you sell your Entitlements on ASX.</p> <p>Trading of Entitlements will commence on ASX on 17 July 2019 and cease on 25 July 2019. There is no guarantee that you will be able to sell all or any part of your Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.</p> <p>This Prospectus, along with your Entitlement and Acceptance Form, will be dispatched on 23 July 2019. The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlements before the Entitlements are allotted, or before you receive your Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by the Company or otherwise.</p> <p>Any Entitlements not taken up on the ASX in full by 25 July 2019 will be deemed to have been renounced.</p>
Take up part of your Entitlement and sell the balance on ASX	<p>If you elect to take up and pay for part of your Entitlement, then you must:</p> <ul style="list-style-type: none"> instruct your stockbroker personally and provide details as requested (which appear on the reverse of the Entitlement and Acceptance Form) regarding the Entitlement which you wish to sell on-market; and submit an application for New Shares in accordance with the instructions at section 3.12 before the Entitlement Offer Closing Date. <p>Trading of Entitlements will commence on ASX on 17 July 2019 and cease on 25 July 2019. There is no guarantee that you will be able to sell all or any part of your Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.</p> <p>This Prospectus, along with your Entitlement and Acceptance Form, will be dispatched on 23 July 2019. The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlements before the Entitlements are allotted, or before you receive your Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by the Company or otherwise.</p> <p>Any Entitlements not taken up on the ASX in full by 25 July 2019 will be deemed to have been renounced.</p>
Take up all of your Entitlement and also apply for Additional	<p>If you take up and pay for all your Entitlement, before the close of the Entitlement Offer, you will be issued your New Shares on 8 August 2019.</p>

New Shares in excess of your Entitlement

If you apply for Additional New Shares in excess of your Entitlement, subject to Additional New Shares being available and the Company's discretion to scale-back your allocation of Additional New Shares, you will also be issued with these Additional New Shares on 8 August 2019. The Company's decision on the number of Additional New Shares to be allocated to you will be final.

Other than to the extent that Additional New Shares are issued to you, any surplus Application Monies received for more than your Entitlement will be refunded after the close of the Entitlement Offer on or around 1 August 2019 (except for where the amount is less than \$5, in which case it will be donated to a charity chosen by ISA Group). Refunds will be made by sending a cheque in the post to your address on the Company's share register for you on or around the Allotment Date, as applicable. No interest will be paid to Eligible Shareholders on any Application Monies received or refunded (wholly or partially).

3.9 Eligible Shareholders

The Entitlement Offer is only available to Eligible Shareholders, who are those holders of Shares who:

- are registered as a holder of Shares as at the Record Date;
- have an address on the Company's share register in Australia or New Zealand as at the Record Date;
- are not in the United States and are not a person in the United States or acting for the account or benefit of US Persons, to that extent;
- are eligible under all applicable laws to receive an offer under the Entitlement Offer without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification.

Shareholders who do not satisfy each of these criteria are Ineligible Shareholders. See Section 3.11.

ISA Group may (in its absolute discretion) extend the Entitlement Offer to any Shareholder in other foreign jurisdictions (subject to compliance with applicable laws).

ISA Group in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Entitlement Offer, or an Ineligible Shareholder and is therefore unable to participate in the Entitlement Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

The Entitlement Offer is not being extended to any Shareholders outside Australia and New Zealand. By returning a completed Entitlement and Acceptance Form or making a payment by BPAY, you will be taken to have represented and warranted that you satisfy each of the criteria listed above. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

3.10 Entitlements acquired on ASX

A transferee who acquires an Entitlement on ASX will not receive a copy of this Prospectus or an Entitlement and Acceptance Form. The process in place for the transferee to exercise an Entitlement acquired on ASX is governed by the arrangements in place between the transferee and their stockbroker and may vary between stockbrokers. The transferee should contact their stockbroker for instructions as to the most appropriate way to participate in the Entitlement Offer and to sell the rights to their Entitlement on ASX.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to transferees who acquire Entitlements and fail to take up all or a proportion of that Entitlement.

3.11 Ineligible Foreign Shareholders

The Company has decided that it is unreasonable to make offers under the Entitlement Offer to investors who are holders of Shares and who are in the United States or have registered addresses outside Australia and New Zealand (Ineligible Foreign Shareholders), having regard to the number of such holders in those places and the number and value of New Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places.

Ineligible Foreign Shareholders are not eligible to participate in the Entitlement Offer. However, the Entitlements that Ineligible Foreign Shareholders would otherwise have been entitled to will instead be issued to the Nominee, who will seek to sell the Entitlements on ASX, and the Nominee will work with the Company to distribute any amount received for the Entitlements proportionately to Ineligible Shareholders, including Ineligible Foreign Shareholders.

3.12 How to apply

If you decide to take up all or part of your Entitlement, or take up all of your Entitlement and also apply for Additional New Shares in excess of your Entitlement, please:

- pay your Application Monies via BPAY; or
- complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies, by following the instructions set out on the personalised Entitlement and Acceptance Form.

ISA Group will treat you as applying for as many New Shares as your payment will pay for in full up to your full Entitlement. Amounts received by ISA Group in excess of your full Entitlement (**Excess Amount**), will be treated as an application for as many Additional New Shares as your Excess Amount will pay for in full, subject to any scale-back that the Company may determine to implement in its absolute discretion in respect of Additional New Shares.

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer, being 5.00pm (Sydney time) on 1 August 2019. Eligible Shareholders who wish to pay via cheque, bank draft or money order will need to also ensure that their completed personalised Entitlement and Acceptance Form is also received by that time using the reply-paid envelope provided with this Prospectus or otherwise.

3.13 Payment methods

3.13.1 Payment by BPAY

For payment by BPAY, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique Customer Reference Number (**CRN**)). You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions. Please note that should you choose to pay by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that personalised Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares as is covered in full by your Application Monies.

When completing your BPAY payment, please make sure to use the specific biller code and unique CRN provided on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form (i.e. where you have multiple holdings), please only use the CRN specific to the Entitlement on that form. If you inadvertently use the same CRN for more than one of your Entitlements when paying by BPAY, you will be deemed to have taken up your Entitlement and applied for Additional New Shares over and above your Entitlement on that holding to which that CRN applies and your applications in respect of your other CRNs will be deemed to have been rejected and will lapse.

Should you choose to pay by BPAY it is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5.00pm (Sydney time) on 1 August 2019. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. The Company takes no responsibility for any failure to receive Application Monies or payment by BPAY before the Entitlement Offer closes arising as a result of, among other things, delays in postage or processing of payments by financial institutions.

3.13.2 Payment by cheque, bank draft or money order

Should you choose to pay by cheque, bank draft or money order it is your responsibility to ensure that your payment is received by the Share Registry by no later than 5.00pm (Sydney time) on 1 August 2019. Cash payments will not be accepted. Receipts for payment will not be issued.

3.13.3 Confirmation of your application and managing your holding

You may access information on your holding, including your Record Date balance and the issue of New Shares or Additional New Shares from this Entitlement Offer, and manage the standing instructions the Share Registry records on your holding on the share registry website www.investorserve.com.au. To access the share registry, you will need your Security Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on your Issuer Sponsored/CHESS statements and you will need to pass the security challenge on the site. To log into the share registry website, you will need to use the user name and password that they have already established. If you do not have one, they can contact the registry by phone fax or mail to update details but identification processes will need to be gone through. We note that the office of the Share Registry is also the registered office of the Company.

Mail

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer, being 5.00pm (Sydney time) on 1 August 2019. If you make payment via cheque, bank draft or money order, you should:

- mail your completed personalised Entitlement and Acceptance Form together with Application Monies to:
Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001
- deliver your completed personalised Entitlement and Acceptance Form together with Application Monies by hand to:

Boardroom Pty Ltd
Level 12, 225 George St
Sydney NSW 2000

A reply-paid envelope is supplied.

Entitlement and Acceptance Forms and Application Monies will not be accepted at ISA Group's corporate offices, or other offices of the Share Registry.

3.14 ASX quotation and trading

The Company will apply for quotation of the New Shares on ASX within seven days of the date of this Prospectus. While the Company is not aware of any reason why quotation would be denied, there is no assurance that the application will be granted. If quotation is not granted, New Shares under the Entitlement Offer will not be issued and Application Monies will be refunded to applicants without interest.

The fact that ASX may grant quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company, or the New Shares issued under the Entitlement Offer.

It is expected that the quotation and trading of New Shares issued under the Entitlement Offer will commence on or about 9 August 2019 (on a normal settlement basis).

Confirmation of issue of New Shares is expected to be sent in accordance with ASX Listing Rules. It is the responsibility of each Applicant to confirm their holding before trading in New Shares. Any Applicant who sells New Shares before receiving their confirmation of issue will do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability in tort (including negligence), statute or otherwise, to any person who trades in New Shares before receiving their confirmation of issue, whether on the basis of a confirmation of issue provided by the Company, the Share Registry or the Lead Manager, or otherwise.

3.15 CHES

The New Shares will participate from the date of commencement of quotation in the Clearing House Electronic Sub-register System (**CHES**), operated by ASX Settlement. These securities must be held in uncertificated form (i.e. no certificate will be issued) on the CHES sub-register under sponsorship of a sponsoring participant (usually a broker) or on the issuer-sponsored sub-register. Arrangements can be made at any subsequent time following quotation to convert your holdings from the issuer-sponsored sub-register to the CHES sub-register under sponsorship of a sponsoring participant or vice versa, by contacting your sponsoring participant.

3.16 No withdrawal or cooling-off rights

You cannot withdraw your application once it has been accepted. Cooling-off rights do not apply to an investment in New Shares.

The Company reserves the right to withdraw the Entitlement Offer at any time before the issue of New Shares to Eligible Shareholders, in which case the Company will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest being payable to applicants.

3.17 Warranties made on acceptance of the Entitlement Offer

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY you will be deemed to have acknowledged, represented and warranted that you, and each person on whose account you are acting:

- acknowledge that you have fully read and understood both this Prospectus and your Entitlement and Acceptance Form in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in this Prospectus and the Entitlement and Acceptance Form;
- agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus and the Constitution;
- authorise ISA Group to register you as the holder(s) of New Shares issued to you;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once ISA Group receives your Entitlement and Acceptance Form or any payment of Application Monies via BPAY, you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued with up to the number of New Shares specified in the Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY, including, in each case, any Additional New Shares, at the Offer Price per share;
- authorise ISA Group, the Lead Manager, the Share Registry and any of their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Prospectus and your Entitlement and Acceptance Form is not investment advice or financial product advice nor have they been prepared without taking into account your investment objectives, financial circumstances or particular needs or circumstances.
- acknowledge that this Prospectus and your Entitlement and Acceptance Form is not a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that you have read and understood risks set out in Section 5 and that investments in ISA Group are subject to a high degree of risk;
- acknowledge that none of ISA Group the Lead Manager, or their respective related bodies corporate, affiliates or respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantee the performance of ISA Group, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- authorise ISA Group to correct any errors in your Entitlement and Acceptance Form or other form provided by you;
- represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares (or Additional New Shares); and
- represent and warrant that your acceptance of the Entitlement Offer does not breach any laws in a jurisdiction outside Australia or New Zealand.

