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INTERNATIONAL

**31 December 2018
Half Year Results Presentation**

28 February 2019

Results Key Points

- **Statutory loss of \$(36.8) million versus a loss of \$(133.8) million in 1H18**
 - Underlying results consistent with recent trading updates
 - Reported results include \$38.2m non-cash impairment charge of the value of the Star Vegas casino license
 - Underlying NPAT of \$2.7 million excludes casino license impairment, net exchange loss of \$0.5m and non-recurring legal costs of \$0.8m
 - Previous corresponding period (pcp) included impairment charge in the value of the Star Vegas casino license, following the Thai vendor's breaches of contract
- **Management has been effectively rebuilding the Star Vegas business**
 - New VIP junkets drove 103% increase in VIP rolling chip turnover
 - New marketing programs drove 31% increase in casino visitation
 - Introduction of new mass market tour groups from China and Korea is expected to generate meaningful revenue from the June 2019 half
- **Aristo temporarily affected by Chinese crime syndicate. Results improved from September**
 - VIP turnover down to RMB 1.1 billion (from 6.9 billion in pcp). VIP net gaming revenue down 64%, but main hall net gaming revenue was up 2%
 - Strong recovery in VIP business in November and December 2018
 - Operating expenses reduced in the December half (down 13%), even though marketing initiatives were increased, driving an overall increase in casino visitation of 3%
 - Aristo business almost back to normal in January 2019, with unaudited EBITDA of USD0.8m

Group Financial Performance Summary

All figures in AUD (millions)	1H19	1H18
Group Revenue	39.7	43.9
<i>Star Vegas</i>	32.3	32.2
<i>Aristo International Hotel</i>	7.4	11.6
<i>Corporate Operations</i>	0.0	0.0
EBITDA	12.9	19.4
<i>Star Vegas</i>	13.2	18.7
<i>Aristo International Hotel</i>	2.7	6.4
<i>Corporate Operations</i>	(3.0)	(5.7)
Statutory NPAT	(36.8)	(133.8)
Underlying NPAT	2.7	8.2

- Underlying results consistent with trading updates provided during the AGM and in January
- Revenue at Star Vegas is recovering due to the rebuilding of the VIP junket business
- Star Vegas VIP win rate of 2.81% (3.32% in pcp), compared to the theoretical win rate of 2.85%
- Revenue at Aristo impacted by disruption caused by Chinese crime syndicate. Management reacted promptly and the VIP business has recovered strongly
- Underlying EBITDA decreased to AUD 12.9m (\$19.4 in pcp), due to investment in online gaming operations at Star Vegas, and lower revenue at Aristo
- Corporate Operations costs significantly reduced (by 47%), due to lower Board and senior management expenses, and lower marketing costs
- Statutory NPAT includes non-recurring items
- Underlying NPAT of \$2.7m excludes non-cash casino license impairment of \$38.2m, net exchange loss of \$0.5m and non-recurring legal costs of \$0.8m

Non-Recurring Items

All figures in AUD (millions)	1H19	1H18
Star Vegas impairment	(38.2)	(143.0)
Net Exchange Loss	(0.5)	0.4
Non-recurring legal costs	(0.8)	-
Warrant Revaluation Income	-	0.6
Total	(39.5)	(142.0)

Non-recurring items include:

- Non-cash impairment charge on value of Star Vegas casino license
- Net forex gains and losses classified as non-recurring items (consistent with FY18 presentation)
- Non-recurring legal costs incurred in litigation process with Thai Vendor
- 1H18 included \$0.6m of warrant revaluation income

Group Balance Sheet

All figures in AUD (millions)	31-Dec-18	30-Jun-18	% Change
Cash and cash equivalents	33.8	47.1	(28%)
PP&E	169.2	162.2	4%
Intangibles (including licences)	227.8	254.1	(10%)
Other Assets	19.0	14.8	29%
Total Assets	449.9	478.1	(6%)
Borrowings	61.2	70.4	(13%)
Trade and other payables	36.6	34.7	6%
Other liabilities	0.8	3.3	(74%)
Net Assets	351.2	369.7	(5%)

- Cash holdings of A\$33.8 million at 31 Dec 2018
 - Cash balance affected by high amortization rate for the Mega Bank loan
- Movement in Intangibles and PP&E reflects the Non-cash impairment charge of Star Vegas license and foreign exchange adjustments
- Reduction in borrowings reflects ongoing principal repayments under the Mega Bank loan facility
 - Low net debt to equity of 7.8%, compared to 6.3% at 30 June 2018
 - Mega Bank debt now reduced to USD31 million, following additional repayment of USD8.55 million in February 2019
 - Discussions under way with Mega Bank to restructure the loan, extending the tenor and reducing the repayments

