



*A visionary adventure leisure company bringing
Specialised Experiential, Training and Simulation
solutions across the region.*

Debt Restructure and Half Year Results For the period ended 31 December 2020

18 March 2021

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1. Key Highlights

REVENUE \$3.5m / +3%

Despite restrictions, closures and general customer apprehension brought on by COVID-19 outbreaks across the country.

EBITDA +\$868k v -\$1,651k

Increase in EBITDA due to increased revenue, reduction in overheads, more effective marketing and more efficient systems

2x New Virtual Reality Venues Opened

FREAK Gold Coast opened 5th September 2020

FREAK Westfield Bondi Junction opened 13th November 2020 – first stand-alone venue

Further expansion underway

Balance Sheet strengthened NTA +\$7.7M Post reporting period.

Debt restructure – the company has reached final agreements with Westpac Banking Corporation, Causeway Financial, Birkdale Holdings and other creditors resulting in an increase to net tangible assets of **\$7.7m**

1. Comparatives Revenue and EBITDA 1H21 v 1H20

2. Debt Restructure

Over the past 12 months ISA Group have been executing a strategy of repair after the costly legal dispute in 2018. The debt restructure, resulting in an **improvement of \$7.7m to the NTA of the company**, marks the final phase of the “repair” stage in the company's strategic plan.

The following agreements have been finalised in February/March 2021 and therefore are not reflected in the HY21 results;

Westpac Banking Corporation

- Deed of Settlement and Release signed 17 March 21
- WBC has agreed to forgive \$7.5m of existing debt plus outstanding interest for a payment of \$2.6m

New Debt facility

- A new debt facility has been entered into between ISA Group and Causeway Financial for \$4m
- Key terms
 - 3-year term with ability to repay early
 - Interest only period for first 6 months
- Use of funds
 - Finance the settlement of WBC loan facilities \$2.6m
 - Provide additional working capital (after fees) \$1m

Birkdale Holdings

- As outlined in the prospectus dated 15 July 2019, \$1.2m from the Birkdale debt facility will convert into ISA Group shares at \$0.01 per share, pending shareholder approval.
- The remaining balance of \$2.27m which includes capitalised outstanding interest of \$467k has been rolled into a new subordinated loan agreement on the following terms;
 - 5.5-year term
 - Interest only for 2 years with interest capitalising
 - Interest and principal payments commencing on year 3

Other

- Creditor write downs of \$942k including legal services associated with the arbitration conducted in 2018 and outstanding director fees.

2. Debt Restructure cont.

Summary of Changes to Financial Position post reporting period

	Consolidated Group as at 31 Dec 2020 \$ '000	Consolidated Group post restructure* \$ '000	Change \$ '000
Assets			
Total Current Assets	2,038	2,751	713
Total Non-current Assets	35,188	35,588	400
Total Assets	37,226	38,339	1,113
Liabilities			
Total Current Liabilities	(7,483)	(3,465)	4,018
Total Non-current Liabilities	(19,175)	(16,634)	2,541
Total Liabilities	(26,658)	(20,099)	6,559
Net Assets	10,568	18,240	7,672

**Unaudited Pro Forma balance sheet as at 31 Dec 20*

3. 1H21 Results & Analysis Overview

	1H 2021 ('000)	1H 2020 ('000)	Change
Revenue and other income	\$3,966	\$3,406	16.4%
Gross Profit	\$2,670	\$2,508	6.5%
EBITDA	\$868	(\$1,651)	
Adjusted EBITDA with non-cash royalty expense*	\$1,151	(\$1,327)	
NPAT	(\$626)	(\$3,376)	81.5%