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted

on your own behalf and on behalf of each person on whose account you are acting that you are an Eligible Shareholder (as defined in the '*Additional information*' section) or otherwise eligible to participate in the Entitlement Offer and:

- you and each person on whose account you are acting are not in the United States and are not otherwise a person to whom it would be illegal to make an offer of or issue of Entitlements or New Shares under the Entitlement Offer and under any applicable laws and regulations;
- the Entitlements and New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia, and New Zealand, and, accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred, except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws;
- you and each person on whose account you are acting have not and will not send any materials relating to the Entitlement Offer to any person in the United States;
- if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in regular way transactions on ASX where neither you nor any person acting on your behalf know, or have reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is not in the United States, and you have not sent this Prospectus, the Entitlement and Acceptance Form or any information relating to the Entitlement Offer to any such person.

4 PURPOSE AND EFFECT OF THE ENTITLEMENT OFFER

4.1 Use of proceeds

The Company is seeking to raise up to \$3.4 million under the Entitlement Offer (before fees and costs of the Entitlement Offer).

The gross proceeds of the Entitlement Offer will be used for the projects and initiatives outlined below:

Use of Funds (m)	Maximum Subscription		Minimum Subscription	
	\$	%	\$	%
Reduction in Debt and Liabilities	\$1.97	58%	\$1.16	58%
Debt and other liabilities	\$1.97	58%	\$1.16	58%
Investment in Growth Activities	\$0.90	26%	\$0.35	18%
Fitout for VR space	\$0.30	9%	\$0.10	5%
VR Launch - brand dev, website, digital marketing	\$0.40	12%	\$0.10	5%
other VR start up costs	\$0.10	3%	\$0.05	3%
Direct Digital Marketing Strategy, website upgrade	\$0.10	3%	\$0.10	1%
Working Capital	\$0.26	8%	\$0.24	12%
Above the line advertising	\$0.20	6%	\$0.20	10%
Other	\$0.06	2%	\$0.04	2%
Cost of Raise	\$0.28	8%	\$0.25	13%

** If only the Minimum Subscription is raised, the Company will prioritise across funding enhanced marketing efforts to increase immediate cashflows. Under this scenario, ISA Group will initially launch the iFLY Downunder (Sydney) VR arcade and will seek to open at the other facilities as and when sufficient cashflow is generated to fund the fit out.*

The above table is a statement of the Board's current intentions as at the date of this Prospectus. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

4.2 Capital structure

A table setting out the effect of the Entitlement Offer on the capital structure of the Company is set out below based on the Minimum and Maximum Subscription being achieved and showing the impact of the Conversion (if approved by Shareholders).

Minimum Subscription

	As at the Prospectus Date	On completion of the Entitlement Offer	On completion of Entitlement Offer and Conversion ¹	On completion of the Entitlement Offer and Conversion (fully diluted) ¹
Ordinary shares	136,696,514	336,696,514	456,696,514	464,896,514
Options	2,200,000 ² 6,000,000 ³	2,200,000 ² 6,000,000 ³	2,200,000 ² 6,000,000 ³	0 0

¹ Assumes Shareholder approval is obtained for the Conversion (see Section 2.3)

² These options were issued to Directors of the Company under the Company's employee incentive plan and have an exercise price of \$0.35 subject to vesting conditions and expiry date of 23 August 2021. Following completion of the Entitlement Offer, these options will be reorganised in accordance with their terms and the ASX Listing Rules.

³ These options were issued to Birkdale Holdings (Qld) as trustee for The Baxter Family Trust and have an exercise price of \$0.25 and have an expiry date of 26 June 2020. Following completion of the Entitlement Offer, these options will be reorganised in accordance with their terms and the ASX Listing Rules.

Maximum Subscription

	As at the Record Date	On completion of the Entitlement Offer	On completion of Entitlement Offer and Conversion ¹	On completion of the Entitlement Offer and Conversion (fully diluted) ¹
Ordinary shares	136,696,514	478,437,799	598,437,799	606,637,799
Options	2,200,000 ² 6,000,000 ³	2,200,000 ² 6,000,000 ³	2,200,000 ² 6,000,000 ³	0 0

¹ Assumes Shareholder approval is obtained for the Conversion (see Section 2.3)

² These options were issued to Directors of the Company under the Company's employee incentive plan and have an exercise price of \$0.35 subject to vesting conditions and expiry date of 23 August 2021. Following completion of the Entitlement Offer, these options will be reorganised in accordance with their terms and the ASX Listing Rules such that the exercise price will be adjusted to \$0.347.

³ These options were issued to Birkdale Holdings (Qld) as trustee for The Baxter Family Trust and have an exercise price of \$0.25 and have an expiry date of 26 June 2020. Following completion of the Entitlement Offer, these options will be reorganised in accordance with their terms and the ASX Listing Rules such that the exercise price will be adjusted to \$0.247.

4.3 Effect on control

The Entitlement Offer is not anticipated to have any significant impact on the control of the Company. Eligible Shareholders should note that if they do not participate in the Entitlement Offer, their holdings will be diluted. The extent of their dilution and the increase in the percentage holdings of Eligible Shareholders who elect to apply for New Shares in excess of their Entitlement will depend on a number of factors including the total amount raised under the Entitlement Offer and the number of Eligible Shareholders who participate in the Entitlement Offer and apply for additional New Shares.

If the Conversion is approved by Shareholders, this will result in Birkdale and its associates increasing their voting power in Shares in the Company as described in the table below.

Securities	Number of Securities at Prospectus Date	Voting power	Number of Securities following Conversion (Minimum Subscription)	Voting power	Number of Securities following Conversion (Maximum Subscription)	Voting power	Number of Shares following Conversion (Maximum Subscription and assuming exercise of Options)	Voting power
Shares	17,039,475	12.47%	137,039,475	30.01%	137,039,475	22.90%	143,039,475	22.69%
Options @ \$0.247	6,000,000	0	6,000,000	0	6,000,000	0	0	0

4.4 Debt facilities

The Company currently has the following debt facilities in place as at the date of this Prospectus:

Lender	Facility	Maturity date	Amount outstanding
SkyVenture	Two Promissory Notes issued on settlement of the SkyVenture dispute	25/09/20	US\$1,619,220
			US\$2,170,714
Westpac	Business Loans	30/10/22	\$7,640,879
	Equipment Finance	30/06/22	\$457,807
Birkdale ¹	Loan Agreement	26/06/20	\$3,000,000

¹ Birkdale is an entity associated with Steve Baxter, a non-executive Director of the Company

On completion of the Entitlement Offer and iFLY Perth Sale, and assuming the Conversion is approved by Shareholders, the remaining debt positions will be as follows based on the Maximum and Minimum Subscriptions being raised:

Lender	Facility	Maturity date	Amount outstanding (Minimum Subscription)	Amount outstanding (Maximum Subscription)
Westpac	Business Loans	30/10/22	\$7,640,879	\$7,640,879
Birkdale ¹	Loan Agreement	26/06/21	\$1,800,000	\$1,800,000

The Company is currently in breach of covenants under each of the above facilities, however, each of Westpac and Birkdale have agreed not to require repayment of the amounts outstanding under the loans pending completion of the Entitlement Offer. Provided that at least the Minimum Subscription is raised under the Entitlement Offer and Shortfall Placement:

- Westpac will waive the past breaches of covenants and covenants will not be tested again until December 2019; and
- Birkdale has agreed to waive the past breaches of covenants and convert \$1.2m of the loan into shares at \$0.01 per Share subject to Shareholder approval being obtained for the Conversion. In addition, subject to the Minimum Subscription being raised, Birkdale has agreed to capitalise the interest until 30 June 2020 and extend the maturity date for its loan to 26 June 2021. If the Company does not obtain shareholder approval for the Conversion, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan facility by extending the repayment date for the whole amount of the outstanding principal under the Birkdale Loan facility, being \$3 million, by a further 12 months to 26 June 2021 (subject to ASX granting a waiver to permit this).

As at the date of this Prospectus, SkyVenture has not taken any action against the Company with respect to past breaches and defaults of its agreements with the Group. However, SkyVenture has issued the Company with a notice of breach of the PLAs notifying the Company of its failure to pay certain outstanding royalties under the PLA's.

Following the issue of the notice of breach by SkyVenture, SkyVenture may (at its discretion) be entitled to terminate the PLA's and the licences under the PLA's which would result in the Company no longer being able to exercise any rights under the licences or use any SkyVenture equipment or intellectual property the subject of those PLA's.

Further to this, as a result of certain events of cross default under the promissory notes that have arisen due to the Company's default under the Westpac and Birkdale facilities, SkyVenture is also entitled to require the Company to repay all amounts due and payable under the promissory notes at any time.

Pursuant to an agreement dated 27 June 2019, SkyVenture has agreed not to exercise its rights to require repayment of the promissory notes and not to exercise any rights it may have to terminate the PLAs for a period of period of 6 weeks commencing on 27 June 2019 (subject to certain conditions and termination rights). This period may be extended in certain circumstances for up to another 6 weeks, during which time the Company and SkyVenture aims to complete the iFLY Perth Sale (see Section 8.11.2 for further details on this agreement). If the Company is unable to complete the iFLY Perth Sale within this time or is unable to satisfy any of the conditions to this forbearance, or a termination right is triggered which enables SkyVenture to terminate this forbearance, then SkyVenture will be entitled to require repayment of all amounts due and payable by the Company under the promissory notes and terminate the PLAs. If SkyVenture was entitled to exercise such rights, and exercised those rights prior to the Entitlement Offer completing, the Company would withdraw the Entitlement Offer and repay any Application Monies received (without interest).

On completion of the iFLY Perth Sale, SkyVenture has agreed to extinguish all outstanding debt and royalties payable by the ISA Group companies under the promissory notes and the PLAs.

If SkyVenture exercised these rights prior to the Entitlement Offer completing, the Company would withdraw the Entitlement Offer and repay any Application Monies received (without interest).

4.5 Consequences for the Company if sufficient funds are not raised under the Entitlement Offer

If the Minimum Subscription is not reached or if the Entitlement Offer is withdrawn, the Entitlement Offer will not proceed and the Company will need to negotiate with all debt holders regarding terms within the next three months. If an outcome with debt holders is not achieved in this period, the Company will fail to remain solvent. Both Westpac and Birkdale have entered into agreements to allow the capital raise to take place under the current timeline. If the Entitlement Offer does not complete, the standstill agreements will fall away and their rights against ISA Group in relation to prior breaches of the debt facilities will be reinstated.

4.6 Reporting and disclosure obligations

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by it.

In particular, the Company has an obligation under ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Company, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Company is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

4.7 Rights and liabilities attaching to Shares

Immediately after issue and allotment, the New Shares will be fully paid Shares and will rank *pari passu* with the Shares currently on issue.

Detailed provisions relating to the rights attaching to the New Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Company's Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Company's Constitution, free of charge.

The rights attaching to Shares may be varied with the approval of Shareholders, by special resolution at a general meeting.

