



Annual General Meeting – 29 May 2018 Chairman's Address

29 May 2018

Welcome to the 2018 Aquis Entertainment Annual General Meeting.

2017 was another significant year for us, as we experienced our first full year of operation post the refurbishment project at Casino Canberra and the influence of our new management team took hold.

CASINO CANBERRA

Refining our operation

In June 2016, we saw the completion of our \$13.6M Casino Canberra refurbishment project.

This was a significant milestone, ensuring the group's key asset was an upscale facility, with brand new VIP gaming rooms and equipment throughout the venue, as well as an enhanced product offering through the addition of LT Games – the ACT's first and only stadium gaming experience.

Throughout 2017, our management team worked on the details. We listened to our customers and refined our offering, including updating to a more modern 'pop Chinese' concept in our signature restaurant, and investing heavily in growing our database. These key changes resulted in increased volumes, better margins, and a phenomenal 39% database growth year on year.

Our front-line management team focused on continual improvement in customer service standards, so that each and every visitor to our property has an excellent experience.

In the second half, expense control was at the core of our decision making. Diligent consideration and review of every expense produced increased margins and contributed to our overall result for the year, as well as set up ongoing efficiencies for years to come.

Early in the year, a crackdown on marketing of gaming activities in China was felt industry wide; whilst we do not and have never had any staff engaged to market our property in China, the repercussions of this were felt in our own VIP market through greater competition from interstate properties encroaching on our traditional customer base. We expect to see a recovery in this sector through to the end of this year

Despite the ongoing challenges of turning around a business that has suffered from years of under-investment, we are very pleased to have again delivered significant growth in revenue during the 2017 reporting year.

This strong top line growth and control of expenditure is indeed a validation of the new energy and initiatives we have injected into the business, delivering a 21% increase in EBITDA year on year. The kind of significant turnaround we embarked upon takes time, and we are still undaunted by that and continue to strive for excellence in every area of our business.

A book adjustment to de-recognise deferred tax assets meant that the Group's bottom line financial result for 2017 has overshadowed the qualitative transformation underway within the Casino

Canberra business; so let me give you some detail on the improvements we have effected during 2017:

- increased overall revenue by 8% including an increase in food and beverage revenues of 26%;
- dramatically increased productivity by replacing manual tasks with new technologies and improving workplace procedures to optimise efficiency, illustrated by 6.8% increase in total payroll expenditure, despite a 50% increase in the scale of our gaming operation from 2016 to 2017; and
- a reduction in overall operating expenses despite a full year of running the new casino, compared with 2016 running as a scaled down temporary operation during the first half.

The continued progress we have made in 2017 is truly amazing, when we consider the state of the property and business when we first took ownership, we are so proud of how far we have come and excited by the future opportunities for further improvements.

Redevelopment Proposal

Turning now to the redevelopment proposal, which forms part of our longer-term strategy for growth in Canberra. I believe our proposal for the development of an integrated entertainment precinct in Canberra's CBD offers the ACT a once in a lifetime tourism infrastructure opportunity.

With direct international air access, Canberra now has the opportunity to vie for its share of international tourism in a way it could not before. A world-class integrated entertainment facility located in the heart of the CBD will not only facilitate much needed urban renewal in the city centre, but also help attract thousands of tourists and create significant economic benefit for the ACT.

Aquis submitted its Detailed Business Case some time ago now, and the progress of the proposal has been slow, certainly a lot slower than we would have liked and had expected. Conditional approval (given November 2017) provides for us to operate 200 poker machines as part of the redevelopment, but at this point in time, we remain locked in Stage 2 of the ACT Government's Investment Proposal process, with whom discussions are continuing.

We remain committed to the redevelopment and we can't wait to get started and deliver to Canberra the kind of world class entertainment precinct an emerging international city deserves.

Business Outlook

We commenced 2018 in strong form, with a revised targeted VIP growth strategy which is currently in progress to drive revenue, and marketing initiatives which will be rolled out over the coming months which are designed to reinvigorate our mass gaming market and drive visitation.

Management continues to focus on excellent customer service and operating efficiencies as we seek to capitalise on the hard work we have put in building our foundations over the past 12 months.

QE SPORTS

An exciting new frontier

We were very pleased to announce today's approval by the board to launch our new business venture in the eSports arena - QeSports. Having believed for some time that eSports is a burgeoning boom area in the entertainment industry, we are thrilled to be partnering with Events Sports and Entertainment (ESE) to create the QeSports brand and get in on the ground floor in this exciting growth market.

The global esports market is growing at 26% year on year, with the industry expected to be worth \$1.5 billion by 2020. Global audiences were estimated at 287 million in 2017 with 20% audience growth predicted between 2017 and 2019. Domestically the active Australian esports audience has more than doubled in the past five years, to 3.2 million, with an estimated 11 million 'gamers' outside of the professional leagues.

Leveraging ESE's experience in traditional sport and their network of international esports contacts, along with Aquis Entertainment's experience in entertainment venue development and management, QeSports will focus on innovation in community and event development, consultancy, talent management and the development of purpose built esports stadia infrastructure across Australia and New Zealand.

We look forward to updating you on the progress of this exciting new business.

CONCLUSION

My fellow shareholders,

I'd like to conclude my address by thanking each and every employee – particularly Jessica and her management team - and congratulate them on another successful year of progress towards realising our vision.

We are confident that through the initiatives implemented to date, we have enhanced the solid foundation upon which we can create sustainable and long-term success.

With your continued support, the Board has confidence that together we will ensure there is a bright future for Aquis Entertainment.

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