

**Indoor Skydive Australia Group Limited (ASX:IDZ) (ISA Group)**  
**ACN 154 103 607**

**ASX/Media Release**  
**Sydney, Australia – 26<sup>th</sup> October 2021**

**Quarterly Activities Report**

**Indoor Skydive Australia Group Limited (ASX:IDZ) (ISA Group)** is pleased to provide its Quarterly Activities Report and Appendix 4C for the quarter ending 30 September 2021.

Due to the government enforced closures and restrictions across the Eastern states of Australia, ISA Group's NSW based entertainment facilities were closed throughout the entire period. The company continued to operate the Queensland businesses under COVID restrictions. NSW lockdowns were lifted on the 11<sup>th</sup> October and business has returned to normal.

The company used the closure period to complete the following activities;

- The acquisition and subsequent completion of Red Cartel, Virtual Reality Production Studio
- The launch of ISA Group's military training company, Operator Tactical Solutions
- The announcement of the change of name from ISA Group to xReality Group
- Commencing works and purchase of equipment for FREAK Macquarie Centre
- Facility refurbishment and upgrades to iFLY Downunder (Sydney)

**Acquisition and Completion of Red Cartel**

On the 11<sup>th</sup> of August 21 the company announced the acquisition of Red Cartel, Virtual Reality Production Studio. Completion was achieved on the 24<sup>th</sup> August 21.

Red Cartel are one of Australia's leading experts in VR, AR, XR, location-based entertainment and premium animated content for Games, Venues and Enterprise. The company has over 20 years of experience servicing a large number of industries including Entertainment, Oil and Gas, Mining, Healthcare and Government.

ISA Group acquired all of the assets of Red Cartel including the brand, all intellectual property, working files and hardware. As part of the transaction, key employees, including Red Cartel's founder, became employees of ISA Group.

New capabilities for ISA Group include;

- Creation of games for FREAK Entertainment

Red Cartel has previously built a world class Virtual Reality free roam game and will design and create new free roam and arcade style content to suit current and future FREAK venues. FREAK is currently looking at multiple high through-put shorter experiences to suit theme parks, festivals and other high foot traffic areas. The ability to design, build and operate these experiences will increase the current offering under the FREAK brand.

- Defence and Industry Capabilities

The acquisition also included a cutting edge military Virtual Reality training tool which has been custom built by Red Cartel over the past 12 months. The tactical trainer has been developed with current defence requirements in mind and is scheduled for live trials within 6 months of the acquisition. The ability to provide turnkey solutions and support to global Defence markets forms part of the simulation training strategy that ISA Group put into motion last year.

- IP ownership and additional revenue streams

Acquiring inhouse Intellectual Property removes upstream limitations to the FREAK Entertainment rollout, and enables the delivery of franchise and “Turn Key” system business models. Outside of FREAK, Red Cartel’s in-house development capability greatly increases ISA Group’s ability to add additional revenue streams such as licencing, support and partnerships with Enterprise markets.

### **Launch of Military Training Company – Operator Tactical Solutions**

On the 18<sup>th</sup> August 21, ISA Group announced the launch of it’s new business unit, Operator Tactical Solutions (Operator).

Operator builds training and simulation products for global defence and law enforcement agencies, using Virtual Reality and Augmented Reality technologies.

Operator was created to solve the problem of integrating training with technology, increasing soldiers performance and complementing existing training systems. Operator, a wholly owned subsidiary of ISA Group, has been established to capture Defence and related projects within the company.

Operator’s first product is a “free roam” Virtual Reality based tactical training solution, that allows tactical teams to train drills without the need for specialised facilities. The product prototype is complete and a minimum viable product will be ready by November 2021 for field testing. Pilots are being targeted towards Australian and US Special Forces in late 2021. Red Cartel, ISA Group’s in-house Virtual Reality production company is developing the system.

The company is currently in discussions with US distributors and is currently finalising it’s go to market strategy, including developing it’s processes and procedures to comply with industry requirements to be “defence ready”.

### **Change of name to xReality Group Ltd**

On the 18<sup>th</sup> of August 21, the company announced that In line with the growth strategy and the broadening of the target market, Indoor Skydive Australia Group will be changing its name to xReality Group Ltd.



Pending shareholder approval, to be obtained at the upcoming AGM, the new name will be in effect and the ASX code will be changed to ASX:XRG.

### **FREAK Macquarie Centre Works**

On the 9<sup>th</sup> September 2021, ISA Group announced that FREAK Entertainment is opening its fourth venue, FREAK Macquarie Centre, in late November 2021.