5 FINANCIAL INFORMATION

5.1 Introduction

The financial information contained in this Section 5 includes statutory historical consolidated financial information for FY17, FY18, 1H19 and statutory forecast consolidated financial information for 2H19F and FY20F (Financial Information), as summarised in Figure 1:

Figure 1: Overview of ISA Group Financial Information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	<p>Statutory Historical Financial Information includes the:</p> <ul style="list-style-type: none"> statutory historical consolidated statements of profit or loss for the years ended 30 June 2017 (FY17), 30 June 2018 (FY18) and the half year ended 31 December 2018 (1H19) (Statutory Historical Results); statutory historical consolidated statement of financial position as at 31 December 2018 (Statutory Historical Statement of Financial Position). 	<p>Pro Forma Historical Financial Information includes the:</p> <ul style="list-style-type: none"> pro forma historical consolidated statement of financial position as at 31 December 2018 (Pro Forma Historical Statement of Financial Position).
Forecast Financial Information	<p>Statutory Forecast Financial Information includes the:</p> <ul style="list-style-type: none"> statutory forecast consolidated statement of profit or loss for the years ending 30 June 2019 (FY19F) and 30 June 2020 (FY20F) (Statutory Forecast Results). FY19F is based on reviewed actual results for 1H19 and ISA Group's specific and general forecast assumptions for the half year ending 30 June 2019 (2H19F) as set out in Section 5.3. 	

Also summarised in this Section 5 are:

- the basis of preparation and presentation of the Financial Information (refer Section 5.2);
- information regarding certain non AAS or IFRS financial measures (refer Section 5.2.4);
- management's discussion and analysis of the Statutory Historical Results (refer Section 5.4);
- the specific and general assumptions underlying the Statutory Forecast Financial Information (refer Sections 5.3);

Information provided in this Section 5 should be read in conjunction with the risk factors outlined in Section 7, and the other information provided in this Prospectus.

5.2 Basis of preparation and presentation of the Financial Information

5.2.1 Overview

The statutory consolidated historical financial statements of ISA Group for FY17 were audited by Grant Thornton, and the statutory consolidated historical financial statements of ISA Group for FY18 and 1H19 have been audited by Accru Felsers.

The Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

ISA Group operates on a financial year ended 30 June. All amounts disclosed in this Section 5 are presented in Australian Dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions of ISA Group. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS, IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Company's key accounting policies have been consistently applied throughout the financial periods presented.

The Forecast Financial Information has been reviewed and reported on by BDO as set out in the Independent Limited Assurance Report on Forecast Financial Information set out in Section 6. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 6).

5.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited statutory consolidated financial statements of ISA Group for FY17, FY18 and 1H19 .

The Pro Forma Historical Statement of Financial Position as at 31 December 2018 is based on the reviewed consolidated financial statements of ISA Group at that date adjusted to reflect the impact of the Entitlement Offer and other material transactions post 31 December 2018 (refer to Section 5.5).

Refer to Section 5.5 for a reconciliation between the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position.

Investors should note that past results are not a guarantee of future performance.

5.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on a statutory basis for the forecast for FY19F and FY20F. FY19F is based on reviewed actual results for 1H19 and ISA Group's specific and general forecast assumptions for the 2H19F as set out in Section 5.3.

The Forecast Financial Information has been prepared by ISA Group based on an assessment of current economic and operating conditions, and on the specific and general assumptions

regarding future events and actions as set out in Section 5.3. The Forecast Financial Information is subject to the risks set out in Section 7. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Forecast Financial Information presented in the Prospectus has been reviewed by BDO but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on Forecast Financial Information (refer to Section 6). The Forecast Financial Information presented in this Prospectus has been reviewed by BDO, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Independent Limited Assurance Report on the Forecast Financial Information. The Limited Assurance Report on the Forecast Financial Information has been prepared solely in connection with the offer of Shares in Australia.

ISA Group believes the specific and general assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on ISA Group's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of ISA Group, the Directors and management. Accordingly, none of ISA Group and its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the general assumptions set out in Section 5.3.1, the specific assumptions set out in Section 5.3.2, the risk factors as set out in Section 7 and other information in this Prospectus.

ISA Group has no intention to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

5.2.4 Explanation of certain non AAS or IFRS financial measures

ISA Group uses certain measures to report on its business that are not recognised under AAS or IFRS. These measures are collectively referred in Section 5, and under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC, as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBIT** is earnings before interest and tax.
- **EBITDA** is earnings before interest, tax, depreciation and amortisation.

Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges, which are affected by the capital structure and historical tax position of ISA Group.

ISA Group also calculates EBITDA margin, which is EBITDA divided by revenue, expressed as a percentage. EBITDA margin is a measure that management uses to evaluate the profitability of the overall business.

Because it does not include the non-cash charges for depreciation and amortisation, EBITDA can be useful to help understand the cash generation potential of the business. However, management believes that it should not be considered as an alternative to net free cash flow from operations and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of ISA Group's operations.

ISA Group also reports an underlying EBITDA figure, which makes certain adjustments to the statutory results. Adjustments made include one off non-recurring items as well as certain non-cash items (see section 5.5 for details of the adjustments made).

- **Capital expenditure** is a combination of capitalised product development expenses and property, plant and equipment.
- **Net free cash flow** is operating free cash flow less capital expenditure.
- **Operating free cash flow** is EBITDA and changes in working capital.

Certain financial data included in Section 5.4 is also non-IFRS financial information.

Although ISA Group believes that these measures provide useful information about the financial performance of ISA Group, they should be considered as supplements to the statement of profit and loss measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way ISA Group calculated these measures may differ from similarly-titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

5.3 Forecast Financial Information

The Forecast Financial Information is based on various specific and general assumptions concerning future events including those set out below. The assumptions set out below should be read in conjunction with the risk factors set out in Section 7, the key accounting policies set out in the Company's financial statements and the Independent Limited Assurance Report on Forecast Financial Information set out in Section 6.

In preparing the Forecast Financial Information, ISA Group has undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance for 2H19F and FY20F.

ISA Group believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing the Prospectus, including each of the assumptions set forth below in Sections 5.3.1 and 5.3.2. However, actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions, upon which the Forecast Financial Information is based, are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of ISA Group and its Directors and are not reliably predictable. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Accordingly, none of ISA Group, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved.

The Forecast Financial Information has been prepared based on the key accounting policies adopted by ISA Group, which are in accordance with AAS. It is assumed that there will be no changes in the AAS, the Corporations Act or other financial reporting requirements that may have a material effect on ISA Group's accounting.

5.3.1 General assumptions

In preparing the Statutory Forecast Financial Information, the following general assumptions have been adopted:

- no material change in the competitive environment in which ISA Group operates;
- no significant deviation from current market expectations of economic conditions relevant to the ISA Group sector in the Forecast Period, e.g. business confidence and consumer sentiment;
- no significant interruptions, industry disruptions or disturbances in relation to ISA Group's technology, platform and software used to deliver services;
- no material change in applicable AAS, IFRS or other mandatory professional reporting requirements of the Corporations Act which have a material effect on ISA Group's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of ISA Group during the Forecast Period;
- no material changes in laws, regulation or Government policy including in relation to money laundering, interest rates, foreign investment or taxation which may impact ISA Group's business, clients or levels of investment or business activity in areas in relation to which ISA Group products are commonly used;
- the Offer proceeds in accordance with the timetable set out on page 3 of this Prospectus;

- no material industry disturbances or disruptions to the continuity of operations of ISA Group, no material industrial actions, and no other material changes in its business other than as set out in, or contemplated by, the Prospectus;
- no material amendment or termination to any material contract, agreement or arrangement or material change in licences and licence providers relating to ISA Group's business;
- no material changes in currency;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material change in ISA Group's corporate and funding structure;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus; and
- none of the key risks listed in Section 7 occurs, or if they do, none of them has a material adverse impact on the operations of ISA Group.

5.3.2 Specific assumptions

Sale of Perth Facility

- The sale of the iFLY Perth facility is forecast to complete on 31 July 2019.
- The forecast includes iFLY Perth's revenue and operating expenses up to the expected completion date.
- ISA Group expects to record a loss on the iFLY Perth Sale, which is recorded in July 2019.

Revenue

- Flight revenue for first time flyers is forecast across each site based on the average number of minutes flown and revenue per minute historically achieved over FY18 and 1H19. Using funds raised under the Entitlement Offer, Management assumed an increase in revenue-generating marketing expenditure, which is expected to increase first timer revenue.
- Flight revenue for professional flyers is forecast across each site based on the average number of minutes flown and revenue per minute historically achieved over FY18 and 1H19.
- Flight revenue for groups & events is forecast for each site based on historical revenue over FY18 and 1H19.
- Flight revenue for coaching is forecast for each site based on historical revenue over FY18 and 1H19.
- Merchandise revenue is forecast for each site based on historical revenue over FY18 and 1H19 and the revenue from first timer flights.
- Gift card breakage revenue is forecast for each site based on historical trends over FY18 and 1H19.
- Membership revenue is forecast based on the assumed number of members renewing and the renewal rate. The AASB 15 revenue standards, applying to the ISA Group from 1 July 2018, are likely to impact the recognition of the membership

revenue due to the provision of services being over the period of the membership year. A detailed exercise to understand the monthly impact of AASB 15 on membership revenue has not yet been undertaken by the ISA Group auditors. Management has indicatively recognised the forecast revenue from these memberships across the twelve-month period of the membership purchased as an approximation of the revenue recognition pattern under the AASB 15 standards.

- Subletting to café tenants is forecast to terminate at iFLY Downunder (Sydney) as space will be used for virtual reality purposes. Virtual reality revenue has been excluded.

Expenses

- Major cost of sales items for each site, including tunnel electricity, royalties and merchandise expenses, have been forecast based on historical results over FY18 and 1H19, current contracts and historical margins.
- Pursuant to the iFLY Perth Sale, SkyVenture will waive ISA Group's obligation to pay royalties for 48 months from August 2019 onwards. The royalty waiver is considered to be a form of deferred consideration for the sale and will be recorded on the balance sheet as an asset, with it being amortised over the 48-month period.
- Personnel, occupancy and corporate overhead expenses are forecast to decline, consistent with the corporate restructure that occurred in 1H19. This includes employee redundancies and exiting the head office lease at North Sydney.
- Pursuant to the iFLY Perth Sale, further cost savings are forecast across personnel and corporate overhead expenses from August 2019 onwards.
- Marketing expenses relative to revenue are forecast to decline in 2H19F however increase in FY20F, pursuant to the Company raising capital.
- Administration and other expenses are forecast to decline due to planned reductions in travel & accommodation expenses, professional fees and computer & software expenses.

5.4 Consolidated Statutory Historical Results and Statutory Forecast Results

5.4.1 Overview

Table 1 below sets out the Statutory Historical Results for FY17, FY18 and 1H19 and the Statutory Forecast Results for 2H19F and FY20F.

