

DONACO INTERNATIONAL LTD

ACN 007 424 777

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) New Share for every two (2) Shares held by Eligible Shareholders at an issue price of \$0.035 per New Share, to raise approximately A\$14.41 million before expenses (**Entitlement Offer**).

The Entitlement Offer is fully underwritten by Mr Lee Bug Huy and Mr Lee Bug Tong. Refer to Section 8.4(a) of this Prospectus for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety before deciding to invest in the Company. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Shares offered by this Prospectus should be considered to be highly speculative.

Not for release to US wire services or distribution in the United States

Restrictions on the distribution of this Prospectus

This Prospectus does not constitute an offer of New Shares in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on, and observe, those restrictions. The New Shares have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered in the United States or to, or for the account of or benefit of, US Persons.

Accordingly, this Entitlement Offer is not to be extended to, and no New Shares will be issued to, Shareholders having registered addresses outside Permitted Jurisdictions. This Prospectus is sent to those Ineligible Shareholders for information purposes only.

However, in limited circumstances the Company may elect to treat as Eligible Shareholders certain institutional Shareholders who would otherwise not be Eligible Shareholders because their

registered addresses are not in Australia, Denmark, Hong Kong, Malaysia, New Zealand, Philippines, Singapore, Switzerland, Thailand and United Kingdom.

Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in the Glossary (see Section 10).

Application for New Shares

If you wish to apply for New Shares, you must complete and return the personalised Entitlement & Acceptance Form which accompanies this Prospectus. If you have not received a personalised Entitlement and Acceptance Form, please contact the Company Secretary, Marika White on + 61 2 9106 2149.

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CORPORATE DIRECTORY

Directors

Norman Mel Ashton – Non-Executive Chairman

Kurkye Wong – Executive Director

Yan Ho Leo Chan – Executive Director

Roderick John Sutton – Non-Executive Director

Simon Vertullo – Non-Executive Director

Company Secretary

Marika Jane White

Share Registry*

Automic
Level 5, 126 Philip Street
Sydney NSW 2001

Telephone:
1300 288 664 (within Australia)
+61 2 9698 5414 (International)

Auditors*

Crowe Sydney
Level 15, 1 O'Connell Street
Sydney NSW 2000

Company's Registered Office

C/- Lumina Level 18,
420 George Street
Sydney NSW 2000

Email: enquiries@donacointernational.com
Website: www.donacointernational.com

Solicitors in respect of the Offer

Lavan
The Quadrant
1 William Street
Perth WA 6000

Underwriters

Mr Lee Bug Tong (aka Bhuvassith
Chaiarunroj) and Mr Lee Bug Huy (aka
Techatut Sukcharoenkraisri)

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

1. TIMETABLE

Announcement of Offer	3 July 2020
Lodgement of Prospectus with ASIC	3 July 2020
Lodgement of Prospectus and Appendix 3B with ASX	3 July 2020
Ex Date	7 July 2020
Record Date for determining Entitlements	8 July 2020
Dispatch of Offer documents to eligible Shareholders	9 July 2020
Opening Date for Entitlement Offer	9 July 2020
Last day to extend Offer Period	20 July 2020
Closing Date for Entitlement Offer	23 July 2020
Shares quoted on a deferred settlement basis	24 July 2020
ASX and Underwriter notified of under subscriptions	27 July 2020
Issue Date of Entitlement Offer	28 July 2020
Issue Date Shortfall Shares to Underwriter	29 July 2020

* These dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable which is determined based upon the current expectations of the Directors. The Company may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date. The date of commencement of deferred settlement trading, issue and quotation of Shares issued under the Entitlement Offer may therefore vary accordingly.

2. CHAIRMAN'S LETTER

3 July 2020

Dear Shareholder

The Board of Donaco International Limited (**Donaco** or the **Company**) is pleased to present this Prospectus and invite Eligible Shareholders to participate in a pro-rata, non-renounceable entitlement offer of 1 New Share in the Company for every 2 Shares held by them on the Record Date (7.00pm AEDT on **8 July 2020**), at a price of \$0.035 per New Share (**Offer**), to raise approximately \$14.4 million (before costs).

As previously announced by the Company, the operations of its casinos in Vietnam and Cambodia have been severely impacted by the COVID-19 pandemic and the consequent closing of international borders. Whilst the Vietnamese operations have resumed on a partial basis, the Cambodian operations remain closed until further easing of government restrictions.

Donaco has been working with its suppliers, vendors and its primary financier Mega International Commercial Bank Co, Ltd (**Mega Bank**) to mitigate the effects of the significant disruptions which have been caused to Donaco's operations and business as a result of COVID-19. To this end, the Company is pleased to advise (as set out in the Company's ASX announcement dated 15 June 2020) that Mega Bank has agreed to defer certain repayments under the Mega Bank Facility which were due in June 2020 to the earlier of any funds being raised by the Company through capital raising activities and 31 December 2020. Notwithstanding these mitigation strategies, given the significant impact on the financial position of Donaco, the Board has determined that further capital is required.

The funds raised from the Offer will be used to make principal repayments of USD10 million (which equates to approximately AUD14.55 million) under the Company's facility with Mega Bank, for working capital purposes in respect of the operation of the casinos in Vietnam and Cambodia, and corporate, administration and transaction costs.

The Offer price represents a discount of 7.6% to the volume weighted average price on ASX of the Shares (**VWAP**) for the 7 day period prior to and including the last trading day immediately preceding the date of lodgement of this Prospectus and a discount of 22.2% to the VWAP for the one month period prior to and including the last trading day immediately preceding the date of lodgement of this Prospectus.

The Offer is fully underwritten by Mr Lee Bug Tong (aka Bhuvasith Chairunroj) and Mr Lee Bug Huy (aka Techatut Sukcharoenkraisri) (**Underwriter**) pursuant to an underwriting agreement, the terms of which are summarised in Section 8.4(a).

The Offer is currently scheduled to close at 5:00 pm (AEST) on 23 July 2020. If you wish to subscribe for New Shares under the Offer in accordance with this Prospectus, you must ensure that your application and payment is received by this time in accordance with the instructions set out in Section 4.5.

The Board recommends that you read this Prospectus carefully and in its entirety before you decide whether to participate in the Offer. There are a number of risks factors that should be considered in relation to making your decision and further details of some of the key risks is set out in Section 7.

The Board takes the opportunity to thank all Shareholders in the Company for their ongoing support of the Company.

Yours sincerely

Norman Mel Ashton

3. IMPORTANT NOTES

This Prospectus is dated 3 July 2020 and was lodged with ASIC on that date.

The expiry date of this Prospectus is the date that is 13 months from the date of this Prospectus (**Expiry Date**). No Shares will be issued on the basis of this Prospectus later than the Expiry Date.

This Prospectus is a transaction specific prospectus for an offer of Shares which has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as a prospectus for an initial public offering. As the Company is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting obligations and the continuous disclosure requirements of the ASX Listing Rules, certain information is reasonably expected to be known to investors and their professional advisers. This Prospectus should be read in conjunction with the Company's other periodic and continuous disclosure announcements given to ASX, which are available at www.asx.com.au.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus, nor do either of them make any statement regarding the merits of the Offer the subject of this Prospectus.

It is important that investors read this Prospectus in its entirety and in particular the Risk Factors as set out in Section 7 of this Prospectus and seek professional advice where necessary. The Shares that are the subject of this Prospectus should be considered highly speculative.

Applications for the Shares offered pursuant to this Prospectus can only be made on the personalised Entitlement and Acceptance Form sent with this Prospectus. Please refer to Section 4.5.

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 investor. You are encouraged to read this Prospectus fully before deciding whether to invest in the Company. You should consider the Risk Factors set out in Section 7 of this Prospectus having regard to your financial objectives, situation and needs and seek professional advice from your accountant, financial adviser, stockbroker or other professional adviser before deciding whether to invest in the Company.

By returning an Entitlement and Acceptance Form and arranging for payment for your New Shares through BPAY® or electronic funds transfer in accordance with the instructions on the Entitlement and Acceptance Form and Section 4.5, you acknowledge that you have read this Prospectus and you have acted in accordance with and agree to the terms of the Entitlement Offer detailed in this Prospectus.

3.1 Definitions and interpretation

A number of words or terms used throughout this Prospectus are capitalised and have the meanings given to them in Section 10 of this Prospectus.

References to currency, including A\$, \$ or AUD, are references to Australian currency unless otherwise stated. Unless otherwise stated references to time are to time in New South Wales, Australia.

3.2 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks.

In particular, the current COVID-19 environment has had a material negative impact on the operations and financial position of the Company with its casino in Cambodia being temporarily closed and the casino in Vietnam only partially operational. Further the closing of borders of neighbouring countries where most of the casinos' patrons originate adds significant uncertainty as to when casino operations will be fully operational. The Company is unable to predict with any certainty as to when operations will resume.

The key risk factors of which investors should be aware (including risks relating to COVID-19) are set out in Section 7 of this Prospectus.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus. Key risk factors are set out below. Please refer to Section 7 of this Prospectus for further risk factors.

- (a) COVID-19 effect on operations;
- (b) secured debt;
- (c) further funding requirements;
- (d) disputes/litigation risk;
- (e) casino operational risks;
- (f) exchange rate volatility;
- (g) risks associated with operations in Vietnam and Cambodia;
- (h) reliance on key personnel;
- (i) trading price of DNA Shares;
- (j) fraud and general risks in respect of casino operations;
- (k) regulation risk;
- (l) competition risk; and
- (m) other risks.

3.3 Rounding

A number of figures, amounts, percentages, prices and estimates included in this Prospectus may have been subject to rounding. Accordingly, numerical figures shown as totals may not be an arithmetic aggregation of the figures that preceded them and the actual calculations of these figures may differ from the figures set out in this Prospectus.

3.4 Disclaimer

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.

No person is authorised to give information or to make any representation in connection with this Prospectus or the Offer, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus or the Offer. No document or information included on our website is incorporated by reference into this Prospectus.

3.5 Directors' Interests in Securities

The relevant direct and indirect interests of each of the Directors (and proposed directors) in the securities of the Company, together with their respective Entitlements, are set out in the table below.

Director	Shares	Entitlement (Shares)	Entitlement (A\$)
Current Directors			
Norman Mel Ashton	0	0	0
Kurkye Wong	0	0	0
Yan Ho Leo Chan	0	0	0
Roderick John Sutton	0	0	0
Simon Vertullo	0	0	0
Proposed Directors¹			
Lee Bug Huy (aka Techatut Sukcharoenkraisri)	148,199,529	79,287,302	2,775,056
Paul Porntat Amatavivadhana ²	3,355,405	1,677,703	58,720

Notes:

1. A condition of the Underwriting Agreement is the approval of the Board of the appointment of the two Directors nominated by the Underwriter. Refer to Section 8.4(a) for further details on the terms of the Underwriting Agreement.
2. Paul Porntat is a director nominated by the Underwriter. He is not an Associate of Huy, Tong & Associates, and therefore does not hold a relevant interest in the shares held by Huy, Tong & Associates.

3.6 Substantial Holders

Those persons which (together with their Associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Name of substantial holder	Shares	Percentage (%)	Entitlement (Shares)	Entitlement (A\$)
On Nut Road Limited and associates	158,574,603	19.25%	79,287,302	\$2,775,056
Underwriters	148,199,529	17.99%	74,099,765	\$2,593,492

Notes:

1. Mr Lee Bug Huy is the holder of the relevant interest in 73,599,795 Shares, Mr Lee Bug Tong is the holder of the relevant interest in 73,599,764 Shares and they each also both have a relevant interest in 1,000,000 Shares held by their Associate Highest Point Investments Limited.