Cash flow

All figures in AUD (millions)	1H19	1H18
Cash flow from Operations	2.5	17.5
Cash flow from Investing	(4.0)	(1.9)
Cash flow from Financing	(14.8)	(33.9)
Net Increase (decrease)	(11.7)	(18.2)
Cash at end of the year	33.8	47.1

- Group operating cashflow of \$2.5 million
 - Positive operating cashflow despite investments made in online gaming at Star Vegas, and disruptions at Aristo
- 1H19 cash outflow from financing of \$13.3 million reflects repayment of borrowings to Mega Bank

Star Vegas – Non-cash Impairment Charge

- Since 1 July 2015, the Company's balance sheet has included an intangible asset representing the casino licence to operate the Star Vegas property, stated at cost less any impairment losses
 - The carrying value of the Star Vegas casino license was \$251.6 million as at 30 June 2018
 - Accounting rules require this asset be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired
 - Donaco's auditor Crowe Horwath informed the Company there are indicators of impairment applying to the Star Vegas casino licence, resulting from the application of an increased risk premium
 - The Company and its valuation experts conducted the required impairment testing
 - The impairment charge determined by the Board is \$38.2 million

Star Vegas – Update on Legal Matters

Singapore damages arbitration

- Donaco's primary legal claim is in the Singapore arbitration, where the Company is seeking damages of USD \$190 million from the Thai vendor of the Star Vegas business. The claim is still moving through the preliminary stages and will be heard in July 2019
- The claim is supported by the freezing order obtained over the vendor's shares in the Company, which has now been extended to 4 October 2019

Cambodia lease arbitration

- The Thai vendor has tried to terminate the long term (50 year) lease of the land on which the Star Vegas casino is located. Donaco obtained an injunction order to prevent this, and the matter has gone to arbitration in Cambodia. The hearing has been set for 28 February 2019

Other Cambodian legal claims

- The Thai vendor continues to make many frivolous and vexatious claims in the Cambodian courts, including claims that duplicate the Singapore arbitration, attempts to freeze Donaco's assets, and defamation claims. All have been rejected, or have not resulted in any substantive decision

Star Vegas – Profit & Loss

All figures in Thai Baht (millions)	1H19	1H18	% Change
Total Revenue	769.3	832.9	(7.6%)
- Net Gaming Revenue	699.9	775.2	(9.7%)
- Non-Gaming Revenue	69.4	57.7	20.2%
Operating Expenses	(454.5)	(348.2)	30.5%
EBITDA	314.7	484.7	(35.1%)
Normalised EBITDA	331.0	399.3	(17.1%)
Property Level NPAT	233.8	405.9	(42.4%)
VIP Gross Win rate	2.81%	3.32%	

- Gaming revenue fell 9.7% compared to the pcp, due to:
 - Lower VIP win rate of 2.81%, compared to previous period win rate of 3.32%
 - Increased junket commissions & profit sharing due to higher turnover, which was up 103% to THB 36.8 billion compared to THB 18.1 billion in pcp
 - 22.7% reduction in slot machine revenue, due to the transition to new slot machines and the time required to engage customers with new games
- Non-gaming revenue up 20.2%, due to higher visitation and management initiatives to improve utilisation of non-gaming assets
- Operating Expenses up 30.5%, due to
 - Higher staff count required for operation of online gaming business
 - Higher marketing costs relating to the Company's events program, and additional bus and van tour groups that drove the strong increase in visitation
- Property level EBITDA down 35.1%, reflecting lower VIP win rate, lower slot machine revenue, and operating and marketing expenses
- Normalised EBITDA down 17.1%, after adjusting for win rates

Star Vegas – Operational highlights



Key operational metrics			
	(THB millions)	1H19	1H18
VIP Table Game Turnover		36,829	18,148
Gross Gaming Revenue – Table Games		1,229	843
Gross Gaming Revenue – Slot Machines		408	528
Net Gaming Revenue		699.9	775.2
Non-Gaming Revenue		69.4	57.7
VIP Gross Win Rate		2.81%	3.32%
Casino Visitors		0.85m	0.65m
Average Visitors / Day		4,659	3,565