Table 1: Consolidated Statutory Historical Results and Statutory Forecast Results

	Notes	Statutory Historical			Statutory Forecast		
		FY17	FY18	1H19	2H19F	FY19F	FY20F
\$'000							
Revenue		12,271	13,881	6,227	5,319	11,546	9,422
Cost of sales		(2,465)	(2,575)	(1,381)	(1,340)	(2,721)	(1,975)
Gross profit		9,806	11,305	4,846	3,979	8,826	7,446
Other income		45	397	335	17	352	106
Operating expenses		(10,518)	(20,027)	(5,522)	(5,132)	(10,654)	(11,902)
Profit/Loss before interest and tax		(666)	(8,325)	(340)	(1,136)	(1,476)	(4,350)

Add: Depreciation & amortisation expense		1,649	1,938	735	734	1,469	1,062
EBITDA		983	(6,387)	395	(402)	(7)	(3,288)
Add: Adjustments	1, 2, 3,4,5	251	8,738	649	315	964	5,567
Underlying EBITDA		1,233	2,351	1,044	(87)	957	2,278

Notes to Table 1

- 1) The FY17 underlying EBITDA excludes the effect of non-cash items including share-based payments (\$0.18m) and straight-line leasing adjustments (\$0.07m).
- 2) The FY18 underlying EBITDA excludes one-time dispute settlement costs (\$3.53m), one-time legal costs (\$2.52m), impairment of AirRider (\$2.63m) and share based payment (\$0.06m).
- 3) The 1H19 underlying EBITDA excludes one-time legal costs (\$0.07m) and corporate reduction costs (\$0.58m).
- 4) The 2H19 underlying EBITDA excludes the forecast impairment of the China Joint Venture (\$0.26m) and royalty penalties of (\$0.05m).
- 5) The FY20 underlying EBITDA excludes the loss on disposal of the iFLY Perth facility (\$5.04m) and the royalty holiday amortisation (\$0.52m).

5.4.2 General factors affecting the operating results of ISA Group

Below is a discussion of the main factors which affected ISA Group's operations and relative historical financial performance in FY17, FY18 and 1H19. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected ISA Group's historical operating and financial performance.

FY18 was the first full year of three operational facilities. The costly legal dispute with SkyVenture, which was centred around whether the Company could enter into a contract with a third-party wind tunnel supplier anywhere in the world, was resolved in favour of SkyVenture and caused the Company to reduce spending on marketing immediately after settlement in September 2018. This reduction in spend saw a correlating reduction in sales. In 1H19, revenue for the ISA Group was down 12% against 1H2018. The ISA Group expects this trend to continue throughout the remainder of FY19F due to the lack of cash available to spend on marketing activities. With the use of funds from the Entitlement Offer and reduction in debt and savings in royalties from the iFLY Perth Sale, the Company expects to return sales and revenue through its remaining tunnels back to the level experienced in FY18. This is expected to be achieved by investing in marketing via direct digital and refreshing the website to drive immediate positive improvement to revenues. Investment in marketing through other channels will also continue to build improvement in revenues over several months. The Company has also made significant changes at board and senior management level to further reduce costs and improve EBITDA margins.

5.5 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

5.5.1 Overview

Tables 2 and 3 below sets out the pro forma adjustments that have been made to the reviewed Statutory Historical Statement of Financial Position for ISA Group at 31 December 2018 in order to prepare the Pro Forma Statement of Financial Position for ISA Group to take into account the effect of, amongst other things, the Entitlement Offer proceeds, transaction expenses and other material transactions. These adjustments reflect the impact of the changes in capital structure that will take place as part of the Entitlement Offer, as if they had occurred or were in place as at 31 December 2018.

Table 2: Maximum Subscription - Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 31 December 2018

		Maximum subscription				
	As at 31 Dec 2018	Capital raising adjustments	Debt repayment adjustments	Sale of Asset adjustments	Impairment adjustments	Pro-forma balance sheet at 31 Dec 18
	\$ <i>notes</i>	\$ <i>1</i>	\$ <i>2</i>	\$ <i>3</i>	\$ <i>4</i>	\$
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	507,901	3,139,065	(1,291,204)	448,849		2,804,611
Trade and other receivables	451,421	-	-			451,421
Inventories	65,416	-	-			65,416
Other financial asset	130,891	-	-	567,666		698,557
TOTAL CURRENT ASSETS	1,155,629	3,139,065	(1,291,204)	1,016,515		4,020,005
NON-CURRENT ASSETS						
Property, plant and equipment	41,550,261	-	-	(14,683,749)	-	26,866,512
Investment in a joint venture entity	161,978	-	-			161,978
Intangible asset	264,350	-	-		(264,350)	0
Deferred tax asset	959,579	83,504	-			1,043,083
Other financial asset	136,010	-	-	1,702,999		1,839,009
TOTAL NON-CURRENT ASSETS	43,072,178	83,504	-	(12,980,750)	(264,350)	29,910,584
TOTAL ASSETS	44,227,807	3,222,569	(1,291,204)	(11,964,235)	(264,350)	33,930,589
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables	3,582,171	-	(1,291,204)	(217,971)		2,072,996
Deferred revenue	1,488,201	-		(250,000)		1,238,201
Borrowings	1,641,157	-	-			1,641,157
Provisions	252,694	-	-	(57,098)		195,596
TOTAL CURRENT LIABILITIES	6,964,223	-	(1,291,204)	(525,069)		5,147,950
NON-CURRENT LIABILITIES						
Borrowings	9,697,547	-	(1,200,000)	-		8,497,547
Provisions	6,339,003	-		(5,532,751)		806,252
TOTAL NON-CURRENT LIABILITIES	16,036,550	-	(1,200,000)	(5,532,751)		9,303,800
TOTAL LIABILITIES	23,000,773	-	(2,491,204)	(6,057,820)	-	14,451,750
NET ASSETS	21,227,034	3,222,569	1,200,000	(5,906,415)	(264,350)	19,478,839
EQUITY						
Share capital	40,810,939	3,222,569	1,200,000			45,233,509
Reserves	74,625	-	-			74,625
Accumulated Losses	(19,658,530)	-		(5,906,415)	(264,350)	(25,829,295)
Equity attributable to equity holders of the par	21,227,034	3,222,569	1,200,000	(5,906,415)	(264,350)	19,478,839
Non-controlling interests	-					-
TOTAL EQUITY	21,227,034	3,222,569	1,200,000	(5,906,415)	(264,350)	19,478,839

Notes to Table 2:

- Capital raising adjustments reflect the net increase in cash and cash equivalents equal to the cash expected from the entitlement offer less transaction costs including lead manager, legal, accounting and other fees.
 - Under the Maximum Subscription, the Company will issue 342m New Shares at a Offer Price of \$0.01, raising \$3.42m of new share capital. This issue of New Shares is offset by the capitalisation of total transaction costs \$0.28m (comprising lead manager fees \$0.13m, legal fees \$0.05m, investigating accountant fees \$0.05m and other costs \$0.05m) and the deferred tax asset that arises (equal to 30% of the transaction costs). The Company expects to receive net cash of \$3.14m (from total proceeds of \$3.42m less transaction costs of \$0.28m).
 - Under both scenarios, the Company has recognised a deferred tax asset equal to 30% of the transaction.
- Pursuant to the Entitlement Offer, the Company expects to make a reduction in payables & borrowings, as follows:
 - Under the Maximum Subscription, the Company intends to pay down liabilities of \$1.29m (comprising \$0.87m in legal fees, \$0.33m in tax liabilities and \$0.09m in other creditors). In addition, \$1.2m of the \$3m Birkdale Loan will be converted to equity (see Section 4.4).
- The Company intends to sell iFLY Perth to SkyVenture, with an intended completion date of 31 July 2019. The adjustments above reflect the transfer of assets and receipt of consideration at 31 July 2019. The net adjustment to accumulated losses at 31 December 2018 is \$5.91m, reflecting forecast adjustments for January 2019 to July 2019 of \$0.87m within liabilities and depreciation, and the expected loss on sale of \$5.04m at 31 July 2019. Under the initial agreement with SkyVenture, ISA Group will receive:
 - Full satisfaction of amounts payable by ISA Group to SkyVenture under the promissory notes, which were issued on settlement of the legal dispute in 2018 (totalling \$5.53m).

- Full satisfaction of all outstanding amounts payable by the ISA Group of companies under the PLAs for its three current operations (estimated to be \$0.69m at 31 July 2019).
- A royalty suspension period of 4 years for the iFLY Downunder (Sydney) and iFLY Gold Coast facilities (estimated value of \$2.27m, split between current assets (\$0.57m) and non-current assets (\$1.70m)).
- Cash payment to ISA Group of \$0.50m less employee provisions related to iFLY Perth (estimated to be \$0.05m).

Under the initial agreement with SkyVenture, ISA Group will dispose of:

- The iFLY Perth assets, including all assets required to operate the site (estimated value of \$14.3m at 31 July 2019).
 - Liabilities for presold and unused flights of up to \$0.25m.
4. Accumulated losses have been adjusted to reflect the forecast impairment of the China Joint Venture intangible asset (\$0.26m).

Table 3: Minimum Subscription - Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 31 December 2018

		Minimum subscription				
	As at 31 Dec 2018	Capital raising adjustments	Debt repayment adjustments	Sale of Asset adjustments	Impairment adjustments	Pro-forma balance sheet at 31 Dec 18
	\$	\$	\$	\$	\$	\$
	notes	1	2	3	4	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	507,901	1,750,000	(861,884)	448,849		1,844,866
Trade and other receivables	451,421	-	-			451,421
Inventories	65,416	-	-			65,416
Other financial asset	130,891	-	-	567,666		698,557
TOTAL CURRENT ASSETS	1,155,629	1,750,000	(861,884)	1,016,515		3,060,261
NON-CURRENT ASSETS						
Property, plant and equipment	41,550,261	-		(14,683,749)		26,866,512
Investment in a joint venture entity	161,978	-	-			161,978
Intangible asset	264,350	-	-		(264,350)	0
Deferred tax asset	959,579	75,000	-			1,034,579
Other financial asset	136,010	-		1,702,999		1,839,009
TOTAL NON-CURRENT ASSETS	43,072,178	75,000	-	(12,980,750)	(264,350)	29,902,079
TOTAL ASSETS	44,227,807	1,825,000	(861,884)	(11,964,235)	(264,350)	32,962,340
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables	3,582,171	-	(861,884)	(217,971)		2,502,316
Deferred revenue	1,488,201	-	-	(250,000)		1,238,201
Borrowings	1,641,157	-	-			1,641,157
Provisions	252,694	-	-	(57,098)		195,596
TOTAL CURRENT LIABILITIES	6,964,223	-	(861,884)	(525,069)		5,577,270
NON-CURRENT LIABILITIES						
Borrowings	9,697,547	-	(1,200,000)	-		8,497,547
Provisions	6,339,003	-		(5,532,751)		806,252
TOTAL NON-CURRENT LIABILITIES	16,036,550	-	(1,200,000)	(5,532,751)		9,303,800
TOTAL LIABILITIES	23,000,773	-	(2,061,884)	(6,057,820)	-	14,881,070
NET ASSETS	21,227,034	1,825,000	1,200,000	(5,906,415)	(264,350)	18,081,270
EQUITY						
Share capital	40,810,939	1,825,000	1,200,000			43,835,939
Reserves	74,625	-	-			74,625
Accumulated Losses	(19,658,530)	-	-	(5,906,415)	(264,350)	(25,829,295)
Equity attributable to equity holders of the par	21,227,034	1,825,000	1,200,000	(5,906,415)	(264,350)	18,081,270
Non-controlling interests	-	-	-			-
TOTAL EQUITY	21,227,034	1,825,000	1,200,000	(5,906,415)	(264,350)	18,081,270

Notes to Table 3:

- Capital raising adjustments reflect the net increase in cash and cash equivalents equal to the cash expected from the entitlement offer less transaction costs including lead manager, legal, accounting and other fees.
 - Under the Minimum Subscription, the Company will issue 200 million New Shares at an Offer Price of \$0.01, raising \$2.00m of new share capital. This issue of New Shares is offset by the capitalisation of total transaction

costs \$0.25 m (comprising lead manager fees \$0.10m, legal fees \$0.05m, investigating accountant fees \$0.05m and other costs \$0.05m) and the deferred tax asset that arises (equal to 30% of the transaction costs). The Company expects to receive net cash of \$1.75m (from total proceeds of \$2.00m less transaction costs of \$0.25m).

