



Crown Resorts Limited

Chief Executive Officer's Report June 2020

Trading Update

As previously reported to the Board, the Company had an EBITDA loss of \$23 million for the month of May 2020 and is expecting an EBITDA loss of approximately \$27 million for the month of June 2020 with the increased costs largely due to a number of stood down employees coming back to work to prepare for re-opening.

It is anticipated that the Company will start generating gaming revenue before September 2020 if casino operations commence in or around July 2020.

A detailed Trading Update has been included in the papers at Agenda item 5.3 for a trading update.

Covid-19 Update

As previously discussed with the Board, Crown has commenced a comprehensive planning exercise to enable the re-opening of Crown's properties at the appropriate time.

Crown has developed a COVID-19 Safety Plan (**Plan**) which sets out Crown's proposed measures for employees and patrons in relation to physical distancing, hygiene and entry screening, as well as awareness efforts to support these measures.

In Victoria, we have had a number of discussions with the Chief Health Officer and the Department of Health and Human Services (**DHHS**) and have provided them with a number of papers setting out our proposed protocols for reopening. Engagement with DHHS has been very constructive with some suggested enhancements to our protocols. Crown's direct engagement with DHHS will continue while, in parallel, an industry group including the Secretary of the Department of Justice will develop industry wide guidelines for the gaming machine industry in consultation with DHHS.

In Western Australia, we have had discussions with the Chief Health Officer and the Head of Police. These conversations have also been constructive. We understand our discussions will be taken into consideration as part of a Cabinet decision regarding the reopening of the casino.

As these matters are continuing to evolve, a further update will be provided at the board meeting next week.

A detailed update on COVID-19 related matters has also been included in the papers at Agenda Item 5.2.

Treatment of Closure Costs

As previously reported to the Board, ASIC released updated reporting guidance on 25 May 2020 which created some uncertainty around Crown's proposed treatment of closure costs as Significant Items.

Following the release of ASIC's updated guidance, Crown's auditor EY advised that it did not support Crown's proposed treatment of closure costs. Consequently, we have engaged a technical team from Deloitte to review Crown's position and provide some independent advice and guidance regarding proposed next steps. After further consultation, Deloitte has advised that, in its view, Crown has a reasonable case to support our proposed treatment and we should seek an audience with ASIC to discuss Crown's unique circumstances (Government direction to close) and the reasons for our proposed treatment of closure costs.

Crown is in the final stages of preparing a brief for the discussion with ASIC and will schedule a meeting in the near future.

Litigation and Regulatory Update – privileged and confidential

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ASIC Corporate Governance Taskforce Review

In 2018 ASIC established a Corporate Governance Taskforce (**Taskforce**) for the purpose of undertaking targeted reviews of corporate governance practices in large entities. Crown participated in the second on ASIC's focus areas being: executive remuneration structures and whether they are driving the right behaviours and accountabilities of executives.

On 5 June 2020, ASIC wrote to Crown for the purposes of providing company-specific feedback and sharing insights on the practices observed across the 21 ASX-listed companies in ASIC's review.

A detailed update on the ASIC Corporate Governance Taskforce Review has been included in the papers at Agenda Item 13.2.

Audit Tender Process

In December 2019, on the recommendation of the Audit and Corporate Governance Committee, the Board approved a proposal to undertake a tender process to consider alternative statutory auditors for Crown.

In February 2020, Crown commenced an audit tender process after the release of the December 2019 results.

After conducting initial meetings between the CEO and CFO and the firms involved in the tender process, Crown issued RFP's to KPMG, Deloitte and PwC on 11 May 2020.

In mid-May PwC advised Crown that it would not be participating in the tender process as it was unable to complete its internal tender procedures within Crown's required timeframes.

KPMG and Deloitte have both shown a keen interest in participating in the tender process and have had numerous meetings with a number of Crown executives, including tours of the Melbourne and Sydney properties. Both firms have requested information, which Crown has provided via a Data Room.

Presentations have been scheduled for 19 June, where KPMG and Deloitte will each present their proposals to Crown's selection panel. Following these presentations, Crown's selection panel will decide its preferred firm and make a recommendation to the Audit and Corporate Governance Committee for consideration before seeking approval from the Board. It is intended shareholder approval be sought at the 2020 AGM in relation to the appointment of a new auditor.

Crown is also considering the regulatory approvals required in relation to any proposed new auditor appointment.