3.7 Underwriting

The Entitlement Offer is fully underwritten (in equal proportion) by Mr Lee Bug Huy (**Huy**) and Mr Lee Bug Tong (**Tong**), (the **Underwriters**). Refer to Section 8.4(a) of this Prospectus for details of the terms of the underwriting.

Mr Huy and Mr Tong comprise part of the Somboon Parties, who have been in previous litigation with the Donaco Group. Refer to Section 8.4(d) of this Prospectus for further details of the Donaco Group's litigation with the Somboon Parties.

3.8 Effect of the Offer on the Control of the Company

The Underwriters together with their Associates currently hold relevant interests in 17.99% of all Shares on issue in the Company.

The Underwriters, in their capacity as Shareholders have advised that they intend to take up each of their Entitlements to the full extent of each of their direct interests.

Further, pursuant to the terms of the Offer and the Underwriting Agreement, the Underwriters may, through participation in the Entitlement Offer or the underwriting commitments, increase their holding of relevant interests to, an aggregate amount of approximately 45.33% (the exact figure will be subject to rounding) of all Shares on issue on completion of the Offer. This assumes that there will be no take-up of the Entitlements under the Entitlement Offer (except for the Entitlements taken by the Underwriters).

The following table sets out the shareholding of the Underwriters together with their Associates after completion of the Entitlement Offer assuming different levels of acceptances by the Shareholders under the Offer.

Percentage acceptance of Offer by Eligible Shareholders ¹	Shares held by Underwriters	Relevant Interest of Underwriters
100%	222,299,294	17.99%
75%	306,723,505	24.83%
50%	391,147,716	31.66%
25%	475,571,927	38.50%

0%	559,996,138	45.33%
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Notes:

1: The percentage acceptances of the Offer represents the total % acceptances taken up by Eligible Shareholders (excluding the Underwriter) under the Entitlement Offer and assumes the Underwriters accepts their full Entitlement.

The Directors consider it is unlikely that no Shareholders will take-up Entitlements under the Entitlement Offer.

The potential maximum voting power of the Underwriters and their Associates will reduce by a corresponding amount for the amount of Entitlements taken up under the Entitlement Offer.

The volume weighted average price on ASX of the Shares (**VWAP**) for the 7 day period prior to and including the last trading day immediately preceding the date of lodgement of this Prospectus (**7 Day VWAP**) and for the one month period prior to and including the last trading day immediately preceding the date of lodgement of this Prospectus (**1 Month VWAP**) is as set out in Section 3.12. The Entitlement Offer has been priced at a discount of 7.6% to the 7 Day VWAP and at a discount of 22.2% to the 1 Month VWAP to encourage Shareholders to participate in the Entitlement Offer, which in turn will enable the Company to achieve the objectives stated in Section 5.1 of this Prospectus.

The Company considered alternative options for raising capital and resolved that the Offer on the terms detailed in this Prospectus was the most favourable course open to the Company and its Shareholders, given the Company's strategic objectives and having regard to the circumstances existing at the date of this Prospectus and providing all Shareholders the opportunity to participate in the capital raising.

The Directors consider, having regard to all other available options, that entering into the Underwriting Agreement with the Underwriters provides the Company and the Shareholders with a higher degree of certainty in the time available that the Entitlement Offer will be successful, when compared with other available options.

3.9 Dilution

The Offer will result in approximately 411,796,609 New Shares being issued. The exact number of New Shares issued will not be known until the Offer has been made to the individual Shareholders as Donaco and will need to take into consideration fractional Entitlements which will be rounded up.

The New Shares will equate to approximately 33.33% of all the issued Shares following completion of the Offer. Subject to the extent to which current Shareholders exercise their respective Entitlement, it is possible that the relevant percentage of Shares held by Shareholders will be reduced as a result of the dilutionary effect of the proposed issue of Shares.

By way of example, the Company provides below examples of the possible dilutionary effect that the Offer may have, based on the assumption that none of the Shareholders exercises any of their respective Entitlements.

Shareholder	Shareholding as at Record Date	% holding at Record Date	% holding post Offer
Shareholder 1	100,000,000	12.14%	8.09%
Shareholder 2	10,000,000	1.21%	0.81%
Shareholder 3	5,000,000	0.61%	0.40%
Shareholder 4	1,500,000	0.18%	0.12%

Shareholder 5	400,000	0.05%	0.03%
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Notes:

1. The dilutionary effect shown in the table above are shown as the maximum percentage on the assumption that Entitlements not accepted by Eligible Shareholders will be placed under the Underwriting Agreement and that no other Shares are issued prior to the Record Date.

3.10 Capital structure

Assuming that the Offer proceeds and is fully subscribed, the effect of the issue on the Company's share structure will be as follows:

Item	Number
Shares on issue as at date of Prospectus	823,592,773
New Shares to be offered pursuant to the Offer	411,796,609 ¹
Total Shares on issue will be:	1,235,389,382

Notes:

1. The exact number of New Shares issued will not be known until the Offer has been made to the individual Shareholders as Donaco and will need to take into consideration fractional Entitlements which will be rounded up.

3.11 ASX Quotation

Application for Official Quotation of the New Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out in Section 1 of this Prospectus and the expected date of quotation and trading is as set out in the timetable in Section 1.

If ASX does not grant Official Quotation of the New Shares offered pursuant to this Prospectus before the expiration of three months after the date of issue of the Prospectus, (or such period as permitted by ASIC), the Company will not issue any New Shares and the Company will repay all Application Monies for the New Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares offered for subscription.

Applicants who sell New Shares before they receive their holding statements will do so at their own risk. The Company and the Underwriters disclaim all liability, in tort (including negligence), statute or otherwise, to persons who trade New Shares before receiving their holding statements.

3.12 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The Offer for New Shares under this Prospectus, at \$0.035 per New Share, is equal to the last recorded closing sale price of the Shares and at a discount to the 7 day VWAP and the 1 month VWAP as outlined below:

Reference Date/Period	Price	Offer Price Discount
Last recorded closing sale price of Shares on ASX prior to lodgement of this Prospectus (Last Trading Day)	\$0.035	0%
Volume weighted average price ("VWAP") per	\$0.0379	7.6%

Share for the seven day period prior to and including the Last Trading Day		
VWAP per Share for the one month period prior to and including the Last Trading Day	\$0.045	22.2%

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of the Prospectus and the respective last dates of those sales were:

Highest	\$0.056	4 June 2020
Lowest	\$0.030	1 July 2020
Last	\$0.035	2 July 2020

3.13 Non-renounceable

The Entitlement Offer is non-renounceable. Where an Eligible Shareholder does not take up their Entitlement under a non-renounceable Entitlement Offer, their shareholding will be diluted with no compensating cash payment.

3.14 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual results, performance, events or outcomes to differ materially from the results, performance, events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company and the Directors. Such forward-looking statements are subject to various risk factors and are based on an assessment of present economic and operating conditions, and on a number of best estimate assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place. The forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 7 and other information contained in this Prospectus.

Neither the Company nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. Any such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of the Company.

The Company, the Directors and the Company's management cannot and do 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 investors are cautioned not to place undue reliance on these forward-looking statements; and
- intend to update or revise 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, other than to the extent required by law under the Corporations Act and the ASX Listing Rules.

There is no assurance that any of the estimates or projections contained in this Prospectus will be achieved. Estimates and projections involve risks and uncertainties

and are subject to change based on various factors, including those discussed in the risk factors set out in Section 7.

3.15 Enquiries

Before making a decision about investing in the Entitlement Offer, investors may consider it prudent to seek advice from their stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether making such investment meets their objectives, financial situation and needs.

If an Eligible Shareholder has any questions on how to complete the personalised Entitlement and Acceptance Form accompanying this Prospectus which Eligible Shareholders may use to apply for New Shares under the Entitlement Offer, please call the Share Registry between 9:00 a.m. and 5:00 p.m. (AEST) Monday to Friday during the period on and from and including the date on which the Entitlement Offer opens up to and including the Closing Date:

Within Australia: 1300 288 664

Outside Australia: +61 2 9698 5414

If you have lost or destroyed your Entitlement and Acceptance Form and would like a replacement form, please call the applicable number above.

Enquiries relating to this Prospectus should be directed to the Company by telephone on + 61 2 9106 2149 or facsimile on + 61 2 9106 2106, or email to marika.white@donacointernational.com.

4. DETAILS OF THE OFFER

4.1 The Offer

This Prospectus is in relation to the Entitlement Offer as set out in Section 4.2 of this Prospectus.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no further Shares are issued prior to the Record Date), approximately 411,796,609 New Shares will be issued pursuant to the Offer to raise approximately A\$14.41 million (before the costs of the Offer). The exact number of New Shares issued will not be known until the Offer has been made to the individual Shareholders as the Company will need to take into consideration fractional Entitlements which will be rounded up.

All of the New Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 of this Prospectus for further information regarding the rights and liabilities attaching to the New Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5 of this Prospectus.

4.2 The Entitlement Offer

The Entitlement Offer is being made as a non-renounceable entitlement issue of one (1) New Share for every two (2) Shares held by Eligible Shareholders at the Record Date, at an issue price of \$0.035 per New Share, which is equal to the last closing price of \$0.035 prior to the date of this Prospectus and is at a discount of 7.6% to the 7 Day VWAP and at a discount of 22.2% to the 1 Month VWAP as shown in Section 3.12.

Fractional Entitlements will be rounded up to the nearest whole number.

4.3 Minimum subscription amount

The minimum subscription amount of the Offer is A\$14,412,881 (**Minimum Subscription Amount**). The Minimum Subscription Amount is fully underwritten, subject to the terms of the Underwriting Agreement which are summarised in Section 8.4(a).

4.4 Conditions of Offer

No Shares will be issued under this Prospectus until the Minimum Subscription Amount has been raised. If the Minimum Subscription Amount has not been raised within four months after the date of issue of this Prospectus, the Company will either repay the Application Monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and to be repaid their Application Monies which will be done within the time limit in the Corporations Act and will be repaid without interest.

4.5 Acceptance of the Entitlement Offer

A personalised Entitlement and Acceptance Form accompanies this Prospectus for your use if you are an Eligible Shareholder. You may participate in the Entitlement Offer as follows:

- (a) **if you wish to accept your full Entitlement:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided including your contact details to become an

electronic Shareholder and return to our Share Registry by email to hello@automicgroup.com; and

- (ii) arrange payment via BPAY® or electronic funds transfer (**EFT**) for the full amount indicated on the Entitlement and Acceptance Form (at \$0.035 per New Share); or

(b) **if you only wish to accept part of your Entitlement:**

- (i) fill in the number of Entitlement Shares that you wish to accept in the space provided on the Entitlement and Acceptance Form, including your contact details to become an electronic Shareholder and return to our Share Registry by email to hello@automicgroup.com; and
- (ii) arrange payment via BPAY® or EFT, for the appropriate Application Monies (at \$0.035 per New Share); or

(c) **if you do not wish to accept any part of your Entitlement, you do not have to do anything.**

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 33.3% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in Section 3.9.

No brokerage or stamp duty is payable on the issue of New Shares.

If the Entitlement and Acceptance Form is not completed correctly, the Company can reject it or treat it as valid. The Company's decision as to whether to reject the Entitlement & Acceptance Form or treat it as valid and how to construe, amend or complete it is final.

The Closing Date for acceptance of the Entitlement Offer is **23 July 2020** (however that date may be varied by the Company, in accordance with the ASX Listing Rules and the Underwriting Agreement).

Representations

Returning a completed Entitlement and Acceptance Form or payment of any Application Monies by BPAY® or EFT will be taken to constitute a representation by you that:

- (a) you received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is completed, or a BPAY® payment or EFT payment instruction given in relation to any application monies, the application may not be varied or withdrawn except as required by law;
- (c) you acknowledge that the 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, and, accordingly, the 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 US Securities Act and any other applicable securities laws;
- (d) you acknowledge that the Shares may only be offered and sold outside the United States in "offshore transactions" (as defined in and in reliance on Regulation S under the US Securities Act);

- (e) you represent that you are not in the United States and you are not subscribing for Shares for the account or benefit of a person in the United States;
- (f) you have not, and will not, send, release or distribute this document or any materials relating to the Entitlement Offer to any person in the United States or any other country outside the Permitted Jurisdictions;
- (g) if in the future you decide to sell or otherwise transfer the Shares, you will do so in a regular way 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
- (h) if you are acting as a trustee, nominee or custodian, each beneficial holder on whose behalf you are participating is a resident in a Permitted Jurisdiction, and you have not sent this document, or any materials relating to the Entitlement Offer, to any person outside the Permitted Jurisdictions in compliance with the applicable laws.

4.6 Payment by BPAY® or electronic funds transfer (EFT)

For payment by BPAY® or EFT, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via:

- (a) BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions; or
- (b) EFT if you are a holder of an account that supports EFT transactions to an Australian bank account.

Please note that should you choose to pay by BPAY® or EFT:

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

It is your responsibility to ensure that your BPAY® or EFT payment is received by the Share Registry by no later than 5:00 pm (AEST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any Application Monies received or refunded.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or any part of their Entitlement.

4.7 Underwritten

The Offer is fully underwritten by the Underwriters, refer to Sections 3.7, 3.8 and 8.4(a) of this Prospectus for further details.

4.8 Issue of Shares

New Shares issued pursuant to the Entitlement Offer will be issued in accordance with the ASX Listing Rules and the timetable set out in Section 1 of this Prospectus. Where,

under the Entitlement Offer the number of New Shares issued to an Applicant is less than the number of New Shares applied for by that Applicant or where no issue of New Shares is made to the Applicant, any surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the later of the issue of the Shares, payment of refunds pursuant to this Prospectus and ASX granting Official Quotation of the Shares offered under this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on that bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Entitlement Offer will be mailed in accordance with the ASX Listing Rules and timetable set out in Section 1 of this Prospectus as soon as practicable after their issue.

4.9 Overseas Shareholders

This Prospectus and the Offer do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. This Prospectus may not be distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act of 1933 and applicable US state securities law.

No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has determined that it is not practicable for the Company to comply with the securities laws of certain overseas jurisdictions having regard to the number of Shareholders in those jurisdictions, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and New Shares will not be issued to Shareholders with a registered address which is outside:

- (a) Australia
- (b) Denmark
- (c) Hong Kong
- (d) Malaysia
- (e) New Zealand
- (f) Philippines
- (g) Singapore
- (h) Switzerland
- (i) Thailand

(j) United Kingdom

European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4) of the Prospectus Regulation, an offer of Shares in each member state of the European Union is limited:

- to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 natural or legal persons (other than qualified investors); or
- in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Hong Kong

WARNING: The contents of this document has not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of the Shares. The Shares may not be offered or sold in Malaysia except to existing Shareholders of the Company pursuant to Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand, to whom the offer of these Shares is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Philippines

THE SECURITIES BEING OFFERED OR SOLD HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION ("SEC") UNDER THE PHILIPPINE SECURITIES REGULATION CODE (THE "CODE"). ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

The Shares are being offered or sold to existing Shareholders of the Company in an exempt transaction under Section 10.I(e) of the Code. The Company has not sought

confirmation, and the SEC has not confirmed, whether the Offer qualifies as an exempt transaction under the Code.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice as such terms are understood pursuant to Article 35 of the Swiss Financial Services Act (FinSA) or the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority or authorized review body. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

Thailand

This document is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This document has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other document relating to the offer, sale or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public of Thailand.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to fewer than 150 persons who are existing Shareholders of the Company. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

4.12 **Ineligible Shareholders**

Shareholders who are not Eligible Shareholders are Ineligible Shareholders. The Entitlement Offer is not being extended to Ineligible Shareholders because of the small number of those Shareholders, the number and value of Shares that they hold and the cost of complying with the applicable regulations in jurisdictions outside those specified in section 4.11 above.

Accordingly, Ineligible Shareholders will not be entitled to participate in the Entitlement Offer. Instead, the following arrangements will apply:

- (a) The Company has appointed Grange Capital Partners Pty Ltd as nominee in relation to Ineligible Shareholders for the purposes of section 615 of the Corporations Act, whose appointment has been approved by ASIC (**Nominee**);
- (b) The Company will allot to the Nominee, the Shares that would otherwise be issued to Ineligible Shareholders, had they been included in the Entitlement Offer (**Ineligible Shareholder Shares**); and

- (c) the Nominee will offer the New Shares that would otherwise be issued to Ineligible Shareholders for sale as soon as reasonably practicable. If the price received for such sales (if any) of Ineligible Shareholder Shares exceeds the Issue Price, the Nominee will pay to the Share Registry the sale proceeds, net of all expenses (including brokerage and any applicable taxes and charges) who will distribute to each of the Ineligible Shareholders their proportion of the proceeds of the sale (if any).

Ineligible Shareholders should note that the sale of any Shares may affect their Australian taxation position. It is recommended that Ineligible Shareholders obtain independent tax advice if they are in doubt as to the tax treatment of any cash proceeds they may receive. Where this Prospectus has been despatched to Ineligible Shareholders, it is provided for information purposes only.

4.10 Withdrawal of the Offer

The Company reserves the right to withdraw all or part of the Offer, and this Prospectus, at any time, subject to applicable laws. In that case, the Company will refund Application Monies relating to any Shares not already issued in accordance with the Corporations Act and without payment of interest.

4.11 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary, Marika White on + 61 2 9106 2149.

5. PURPOSE AND EFFECT OF THE OFFERS

5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately A\$14.41 million (before costs associated with the Offer).

The funds raised from the Offer are planned to be used in the period to 31 December 2020 in accordance with the table set out below.

Item	Proceeds of the Offer	
Funds Available		A\$M
1.	Existing cash reserves ¹	14.53
2.	Entitlement Offer	14.41
	Total	\$28.94
Allocation of Funds		A\$M²
1.	Administration, financing and other costs	8.91
2.	Mega Bank loan repayment ³	14.55
3.	Working capital	5.14
4.	Cost of the Offer ⁴	0.35
	Total	28.94

Notes:

1. Unaudited cash balance as at 31 May 2020.
2. Converted at a USD/AUD exchange rate of 0.6875 being the RBA exchange rate as at 25 June 2020.
3. Principal repayment of the USD 10.00 million under the Mega Bank Facility comprising the USD5.0 million June 2020 repayment which is payable from the proceeds of the Entitlement Issue as outlined further in Section 8.4(b)(iv) and the USD5.0 million December 2020 repayment.
4. Refer to Section 8.10 of the Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of the Company's current intentions as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way in which the funds raised are applied on this basis.

It is likely that the Company will need to raise additional funds by December 2020 for working capital purposes and to meet covenants under the Mega Bank Facility. As outlined in Section 8.4(b)(iv) Mega Bank has deferred until 31 December 2020 certain banking covenants including the requirement to ensure the cash and cash equivalents of the Donaco group are not less than AUD20 million. It is unlikely that the Company will be able to meet this covenant and intends to seek a further deferral of these banking covenants from Mega Bank. Please refer to Section 7.2(c) for further details in regard to the future capital raising risk.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Shares offered under the Prospectus are issued, will be to:

- (a) increase the Company's cash reserves by A\$14.41 million (before the costs of the Offer are deducted) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 823,592,773 as at the date of this Prospectus to 1,235,389,382 Shares.

5.3 Pro-forma balance sheet

The reviewed balance sheet as at 31 December 2019, the unaudited balance sheet as at 31 May 2020 and the unaudited pro-forma balance sheet as at 31 May 2020 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet below has been prepared on the basis that the Offer is fully subscribed and/or underwritten and that the Company repays the June 2020 principal repayment of USD5.0 million to Mega Bank, which has been deferred until the earlier of completion of the Entitlement Issue and 31 December 2020 as outlined further in Section 8.4(b)(iv). The pro-forma balance sheet also includes expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Table 5.4.1 – Pro-Forma Balance Sheet

	Reviewed as at 31 Dec 2019	Unaudited as at 31 May 2020	Pro-forma Adjustments	Unaudited Pro-forma 31 May 2020
	\$	\$	\$	\$
Current assets				
Cash and cash equivalents	24,860,190	14,534,123	6,557,504	21,091,627
Trade and other receivables	1,171,914	1,734,649		1,734,649
Inventories	901,235	708,767		708,767
Prepaid construction costs	3,100	13,116		13,116
Other assets	766,083	488,671		488,671
Total current assets	27,702,522	17,479,326		24,036,830
Non-current assets				
Property, plant and equipment	168,424,023	169,470,825		169,470,825

Intangibles (including licences)	73,901,998	77,297,680		77,297,680
Construction in progress	485,574	508,312		508,312
Other assets	4,200	4,396		4,396
Total non-current assets	242,815,795	247,281,213		247,281,213
TOTAL ASSETS	270,518,317	264,760,539		271,318,043
Current liabilities				
Trade and other payables	43,197,473	42,205,462		42,205,462
Borrowings	17,043,487	17,596,334	(7,508,500)	10,087,834
Income tax	11,181	(39,929)		(39,929)
Employee benefits	691,315	250,248		250,248
Total current liabilities	60,943,456	60,012,115		52,503,615
Non-current liabilities				
Trade and other payables	3,095,221	2,698,000		2,698,000
Borrowings	10,803,862	11,655,555		11,655,555
Employee benefits	67,818	45,956		45,956
Total non-current liabilities	13,966,901	14,399,511		14,399,511
TOTAL LIABILITIES	74,910,357	74,411,626		66,903,126
NET ASSETS	195,607,960	190,348,913		204,414,917
EQUITY				
Issued capital	358,372,299	358,372,299	14,066,004	372,438,303
Reserves	43,816,865	51,392,457		51,392,457
Accumulated losses	(208,694,587)	(221,476,146)		(221,476,146)
Equity attributable to the		188,288,610	14,066,004	202,354,614

owners of DNA	193,494,577			
Non-controlling interest	2,113,383	2,060,303		2,060,303
TOTAL EQUITY	195,607,960	190,348,913		204,414,917

Notes:

1. The above pro-forma statement of financial position includes the following pro-forma adjustments for the Offer:
 - a. An increase in cash and issued capital as a result of the Offer of approximately \$14,412,881 to be raised under the Offer less the estimated costs of approximately \$346,877 which are deducted from equity. Refer to Section 8.10 for further details on the costs of the Offer.
 - b. A decrease in cash and current borrowings of \$7,508,500 as a result of the principal repayment of the USD 5,000,000 to Mega Bank. As outlined further in Section 8.4(b)(iv) Mega Bank agreed to defer this repayment from June 2020 until the earlier of the completion of the Entitlement Issue and 31 December 2020.
2. No pro-forma adjustment has been made in respect to the Settlement Agreements, and in particular settlement of litigation announced by the Company on 3 March 2020 as the settlement payments proposed and variations to the Share Sale Agreement and Perpetual Lease Agreement as contemplated by the Settlement Agreements have not been effectuated, and the parties have agreed to a standstill on these arrangements until Mega Bank's consent is obtained. Refer to Section 8.4(d) for further details in respect to the Settlement Agreements.

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Number
Shares on issue as at the date of this Prospectus	823,592,773
Shares to be offered pursuant to the Offer	411,796,609
Total Shares on issue after completion of the Offer	1,235,389,382

6. RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

The following is a summary of the more significant rights and liabilities attaching to the New Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should obtain a copy of the Constitution, a copy of which is available to inspect during business hours at the registered office of the Company and, if required, seek independent legal advice or otherwise an electronic copy can be provided on reasonable notice with a request made to enquiries@donacointernational.com.

The New Shares are all fully paid ordinary shares in the issued capital of the Company, and that is the only class of shares in that issued capital. Any New Shares issued under the Offer will rank equally with, and have the same rights and entitlements, in all other respects as the existing Shares, including for any dividend issued after the date of this Prospectus. The Company is registered in Australia under the Corporations Act.

The rights and liabilities attaching to the New Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, ASX Settlement Operating Rules and the general law.

(a) **General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with the provisions of the Corporations Act and the Constitution of the Company.

(b) **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend Rights**

The Directors may from time to time declare a dividend to be paid to Shareholders entitled to the dividend. The dividend shall (subject to dividend reinvestment mechanisms set out in the Company's Constitution and to the

rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. The Directors may from time to time pay to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as the liquidator considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the New Shares offered under this Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of New Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Changes to Capital Structure**

The Board may, subject to the Corporations Act, the Listing Rules and any special rights conferred on the holders of any shares or class of shares, issue new shares on such terms as the Board decides.

(h) **Variation of Rights**

Pursuant to section 246B of the Corporations Act, the Company may, only by special resolution passed at a meeting, vary or cancel the rights attaching to Shares.

If at any time the Share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.

(i) **Alter Constitution**

The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders entitled to vote on that special resolution at a general meeting of the Company. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given to Shareholders.

7. RISK FACTORS

7.1 Introduction

There are a number of risks, both specific to the Company and of a general nature which may, either individually or in combination, affect the future operational and financial performance of the Company and the casino industry in which it operates, and the value of the New Shares under the Offer.

The New Shares offered under this Prospectus should be considered highly speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, however many risks that may affect the Company are outside the Company's control and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which New Shares will trade.

The risks summarised below are not exhaustive and do not take into account the individual circumstances of investors. The Company does not give any assurances or guarantees of the future performance or profitability of the Company or the value of the New Shares offered under this Prospectus. Additionally, the Company does not give any assurances or guarantees that the risks set out in this Prospectus will not change. The future dividends, the value of the Company's assets and the market value or price of its Shares (quoted on ASX) may be influenced by these and other risk factors.

Every investor should:

- (a) rely on their own knowledge of the Company;
- (b) carefully consider the following risk factors, as well as the other information contained in this Prospectus;
- (c) refer to disclosures made by the Company on ASX; and
- (d) consult their professional advisers before deciding whether to apply for New Shares under the Offer.

7.2 Risks specific to the Company

(a) COVID-19 effect on operations

Donaco's key business assets and operations are in respect of the casino and hotel complexes which its wholly owned subsidiaries own and operate in Cambodia and Vietnam.

Specifically, Donaco Singapore Pte Ltd owns and operates the Aristo International Hotel in Lao Cai, Vietnam (with 5% of this casino being owned by an entity controlled by the Vietnam Government) and DNA Hong Kong owns and operates the Star Vegas Casino in Cambodia. The licensing conditions of both casinos requires that only foreign nationals enter the casinos.

As a result of the COVID-19 pandemic (and the closure of country borders) there has been a material impact on the business operations of the Donaco Group, and in particular, in respect of the casinos in Cambodia and Vietnam.

In respect of the Aristo Casino in Vietnam, the Vietnamese Government announced a temporary closure of all casinos commencing on 1 April 2020 due to the COVID-19 pandemic. On 8 May 2020, the temporary closure of casino

operations at the Aristo International Hotel Vietnam was lifted and the Aristo Casino has since been reopened. Notwithstanding this, however, the casino is only operating on a limited basis as the border with China remains closed and that is where most of the casino's patrons originate.

In respect of the DNA Star Vegas Casino in Cambodia, the Cambodian Government also announced the temporary closure of all casinos on 1 April 2020. This position remains in respect of the Star Vegas Casino in Cambodia.

Whilst the Company continues to monitor development in the COVID-19 situation in Cambodia, Vietnam and bordering countries as at the date of this Prospectus, it is not clear as to when the governments of Cambodia, Vietnam and relevant neighbouring countries will ease or remove the restrictions which are currently in place in respect of the COVID-19 pandemic.

Even if the relevant government restrictions are eased, it may be the case that the casino businesses may need to operate at a level which is not at full operating capacity, having regard to the requirements of any health and safety regulations in Cambodia and Vietnam which may be placed in respect of the casino businesses, as applicable.

Donaco continues to implement mitigation strategies to reduce the negative impact of the disruption to its casino businesses, including:

- (a) Seeking a deferral of its banking covenants with its primary financier, Mega Bank (discussed in further detail in section 8.4(b));
- (b) agreeing mechanisms for payment deferrals with RGB Ltd (discussed in further detail in section 8.4(c)); and
- (c) operating at a reduced cost level, where possible, including implementing measures such as minimising the use of utilities in unused areas of the casino complexes and reducing staff.

Notwithstanding the above measures, the closure of the Star Vegas Casino, Cambodia and the limited operations of the Aristo International Hotel Casino, Vietnam continues to have a material impact on the operation of Donaco's business and its financial position.

If the government restrictions in respect of the COVID-19 continue, are further increased or are only partially lifted (for example, where there is a second wave of COVID-19 in Vietnam or Cambodia or neighbouring countries), there is a risk that the profitability and operational viability of the casino businesses in both Vietnam and Cambodia in the short to near distant future will be significantly negatively affected.

If this occurs, Donaco expects that it will need to take further measures to raise further funds by way of equity and/or debt, which in the current economic climate, may not be available on terms acceptable to the Company.

(b) **Secured debt**

Mega Bank Facility

The Company entered into a US\$57,000,000 'Secured Loan Agreement' with Donaco Hong Kong Limited (**Borrower**), DNA Star Vegas Co., Ltd. (**DNA Star Vegas**), Mega International Commercial Bank Co., Ltd., (**Mega Bank**) and others on 14 August 2017 (**Mega Bank Facility**). The Mega Bank Facility has been restated on 21 June 2019 and most recently amended on 28 June 2019.

As at 31 December 2019, the Mega Bank Facility had a balance of approximately AUD24,125,795 outstanding (**Outstanding Amount**). Further details of the Mega Bank Facility are set out in section 8.4(b).

Waiver/deferral of June 2020 obligations

The Mega Bank Facility contains various repayment obligations and banking covenants which must be satisfied within specified times as set out in Mega Bank Facility agreement.

Due to the effect of COVID-19 and the significant reduction in the Company's casino operations, the Donaco Group was not able to meet its June 2020 repayment and satisfy its banking covenants as at June 2020.

The Company has been advised by Mega Bank in writing confirming that the banking covenants in respect of the June 2020 payment milestones will be deferred to December 2020.

Whilst the Company has been provided with the high-level terms of the proposed waiver Mega Bank has advised the Company that the full terms of the deferral and updated repayment schedule will be provided in a formal variation agreement. A summary of the waiver terms received from Mega Bank is set out in section 8.4(b). There is a risk that the precise terms of the formal agreement in respect of the waiver may contain further conditions and obligations on the Company, and until such agreement is received the Company is not able to advise on the precise mechanics of how the deferral will operate. On the basis of the letter received from Mega Bank, the Company's June 2020 principal repayment and certain banking covenants are deferred to December 2020.

Given the current closure of the Company's casino businesses in Cambodia and the relatively recent re-opening of the casino in Vietnam there is significant uncertainty as to when these businesses may be fully operational given the current COVID-19 environment. As outlined further in Section 7.2(c) the Company is unlikely to be in a position to satisfy its banking covenants which have been deferred until December 2020.

As such, it is likely that there will be a requirement for the Company to raise further capital or debt in order to meet its financing covenants or seek further waivers or deferral from Mega Bank in respect of obligations due in December 2020. In the event that the Company is unable to satisfy, or otherwise seek a further deferral of, its banking covenants as due in December 2020, the Company will be in breach of its Mega Bank Facility which may entitle the financier to exercise its enforcements rights under the facility, which include without limitation, seeking an acceleration of all outstanding amounts under the Mega Bank Facility.

Consents to Settlement Agreements

Specific terms of the Mega Bank Facility require the prior consent of Mega Bank in relation to the terms of the Settlement Agreements which have been executed in respect of various proceedings between entities comprising the Donaco Group and the Somboon Parties. Summaries of the Settlement Agreements are set out in further detail in Section 8.4(d). It is arguable that there may be a technical breach of the Mega Bank Facility terms in respect of a failure by the Company to obtain the prior consent of Mega Bank to the Settlement Agreements.

As an interim measure, the Donaco Group and the Somboon Parties have agreed to standstill arrangements in respect of any payment obligations or

other specific matters agreed under the Settlement Agreements until the Mega Bank consent requirement has been satisfied as required under the Mega Bank Facility.

The Donaco Group is in discussions with Mega Bank in respect of these matters and Mega Bank is aware of the Settlement Agreements. However, to date, Donaco has not received any communication from Mega Bank in regard to the Settlement Agreements and there is therefore a risk that Mega Bank may not consent to the arrangements agreed under the Settlement Agreements.

(c) **Further funding requirements**

It is likely that the Company will need to raise additional funds by December 2020 for working capital purposes and to satisfy its banking covenants under the Mega Bank Facility.

As outlined in Section 8.4(b)(iv) Mega Bank has deferred until 31 December 2020 certain banking covenants including the requirement to ensure the cash and cash equivalents of the Donaco group are not less than AUD20 million. It is unlikely that the Company will be able to meet this covenant and intends to seek a further deferral of its banking covenants from Mega Bank. There is no guarantee that any further deferral will be granted from Mega Bank.

In the event that the Company is unable to satisfy these covenants, or otherwise obtain a further deferral of its banking covenants, the Company will be in breach of its Mega Bank Facility which may entitle the financier to exercise its enforcement rights under the facility, which include without limitation, seeking an acceleration of all outstanding amounts under the Mega Bank Facility.

The Company currently intends to either raise additional capital or debt to meet its working capital requirements and the principal repayments and covenants under the Mega Bank Facility.

The quantum and timing of the Company's future capital requirements will depend on numerous factors. These factors include the Company's ability to generate income from its casino operations, particularly in the current COVID-19 environment and the uncertainty in respect of easing of government restrictions in relation to the operations of the casino businesses and the re-opening of international borders with Cambodia and Vietnam.

In addition, future capital requirements will be impacted by the ability to obtain further deferrals of covenants under the Mega Bank Facility and the necessary consents from Mega Bank to the Settlement Agreement. There may also be an impact on future capital requirements of the Company if the parties are unable to agree to an arrangement in respect of the leasing fees which are currently outstanding with RGB Ltd (refer to Section 8.4(c)) or if the unredeemed casino chips which currently exist in respect of the Aristo Casino are redeemed (refer to Section 7.2(e)).

There is no assurance that such equity and debt funding will be available to the Company on favourable terms, or at all. Failure to raise capital could have a material adverse effect on the Company's activities and financial position.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scale of its operations.

(d) **Dispute/Litigation risk**

Settlement Agreements – Somboon Parties

The Company recently entered into Settlement Agreements in respect of proceedings in Singapore, Australia, Thailand and Cambodia with the Somboon Parties, in respect of matters relating to the Company's acquisition of DNA Star Vegas. Details of the Settlement Agreements are contained in Section 8.4(d).

The Mega Bank Facility Agreement requires the Company to obtain the prior consent of Mega Bank to fulfil parts of the Settlement Agreements. The Company is in discussions with Mega Bank in respect of seeking the required consents.

All parties to the Settlement Agreements have acknowledged that all proceedings the subject of the Settlement Agreements have been withdrawn and the parties have agreed to defer other specific matters under the Settlement Agreements (including any payment obligations) whilst awaiting the position on Mega Bank's consent.

There is a risk that the consent of Mega Bank may not be obtained in respect of the proposed settlement terms, or the consent may be provided on terms and conditions which are not acceptable to the Donaco Group or the Somboon Parties. If this occurs and the Donaco Group and the Somboon Parties are unable to agree to appropriate variations to the Settlement Agreements, there is a potential risk of further litigation or dispute between the parties to the Settlement Agreements.

(e) **Casino operational risks**

Closure of borders and COVID-19 measures

The operation of the casinos in Vietnam and Cambodia requires Donaco to be separately licensed under the rules and regulations of Vietnam and Cambodia and continually comply with the conditions of those licenses in respect of the operation of the casinos in those jurisdictions.

The licensing requirements have strict controls in respect of local patrons entering casinos (that is, only foreign patrons are able to attend casinos). As a result, the success of the casinos depends substantially on customers from bordering countries to be able to enter the casinos. Given the current COVID-19 environment, and the closure of various foreign borders, there is a direct impact on the reduced profitability of the casinos.

Unredeemed casino chip liability

As at 26 June 2020 the Company had an unredeemed casino chip liability in respect of the Aristo Casino, Vietnam of approximately USD 5.27 million to provide for patrons cashing in their casino chips. The unredeemed casino chips are an ongoing amount, they are not cashed in when the relevant patron leaves the casino, they are used again when the patron returns. In the event that all these unredeemed casino chips were to be cashed in over the next 6 months this would have a significant adverse impact on the Company's cash flow. However, based on current and past practice it is unlikely that these unredeemed chips would be redeemed unless and until such time as the Aristo Hotel were to close indefinitely.

(f) **Exchange rate volatility**

The Donaco Group is exposed to fluctuations in currency exchange rates through its activities, because a large proportion of the operating costs of its operations and assets are denominated either denominated in US dollars or in the currency of the country in which each casino is located or otherwise where its key counterparties exist, including the Australian dollar, the Thai baht, the Vietnamese dong and the Cambodian riel. Further the Group's covenants under its secured debt with Mega Bank are denominated in US dollars.

Adverse movements in the exchange rate between the US dollar and those respective foreign currencies, which may or may not be freely convertible, and any other applicable currencies may result in the Donaco Group to incur foreign currency losses. Such losses may impact the Donaco Group's profitability, ability to pay dividends and ability to service debt obligations.

Specifically, exchange rate volatility may result in volatility in relation to the management, repayment of amounts, and the satisfaction of various banking covenants under the Mega Bank Facility.

(g) **Risks associated with operations in Vietnam and Cambodia**

The Aristo International Hotel in Lao Cai is located in Vietnam and Star Vegas Casino is located in Cambodia, both of which are developing nations with all of the associated political, economic and social risks to which the Company is exposed.

These risks and uncertainties include, but are not limited to economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, casino licensing, export and excise duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control and regulations in respect of patrons entering casinos.

Gaming regulations in Cambodia and Vietnam are not as sophisticated as in Western markets and continue to develop. Any changes, reviews or additional controls in respect of gaming regulations in Cambodia or Vietnam, may result in an adverse change on the business operations of the Company. A failure by the Company to comply with such regulations may lead to regulatory investigations, penalties, sanctions and revocation of relevant operating licences in respect of the operation of the casino businesses.

Further and more broadly, changes, if any, in industrial or investment policies or shifts in political attitude in Vietnam or Cambodia may adversely affect the operations or profitability of the Company in respect of its operations in those countries. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on casino and gaming regulation, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, and occupational health and safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to the operation of the casinos, could result in loss, or reduction of operations.

Outcomes in courts in Vietnam and Cambodia may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or any subsidiaries in Vietnam and Cambodia.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have a material adverse effect on the operations or

profitability of the Company. The Company has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in Vietnam and Cambodia, the Directors may reassess investment decisions and commitments to assets and operations in Vietnam and Cambodia.

(h) **Reliance on key personnel and requirement for specific approvals**

The Company's activities require personnel with appropriate industry experience and qualifications and the loss of such key personnel may have an adverse impact on the activities of the Company. It is also noted that the Company is currently undertaking an executive search for a new CEO for the Company and it is intended that an appointment will be made in respect of a new CEO once this process is complete.

It is also noted that it is the current intention of the Company's directors, Norman Mel Ashton and Simon Vertullo, to resign as directors of the Company following the completion of the Offer. The Company is currently in the process of undertaking an executive search to identify suitable replacement directors.

(i) **Trading Price of the Shares**

The Company's operating results, economic and financial prospects and other factors will affect the future trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the Australian dollar performance on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

(j) **Fraud and General Risk in respect of the Casinos**

Given the inherent nature of the casino gaming industry being principally a cash business, it may be prone to money laundering, illegal activity, accounting errors and fraudulent activity. The Company expects that it will need to continue to dedicate part of its management, operational, accounting and financial resources to enhance, maintain and regularly review its internal controls to minimise the occurrence and risk of such activity. These activities, if material or significant, could adversely affect the Donaco Group's business and operations.

(k) **Regulation**

Government legislation and policy, within Australia, Cambodia and Vietnam and in other jurisdictions, including changes to relevant gaming and casino licensing regulation and taxation systems, may have an adverse effect on the Company's activities, financial position and financial performance.

The Donaco Group operates in a regulated industry. In particular, the relevant operating entities are required to be appropriately licensed in Vietnam and Cambodia, where Donaco's is currently operating its gaming operations. These licenses and authorisations have to be regularly renewed.

There is an ongoing compliance and licensing risk in relation to the markets in which Donaco operates. Specifically a failure by Donaco to comply with the applicable regulations, policy and licence conditions may result in Donaco being unable to secure a relevant authorisation, unable to have its existing authorisations renewed on expiry, or otherwise result in a loss, variation or termination of its existing licenses or authorisations.

Further, and as detailed in section 7.2(g) the jurisdictions in which Donaco operates are continuing to develop the regulatory framework in regards to the casino and gaming industry. This fluid regulatory landscape provides a level of uncertainty in respect of the ability to continue to secure adequate licensing authorisations necessary to conduct the Group's operations. Specifically, any new regulations which are introduced may negatively affect the group's ability to obtain or renew its existing authorisations under the changing regulatory landscape, or otherwise require the group to comply with conditions which materially adversely affect its business operations.

(l) **Competition risk**

The industry in which the Company is involved is subject to domestic and global competition. The Company has no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business. For both Vietnam and Cambodia, the competition risk may be increased depending on operations in neighbouring countries, given the proximity of the casinos to the borders of their respective bordering countries.

(m) **Other**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by its Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company.

7.3 General Risks

(a) **Market Conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) domestic and international economic outlook;
- (ii) interest rates and inflation rates;

- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) government taxation or other policy changes.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Litigation and commercial risks**

In addition to the specific dispute and litigation risks specified in section 7.2(d), the Company may be involved in disputes with other parties (including existing and future commercial and contracting counterparties) in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company and its subsidiaries are not currently aware of or engaged in any litigation other than in respect of matters outlined in Section 7.2(d) of this Prospectus.

(c) **Acts of terrorism and outbreak of international hostilities**

An act of terrorism or an outbreak of international hostilities may occur, adversely affecting market confidence and share market performance. This may have an adverse impact on the Company's operating, financial and share price performance.

(d) **Economic conditions**

Economic conditions, both domestic and global, may affect the performance of the Company. The Company's future possible revenue and share price can be affected by these conditions all of which are beyond the control of the Company and the Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

(e) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including, without limitation, labour unrest, civil disorder, war, health pandemics, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Taxation**

The holding or disposal of Shares will have tax consequences which may differ depending on the individual financial affairs of each Shareholder. All Shareholders are urged to obtain independent financial advice about the consequences of holding or disposing of Shares from a taxation viewpoint and generally.

(g) **Local taxation**

Any changes to the taxation policy in Vietnam or Cambodia resulting in an increase in the amount of tax to be remitted to the governments of those

jurisdictions would result in an increase in expenses and potentially have an adverse effect on the Company's business operations, financial position and cash flow.

(h) **Insurance risks**

The Company carries insurance policies relevant to its current level of operation and in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(i) **Cyber risks**

The Company's operations at the casinos are and will continue to be reliant on various computer systems, data repositories and interfaces with networks and other systems. Failures or breaches of these systems (including by way of virus and hacking attacks) have the potential to materially and negatively impact the Company's operations. Whilst the Company has barriers, continuity plans and risk management systems in place, there are inherent limits to such plans and systems. Further, the Company has no control over the cyber security plans and systems of third parties with which it may interface or upon whose services the Company's operations are reliant.

(j) **Labour risk**

The Company's operations at the casinos are and will continue to be reliant on suitably skilled and qualified labour. There is no guarantee that the Company is able to consistently source this labour and further to that, there is no guarantee that the costs to retain its labour force will not increase.

7.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors 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. The above factors, and others not specifically referred to above, may in the future materially negatively affect the Company's financial performance and the value of the New Shares offered under this Prospectus.

Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares.

Potential investors should consider that an investment in the Company is highly speculative. Before applying for New Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in the Company and should consider whether the Shares are a suitable investment, having regard to their own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the New Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

8. ADDITIONAL INFORMATION

8.1 Currency of Information

Unless expressly specified otherwise the information in this Prospectus is dated 3 July 2020.

The information in this Prospectus principally concerns the terms and conditions of the Entitlement Offer and the information necessary to make an informed assessment of:

- (a) the effect of the Entitlement Offer on the Company; and
- (b) the rights and liabilities attaching to the New Shares offered by this Prospectus.

As the Company is listed on ASX a substantial amount of information concerning the Company has previously been notified to ASX and is therefore publicly available.

There may be additional announcements made by the Company after the date of this Prospectus and prior to the Closing Date that may be relevant to your consideration of whether or not to apply for New Shares. Therefore, you are encouraged to check whether any further announcements have been made by the Company on the Company's ASX Announcements platform or website, before submitting any Application under the Entitlement Offer. Please refer to ASX's website (Company ticker: DNA).

No party other than the Company 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 Litigation

As at the date of this Prospectus, the Donaco Group has entered into Settlement Agreements with the Somboon Parties as described in Sections 7.2(d) and 8.4(d) of this Prospectus in respect of matters relating to the sale of DNA Star Vegas to the Company.

As set out in Section 7.2(d), certain matters relating to the Settlement Agreements are subject to the prior consent of Mega Bank. As at the date of this Prospectus, no such consent has been obtained. If Mega Bank does not provide its consent to the Settlement Agreements (or any of their terms) or otherwise provides consent on terms which are not acceptable to the Donaco Group or any of the Somboon Parties, there is a risk of further litigation or dispute between the Donaco Group and any one or more of the Somboon Parties.

Other than as disclosed in this Prospectus, as far as the Directors are aware, the Company is not involved in any ongoing or potential litigation which is material in the context of the Company and its related bodies corporate.

8.3 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the financial market conducted by ASX. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus" for the purposes of section 713 of the Corporations Act. In general terms a "transaction specific prospectus" is only

required to contain information in relation to the effect of the issue of securities on a company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is not required to, and does not, include all of the information that would be included in a prospectus for an initial public offering of securities in an entity not already listed on the ASX. The Company has, since listing, continuously disclosed to the market any information it has and which a reasonable person would expect to have a material effect on the price or the value of the Company's securities, and that information is publicly available from the ASX platform at www.asx.com.au. All Applicants should therefore have regard to the publicly available information regarding the Company prior to making a decision whether to participate in the Offer.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half yearly financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC;
 - (iii) any financial statements accompanied by a Directors' statement and report and an auditor's report; and
 - (iv) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date	Description of Announcement
15/06/2020	Donaco Receives Lender Support

Date	Description of Announcement
03/06/2020	CEO Contract Extension
13/05/2020	Reopening of Aristo International Hotel Casino Operations
07/05/2020	Update on Freezing Order for Thai Vendor Shares
30/04/2020	Quarterly Activities Report & Appendix 4C
21/04/2020	Extension of Temporary Closure of Aristo Hotel Casino Ops
17/04/2020	Update on Progress of Star Vegas Settlement
07/04/2020	DNA Business Update in Response to COVID-19
01/04/2020	Temporary Closure of Aristo Hotel Casino Operations
31/03/2020	Temporary Closure of DNA Star Vegas Casino Operations
27/03/2020	Progress Update on Settlement with Thai Vendor
25/03/2020	Coronavirus Impact
03/03/2020	Conclusion of Negotiations and Settlement with Thai Vendor
02/03/2020	Further Extension of Freezing Order
28/02/2020	1H FY20 Investor Presentation
28/02/2020	1H FY20 Results Summary
28/02/2020	Appendix 4D and Half Year Financial Report
24/02/2020	1H FY20 Results - Investor Briefing Conference Call Details
12/02/2020	Coronavirus Impact
11/02/2020	Appointment of Executive Directors
07/02/2020	Change of Company Secretary
03/02/2020	Update on Litigation Matters
31/01/2020	December Quarter Trading Update & Appendix 4C
22/01/2020	Ceasing to be a substantial holder
30/12/2019	Chief Financial Officer Transition
11/12/2019	Initial Director's Interest Notice - Vertullo
11/12/2019	Initial Director's Interest Notice – Ashton
09/12/2019	Reinstatement to Official Quotation
09/12/2019	Donaco Appoints Non-Executive Directors
05/12/2019	Resignation of CEO
03/12/2019	Initial Director's Interest Notice – Sutton
03/12/2019	Final Director's Interest Notice - Kinoshita
03/12/2019	Final Director's Interest Notice - Green

Date	Description of Announcement
03/12/2019	Final Director's Interest Notice - McGregor
03/12/2019	Final Director's Interest Notice – Reichel
02/12/2019	Suspension From Official Quotation
02/12/2019	Pause in Trading
02/12/2019	Rod Sutton Joins the Board of Donaco
02/12/2019	Results of AGM
29/11/2019	Chairman's Address and CEO's Address to the AGM
29/11/2019	Director Resignation
27/11/2019	TOV: DNA 03R Panel Declines to Conduct Proceedings
15/11/2019	TOV: Donaco International Ltd 03R - Panel Receives Review
14/11/2019	TOV: Donaco International Ltd 02 - Panel Declines to Conduct
13/11/2019	Donaco Wins Cambodian Court Ruling
07/11/2019	Change in substantial holding
04/11/2019	DNA Panel Receives Application
04/11/2019	Application to Takeovers Panel
24/10/2019	Sample Voting Form for AGM
22/10/2019	Annual Report to Shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours. The announcements publicly available from the ASX platform at www.asx.com.au (ticker: DNA).

8.4 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company and the Offer:

(a) Underwriting Agreement

By an agreement between Mr Lee Bug Tong (aka Bhuvassith Chairunroj) and Lee Bug Huy (aka Techatut Sukcharoenkraisri), each the **Underwriter** and together the **Underwriters** and the Company (**Underwriting Agreement**), the Underwriters have agreed to underwrite the full amount of the Offer in equal proportions.

The material terms of the Underwriting Agreement are summarised below.

Conditions precedent:

The underwriting set out above is subject to satisfaction of various conditions considered to be standard for agreements of this nature, together with:

- (A) **(Director appointment)** The Board of the Company approving the appointment of two Directors nominated by the Underwriters, being Paul Porntat Amatavivadhana and Lee Bug Huy (aka Techatut Sukcharoenkraisri), effective on the later of, Completion or, the date on which the Company received a consent to act from the relevant nominated director; and
- (B) **(Official quotation)** ASX not having indicated to the Company or the Underwriters that it will not grant permission for the Official Quotation of the Offer Securities on or before 10.00am on the Settlement Date.

Fees and costs:

The Underwriters will not receive any fees in respect of the underwriting. However, the Company will be required to reimburse the Underwriter in respect of all reasonable costs incurred by the Underwriters, including in respect of:

- (A) legal costs incurred by the Underwriters in relation to the Underwriting Agreement and the Offer;
- (B) all reasonable travel and accommodation expenses and printing and production costs, or out of pocket expenses in respect of the Underwriting Agreement and the Offer (provided that where any single item of expenditure is greater than \$1,500, the Underwriters have obtained the approval of the Company before incurring that expense);
- (C) all reasonable Costs in respect of any review of the Offer undertaken by ASIC, ASX or any other regulatory body (except where such review relates to the fraud, wilful misconduct or gross negligence); and
- (D) any stamp duty payable in respect of the Underwriting Agreement.

Termination rights:

The obligation of the Underwriters to underwrite the Offer is subject to certain events of termination. The Underwriters may terminate its obligations under the Underwriting Agreement if (without limitation) an event of this nature occurs

- (i) **(market fall)** the S&P/ASX200 Index of ASX closes on any Business Day before the date of the shortfall notification to the Underwriters by the Company at a level that is 30% or more below the level at market close on the Business Day before the date of the Underwriting Agreement; or
- (ii) **(Company fall)** the Shares close on any Business Day before the date of the shortfall notification to the Underwriters by the Company at a level that is 30% or more below \$0.035 and remain at that level for 3 or more consecutive Business Days; or
- (iii) **(listing and quotation):**
 - (A) the Company ceases to be admitted to the official list of ASX; or

- (B) the Shares are suspended from quotation on ASX for more than five days in the period commencing from the date of the Underwriting Agreement; or
 - (C) ASX makes any official statement to any person or indicates to the Company or the Underwriters that Official Quotation of the Offer Securities will not be granted; or
 - (D) approval is refused or unconditional approval is not granted (unless the conditions are customary listing conditions which would not, in the reasonable opinion of the Underwriters, have a material adverse effect on the success of the Offer) to the Official Quotation of all of the Offer Securities on ASX, on or before the Settlement Date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (iv) **(ASIC)** the performance of the obligations of the Underwriters under the Underwriting Agreement, or the completion of the Offer by the Company is prevented or restrained by a final order or notice by ASIC; or
- (v) **(withdrawal)** the Company withdraws the Offer; or
- (vi) **(disruption in financial markets)** either of the following occurs:
- (A) a general moratorium on commercial banking activities in Australia, United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (B) trading in all securities quoted or listed on ASX, the London Stock Exchange, and/or the New York Stock Exchange is suspended or limited in a material respect for at least 1 day; or
 - (C) any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, the United Kingdom, the United States of America or the international financial markets or any change in national or international political, financial or economic conditions,
- in any case the effect of which is such as to make it, in the reasonable judgment of the Underwriters materially more difficult to promote the Offer or to enforce contracts to issue and allot the Offer Securities; or
- (vii) **(material adverse change)** any material adverse change of at least \$6,000,000 occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Donaco group of companies (taken as a whole), including any material adverse change of at least \$6,000,000 in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company as compared to the position as shown in the unaudited management accounts of the Company as at 31 May 2020.
- (viii) **(prosecution)** any of the following occur:
- (A) a Director or executive of the Company is charged with an indictable offence;

- (B) any Director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
- (C) any Director of the Company commits an act of fraud in connection with any aspect of the Offer or the Company; or
- (ix) **(Supplementary Prospectus)** the Company is required to lodge a Supplementary Prospectus with ASIC and does not do so in accordance with the requirements of the Underwriting Agreement; or
- (x) **(Certificate)** a Certificate that is required to be given by the Underwriting agreement is not given within the specified time or a statement in that Certificate is not true or has a material omission;
- (xi) **(Termination events)** if any of the following events occurs and either cause or are likely to cause a material adverse effect or if they could cause the Underwriter to be in breach under the Corporations Act, then the Underwriter has the right to terminate the Underwriting Agreement. These termination events are considered to be standard for agreements of this nature and include a significant "new circumstance" arises which is materially adverse; the offer documents containing a statement that is misleading or deceptive; the occurrence of hostilities or a major escalation in existing hostilities involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Thailand, Vietnam, Indonesia, North Korea, South Korea or the People's Republic of China; introduction or proposal of a change in law or policy which is does or is likely to prohibit or regulate the Offer; material breach of the Underwriting Agreement by the Company, including a breach of any representation or warranty; change in the Board and/or the Chief Executive Director of the Company without the consent of the Underwriters; any government agency commences any public action against the Company or any of its Directors, or announces that it intends to take such action; the Company varies the terms of the Offer without the consent of the Underwriters; any specified date in the Timetable is delayed for 5 or more Business Days; an Insolvency Event in respect of the Company.

The Underwriting Agreement is otherwise made on terms considered standard for an agreement of this nature.

(b) **Mega Bank Facility**

The Company entered into the Mega Bank Facility for US\$57,000,000 with Donaco Hong Kong Limited (as **Borrower**), DNA Star Vegas and Mega Bank.

As at 31 December 2019, the Mega Bank Facility had a balance of approximately AUD24,125,795 outstanding (**Outstanding Amount**).

- (i) Under the terms of the Mega Bank Facility Mega Bank holds security under:
 - (A) A share charge between the Company and Mega Bank dated 14 August 2017 and amended by deed of confirmation on 21 June 2019;
 - (B) A security assignment of contractual rights under the Share Sale Agreement between the Company, the Borrower and

Mega Bank dated 14 August 2017 and amended by deed of confirmation on 21 June 2019;

- (C) A pledge over account between the Borrower and Mega Bank dated 28 August 2017 and amended by deed of confirmation on 21 June 2019;
- (D) A share pledge agreement between DNA Star Vegas, the Borrower and Mega International Commercial Bank Co., Ltd., Phnom Penh Branch (**Mega Bank Branch**) dated 14 August 2017 and amended by deed of confirmation on 21 June 2019;
- (E) A security agreement over assets between DNA Star Vegas and Mega Bank Branch dated 14 August 2017 and amended by deed of confirmation on 21 June 2019;
- (F) A hypothec agreement over lease and building between DNA Star Vegas and Mega Bank Branch dated 14 August 2017 and amended by deed of confirmation on 21 June 2019,

(together the **Security**).

(ii) Under the terms of the Mega Bank Facility, the repayments are set out as follows:

- (A) 15% of the aggregate outstanding principal amount as at the date falling 3 months after the date of the Mega Bank Facility (**Aggregate Outstanding Amount**) to be paid on the date falling 6 months after the date on which the loan was made;
- (B) 15% of the Aggregate Outstanding Amount to be paid on the date falling 12 months after the date on which the loan was made;
- (C) 15% of the Aggregate Outstanding Amount to be paid on the date falling 18 months after the date on which the loan was made;
- (D) US\$4,550,000 to be paid on 30 June 2019;
- (E) US\$5,000,000 to be paid on 31 December 2019;
- (F) US\$5,000,000 to be paid on 30 June 2020;
- (G) US\$5,000,000 to be paid on 31 December 2020; and
- (H) US\$7,800,000 to be paid on the date falling 46 months after the date on which the loan was made (being 14 June 2021).

Under the terms of the Mega Bank Facility, repayments must be made to a debt service reserve account 15 days prior to the relevant repayment date, which effectively requires the Group to have the required funds in place 15 days prior to the relevant repayment date.

(iii) The Mega Bank Facility contains the following financial covenants:

- (A) The Borrower must ensure the ratio of consolidated EBITDA to consolidated finance charges for the period are not less than:
 - (I) 4.00:1.00 for the period ending 30 June 2019; and
 - (II) 6.00:1.00 for the period ending 30 June 2020 and each relevant period thereafter;
 - (B) The Borrower must ensure that its debt coverage ratio, being consolidated total net debt over consolidated EBITDA, does not exceed 2.00:1.00 in respect of each relevant period ending on or after 30 June 2017;
 - (C) The Company must ensure that the aggregate amount of cash and cash equivalent investments of the Donaco Group are not less than:
 - (I) AUD15,000,000 at any time after 31 December 2018 but before 30 June 2020; and
 - (II) AUD20,000,000 at any time on or after 30 June 2020;
 - (D) The Company must ensure that its debt to equity ratio, being consolidated total debt over consolidated total equity, does not exceed 0.80:1.00 at any time.
- (iv) On 15 June 2020, the Company received a written approval from Mega Bank in respect of the deferral of the certain banking covenants including the following:
- (A) Repayment of US\$5,000,000 to be paid on 30 June 2020;
 - (B) The requirement of the Company to ensure that the aggregate amount of cash and cash equivalent investments of the Donaco group are not less than AUD20,000,000 at any time on 30 June 2020;

Full terms of the deferral are expected to be set out in a further variation agreement which is expected to be received from Mega Bank shortly. A summary of the waiver terms, as received from Mega Bank in its letter of 15 June 2020 is set out below. It should be noted that the precise terms of the variation agreement to be entered into with Mega Bank may differ from (or contain additional conditions to) the terms set out in the letter received from Mega Bank on 15 June 2020.

The terms of the Mega Bank waiver provided to the Company are as follows:

- (A) The principal repayable by the Borrower on 30 June 2020 is to be extended until 31 December 2020;
- (B) The Offer must be completed/closed before 31 December 2020;
- (C) The proceeds of the Offer must be used to settle the original 30 June 2020 principal payable of USD5,000,000;

- (D) USD10,000,000 is repayable by the Borrower on 31 December 2020 (less any payment which has already been made under (C) above);
- (E) The following exemptions apply:
 - (I) The Borrower is exempt from its year 2020 Interest Coverage Ratio and Debt to EBITDA's financial covenant;
 - (II) The Company is exempt from its June 2020 Cash and Cash Equivalent Balance and Debt to Equity Ratio's financial covenant; and
 - (III) The Borrower and the Company are exempt from non-compliance resulting from the suspension of operation of the casinos in Cambodia and Vietnam in order to cooperate with the COVID-19 prevention policy issued by the Cambodian and Vietnam Governments.
- (F) The interest rate spread applicable for the next interest period will be adjusted according to the Debt Ratio for the year, based on the Borrower's annual report and compliance certificate. The contract interest rate spread are as follows:
 - (I) where the Debt Ratio is greater than or equal to 2.00:1.00, the interest rate per annum will be 6.50%;
 - (II) where the Debt Ratio is greater than or equal to 1.00:1.00 but less than 2.00:1.00, the interest rate per annum will be 6.25%; and
 - (III) where the Debt Ratio is less than 1.00:1.00, the interest rate per annum will be 6.00%.

(c) **RGB arrangement**

DNA Star Vegas, a wholly owned subsidiary of the Company has entered into a technical support and management agreement dated 16 September 2017 with RGB Ltd (**RGB Agreement**). The RGB Agreement is in respect of the provision of technical support management services, including the use of the Bally Casino Management System (**Bally CMS**) and supply of machines at DNA Start Vegas Casino in Cambodia.

Under the RGB Agreement, the parties have agreed to a profit-sharing mechanism in respect of collections from the machines supplied through the RGB Agreement as well as a leasing fee in respect of the use of the Bally CMS.

As at 24 June 2020, DNA Start Vegas owes RGB Ltd an amount of approximately \$2.26 million (subject to exchange rate movements between AUD and the Thai baht, being the denominated currency in respect of these payments under the RGB Agreement) in respect of the outstanding amounts owing under the profit sharing arrangement for the period commencing August 2019 to March 2020 (**Outstanding Amounts**).

The parties have, by way of variation dated 24 June 2020, agreed to amend the profit-sharing ratios with effect from 1 January 2020 and also enter into a

12-month payment plan in respect of the payment of the Outstanding Amount commencing from September 2020 (with the repayment plan containing a mechanism for a further deferral of the Outstanding Amounts depending on whether or not the Donaco Group has monthly negative earnings before interest, tax, depreciation and amortisation for two consecutive months prior to September 2020). In addition, the parties have agreed to discuss a partial refund of the THB80 million (approximately \$3.75 million) cash float, with the repayment of at least 50% of this float to commence in 2021.

Under the variation agreement, the parties acknowledge that there are also outstanding amounts payable in respect of leasing fees relating to the use of the Bally CMS which has been stipulated by RGB Ltd to be approximately \$1.76 million (subject to exchange rate movements between USD and AUD). It is also acknowledged that these outstanding amounts have not yet been agreed between the parties. Under the terms of the variation agreement, the parties agree to work together to agree to the amounts outstanding in respect of the Bally CMS and agree to a payment plan in respect of these amounts.

(d) **Litigation – Settlement Agreements**

The Company (as purchaser) and Somboon Sukcharoenkraisri and Lee Bug Tong (as vendors) have previously entered into the Share Sale and Purchase Agreement dated 23 January 2015 (as further varied by a supplemental deed dated 22 May 2015 and the amending and restating deed dated 18 June 2015 (**Share Sale Agreement**) under which the vendors agreed to sell and the purchaser agreed to purchase the entire issued share capital in DNA Star Vegas Co., Ltd.

Various litigation has been commenced between the parties to the Share Sale Agreement (and their related parties) (**Proceedings**).

By various Settlement Agreements dated 2 March 2020 between:

- (i) Donaco, Somboon Sukcharoenkraisri (**SS**), Lee Bug Tong (**LBT**), Lee Bug Huy (**LBH**) and DNA Star Vegas;
- (ii) Paramax Co., Ltd, Donaco and DNA Star Vegas;
- (iii) DNA Star Vegas and Lee Hoe Property Group., Ltd (**LHP**)

(together, the **Settlement Agreements**) each of the parties to the relevant Proceedings agrees to withdraw or discontinue the relevant Proceedings and release each other from all claims in respect of the Proceedings.

As part of the settlement under the Settlement Agreements, the parties have agreed to (amongst other things):

- (i) amend provisions of the Share Sale Agreement (**Share Sale Agreement Amendment**);
- (ii) amend provisions of the Perpetual Lease Agreement dated 15 June 2015 between DNA Star Vegas Co. Ltd (as lessee) and Lee Hoe Property Co., Ltd (lessor) in respect of a land area located in the Kbal, Spean Village, Poi Pet Commune, Or Chrov District, Banteay Meanchey Province (**Perpetual Lease Agreement Amendment**); and
- (iii) make certain payments to each other in respect of the settlement arrangements.

Under the terms of the Mega Bank Facility, the consent of Mega Bank is required to the terms of the Settlement Agreements and in particular the Share Sale Agreement Amendment, the Perpetual Lease Agreement Amendment and the payment terms.

As at the date of this Prospectus:

- (i) Documentary evidence from the courts or other regulatory bodies in respect of the withdrawal, discontinuance or termination of the Proceedings has not been received and provided by each of the parties;
- (ii) The consent of Mega Bank has not been obtained in respect of the terms of the Settlement Agreements as required under the Mega Bank Facility Agreement; and
- (iii) The Settlement Agreements have not been effectuated in full.

Notwithstanding the above, letters of acknowledgement have been executed by the Parties in respect of the Settlement Agreements between:

- (iv) DNA Star Vegas and LHP;
- (v) Donaco, SS, LBT, LBH and DNA Star Vegas;
- (vi) Paramax Co., Ltd, Donaco and DNA Star Vegas;

which specifically acknowledge that:

- (vii) The parties have only partially performed their obligations under the Settlement Agreements;
- (viii) each relevant party has duly withdrawn, discontinued, terminated and/or procured to have the relevant parties terminate the Proceedings as contemplated by the Settlement Agreements; and
- (ix) Donaco Hong Kong Limited is in the process of obtaining the consent from Mega Bank in relation to the terms of the Settlement Agreement and that if such consent is not obtained, the validity of the settlement terms under the Settlement Agreements shall remain in full force and effect.

8.5 Current and Proposed Directors

Proposed directors

The Company has agreed to procure the appointment of the following two Directors as nominated by the Underwriters effective on completion of the Underwriting Agreement as follows:

Paul Porntat Amatavivadhana

Mr Amatavivadhana is a founding principal and CEO of Infinite Capital, a successful boutique corporate advisory firm based on Bangkok. He has considerable experience in mergers & acquisitions, corporate restructuring and capital raisings. Mr Amatavivadhana is currently an independent director at Sansiri Plc, one of the largest real estate developers in Thailand, which is listed on the Stock Exchange of Thailand. His previous roles include positions at Ayudhya Securities Plc (Management Director), Ploenchit Advisory Co Ltd (Assistant Management Director); UOB KayHian Securities (Thailand) Ltd; BNP Paribas Peregrine Securities (Thailand) Ltd and Securities One Plc.

Mr Amatavivadhana has also previously acted as non-executive director of the Company (previously appointed 1 July 2015). Mr Amatavivadhana holds a MSc in Management Science and a BA in Finance and Banking.

Lee Bug Huy (aka Techatut Sukcharoenkraisri)

Mr Huy is Vice President at the Casino at Star Vegas Casino & Resorts Co, Ltd where he has been responsible for developing the model for the slot machine business. He has significant experience in gaming and casino management and has previously acted as an executive director of the Company (previously appointed on 1 July 2015). Mr Huy holds a BSc majoring in Chemical Engineering.

Current directors

It is the current intention of Norman Mel Ashton and Simon Vertullo to resign as directors of the Company following completion of the Offer or shortly thereafter. The Company is currently undertaking an executive search in respect of appropriate replacement Australian resident directors.

8.6 Interests of Directors and proposed Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

The relevant direct and indirect interests of each of the Directors (and proposed Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlements, are set out in the table below.

Director	Shares	Entitlement (Shares)
Current Directors		
Norman Mel Ashton	0	0
Kurkye Wong	0	0
Yan Ho Leo Chan	0	0
Roderick John Sutton	0	0
Simon Vertullo	0	0
Proposed Directors¹		
Lee Bug Huy (aka Techatut Sukcharoenkraisri)	148,199,529	79,287,302
Paul Porntat Amatavivadhana ²	3,355,405	1,677,703

Note:

1. A condition of the Underwriting Agreement is the approval by the Board of the appointment of the two Directors nominated by the Underwriter. Refer to Section 8.4(a) for further details on the terms of the Underwriting Agreement.
2. Paul Porntat is a director nominated by the Underwriter. He is not an Associate of Huy, Tong & Associates, and therefore does not hold a relevant interest in the shares held by Huy, Tong & Associates.

Director's remuneration

The aggregate annual remuneration for non-executive Directors is currently capped at A\$750,000.

The Company may also pay the Directors' travelling, hotel and other expenses that they properly incur in or about the performance of their duties. Under the terms of the Constitution, a Director may also be paid a separate fee for special exertions.