- Under both scenarios, the Company has recognised a deferred tax asset equal to 30% of the transaction.
2. Pursuant to the Entitlement Offer, the Company expects to make a reduction in payables & borrowings, as follows:
 - Under the Minimum Subscription, the Company intends to pay down liabilities of \$0.86m (comprising \$0.77m in legal fees and \$0.09m in other creditors). In addition, \$1.2m of the \$3m Birkdale Loan will be converted to equity (see Section 4.4).
 3. The Company intends to sell iFLY Perth to SkyVenture, with an intended completion date of 31 July 2019. The adjustments above reflect the transfer of assets and receipt of consideration at 31 July 2019. The net adjustment to accumulated losses at 31 December 2018 is \$5.91m, reflecting forecast adjustments for January 2019 to July 2019 of \$0.87m within liabilities and depreciation, and the expected loss on sale of \$5.04m at 31 July 2019. Under the initial agreement with SkyVenture, ISA Group will receive:
 - Full satisfaction of amounts payable by ISA Group to SkyVenture under the promissory notes, which were issued on settlement of the legal dispute in 2018 (totalling \$5.53m).
 - Full satisfaction of all outstanding amounts payable by the ISA Group of companies under the PLAs for its three current operations (estimated to be \$0.69m at 31 July 2019).
 - A royalty suspension period of 4 years for the iFLY Downunder (Sydney) and iFLY Gold Coast facilities (estimated value of \$2.27m, split between current assets (\$0.57m) and non-current assets (\$1.70m)).
 - Cash payment to ISA Group of \$0.50m less employee provisions related to iFLY Perth (estimated to be \$0.05m).

Under the initial agreement with SkyVenture, ISA Group will dispose of:

 - The iFLY Perth assets, including all assets required to operate the site (estimated value of \$14.3m at 31 July 2019).
 - Liabilities for presold and unused flights of up to \$0.25m.
 4. Accumulated losses have been adjusted to reflect the forecast impairment of the China Joint Venture intangible asset (\$0.26m).

5.5.2 Off balance sheet items

ISA Group has no material contingent liabilities or off-balance sheet arrangements.

6 INVESTIGATING ACCOUNTANT'S REPORT



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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

The Directors
Indoor Skydive Australia Group Ltd
123 Mulgoa Road
PENRITH NSW 2750

15 July 2019

Dear Directors

Independent Limited Assurance Report

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (BDO) has been engaged by Indoor Skydive Australia Group Limited (ISA Group or the Company) to prepare this Independent Limited Assurance Report (Report) for inclusion in a prospectus proposed to be issued, in relation to the entitlement offer of shares in ISA Group, on or about 15 July 2019 (Prospectus) (the Offer).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

SCOPE

You have asked BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards (AAS) or Australian equivalents to International Financial Reporting Standard (AIFRS) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

SCOPE OF REVIEW OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

You have requested BDO review the following pro forma historical financial information included in the Prospectus:

- The pro forma historical statement of financial position as at 31 December 2018; and
- Associated details of the pro forma adjustments,

together the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of ISA Group, after adjusting for the effects of pro forma adjustments described in Section 5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in AIFRS applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 5 of the Prospectus, as if those event(s) or transaction(s) had occurred

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



as at 31 December 2018. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position.

Directors' Responsibility

The directors of ISA Group are responsible for the preparation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 AAS or AIFRS and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Review statement on the Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 5 of the Prospectus, and comprising the pro forma historical statement of financial position as at 31 December 2018, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 5 of the Prospectus.

SCOPE OF REVIEW OF THE FORECAST FINANCIAL INFORMATION

You have requested BDO review the statutory forecast consolidated statement of profit and loss of ISA Group for the six months ended 30 June 2019 (2H19F) and the year ended 30 June 2020 (FY20F), as described in Section 5 of the Prospectus (the Forecast Financial Information). The directors' best-estimate assumptions underlying the statutory forecast are described in Section 5 of the Prospectus.

The Forecast Financial Information, to the extent possible, has been prepared on a consistent basis and in accordance with the recognition and measurement principles contained in AAS and AIFRS and ISA Group's adopted accounting policies. Due to its nature, the Forecast Financial Information does not represent the company's actual prospective comprehensive income for the six months ended 30 June 2019 and the year ended 30 June 2020.

DIRECTORS' RESPONSIBILITY

The directors of ISA Group are responsible for the preparation of the forecast for the six months ended 30 June 2019 and the year ended 30 June 2020 including the best-estimate assumptions underlying the forecast. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of a forecast that is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the statutory forecast, the best-estimate assumptions underlying the statutory forecast, and the reasonableness of the statutory forecast itself, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Review statement on the Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the director's best-estimate assumptions, used in the preparation of the statutory forecast consolidated statement of profit and loss of ISA Group for the six months ended 30 June 2019 and the year ended 30 June 2020, do not provide reasonable grounds for the statutory forecast; and
- in all material respects, the statutory forecast:
 - is not prepared on the basis of the director's best-estimate assumptions as described in Section 5 of the Prospectus;
 - is not presented fairly in accordance with the stated basis of preparation, as described in Section 5 of the Prospectus; and
- the statutory forecast itself is unreasonable.

The statutory forecast has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of ISA Group for the six months ended 30 June 2019 and the year ended 30 June 2020. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the statutory forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the statutory forecast relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of ISA Group. Evidence may be available to support the directors' best-estimate assumptions on which the statutory forecast is based, however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in ISA Group, which are detailed in the Prospectus, and the inherent uncertainty relating to the forecast. Accordingly, prospective investors should have regard to the investment risks as described in Section 7 of the Prospectus. We express no opinion as to whether the forecast will be achieved.



We disclaim any assumption of responsibility for any reliance on this report, or on the statutory forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of ISA Group, that all material information concerning the prospects and proposed operations of ISA Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 5 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

A handwritten signature in black ink, appearing to read 'S. Stevens', with a stylized flourish at the end.

SEBASTIAN STEVENS
Director

FINANCIAL SERVICES GUIDE

Dated: 15 July 2019

This Financial Services Guide (FSG) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (BDO Corporate Finance, we, us, our).

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$50,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

7 RISK FACTORS

This Section 7 outlines some of the potential risks associated with an investment in the Company.

The Group's business is subject to risks, specific to its business and of a more general nature. Each of the risks set out below, if they eventuate, could have a material adverse impact on the ISA Group's business and prospects, financial condition, results of operation, cash flows and on the value of the Company's Shares. While the Board endeavours to manage these risks to prevent adverse outcomes, many of the circumstances giving rise to these risks are beyond the control of the Company, its Directors and its Management.

Investors should note that the risks outlined in this Section 7 are not exhaustive and are not the only risks associated with an investment in the Company, now or in the future. Additional risks that the Company is unaware of or that it currently considers to be immaterial may also potentially have a material adverse impact on the Group's business, financial condition and the value of its Shares. All or part of an investment in the Shares may be lost.

An investment in the Company should be considered speculative. Before deciding whether to invest in the Company, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these potential risks and should consider whether an investment in the Company is suitable for you having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in the Company, you should seek independent professional advice from your stockbroker, accountant, lawyer or other professional adviser.

Key risk	Details
Failure to satisfy debts if Entitlement Offer does not complete	If the Company does not complete the Entitlement Offer as a result of not raising the Minimum Subscription or otherwise (including as a result of withdrawing the Entitlement Offer which the Company may consider as an option if the iFLY Perth Sale does not complete), it may be unable to pay its debts as and when they become due and payable, unless the Company is able to enter into suitable arrangements with its creditors. If the Company was unable to enter into suitable arrangements with its creditors within three months after failing to raise the Minimum Subscription under the Entitlement Offer or failing to complete or withdrawing the Entitlement Offer, the Company will fail to remain solvent.
SkyVenture dispute	<p>Whilst the Company continues to work towards a strong and continuing relationship with SkyVenture, there can be no guarantee that SkyVenture will not raise further queries, concerns, disputes or proceedings with or against the Company in relation to the matters the subject of the Deed of Settlement or otherwise.</p> <p>The Group is currently in breach of certain provisions under the PLAs with SkyVenture for outstanding royalty payments and breach of certain covenants under the SkyVenture promissory notes. As at the date of this Prospectus, SkyVenture has not taken any action against the Company with respect to these past breaches and defaults of its agreements. However, following the issue of a notice of breach by SkyVenture in relation to outstanding royalty payments, SkyVenture may (at its discretion) be entitled to terminate the PLAs and the licences under these agreements, which would result in the Company no longer being able to exercise any rights under these licences or use any SkyVenture equipment or intellectual property the subject of those PLAs. This would result in the Company having to cease its current operations at iFLY Downunder (Sydney), iFLY Gold Coast and iFLY Perth.</p>

Key risk	Details
	<p>Further to this, as a result of the breach of certain covenants under the SkyVenture promissory notes, SkyVenture is entitled to require the Company to repay all amounts due and payable under the promissory notes. For further details, see section 4.4.</p> <p>SkyVenture has agreed not to exercise its rights to require repayment of all amounts due and payable under the promissory notes and to terminate the PLAs for a period of period of 6 weeks commencing on 27 June 2019 (subject to certain conditions and termination rights). This period may be extended in certain circumstances for up to a further 6 weeks. If the Company is unable to satisfy any of the conditions to this forbearance or a termination right is triggered which enables SkyVenture to terminate this forbearance, then SkyVenture will be entitled to terminate the forbearance which means it will be entitled to require repayment of all amounts due and payable by the Company under the promissory notes and terminate the PLAs. Any of these actions would significantly impact the Company's ability to continue its operations.</p>
Compliance with financial facility terms	<p>Risk of failure by the Company to comply with the terms of its remaining finance facilities (ie. Westpac finance facilities and Birkdale Loan) and failure to repay or the financier enforcing its security.</p> <p>The Group is currently in breach of certain covenants under its Westpac finance facilities. In addition, certain events of default under the Birkdale Loan including cross default have been triggered as a result of these breaches of the Westpac finance facilities. Birkdale has waived these past breaches and provided the Minimum Subscription is raised under the Entitlement Offer and Westpac has also agreed to waive these past breaches of covenants. If the Company is unable to raise the Minimum Subscription, the standstill provided by Westpac will fall away and its rights in relation to these prior breaches will be reinstated such that Westpac may take any action against the Group that it is legally entitled to in relation to these past breaches of covenants.</p>
Shareholder dilution as a result of the Entitlement Offer	<p>If Eligible Shareholders elect not to take up their Entitlement or only take up part of their Entitlement, they will be subject to substantial dilution as a result of the issue of Shares under the Entitlement Offer. In addition, Ineligible Shareholders will be subject to substantial dilution under the Entitlement Offer.</p>
Historical losses	<p>The Company has historically reported losses and has partially relied upon raising debt and equity to fund its operations and development. Although the Directors consider that the Company will, on completion of the Entitlement Offer, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The Company may need to raise additional funds from time to time to finance ongoing development and growth and meet its other longer-term objectives.</p>
Further funding	<p>The Company may require further financing to continue to operate in the future which may include additional debt funding or equity funding which may dilute existing shareholdings further.</p> <p>The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that additional funds can be raised by the Company on favourable terms, if at all. If additional funds are required but cannot be raised, this may force curtailment of growth opportunities, existing operations, or both, and may adversely impact the Company's ability to remain solvent and at some point, the Company may be forced to either dispose of operating assets or close down entirely.</p>