Crown Risk Profile

A formal annual review of the Crown Resorts Limited Risk Profile has been undertaken and was considered and approved by the Risk Management Committee at its 10 June 2020 meeting.

Following that review, the risk ratings for the following four risks have been modified for the next 12 months:

1. *Legislative / Regulatory Changes* – Likelihood increased to a rating of 5, increasing the overall risk profile to **Critical**. This was on the expectation that there will be legislative or regulatory changes resulting from the ILGA Inquiry.
2. *Volatility of Gaming Revenue* – Likelihood increased to a rating of 5, with the overall risk rating remaining as **Critical**. This was on the basis that as a result of COVID-19, there are lower expected gaming volumes resulting in greater volatility in the win rate.
3. *VIP Bad Debts* – Likelihood increased to a rating of 4, with the overall risk rating remaining as **High**. This was on the basis that, in the current environment, it is expected that debt recovery will be harder.
4. *External Disruptors Out of Our Control* – Likelihood increased to a rating of 5 and Consequence increased to a rating of 5, increasing the overall risk rating to **Critical**. This was adjusted having regard to the COVID-19 pandemic and the impacts on Crown and the economy.

Attached for the Board's reference is a copy of the Crown Risk Map.

Digital Payment and Virtual Account Technology

In a number of jurisdictions, the question of enabling cashless transactions for gaming activity is being actively reviewed. This is, in part, due to the encouragement of health authorities to avoid the use of cash as a potential fomite. In Australia, a NSW Government-led working group is considering this for implementation in the casino, pubs and clubs. As the Board is aware, there is approval in WA for the limited use of cashless transactions in the casino. Crown is also considering, more broadly, the use of digital payment and virtual account technology as part of its future business model, subject to any required regulatory approval. By way of Proof of Concept (POC) Crown is seeking to develop a working prototype of suitable technology that can be used to socialise with relevant regulators and stakeholders.

WA Cashless – Use of EFTPOS

As previously reported to the Board in 2019, the Gaming and Wagering Commission of WA (**Commission**) granted approval to Crown Perth for customers to use EFTPOS (including contactless methods using debit payment only, not credit) from designated areas within the casino, including ticket redemption terminals and gaming tables.

A comprehensive process to evaluate technology solutions and prepare a detailed implementation approach, which addressed the project risks, was subsequently undertaken. In February 2020, a proposal was submitted to the Crown Resorts Risk Management and Responsible Gaming Committees seeking approval to proceed with the proposed trial of EFTPOS on gaming tables at Crown Perth, taking into consideration external advice obtained. The Committees reviewed the proposal but deferred their decisions to a later date. The detailed risk assessment remains available to the respective committee members on diligent should they wish to revisit it.

Since that time, the COVID-19 pandemic has resulted in a greater community appetite for the use of EFTPOS, and less appetite for using cash. Indeed, in certain industries the use of EFTPOS is almost mandatory. In this respect Management has met with the WA Regulator who is in support of the initiative being progressed with.

Accordingly, subject to the Board's view it is proposed that this initiative proceed.

Financing Arrangements

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works with Lendlease and its subcontractors now that they have proceeded with the work.

UK Sales Process

Aspinalls

As previously advised to the Board, Crown has been in discussions with Suncity Group Holdings Limited in relation to a potential sale of Crown Aspinalls.

Management has recently been advised that Suncity's preference is for Crown and Suncity to make an application to the UK Gambling Commission for "pre-approval" of the potential "change of control" prior to any Share Purchase Agreement being signed. Crown has indicated to Suncity that it would only be willing to proceed with a potential transaction if Suncity takes the risk of obtaining the "change of control" approval after completion of any transaction (consistent with the processes in the UK Gambling Act) or obtains its own UK licence approvals (without regard to Crown or Crown Aspinalls) prior to signing any Share Purchase Agreement. Crown has not yet heard back from Suncity in relation to these proposed approaches.

Separately, Crown has been approached by the Royal Group, a property development and investment company headquartered in Singapore which has expressed some interest in acquiring the physical properties which Crown Aspinalls occupies in Mayfair, London. A confidentiality agreement has been signed with Royal Group and some high-level information is in the process of being provided to them for their review.

Further updates will be provided to the Board in due course as conversations with Suncity and Royal Group progress.