ISA Group have entered into agreements with centre owner AMP Capital for a 5 year lease of the retail site, located in the affluent north shore area of Sydney.

Works on the site have been progressing well and the store is scheduled to open it's doors to the public on the 22nd November 2021.

Macquarie Centre, based in North Ryde is a leading Sydney shopping centre, servicing corporate headquarters, Macquarie University and a large local area population. The centre is close to train lines, buses, and the new Sydney metro.

FREAK Macquarie is a 127m<sup>2</sup> venue that will include FREAK's flagship free roam "Arena", with games Arizona Sunshine Arena and Ghost Patrol. Both games are exclusive to FREAK in Australia.

In addition, the venue will feature a 4 player Assassins Creed themed VR escape room, and 4x full motion VR racing simulators with world leading car racing game Project Cars Pro.

The facility will be located on Level 4 within the entertainment hub of the shopping centre. FREAK will enjoy extended trading hours within close proximity to Timezone, cinemas, a premium gym and dining areas.

### **Facility refurbishment and upgrades to iFLY Downunder (Sydney)**

During the quarter the company used the closures to carry out a full refurbishment of the iFLY Downunder facility. Works included upgrades to fittings, new carpet, furniture, painting, mechanical and electrical maintenance and external building works.

## Summary of Expenses

Net cash from operating activities was -\$715k for the quarter, this reconciles as receipts from customers of \$615k plus grant income of \$126k less expenses of \$1.34m which includes insurance premium pre-payments, costs associated with the debt restructure and other expenses associated with future business activities. There was an additional \$116k of creditor payments from prior financial years.

Related parties expenses of \$67k reconcile as; executive director remuneration of \$60k and non-executive director fees of \$7k from FY2020.

Further information on ISA Group is available at [www.indoorskydiveaustralia.com.au](http://www.indoorskydiveaustralia.com.au).

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

Indoor Skydive Australia Group Limited is changing to xReality Group Limited. This change reflects an evolution in company direction from indoor skydiving facilities to building physical and digital simulations. Portfolio companies include Indoor Skydiving facilities, Virtual Reality (VR) and Augmented Reality (AR) entertainment, training, and production.

The Company listed on ASX on 18 January 2013 under the code IDZ.

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

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Indoor Skydive Australia Group Ltd

**ABN**

39 154 103 607

**Quarter ended ("current quarter")**

30 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A</b>	<b>Year to date (3 months) \$A</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	614,579	614,579
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-406,010	-406,010
(c) advertising and marketing	-46,891	-46,891
(d) leased assets	-21,770	-21,770
(e) staff costs	-489,759	-489,759
(f) administration and corporate costs	-206,688	-206,688
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-169,735	-169,735
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	126,000	126,000
1.8 Other (creditors from prior periods)	-115,577	-115,577
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-715,850</b>	<b>-715,850</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
	(f) other non-current assets	-228,114	-228,114
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>-228,114</b>	<b>-228,114</b>
3.	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (creditor settlement to facilitate debt restructure)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
4.	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,761,186	1,761,186
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-715,850	-715,850

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-228,114	-228,114
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>817,221</b>	<b>817,221</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	817,221	1,761,186
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>817,221</b>	<b>1,761,186</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A
67,170
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Salaries and superannuation to executive Directors, and Director's fees to former Director.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</b>
7.1 Loan facilities	4,000,000	4,000,000
7.2 Credit standby arrangements	-	-
7.3 Other (Birkdale Holdings (Qld) Pty Ltd)	3,560,818	3,560,818
7.4 <b>Total financing facilities</b>	7,560,818	7,560,818

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Causeway Financial – secured – 12.75%  
Birkdale Holdings (Qld) Pty Ltd – secured – 7%

<b>8. Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	-715,850
8.2 Cash and cash equivalents at quarter end (Item 4.6)	817,221
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	817,221
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	1.14

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

No. The net operating cashflow for the period includes the one-off expenses associated with the acquisition of a virtual reality company, the establishment of a new military training company, Operator Tactical Solutions and the expenses associated with the debt restructure and professional advice on the above matters. All NSW cash generating operations were closed during the entire period due to COVID government enforced lockdowns. All operations re-opened from the 11<sup>th</sup> of October and sales have returned to pre-lockdown levels.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

No.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, operations across NSW have now returned to normal.



### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....

Authorised by: .....  
(By the board)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.