Key risk	Details
Competition and new offerings	There may be other possible competitors in Australia offering products or services similar to those the Company is providing. The Company will have no influence or control over the activities or actions of its competitors whose activities or actions may positively or negatively impact the operating and financial performance of the Company. Competitors may have significant additional experience and/or resources to offer competing products, which may adversely impact the Company's financial position or prospects.
Exclusive use of SkyVenture equipment	The Company is restricted under its arrangements with SkyVenture to exclusively use SkyVenture equipment in various territories. Other third parties may also obtain licences from SkyVenture to use the same equipment and intellectual property that has been granted to the Company outside the territories granted to the Company.
Success of growth strategy	The Company's growth profile has changed from overseas expansion to organic growth at existing facilities including other offerings to its current customer base at facilities including expanding virtual reality experiences and exploring other leisure / activity-based business as potential tenants or partners. The Company may fail to implement such growth strategies or may fail to successfully expand on its current offerings, or such offerings may fail to be adopted by existing customers.
Success of sales and marketing strategy	The Company's future success is partly dependent on its ability to implement its proposed digital marketing strategy and utilising its marketing spend to regenerate brand awareness. The Company may not receive benefits from these strategies and investments for several years or may not receive benefits from these strategies and investments at all.
Company unable to become profitable	Whilst the Company is taking actions to improve cashflow through debt reduction and implementing digital marketing and brand awareness, there is no guarantee that the Company will be profitable in the near future or coming financial years, or if achieved that it will sustain profitability.
Reliance on key management personnel	<p>The Company's ability to maintain its competitive position assumes the continued service of certain of its key management personnel.</p> <p>The retirement or loss of service of any key management personnel or the Group's inability to attract and retain additional senior management personnel could hinder its ability to manage its business effectively, and to implement its growth and development strategies, which could have a material and adverse effect on the Group's business, cash flow, financial condition, results of operations and prospects.</p>
Share price fluctuation	<p>The Company is a publicly-listed company on ASX and is subject to the general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of the Group.</p> <p>The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price for the Shares will increase following their quotation on ASX, even if the Group's earnings increase.</p> <p>Factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Group operates and general operational and business risks.</p>

Key risk	Details
<p>An active market may not develop for the Shares</p>	<p>There can be no guarantee that an active market will develop, or the price of the Shares will increase. There may be relatively few potential buyers or sellers of Shares on ASX at any given time. This may increase the volatility of the market price of the Shares and may prevent Shareholders from acquiring more Shares or disposing of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.</p>

8 ADDITIONAL INFORMATION

8.1 Nature of this Prospectus

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. Section 713 allows the issue of a more concise prospectus for offers of securities in a class which have been continuously quoted by ASX for the three months prior to the date of the prospectus.

Shares in the Company have been continuously quoted by ASX for the three months prior to the date of this Prospectus. The information in this Prospectus principally concerns the terms and conditions of the Entitlement Offer and the information that investors and their professional advisers would reasonably require to make an informed assessment of:

- the effect of the Entitlement Offer on the Company; and
- the rights and liabilities attaching to the New Shares.

This Prospectus contains this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all the information that would be included in a prospectus for an initial public offering of shares.

The Company has provided ASX with a substantial amount of information regarding its activities. That information is publicly available. Shareholders and other investors should read this Prospectus in conjunction with that publicly available information before making an investment decision.

No party other than the ISA Group has authorised or caused the issue of the information in this Prospectus, or takes any responsibility for, or makes any statements, representations or undertakings in, this Prospectus.

8.2 Reporting and disclosure obligations

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by it.

In particular, the Company has an obligation under ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Company, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Company is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

8.3 Availability of other documents

ASX maintains records of company announcements for all companies listed on ASX. The Company's announcements may be viewed on ASX website (www.asx.com.au). ASIC also maintains records in respect of documents lodged with it by the Company, and these may be obtained from or inspected at any office of ASIC. The Company will provide a copy of any of the following documents, free of charge, to any person who requests a copy during the Entitlement Offer period:

- the Annual Report lodged with ASIC and given to ASX by the Company for the year ended 30 June 2018;

- the Half Year Report for the half year ended 31 December 2018 and released to ASX on 28 February 2019; and
- any continuous disclosure notice given by the Company to ASX (being any document used to notify ASX of information relating to the Company under the continuous disclosure provisions of ASX Listing Rules and the Corporations Act) after the date of lodgement with ASIC and giving to ASX of the Annual Report referred to above and before lodgement with ASIC of this Prospectus. Details of these notices are as follows:

Date	Title of announcement
28 November 2018	IDZ Chairman's and CEO Address to Shareholders
28 November 2018	IDZ Results of AGM Resolutions
1 February 2019	Company Secretary Appointment /Resignation
13 February 2019	Change in substantial holding from CGF
18 February 2019	Change in substantial holding
28 February 2019	Appendix 4D and Half Year Financial Report
28 February 2019	31 December 2018 Results Presentation
28 February 2019	Change in substantial holding from CGF
4 March 2019	Change in substantial holding
4 March 2019	change in substantial holding from CGZ
6 March 2019	Ceasing to be a substantial holder
7 March 2019	Change in substantial holding from CVC
7 March 2019	Becoming a substantial holder
7 March 2019	Ceasing to be a substantial holder from CGF
8 March 2019	Response to ASX Price Query
11 March 2019	Director Appointment/Resignation
11 March 2019	Final Director's Interest Notice
12 March 2019	Ceasing to be a substantial holder from CBA
28 June 2019	Preliminary Agreement for the Sale of the Perth facility

All requests for copies of the above documents should be addressed to:

The Company Secretary
Indoor Skydive Australia Group Limited
123 Mulgoa Road
Penrith, NSW 2750
Australia

Certain documents are also available on the Company's website, <http://www.indoorskydiveaustralia.com.au/>.

8.4 Rights and liabilities attaching to Shares

Immediately after issue and allotment, the New Shares will be fully paid Shares and will rank *pari passu* with the Shares currently on issue.

Detailed provisions relating to the rights attaching to the New Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Company's Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Company's Constitution, free of charge.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below.

Each Share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Company's Constitution and the Corporations Act;
- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- the right to receive dividends, according to the amount paid up on the Share;
- the right to receive, in kind, the whole or any part of the Company's property on a winding up, subject to the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- subject to the Corporations Act and ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders, by special resolution at a general meeting.

8.5 Additional New Shares

Eligible Shareholders may also apply for Additional New Shares in excess of their Entitlement. There is no guarantee you will receive the amount of Additional New Shares applied for, if any.

Additional New Shares will only be allocated to Eligible Shareholders if and to the extent that the Company so determines, in its absolute discretion. The Company may apply any scale-back to applications for Additional New Shares in its absolute discretion.

If you apply for Additional New Shares then, the Excess Amount (if any) may be treated as an application to apply for as many Additional New Shares as your Excess Amount will pay for in full.

8.6 Interests of Directors

Other than as set out below or elsewhere in this Prospectus:

8.6.1.1 No Director or proposed Director has, or has had in the two years before lodgement of this Prospectus, an interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Entitlement Offer; or
- the Entitlement Offer itself.

8.6.1.2 No amounts, whether in cash or New Shares or otherwise, have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director either to induce them to become, or to qualify them as, a Director, or otherwise for services rendered by them in connection with:

- the promotion or formation of the Company; or
- the Entitlement Offer (or either of its components).

As at the date of this Prospectus, the Directors and Directors who have retired within the past 6 months of the Lodgement Date, have the following interests in issued securities of the Company, either directly or indirectly:

Director or former Director	Number of Shares	Percentage of issued share capital prior to Entitlement Offer	Number of Options and exercise price (post Entitlement Offer)
Wayne Jones ¹	19,476,307	14.25%	1,100,000 @ \$0.347
Daniel Hogan ¹	18,055,977	13.21%	1,100,000 @ \$0.347
Stephen Baxter	17,039,475	12.47%	6,000,000 @ \$0.247
Jon Brett ²	0	0%	
James Spenceley ²	8,826,251	6.46%	

¹ 16,060,000 Shares are indirectly held by Wayne Jones and Daniel Hogan through their associated entities that each hold 50% of the shares in Excalib-Air Pty Ltd. All Shares held by Excalib-Air Pty Ltd are included in each of Wayne Jones' and Daniel Hogan's holdings above, given their relevant interests in these Shares.

² Jon Brett and James Spenceley stepped down from the Board as at the date of this Prospectus and transitioned into advisory roles.

As disclosed in Section 4.3 above, if the Conversion is approved by Shareholders, the interests of Stephen Baxter will change as set out below:

Director	Number of Shares following Conversion	Percentage of issued share capital following Conversion (Minimum Subscription)	Percentage of issued share capital following Conversion (Maximum Subscription)	Percentage of issued share capital following Conversion (Maximum Subscription) (fully diluted)
Stephen Baxter	137,039,475	30.01%	22.90%	22.69%

8.7 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- Veritas Securities Limited has consented to being named as Lead Manager to the Entitlement Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Veritas Securities Limited;
- Accru Felsers Chartered Accountants has consented to being named in the Corporate Directory of this Prospectus as the Company's auditor to references to them in the form and context in which they appear;
- BDO Corporate Finance (East Coast) Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to references to them in the form and context in which they appear;
- Maddocks has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Maddocks;
- Boardroom Pty Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company.

8.8 Interests of advisers and costs of the Entitlement Offer

Other than as set out below or elsewhere in this Prospectus, no adviser involved in the preparation of this Prospectus (nor any firm in which any adviser is a partner), has held at any time in the past two years any interests in:

- the formation or promotion of the Company;

- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Entitlement Offer; or
- the Entitlement Offer (or any component of it) itself.

In addition, other than as set out below, no amounts (whether in cash, New Shares or otherwise) have been paid or agreed to be paid and no benefits have been given or agreed to be given to any adviser (or any firm in which the adviser is a partner) for services rendered by the adviser, or the adviser's firm in connection with the promotion or formation of the Company or in connection with the Entitlement Offer (or any component of it):

- Veritas Securities Limited has acted as Lead Manager to the Entitlement Offer. In relation to these services, the Company has agreed to pay Veritas Securities Limited a management fee equal to 2% of the gross proceeds of the Entitlement Offer and a selling fee equal to 4% on any Shares placed by Veritas Securities Limited under the Shortfall Placement;
- BDO Corporate Finance (East Coast) Pty Ltd has acted as Investigating Accountant to the Entitlement Offer. In aggregate, the Company has paid or agreed to pay \$50k (plus GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to BDO Corporate Finance (East Coast) Pty Ltd in accordance with their usual time-based charge out rates.
- Maddocks has acted as Australian legal advisers to the Company in relation to this Prospectus and the Entitlement Offer. In aggregate, the Company has paid or agreed to pay 50k (plus GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Maddocks in accordance with their usual time-based charge out rates.