*1H21 excludes non-cash royalty pre-payment expense of \$283k, 1H20 \$324k

1H 2021 commentary

- Revenue & other income reconciles as;
 - Wind tunnel \$3.08m
 - FREAK Entertainment \$0.24m
 - 2 x centres + 6 weeks of Bondi operations
 - Other sales \$0.18m
 - Grant income \$0.46m
- COVID-19 closures and restrictions affecting August and late December quite heavily across iFLY and FREAK businesses.
 - No international tourism
 - Border closures
 - Outbreaks throughout Sydney
- Despite restrictions, revenue and earnings from operations still outperformed same period last year

3. 1H21 Results & Analysis - Balance Sheet

Prior to debt restructure	31 Dec 20 (‘000)	30 Jun 20 (‘000)
Cash and cash equivalents	820	234
Property, plant and equipment	24,329	24,667
Total Assets	37,226	36,956
Borrowings	10,503	10,450
Deferred revenue	992	860
Lease Liability	10,243	9,974
Total Liabilities	26,658	25,763
Net Assets	\$10,568	\$11,194

1H 2021 commentary

- Cash position improvement due to increased sales post COVID-19 closures
- Deferred revenue represents prepaid sales in respect of flight time purchased in advance. An increase in pre-sales over the period.
- The audited balance sheet does not take into account the debt restructure that was finalised on 17th March 21 resulting in the following;
 - Total Assets increasing by \$1.1m
 - Total Liabilities decreasing by \$6.6m
 - Net Assets increasing by \$7.7m
 - See slides 5 & 6 for more detail on restructure

3. 1H21 Results & Analysis – Cashflow

	31 December 2020 (‘000)	31 December 2019 (‘000)
Total Cash receipts	4,298	4,380
Payment to suppliers & employees	(2,880)	(3,809)
Payments for prior periods	(515)	(1,185)
Net Cash from operations	903	(735)
Net Cash from Investing Activities	(317)	(332)
Net Cash from Financing	-	1,241
Net cash movement	586	175

1H 2021 commentary

- Total cash receipts includes other operational income and grants of \$585k
- 2019 comparative includes 2 months of Perth sales
- Net cashflow from operations includes the repayment of \$515k to aged creditors from prior periods.
- The group generated positive cashflows from normal operations during the half year of \$1.42m
- Investing activities include; FREAK Entertainment expansion Gold Coast and Bondi Junction locations

4. Strategy Update

Repair Phase Complete

- Repair to Balance sheet and debt restructure complete
- Working Capital Raised

- Optimising Operations
- Efficiency in Systems
- Improved Customer Acquisition

- Organic Growth through FREAK Entertainment
- First 3 sites established and tested in NSW & QLD
- Mobile VR units underway

Growth and Diversification Phase in Progress

- Fully Funded FREAK Entertainment Rollout in progress
- Multiple new sites currently under investigation
- Franchise model under development

- Development and execution of immersive training & simulation business
- Industry/Enterprise applications of VR/AR

- Strengthening of Board of Directors
- Further diversification and growth through acquisition

4. Strategy Update

Current Operations

- Stable Operations
 - 2 Wind Tunnel Facilities
 - 3 Virtual Reality Centres
- Organic VR Rollout underway
- Geared for Growth
- Highly Scalable Systems

Current Projects

- Development of FREAK Franchise model
- R&D and Execution of Immersive Training & Simulations
 - Channel partnerships
 - Training organisations

Resulting in:

- Diversified portfolio of entertainment and training facilities and services
- Global Scalability through licencing and services
- Steady income streams through diversified industries

Contingencies:

- Advancements in Technology
- Execution Risk
- Economic uncertainty



Managed by:

- Key supplier relationships
- Project timeline management
- Cashflow management

Further Expansion

- APAC leader in immersive entertainment and training
- Upstream acquisition opportunities
- Broadening of industry and military applications of Immersive technology-based training

Positioned for Growth



Debt Restructure Complete

Balance sheet strengthened through debt reduction and working capital injection



Operational Stability

Sales and Revenue improvement with strong cashflows and a stable cost base.



Clear Strategy for Growth

Australian and global opportunities through entertainment and training facilities and services



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