Star Vegas – Results Commentary and Update



- The Donaco management team has been effectively rebuilding the Star Vegas business following disruptions caused by the Thai vendor
 - Rolling chip VIP turnover increased by 103%, following the introduction of five new junkets
 - 30.7% increase in average daily visitation
 - Introduction of new slot machines and systems which are expected to improve revenue in the June 2019 half
 - Introduction of new mass market tour groups from China and Korea is expected to generate meaningful revenue in the June 2019 half
- Significant improvement in non-gaming amenities, including refurbished hotel rooms
- Online gaming business is still at an early stage, with revenue in line with expectations
 - Online gaming platform currently being enhanced and relaunched with new partners
 - Cost savings and platform improvements being implemented

Aristo International Hotel – Profit & Loss

All figures in RMB			
(millions)	1H19	1H18	% Change
Total Revenue	37.0	60.4	(39%)
- Net Gaming Revenue	19.0	29.7	(36%)
- Non-Gaming Revenue	18.1	30.7	(41%)
Operating Expenses	(23.7)	(27.4)	(14%)
EBITDA	13.5	33.1	(59%)
Normalised EBITDA	18.2	86.2	(79%)
Property Level NPAT	(2.2)	16.5	
VIP Gross Win rate	2.20%	1.70%	

- Gaming revenue declined 36%, while non-gaming revenue declined 41%
 - VIP (including Premium) net gaming revenue was down 65%, due to temporary disruptions caused by the Chinese crime syndicate. Management promptly addressed the situation, working closely with law enforcement agencies on both sides of the border
 - VIP rolling chip turnover was down to RMB 1.1 billion, from RMB 6.9 billion in pcp. VIP turnover improved substantially over the December quarter. The recovery trend continues, with more junkets and players continuing to return to the property
 - VIP win rate of 2.20% was above last year's win rate of 1.70%, but below the 2.85% theoretical win rate
 - Main hall net gaming revenue was up 2%, due to marketing initiatives driving a 3% overall increase in casino visitation
 - Non-gaming revenue was down 41%, due to reduced hotel spending by VIP players
- Property level EBITDA down 59%, caused by the lower VIP turnover in the September quarter

Aristo International Hotel – Operational highlights



Key operational metrics

(RMB millions)	1H19	1H18
VIP Table Game Turnover	1,138	6,884
Main Hall Turnover	182	234
Gross Gaming Revenue – Table Games	46.2	139.5
Gross Gaming Revenue – Slot Machines	1.7	7.6
Net Gaming Revenue	19.0	29.7
Non-Gaming Revenue	18.1	30.7
VIP & Premium win rate	2.20%	1.70%
Casino Visitors	79,463	77,030
Average Visitors / Day	432	419

Aristo International Hotel – Results Commentary and Update

Impact from Chinese crime syndicate

- In July and August a Chinese crime syndicate threatened VIP junkets and customers on the Chinese side of the border, which significantly impacted results in those months
- Management addressed the situation, including working with law enforcement agencies on both sides of the border, and management is confident that the authorities have the situation under control
 - Results improved continuously from September onwards
 - Management also reduced operating costs by 13% during the period, even though marketing activity was increased, to mitigate the impact of the reduced VIP revenue

Marketing initiatives increased

- With the temporary decline in Chinese VIP business in the period, management increased marketing efforts to junkets from other areas of China and south-east Asia, with several Malaysian junket groups visiting the property from September. Management also increased proxy betting services available to VIP players choosing to remain at home
- Marketing of Sapa tour packages to expats from Hanoi and Ho Chi Minh City increased, and bus and van tour packages for international tourists increased

Significant improvement in the December quarter

- Marketing efforts started to show results from September, with casino visitation reaching 17,264 in December, an increase of 32% over the same month last year. However these were primarily mass market players
- Returning junket trips in December resulted in a 45% increase in total gaming turnover, compared to November
- Aristo business almost back to normal in January 2019, with unaudited EBITDA of USD0.8m for the month

Outlook

- **Operational**
 - Management are confident of achieving improved results over the June half 2019
 - The Aristo VIP business continues to improve, with earnings almost back to normal in January 2019
 - At Star Vegas, new mass market tour groups from China and Korea, and growth in the nascent online gaming business, are also expected to contribute during the June half
- **Litigation**
 - Multiple legal actions are in progress involving the Star Vegas vendor. Donaco remains confident in its position
 - The arbitration in Singapore for the USD190 million damages claim is expected to take place in July 2019. The claim is supported by the freezing order of Thai vendor's shares which will remain in force until 4 October 2019
 - Injunction continues in force to prevent the vendor's attempt to terminate the Star Vegas lease, with the hearing set for 28 February 2019
- **Capital management**
 - Mega Bank debt now reduced to USD31 million, following repayment of USD8.55 million in February 2019
 - Discussions under way with Mega Bank to restructure the loan, extending the tenor and reducing the repayments
- **Strategic review**
 - A number of options are under active consideration