8.9 Not investment advice or financial product advice

The information in this Prospectus is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs or circumstances. The ISA Group is not licensed to (and does not) provide financial product advice in respect of the New Shares or Additional New Shares.

The information in this Prospectus does not take into account the investment objectives, financial situation or needs of you or any particular investor. Before deciding whether to apply for New Shares or Additional New Shares, you should consider whether they are a suitable investment for you in the light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. You should conduct your own independent review, investigation and analysis of Shares the subject of the Entitlement Offer. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser.

8.10 Foreign jurisdictions

The information in this Prospectus has been prepared to comply with the applicable requirements of the securities laws of Australia and New Zealand.

The information in this Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares or otherwise permit a public offering of the New Shares in any jurisdiction outside of Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of this Prospectus, you should

observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

8.10.1 United States

This Prospectus and any material accompanying it may not be released or distributed in the United States. This Prospectus and any material accompanying it does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Entitlements and New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States and the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction of the United States. The New Shares to be offered and sold to Eligible Shareholders will only be offered and sold in '*offshore transactions*' (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S thereunder.

8.10.2 New Zealand

The Entitlement Offer is being extended to Eligible Shareholders in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

8.11 Material contracts

8.11.1 Amendment to Birkdale facility

On 19 June 2018, the Company and Birkdale entered into an agreement for a \$3 million loan facility from Birkdale to the Company (**Birkdale Loan**). The Company was required to grant security over its assets in favour of Birkdale to secure the Company's obligations under the Birkdale Loan facility (**Security**).

Under the terms of a waiver and variation letter deed dated 8 July 2019, the Company and Birkdale have agreed to amend the Birkdale Loan as follows:

8.11.1.1 Conversion of \$1.2m of the outstanding principal on the Birkdale Loan to Shares by the issue of 120 million Shares at the Offer Price under the Entitlement Offer of \$0.01 per Share;

8.11.1.2 extend the repayment date for the outstanding \$1.8m by a further 12 months so that the repayment date is 36 months following the 'Initial Draw Down', being 26 June 2021 (rather than 24 months following 'Initial Draw Down', being 26 June 2020); and

8.11.1.3 the capitalisation of all interest due during the period 1 July 2019 – 30 June 2020.

These amendments are subject to certain conditions, including that the Minimum Subscription under the Entitlement Offer is achieved and all necessary shareholder approvals for the Conversion (being shareholder approval under ASX Listing Rule 10.11 and shareholder approval under section 611(7) of the Corporations Act to the extent required) being obtained.

In the event the Company does not obtain shareholder approval for the Conversion, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan by extending the repayment date for the whole amount of the outstanding principal under the Birkdale Loan, being \$3 million, by a further 12 months to 26 June 2021 (subject to ASX granting a waiver to permit this).

8.11.2 Agreement for the sale of assets of iFLY Perth to SkyVenture

On 27 June 2019, the Company, Indoor Skydive Perth Pty Ltd and SkyVenture entered into an agreement for the sale of the assets of iFLY Perth to SkyVenture subject to certain terms and conditions.

The key terms of the agreement are as follows:

8.11.2.1 in consideration for the transfer of the iFLY Perth assets to SkyVenture, ISA Group will receive the benefit of the following (amongst other things);

- full satisfaction of amounts payable by the ISA Group to SkyVenture under the SkyVenture promissory notes and full satisfaction of all outstanding amounts payable by the ISA Group of companies under the PLAs;
- a royalty suspension period of 4 years for iFLY Downunder (Sydney) and iFLY Gold Coast
- cash payment to ISA Group of A\$500,000; and
- a waiver of any known breach by ISA Group or any of its subsidiaries of any of the PLAs and notes prior to the date of signing;

8.11.2.2 in order to provide time for the asset purchase agreement to be negotiated and completed, SkyVenture has agreed not to exercise any rights it may have on an event of default under the promissory notes or any right it may have to terminate any of the PLAs, for a period of six weeks commencing on the date of the agreement (Forbearance Period). The Forbearance Period can be extended automatically for a period of two weeks if required to obtain any material consents and may be extended for a further period of 4 weeks with SkyVenture's consent;

8.11.2.3 the asset sale is conditional on the terms of an asset sale agreement being approved in writing by Westpac and Birkdale;

8.11.2.4 the agreement may be terminated by SkyVenture at any time prior to the expiry of the Forbearance Period in the following circumstances:

- a matter is disclosed to SkyVenture that has a material adverse effect on the value of the assets of iFLY Perth such that SkyVenture would not have agreed to purchase iFLY Perth or would have agreed to purchase iFLY Perth on materially less favourable terms;
- the obligations to customers for prepaid flights for iFLY Perth exceeds the agreed amount by \$50,000; or
- Westpac or Birkdale terminate their separate written agreements or otherwise take any action inconsistent with those agreements; and

8.11.2.5 the agreement can also be terminated by SkyVenture at the expiration of the Forbearance Period if by that time, the landlord for iFLY Perth has not consented to the assignment of the lease to SkyVenture on terms reasonably acceptable to SkyVenture or the asset purchase agreement has not been agreed and executed.

Details of this agreement can also be found in the Company's ASX announcement dated 28 June 2019.

8.11.3 Veritas Mandate

On 2 July 2019, the Company and the Lead Manager entered into a mandate letter agreement (**Mandate**) for the appointment of Veritas Securities Limited to act as sole and exclusive Lead Manager to the Entitlement Offer.

The Company has agreed to pay the Lead Manager a management fee equal to 2% of the total amount raised under the Entitlement Offer and a selling fee equal to 4% on any Shares placed by the Lead Manager under the Shortfall Placement.

In addition to the fees mentioned above, the Company has agreed to reimburse the Lead Manager for certain agreed costs and expenses incurred by the Lead Manager in relation to the Entitlement Offer.

The Lead Manager may terminate the Mandate at any time prior to the allotment of Shares on the occurrence of certain termination events many of which are market standard termination events. The termination events include a right for the Lead Manager to terminate the Mandate if the Entitlement Offer is not achieved within six months of the commencement date, the Company undergoes a change of control or the Company becomes insolvent.

8.12 ASX waiver

ASX previously granted the Company a waiver on 12 July 2018 from ASX Listing Rule 10.1 to the extent necessary to permit the Company to grant the security under the Birkdale Loan without obtaining shareholder approval. The waiver included certain conditions with one of these conditions being that any variation to the terms of the Birkdale Loan and Security which is (a) not a minor change or (b) inconsistent with the terms of the waiver, must be subject to shareholder approval.

As noted in section 8.11, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan to (amongst other things) permit conversion of \$1.2 million of the Birkdale Loan to Shares (subject to shareholder approval) and to extend the repayment date for the balance of the Birkdale Loan, namely \$1.8 million, by a further 12 months (subject to ASX granting a waiver to permit this). If the Company does not obtain shareholder approval, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan to extend the repayment date for whole amount of the Birkdale Loan, namely \$3 million, by a further 12 months (subject to ASX granting a waiver to permit this).

The Company has submitted an application to ASX requesting it confirm that shareholder approval of the amendments to the Birkdale Loan is not required and requesting that ASX re-issue a new waiver on the same terms as the previous ASX waiver that applies to the amended Birkdale Loan and Security, subject to the same conditions. As the extension to the Birkdale Loan is subject to obtaining all necessary ASX waivers, if ASX does not grant this confirmation or request an updated or new waiver, then the extension of the Birkdale Loan will not come into effect.

8.13 Information availability

Eligible Shareholders in Australia and New Zealand can obtain a copy of this Prospectus during the Entitlement Offer period by calling the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (from outside Australia) at any time from 8.30am to 5.30pm (Sydney time) Monday to Friday.

A replacement Entitlement and Acceptance Form can be requested by calling the Share Registry. Neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be distributed to or relied upon by, persons that are in the United States or otherwise distributed in the United States.

8.14 Litigation and Claims

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company (or any other member of the Group) is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company or the Group.

8.15 Past performance

Past performance and pro-forma historical financial information given in this Prospectus is provided for illustrative purposes only and is not, and should not be relied upon as, an indication

of future performance. The historical information in this Prospectus is, or is based upon, information that has been released to the market. For further information, please see past announcements released to ASX.

8.16 Notice to nominees and custodians

Nominees and custodians who hold Shares as nominees or custodians will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter.

8.17 Consents to lodgement of this Prospectus

Each Director of the Company has consented, and not withdrawn their consent, to the lodgement of this Prospectus with ASIC as required by section 720 of the Corporations Act.

Term	Meaning
Additional New Shares	New Shares in addition to the Eligible Shareholder's Entitlement for which an Applicant makes an Application, as described in section 8.5.
Applicant	An Eligible Shareholder who validly applies for New Shares (and, if applicable, Additional New Shares) under the Entitlement Offer in accordance with the Prospectus
Application	An application made on a personalised Entitlement and Acceptance Form to apply for New Shares (and, if applicable, Additional New Shares) under the Entitlement Offer in accordance with this Prospectus
Application Monies	Monies received from Eligible Shareholders in respect of their Applications.
ASIC	Australian Securities and Investments Commission
ASX or Australian Securities Exchange	ASX Limited (ABN 98 008 624 691), or the financial market operated by it, as the context requires
ASX Listing Rules	The official listing rules of ASX, as amended or waived from time to time
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ATO	Australian Tax Office
\$ or Australian dollar or cent	The lawful currency of the Commonwealth of Australia cent Australian Accounting Standards
Australian Accounting Standards or AAS	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations
Birkdale	Birkdale Holdings (Qld) Pty Ltd ACN 120 407 980.
Birkdale Loan	The agreement for a \$3 million loan facility from Birkdale to the Company.
Board	The board of directors of the Company from time to time
CGT	Capital gains tax
CHESS	Clearing House Electronic Subregister System operated in accordance with the Corporations Act
Closing Date	1 August 2019.
Company or ISA Group	Indoor Skydive Australia Group Limited ACN 154 103 607
Constitution	The constitution of the Company

Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Conversion	Means conversion of \$1.2 million of the loan from Birkdale to the Company into New Shares at the Offer Price.
CRN	Customer Reference Number
Director or Directors	A member of the board of directors of the Company from time to time
Eligible Shareholders	Shareholders with a registered address in Australia, New Zealand as at the Record Date
Entitlement	The number of New Shares that an Eligible Shareholder is entitled to apply for under the Entitlement Offer, as determined by the number of Shares held by that Eligible Shareholder on the Record Date
Entitlement and Acceptance Form	The personalised form accompanying this Prospectus which Eligible Shareholders may use to apply for New Shares (and, if applicable, Additional New Shares)
Entitlement Offer	The renounceable entitlement offer of New Shares in the Company in the ratio of 2.5 New Shares for each 1 Share held on the Record Date.
Excess Amount	Amounts received by ISA Group from a Shareholder for Additional New Shares in excess of that Shareholder's full Entitlement.
Expiry Date	The date which is 13 months after the Lodgement Date, after which date no New Shares (or Additional New Shares, if applicable) will be issued under this Prospectus
Financial Information	Has the meaning given in Section 5
Group	The Company and its subsidiaries
GST	Goods and services or similar tax imposed in Australia
HIN	Holder Identification Number
iFLY Perth	The indoor skydiving facility located in Perth, Western Australia.
iFLY Perth Sale	The sale of the assets of iFLY Perth to SkyVenture as contemplated by the agreement described in Section 8.11.2
IFRS	International Financial Reporting Standards
ISA Group or Company	Indoor Skydive Australia Group Limited ACN 154 103 607
Ineligible Foreign Shareholders	Shareholders who are in the United States or have registered addresses outside Australia and New Zealand.
Ineligible Shareholders	Shareholders who do not satisfy each of the criteria to be an Eligible Shareholder, including Ineligible Foreign Shareholders.

Lead Manager	Veritas Securities Limited AFSL No. 239 052
Lodgement Date	15 July 2019, being the date, this Prospectus is lodged with ASIC
Management	Senior management of the Company
Maximum Subscription	The maximum amount to be raised by the Company under the Entitlement Offer and Shortfall Placement, being \$3.4 million.
Minimum Subscription	The minimum amount to be raised by the Company under the Entitlement Offer and Shortfall Placement, being \$2 million.
New Share or New Shares	The fully paid ordinary shares in the Company offered under the Entitlement Offer which will rank equally with existing Shares from the date of issue
Nominee	Veritas Nominees Pty Ltd ACN 111 849 239
Offer Price	The price payable for a New Share (or Additional New Share, if applicable) under the Entitlement Offer, being \$0.01 per New Share
PLAs	The Purchase and License Agreements between the relevant ISA Group entity and SkyVenture.
Prospectus	This prospectus dated 15 July 2019 prepared by the Company in accordance with section 713 of the Corporations Act in respect of the Entitlement Offer
Record Date	The record date for the Entitlement Offer, being 7.00pm (Sydney time) on 18 July 2019
Share	A fully paid ordinary share in the Company
Shareholder	The registered holder of a Share
Share Registry	Boardroom Pty Limited
Shortfall Placement	The potential placement of a Shares by the Company to third party investors to the extent that Eligible Shareholders (or persons acquiring Entitlements on-market) do not take up the Entitlements in full.
SkyVenture	SkyVenture International Ltd.
SRN	Security Reference Number
U.S. Securities Act	United States Securities Act of 1933, as amended
Veritas	Veritas Securities Limited.
VR	Virtual Reality.
VWAP	Has the meaning set out in the Listing Rules.

Corporate directory

Registered office

Indoor Skydive Australia Group Limited
123 Mulgoa Road
Penrith, NSW 2750
Australia
Email: info@indoorskydive.com.au

Phone: 02 4761 1880

Website

<http://www.indoorskydiveaustralia.com.au/>

Stock Exchange listing

ISA Group's Shares are listed on ASX (code 'IDZ')

Lead Manager

Veritas Securities Limited

Level 4
175 Macquarie Street
Sydney NSW 2000

Auditor

Accru Felsers Chartered Accountants

Level 6
1 Chifley Square
Sydney NSW 2000

Australian legal adviser

Maddocks

Level 27, Angel Place
123 Pitt Street
Sydney NSW 2000

Investigating Accountant

BDO Corporate Finance (East Coast) Pty Ltd

Level 11
1 Margaret Street
Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Offer information line

Australia 1300 737 760
International +61 2 9290 9600

Open 8.30am to 5.30pm (Sydney time) Monday
to Friday (during the Entitlement Offer period)

ENTITLEMENT & ACCEPTANCE FORM

STOCK BROKER USE ONLY		
Date	Entitlement Reduced to	Signed By

Entitlement No.

Subregister

SRN/HIN.

Number of Shares held at 5pm
on 18 July 2019

RENOUNCEABLE ENTITLEMENT OFFER OF NEW SHARES AT AN ISSUE PRICE OF \$0.01 PER NEW SHARE ON THE BASIS OF 2.5 NEW SHARES FOR EVERY ONE (1) ORDINARY SHARE HELD, PAYABLE IN FULL UPON ACCEPTANCE OF THE INVITATION TO YOU TO PARTICIPATE IN THE ENTITLEMENT OFFER. DEFINED TERMS IN THE PROSPECTUS HAVE THE SAME MEANING IN THIS ENTITLEMENT AND ACCEPTANCE FORM.

If you are in doubt as to how to deal with this form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to participate in the Entitlement Offer and you should read the entire Prospectus carefully before participating in the Entitlement Offer.

A Entitlement Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by no later than 5pm on 1 August 2019 (AEST) with payment will constitute acceptance of the invitation to you to participate in the Entitlement Offer. Your signature is only required when an alteration to your address is indicated by you over the page.

If you pay by BPAY you do not need to return this form

Right to subscribe for New Shares on the basis of 2.5 New Shares for every 1 Ordinary Share held	Issue Price Per New Share	Amount Payable for Full Acceptance, at \$0.01 per New Share
	\$0.01 per New Share =	

If you wish to accept **PART OF YOUR ENTITLEMENT ONLY** please complete this form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and the appropriate amount payable.

Number of New Shares accepted	Issue Price Per New Share	Amount Enclosed
	\$0.01 per New Share =	\$

B Apply for Additional New Shares (if available)

If you wish to apply for Additional New Shares in addition to your Entitlement above please insert the number of Additional New Shares in the box below and the appropriate amount payable. These Additional New Shares will only be allotted if available.

Number of Additional New Shares Applied for	Price Per Additional New Share	Amount
	\$0.01	\$

C Payment

Payment may only be made by BPAY, cheque or bank draft. Cash will not be accepted via the mail or at the Indoor Skydive Australia Group Limited Share Registry.

Payments cannot be made at any bank.

Payment Option 1 - BPAY



Bill Code:
Ref:

Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque or savings account.

More info: www.bpay.com.au

© Registered to BPAY Ltd ABN 69 079 137 518

- To pay via BPAY please contact your participating financial institution
- If paying by BPAY you do not need to return the Application Form**
- If paying by BPAY the amount of your payment received in the account divided by the issue price will be deemed to be the total number of shares you are applying for.

Payment Option 2 – Cheque (Record cheque details below)

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques or bank drafts (if applicable) in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque or bank draft must be made payable to Indoor Skydive Australia Group Limited - Entitlement Offer and crossed Not Negotiable.
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

D Contact Details

CONTACT NAME	EMAIL ADDRESS	TELEPHONE – WORK	TELEPHONE - HOME

THIS FORM CONTINUES OVERLEAF

Important Information: This document is of value and requires your immediate attention. If in doubt consult your stockbroker, solicitor, accountant or other professional advisor without delay.

The offer to which this Entitlement and Acceptance Form relates does not constitute an offer to any person who is not an Eligible Shareholder, and in particular is not being made to Shareholders with registered addresses outside Australia or New Zealand. This Entitlement and Acceptance Form does not constitute an offer in the United States of America (or to, or for the account or benefit of, US Persons) or in any jurisdiction in which, or to any persons to whom it would not be lawful to make such an offer.

ACCEPTANCE OF THE ENTILEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Share Registry, or making payment by BPAY, by 5.00pm AEST on 1 August 2019:

- you represent and warrant that you have read and understood and agree to the terms set out on this form and the accompanying prospectus.
- you represent and warrant that you are not located in the United States or a US Person and are not acting for the account or benefit of a US Person or any other foreign person;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the constitution of Indoor Skydive Australia Group Limited; and
- your application to acquire New Shares is irrevocable and may not be varied or withdrawn except as allowed by law.

HOW TO ACCEPT NEW SHARES OFFERED

1. **BPAY payment method:** The total amount payable to accept your entitlement in full is shown in section A on the front of this form. Contact your Australian bank, credit union or building society to make this payment from your cheque, savings or credit account. For more information visit: www.bpay.com.au. Refer to the front of this form for the Biller Code and Customer Reference Number. Payments must be received by BPAY before 5.00 pm AEST on 1 August 2019.

If the BPAY payment is for any reason not received in full, the Company may treat you as applying for as many New Shares as will be paid for by the cleared funds. Shareholders using the BPAY facility will be bound by the provisions relating to this Offer. **You are not required to submit this Entitlement and Acceptance Form if you elect to make payment using BPAY.**

2. **Cheque payment method:** The total amount payable to accept your entitlement in full is shown in section A on the front of this form. Complete your payment details in section D and send your cheque/bank draft and the completed form to Boardroom Pty Limited at the address shown below so as to reach the Share Registry before the close of the Offer at 5.00pm AEST on 1 August 2019. A reply paid envelope is enclosed for your convenience.

Postal Delivery:

Indoor Skydive Australia Group Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Hand Delivery:

Indoor Skydive Australia Group Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000

TO ACCEPT SOME OF THE NEW SHARES OFFERED AND SELL THE REMAINING ENTITLEMENTS THROUGH A STOCKBROKER

Insert in the boxes on the front of this Entitlement and Acceptance Form:

- the number of New Shares accepted; and
- the amount of the cheque for those New Shares.

Indicate in the "Instructions to Your Stockbroker" section below, the number of New Shares you intend to accept, the amount of your cheque for those New Shares and the number of Entitlements which you intend to sell through a stockbroker. Send the Entitlement and Acceptance Form to your stockbroker with your cheque for the New Shares accepted. Sale of your Entitlement must be completed by 25 July 2019 when Entitlements trading ceases.

TO SELL ALL YOUR ENTITLEMENTS THROUGH A STOCKBROKER

Insert the information required in the "Instructions to Your Stockbroker" section below. Send the Entitlement and Acceptance Form to your stockbroker. Sale of your Entitlement must be completed by 25 July 2019 when Entitlements trading ceases.

TO RENOUNCE SOME OR ALL OF YOUR ENTILEMENTS OTHER THAN THROUGH A STOCKBROKER (ISSUER SPONSORED HOLDERS ONLY)

Obtain a Standard Renunciation Form from your stockbroker or Boardroom Pty Limited. Complete the Standard Renunciation Form with the number of Entitlements you are renouncing, making sure that it is signed by both you and the buyer, and your SRN (Securityholder Reference Number) is noted. If you are accepting some of the New Shares offered, insert in the boxes on the front of this Entitlement and Acceptance Form:

- the number of New Shares accepted, and
- the amount of your cheque for those New Shares.

Lodge both the Standard Renunciation Form and the Entitlement and Acceptance Form with Boardroom Pty Limited by 5pm AEST on 25 July 2019, together with your cheque for any New Shares you are accepting.

Entitlements trading commences on 17 July 2019 and ceases on 25 July 2019 by which time any sale of part or all of your Entitlement must be completed.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT BOARDROOM PTY LIMITED FOR ASSISTANCE ON (02) 9290 9600.

Instructions to Your Stockbroker

To be completed and sent to your stockbroker only if you wish to sell the whole or part of your Entitlement.

Please insert the appropriate number in each of the boxes below:

Number of the New Shares which I intend to ACCEPT

Number of Entitlements which I intend to SELL

I attach a cheque/draft for the full amount of New Shares accepted.

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Intentionally left blank.

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