Aspers

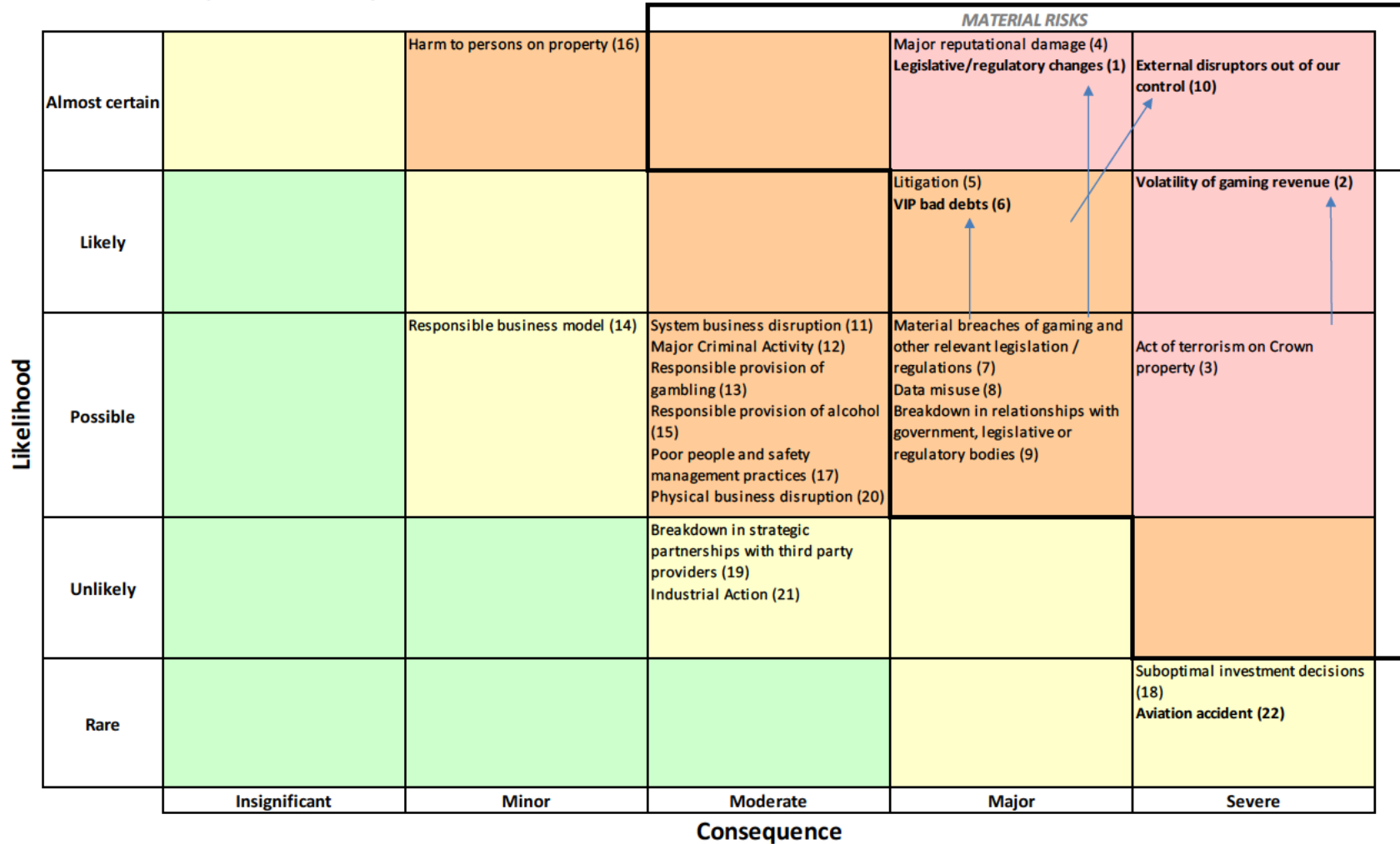
Aspers was previously in discussions with Trans World Hotels & Entertainment, A/S (TWH), a subsidiary of Far East Corporation, around the terms of a potential purchase of the Aspers regional casinos and TWH had been in discussions with various banks about financing the potential purchase. Prior to the COVID-19 situation, Aspers had heard from TWH that it was experiencing difficulty in gaining support from its parent for the transaction and TWH has not updated Aspers management as to their progress for some time. It seems unlikely that this transaction will proceed.

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Crown Resorts Corporate Risk Map – June 2020



Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU