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ASX : DNA

asx release

30 October 2020

September 2020 Quarter Trading Update

Highlights

- Quarterly revenue of A$0.3 million compared to A$24.3million in prior corresponding year as a result of the impact from COVID-19
- DNA Star Vegas reopened on a limited scale and ready to resume full operations as the COVID-19 situation ameliorates
- Board renewal and CEO appointed; pivoting Donaco to deliver long-term growth as conditions improve
- Bolstered Board and Management team maintaining prudent cost control strategy to navigate the temporary operational effects related to COVID-19 travel restrictions
- Cash burn of approx. USD$700,000 per month, in line with targeted range
- Successfully completed $14.41 million capital raising to provide immediate capital relief and stabilisation of the business
- Robust cash at bank and on deposit position of A$15.6 million, as at 30 September 2020

Donaco International Limited ("**Donaco**" or "**the Company**") provides the following trading update for the three-month period ending 30 September 2020.

The September quarter continued to be significantly impacted by COVID-19 and the resultant restrictions on casino operations and border closures. The closure of both DNA Star Vegas and Aristo International Hotel for an extended period of time has had a material impact on Donaco's operations.

DNA Star Vegas was reopened on a limited basis during the quarter for patrons located in Cambodia. The Cambodian border with Thailand, the country from which the vast majority of Star Vegas' patrons originate from, remains closed as part of COVID-19 restrictions.

The limited reopening will allow the Company to test its operational systems whilst ensuring the health and wellbeing of staff and visitors. Management will maintain the discretion to tailor up or down the pace of operations to local conditions.

Aristo had previously reopened in the June quarter and is also operating on a limited basis. The two casinos are set to fully reopen as and when conditions ameliorate, which is likely to occur once cross-border travel flow recommences.

During the period, Donaco also successfully completed its Board and CEO search process, with the appointments of a CEO, a Non-Executive Chairman, and two Independent Non-Executive Directors.

The renewed Board and Management team remains focused on controlling costs and capital expenses to ensure the Company's sustainability into the future.

In the June 2020 quarter trading update (see ASX announcement dated 31 July 2020) Donaco set a monthly target cash burn rate from maintaining the casino assets and associated corporate costs of approx. USD$800,000 to USD$900,000. The target remained in line in the September 2020 quarter, with a cash burn of approx. USD$700,000 per month.

Non-Executive Chairman Porntat Amatavivadhana said: "COVID-19 continued to impact Donaco's operational performance during the September quarter, but the Company has responded with pragmatic initiatives to maintain a healthy financial position once our casino operations fully reopen."

"The limited reopening of Star Vegas is a positive development for the business, and the renewed Board and Management team continues to emphasise preserving shareholder value by controlling the Company's corporate and operational costs.

"We successfully completed a capital raising in the quarter, which has strengthened our balance sheet and gives us headroom to weather the COVID-19 impacts and look towards long-term growth."

As at 30 September 2020 Appendix 4C, cash holdings was A$15.6 million.

An amount of A$203,000 was paid to related parties during the quarter, which related to salaries and fees to executive and non-executive directors.

The following update compares in USD the three months to the end of September 2020 to the three months to the end of September 2019, and is based on unaudited management accounts.

Financial Performance

DNA Star Vegas

The Star Vegas property was reopened on 25 September 2020, but on a limited basis as the Cambodia-Thailand border remains closed due to travel restrictions imposed for Covid-19 prevention measure.

Following the reopening, the rolling Chip VIP turnover of USD0.9m and the net revenue of USD0.1m was recorded for the 6 days operation.

Management has implemented tight control measures, with an average monthly cash burn rate of approximately USD$210,000 for the September quarter 2020, mainly for payroll and utilities expenses.

DNA Star Vegas	September Quarter 2020	September Quarter 2019
Rolling Chip VIP Turnover	USD 0.9m	USD 393.8m
Net Revenue *	USD 0.09m	USD 11.65m
Operating expenses	USD 0.72m	USD 7.48m
Property level EBITDA	(USD 0.62m)	USD 4.17m
Average daily visitation	52	4,182
VIP win rate	6.26%	3.58%

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* Net revenue includes the gaming revenue since the reopening on 25 September 2020.

Aristo International Hotel

The Aristo casino operations in Vietnam also continue to experience impacts from COVID-19.