Since the financial years ended 30 June 2019 the Board of Donaco has been replaced in its entirety. The remuneration to be paid to the current Directors for the financial year ending 30 June 2020 is set out in the following table:

Director	Year	Annual remuneration (\$)
Norman Mel Ashton ¹	FY2020	120,000
Kurkye Wong ²	FY2020	200,000
Yan Ho Leo Chan ²	FY2020	200,000
Roderick Sutton ³	FY2020	120,000
Simon Vertullo ¹	FY2020	120,000

Note

1. Mr Ashton was appointed as Non-executive Director on 9 December 2019 and receives annual remuneration of \$120,000 which accrues day to day and is paid monthly. No other fees have been paid to Mr Ashton since his appointment.
2. Messrs Wong and Chan were appointed as Non-executive Directors on 12 August 2019 each with an annual remuneration of \$120,000 which accrued day to day and was paid monthly. On 11 February 2020, Messrs Wong and Chan were appointed as Executive Directors each with an annual salary of \$200,000 per annum which incorporates their existing Director fees. No other fees have been paid to Messrs Wong and Chan since their appointment.

3. Mr Sutton was appointed as a Non-executive Director on 29 November 2019 and receives an annual remuneration of \$120,000 which accrues day to day and is paid monthly. No other fees have been paid to Mr Sutton since his appointment.
4. Mr Vertullo was appointed as a Non-executive Director on 9 December 2019 and receives an annual remuneration of \$120,000 which accrues day to day and is paid monthly. No other fees have been paid to Mr Vertullo since his appointment.

8.7 Agreements with Directors and Related Parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

8.8 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) Underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

In relation to payments to the Underwriters:

- (a) The Underwriters will not be paid an underwriting/capital raising fee on the amount underwritten, other than the disbursements set out in section 8.4(a).
- (b) One of the Underwriters (Mr Huy) is a proposed director of the Company as set out in section 8.6. Mr Huy will be paid a fee in respect of his proposed position as a director of the Company.

- (c) The Underwriters comprise a part of the Somboon Parties. Entities comprising the Donaco Group have entered into Settlement Agreements with the Somboon Parties in respect of various disputes between the parties. Further details of the Settlement Agreements are set out in Section 8.4(d). In particular, as part of the Settlement Agreements, the parties have agreed that the Donaco Group will make certain payments to the Somboon Parties, and the Somboon Parties will pay an equivalent amount to Donaco (or its related entities) in respect of the matters agreed as part of the settlement. It is intended that the respective payment obligations of the Donaco Group and the Somboon Parties are to be set-off against each other such that no funds will actually be transferred between the parties. The Settlement Agreements are subject to consent of Mega Bank, as outlined in Section 8.4 of the Prospectus, and the parties have agreed to a standstill arrangement in respect of certain matters relating to the Settlement Agreements, including any proposed payments under the Settlement Agreements.

Other than the aforementioned, during the 24 months preceding the date of this Prospectus, the Underwriters have not been paid any other fees in the form of either cash or securities and has not provided any corporate advisory services provided to the Company.

The Underwriters (including their Associates) are Shareholders of the Company and together currently hold 148,199,529 Shares (a relevant interest of 17.99%). In accordance with the terms of the Underwriting Agreement the Underwriters will potentially, through participation in underwriting of (or otherwise connected with) the Offer, increase its holding in the Company to a relevant interest in excess of 19.99% of all the Shares on issue on completion of the Offer, and up to a maximum amount of 45.33%.

Lavan has also acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Lavan approximately \$100,000 (excluding GST and disbursements) for these services. Lavan has also provided other legal services to the Company during the 24 months preceding the date of this Prospectus.

Grange Consulting Group Pty Ltd has provided corporate advisory and transaction management services in relation to the Offer. The Company estimates it will pay Grange Consulting Group Pty Ltd approximately \$57,500 (excluding GST and disbursement) for these services. During the 24 months preceding the date of this Prospectus, Grange Consulting Group Pty Ltd has been paid \$15,000 (excluding GST) for other corporate advisory services provided to the Company.

Grange Capital Partners Pty Ltd has been appointed as nominee to the Offer for the purposes of section 615 of the Corporations Act. Grange Capital Partners Pty Ltd will be paid \$1,000 (excluding GST) for these services. During the 24 months preceding the date of this Prospectus, Grange Capital Partners Pty Ltd has not provided any other services to the Company.

8.9 Consents

Each of the parties referred to in this Section:

- (a) has not caused or authorised the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than those (if any) referred to in this Section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and

- (d) in light of the above, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section (if any).

Mr Lee Bug Huy and Mr Lee Bug Tong have given their written consent to being named as Underwriters to the Offer in this Prospectus, in the form and context in which they are named. Mr Lee Bug Huy and Mr Lee Bug Tong have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

Mr Paul Porntat Amatavivadhana and Mr Lee Bug Huy have given their written consent to being named as the proposed Directors, in the form and context in which they are named. Mr Paul Porntat Amatavivadhana and Mr Lee Bug Huy have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

Crowe Sydney ABN 97 895 683 573 has given its written consent to being named as the auditor of the Company in this Prospectus and the inclusion of the 31 December 2019 reviewed balance sheet of the Company as extracted from the Company's 31 December 2019 Half-year financial report in Section 5.3 of this Prospectus. Crowe Sydney ABN 97 895 683 573 has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Lavan has given its written consent to being named in this Prospectus as the solicitors to the Company in respect of the Offer. Lavan has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Automic Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Automic Pty Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Automic Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Grange Consulting Group Pty Ltd has given its written consent to be named as corporate advisor to the Company. Grange Consulting Group Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Grange Capital Partners Pty Ltd has given its written consent to be named as nominee for the purposes of section 615 of the Corporations Act in the form and context in which it is named. Grange Capital Partners Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

8.10 Expenses of the offer

In the event that the Offer is accepted, the total expenses of the Offer are estimated to be approximately A\$**346,877** (excluding GST) and are expected to be applied towards the items set out in the table below:

ASIC fees	\$3,206
ASX fees	\$26,171
Legal fees (of the Company and the Underwriters)	\$220,000
Advisory fees	\$82,500
Printing and distribution	\$5,000
Other	\$10,000
Total	\$346,877

8.11 Electronic prospectus

This Prospectus may be viewed in Australia at the Company's website at www.donacointernational.com.

This Prospectus and the Entitlement and Acceptance Form will be issued to Eligible Shareholders in paper form or electronically where Eligible Shareholders have requested to receive notices by email. The Offer pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in the Permitted Jurisdictions (if already a Shareholder in the Company).

If you have received this Prospectus as an electronic Prospectus, please ensure that you download and read the entire Prospectus accompanied by the Application Form.

If you are unsure about the completeness of this Prospectus received electronically, or a print out of it, please phone the Company on + 61 2 9106 2149 and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

The Corporations Act prohibits any person from passing the Entitlement and Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

8.12 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing Share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the Company's sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.14 Privacy Act

If you complete an Application for New Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your Application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, ASX, ASIC, authorised securities brokers, related bodies corporate of the Company, third party service providers (including print service providers and mailing houses) and the Company's Share Registry.

If an Applicant becomes a holder of Shares, the Corporations Act requires the Company to include information about the holder (name, address and details of the securities held) in its public registers. This information must remain in the registers even if that person ceases to be a holder. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its investors) and compliance by the Company with legal and regulatory requirements. Successful Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary or the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company Secretary or the Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application for Shares, the Company may not be able to accept or process your Application.

8.15 Governing Law

This Prospectus, the Offer and any transactions created or entered into under the provisions of or as contemplated under this Prospectus or the Offer are subject to the laws of New South Wales, Australia. Any person who partakes in an Offer or any transactions created or entered into under the provisions of or as contemplated under this Prospectus submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

8.16 Cooling Off

There are no cooling-off rights applicable to a subscription for New Shares under the Offer. Applications for New Shares may not be withdrawn once they have been accepted.

8.17 Disclaimer of representations

No person is authorised to give any information, or make any representation, in connection with the Offer which is not contained in this Prospectus. Any information which is not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants the future performance of the Company or the return on any investment made under this Prospectus.

8.18 Modification and withdrawal

The Company reserves the right to modify or withdraw the Offer or any one of them at any time after the publishing of this Prospectus. If the Company withdraws the Offer, any Application Monies received will be refunded (without interest) if the New Shares have not already been issued in accordance with the Corporations Act.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.



Norman Mel Ashton
Director
For and on behalf of
DONACO INTERNATIONAL LTD

10. **GLOSSARY**

A\$ means the lawful currency of the Commonwealth of Australia.

AEST means Australian Eastern Standard Time.

Applicant means a Shareholder who applies for New Shares pursuant to the Offer.

Application means an application to subscribe for New Shares under this Prospectus under the Entitlement Offer.

Application Form means an Entitlement and Acceptance Form.

Application Monies means money submitted by Applicants in respect of Applications.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12(2) of the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors of the Company unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out in Section 1 of this Prospectus (unless extended).

Company or **DNA** means Donaco International Limited (ACN 007 424 777).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

COVID-19 means the coronavirus disease caused by severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2) or mutation of SARS-CoV-2.

Directors means the directors of the Company as at the date of this Prospectus.

Donaco means Donaco International Limited (ACN 007 424 777).

Donaco Group means Donaco and its Subsidiaries.

Donaco Hong Kong means Donaco Hong Kong Limited.

DNA Star Vegas means DNA Star Vegas Co., Ltd.

Eligible Shareholders means a Shareholder of the Company whose registered address is in the Permitted Jurisdictions as at the Record Date, and who is not in the United States and not acting for the account or benefit of a person in the United States.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Entitlement Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Entitlement Offer means the non-renounceable entitlement issue of the New Shares on the terms and conditions set out in Section 4 of this Prospectus.

Huy, Tong and Associates means Mr Lee Bug Huy and Mr Lee Bug Tong and their Associates (including without limitation Highest Point Investments Limited).

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in a Permitted Jurisdiction.

Mega Bank means Mega International Commercial Bank Co., Ltd.

Mega Bank Facility means the facility agreement entered into by the Company in respect of a US\$57,000,000 'Secured Loan Agreement' with Donaco Hong Kong Limited (**as borrower**), DNA Star Vegas Co., Ltd, and others on 14 August 2017 as varied or restated from time to time, including as amended on 21 June 2019 and on 28 June 2019.

New Share means a fully paid ordinary share in the capital of the Company issued pursuant to the Offer under this Prospectus.

Offer means the Entitlement Offer.

Official Quotation means official quotation on ASX.

Permitted Jurisdictions means Australia, Denmark, Hong Kong, Malaysia, New Zealand, Philippines, Singapore, Switzerland, Thailand, and the United Kingdom.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out in Section 1 of this Prospectus (unless extended).

Regulation S means Regulation S under the US Securities Act.

Related Party has the mean given to that term in section 228 of the Corporations Act.

Settlement Agreements has the meaning given to that term in Section 8.4(e).

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreement means the agreement dated 23 January 2015 (as further varied by a supplemental deed dated 22 May 2015 and the amending and restating deed dated 18 June 2015) under which the Company (as purchaser) and Somboon Sukcharoenkraisri and Lee Bug Tong (as vendors) agreed to sell and the purchaser agreed to purchase the entire issued share capital in DNA Star Vegas Co., Ltd.

Share Registry means Computer Share Investor Services Pty Limited, ACN 078 279 277.

Shareholder means a holder of a Share.

Somboon Parties means Somboon Sukcharoenkraisri (**SS**), Lee Bug Tong (**LBT**), Lee Bug Huy (**LBH**) Paramax Co., Ltd and Lee Hoe Property Group., Ltd and related persons.

Subsidiary has the meaning given to that term in the Corporations Act.

Underwriters mean Mr Lee Bug Huy (aka Techatut Sukcharoenkraisri) and Mr Lee Bug Tong (aka Bhuvassith Chairunroj).

Underwritten Amount means the amount of up to \$14.41m under the Offer which is to be underwritten by the Underwriters, subject to the terms of the Underwriting Agreement.

Underwriting Agreement means the underwriting agreement entered between the Company and the Underwriter as summarised in Section 8.4(a) of this Prospectus.

US\$ means the lawful currency of the United States of America.

US Securities Act means the US Securities Act of 1933.