APPENDIX – 1H19 Financial performance



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Property Performance (Normalised and Actual)

	1H19 Normalised			1H19 Actual		
All figures in AUD (millions)	Star Vegas	Aristo	Total	Star Vegas	Aristo	Total
Total Revenue	33.0	8.4	41.3	32.3	7.4	39.7
- Net Gaming Revenue	30.0	4.8	34.8	29.4	3.8	33.2
- Non-Gaming Revenue	2.9	3.6	6.5	2.9	3.6	6.5
Operating Expenses	(19.1)	(4.7)	(23.8)	(19.1)	(4.7)	(23.8)
Property level EBITDA	13.9	3.6	17.5	13.2	2.7	15.9
Property level NPAT	10.5	0.4	10.9	9.8	(0.4)	9.4

Note: numbers may not add due to rounding

1H19 – Group Financial Performance Summary

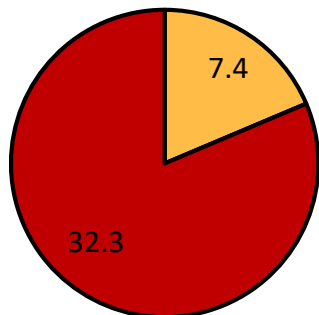
All figures in AUD	NORMALISED RESULTS			ACTUAL RESULTS		
	1H19	1H18	% Change	1H19	1H18	% Change
Operating Revenue	41.3	50.5	(18%)	39.7	43.8	(9%)
Property Level EBITDA	17.5	31.2	(44%)	15.9	25.1	(37%)
Corporate Costs	(3.0)	(5.7)	(48%)	(3.0)	(5.7)	(48%)
= Group EBITDA	14.5	25.5	(43%)	12.9	19.4	(34%)
Net Interest income and Finance costs	(3.6)	(4.6)	(22%)	(3.6)	(4.6)	(22%)
Non-recurring items ¹	(39.5)	(142.0)	(72%)	(39.5)	(142.0)	(72%)
Depreciation & Amortisation	(5.0)	(5.0)	(1%)	(5.0)	(5.0)	(1%)
Income tax expense	(1.5)	(3.3)	(54%)	(1.5)	(1.6)	(9%)
Minority Interest	(0.2)	(0.1)	55%	(0.2)	(0.1)	55%
= Net Profit After Tax (incl. non-recurring items)	(35.2)	(129.5)	(73%)	(36.8)	(133.8)	(73%)
= Net Profit After Tax (excl. non-recurring items)	4.3	12.6	(66%)	2.7	8.2	(66%)

1. 1H19 Non-recurring items include non-cash impairment charge of \$38.2m, net exchange loss of \$0.5m and non-recurring legal costs of \$0.8m

Note: numbers may not add due to rounding

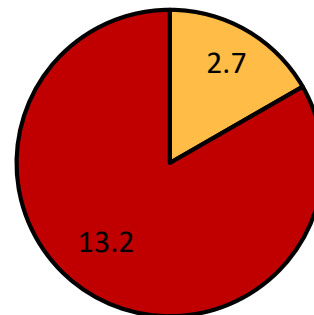
Two strategically located leisure and entertainment businesses

1H19 Revenue (A\$ millions)



■ Aristo Group ■ Star Vegas Group

1H19 EBITDA (A\$ millions)



■ Aristo Group ■ Star Vegas Group

Star Vegas

- Largest Poipet casino hotel
 - 385 guest rooms
 - Multiple restaurants, shops, health spa, pool
 - Non-gaming revenues growing
- Substantial casino facilities
 - 156 gaming tables, predominantly baccarat
 - 1,049 electronic gaming machines (EGMs), of which 338 are owned outright and 711 under profit share deals
 - Wagering and online gaming licences

Aristo International Hotel

- Five star luxury resort
- 400 guest rooms; additional 28 rooms fitted out for recreational facilities (health spa and nightclub)
- Five restaurants, swimming pool, gym, spa, tennis courts
- Retail shop leases
- Boutique gaming facilities
 - 40 gaming tables, primarily baccarat
 - 68 electronic gaming machine positions, with 44 linked jackpot slot machines, and 24 electronic roulette seats, with license allowing up to 300 EGM's

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Normalised results adjust the revenue received from the VIP table games business, by applying a theoretical win rate of 2.85% to VIP rolling chip turnover. This provides a more accurate guide to the underlying operating performance of the VIP table games business, which can experience significant volatility over shorter periods. This is consistent with the practice of Asian listed gaming operators.

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