Aristo officially reopened on 8 May 2020 but has operated on a limited basis for patrons located in Vietnam, as the border with China, the country from where the vast majority of Aristo's patrons originate from, remains closed as part of COVID-19 restrictions.

Subsequently, the business recorded a lower rolling chips VIP turnover of USD$18.8m over the September 2020 quarter, compared to USD$247.2m in the September 2019 quarter.

Net revenue fell 97% to USD$0.14m during the September 2020 quarter. However, the Company has proactively implemented several cost-control initiatives to reduce operating and corporate expenses to USD$0.53m for the period, versus USD$1.99m in the September 2019 quarter.

As a result of the COVID-19 impacts, EBITDA was down to negative EBITDA of USD$0.39m.

Aristo International Hotel	**September Quarter 2020**	**September Quarter 2019**
Rolling Chip VIP Turnover	USD 18.8m	USD 247.2m
Net Revenue	USD 0.14m	USD 4.99m
Operating expenses	USD 0.53m	USD 1.99m
Property level EBITDA	(USD 0.39m)	USD 3.00m
Average daily visitation	12 players	486 players
VIP win rate	1.88%	2.52%

Group Summary

DNA Group	**September Quarter 2020**	**September Quarter 2019**
Rolling Chip VIP Turnover	AUD 27.5m	AUD 934.4m
Net Revenue	AUD 0.33m	AUD 24.25m
Operating expenses	AUD 1.75m	AUD 13.79m
Property level EBITDA	(AUD 1.42m)	AUD 10.46m
Corporate Costs	AUD 1.30m	AUD 1.55m
Group EBITDA	(AUD 2.72m)	AUD 8.91m

Board Changes

On 3 August 2020, Donaco announced the appointment of Mr Lee Bug Huy (aka Techatut Sukcharoenkraisri) and Mr Porntat Amatavivadhana as Non-Executive Directors.

On 2 September 2020, Mr Huy was appointed Chief Executive Officer and Mr Amatavivadhana Non-Executive Chairman.

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Additionally, Mr Andrew Phillips and Mr Issaraya Intrapaiboon were appointed to the Board as Independent Non-Executive Directors.

As part of this renewal process, and as outlined previously, Non-Executive Chairman Mel Ashton and Non-Executive Director Simon Vertullo resigned from the Board.

The appointments position Donaco to navigate through the current macro-economic conditions and drive shareholder value in the long-term.

Placement to strengthen balance sheet

On 27 July 2020, Donaco announced the successful completion of a A$14.41m underwritten rights issue to provide immediate capital relief.

The raise was on the basis of 1 new share for every 2 existing shares at an issue price of $0.035 per new share, and the financing provides Donaco with the ability to support its immediate term payment obligations and working capital requirements.

[ENDS]

Authorised for release by the Board.

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Appendix 4C

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

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Name of entity	
Donaco International Limited	
ABN	**Quarter ended ("current quarter")**
28 007 424 777	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	455	455
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(1,746)	(1,746)
	(c) advertising and marketing	(18)	(18)
	(d) leased assets		
	(e) staff costs	(978)	(978)
	(f) administration and corporate costs	(852)	(852)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(483)	(483)
1.6	Income taxes paid	(12)	(12)
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(3,634)**	**(3,634)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**		

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	14,413	14,413
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(7,067)	(7,067)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**7,345**	**7,345**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	12,630	12,630
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,634)	(3,634)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,345	7,345
4.5	Effect of movement in exchange rates on cash held	(696)	(696)
4.6	**Cash and cash equivalents at end of period**	**15,645**	**15,645**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	15,645	12,630
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**15,645**	**12,630**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	203
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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

The amounts in item 6.1 are payments of salaries and fees to executive and non-executive directors.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	20,422	20,422
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	20,422	20,422

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

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

Lender 1
Name: Mega International Commercial Bank Co Ltd
Interest rate: 6.3794%
Maturity date: 28 June 2021

Lender 2
Name: Joint Stock Commercial Ocean Bank
Interest rate: 4.30% (USD currency), 8.55% (VND currency)
Maturity date: 2 October 2021

Lender 3
Name: Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)
Interest rate: 8%
Draw down date: 20 February 2020
Maturity term: 9 months

All loans are secured.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(3,634)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	15,645
8.3	Unused finance facilities available at quarter end (Item 7.5)	
8.4	Total available funding (Item 8.2 + Item 8.3)	15,645
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	4.31

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

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

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Answer:
N/A

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

Answer:
N/A

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

Answer:
N/A

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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