

ASX : DNA

asx release



7 April 2020

## Business update in response to COVID-19

Further to the 31 March and 1 April 2020 ASX releases noting the temporary closure of the Star Vegas Casino in Cambodia and the Aristo International Hotel in Vietnam, Donaco International Limited ("**Donaco**" or "**the Company**") wishes to provide the following business update during the COVID-19 pandemic.

The temporary action follows the Cambodian Government's announcement mandating the closure of all casinos from 1 April 2020, alongside the Vietnam Government's measures to temporarily close all casinos for a period of 15 days from 1 April 2020.

As the temporary shutdown of the casinos will have a material impact on Donaco's operations, the Company is undertaking a range of measures to cut costs to ensure the Company's sustainability into the future. As a result, Donaco has had to take difficult, but unavoidable, measures in relation to its staff, including reductions in headcount, placing employees on leave, standing down casual staff and deferring non-essential expenditure.

During the last few months the Company took proactive measures to ensure the safety of its people and is pleased to advise of no reported incidences of COVID-19 amongst staff.

Going forward, the Company will focus on ensuring the reduction in operating and capital expenditure and, as at 31 March 2020, the Company had a cash balance of US\$11.6 million. While both operating casinos remain closed, the Company expects a cash burn run rate from maintaining the casino assets and associated corporate costs of approx. US\$800,000 to US\$900,000K per month. Donaco is monitoring the situation closely and will update the market in the instance of material changes to working capital spend.

The Company also remains in ongoing discussions with principal lender Mega Bank in respect to the settlement of litigation over the Star Vegas business and on the 30 June 2020 covenants.

As previously disclosed, Donaco continues to consider liquidity measures and sources of a capital injection to guarantee the business remains in a sustainable and dynamic position during this period of global uncertainty. The duration of the COVID-19 crisis and the period of closure of the casinos will obviously affect the requirement for a capital injection but in any case the board is

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confident of both the ability to maintain the business during an extended period of closures and source capital as required to strengthen the balance sheet.

Commenting on the operational update, Chairman Mel Ashton said: "The situation we are facing with the COVID-19 pandemic is unprecedented and we've unfortunately had to take some drastic measures with our staff, including redundancies and pay cuts. This is to ultimately ensure the business remains afloat and to be in a healthy financial position once we eventually rebuild the team and restart operations.

We will continue to monitor developments and will provide further updates in due course once measures underway are further progressed."

[ENDS]

Authorised for release by the Board.

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